

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 third quarter 2009 results

Winnipeg, November 5, 2009 ... Great-West Lifeco Inc. (Lifeco) has reported net income attributable to common shareholders of \$445 million for the three months ended September 30, 2009, compared to \$436 million in 2008. On a per common share basis, this represents \$0.471 per common share for the three months ended September 30, 2009, compared to \$0.487 per common share for 2008.

For the nine months ended September 30, 2009, net income attributable to common shareholders was \$1,184 million, compared to \$1,493 million a year ago. On a per common share basis, this represents \$1.254 per common share for the nine months ended September 30, 2009, compared to \$1.717 per common share for 2008.

Net income of \$1,493 million for the nine months ended September 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 \$2,303 million, or \$2.575 per common share for the nine months ended September 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 September 30, 2009, compared to 2008, has lowered the aggregate market value of assets invested in the Company's segregated and mutual funds. In the third quarter of 2009, the impact of lower equity markets on fee income and actuarial liabilities was modest, resulting in a decrease in net income attributable to common shareholders of \$0.01 per common share compared to the third quarter of 2008. Great-West Life did not need to establish any actuarial reserves with respect to segregated fund guarantees at September 30, 2009.

At September 30, 2009, provisions for future credit losses in actuarial liabilities totaled \$2,492 million, compared to \$2,514 million at June 30, 2009. In the quarter, the Company increased provisions by \$112 million almost entirely as a result of credit rating downgrade activity in the quarter. This reduced net income attributable to common shareholders by \$86 million after-tax, or \$0.09 per common share after adjusting for pass-through features and minority interests.

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At September 30, 2009, consolidated invested assets were \$103.7 billion. The gross book value of impaired investments at that date was \$400 million, against which the Company had recorded cumulative impairment provisions of \$243 million. The aggregate of the \$243 million impairment provisions against invested assets and the \$2,492 million provision for future credit losses in actuarial liabilities represented 2.9% of bond and mortgage assets at September 30, 2009.

Consolidated assets under administration at September 30, 2009 were \$454.9 billion, up \$12.9 billion from December 31, 2008.

Highlights

- Sales in Canada of individual life insurance products in the quarter were 15% higher than 2008 owing to a 29% increase in sales of participating whole life insurance.
- In Canada, the Company launched new segregated fund products in October, including a Guaranteed Minimum Withdrawal Benefit (GMWB) product.
- The Company completed the transfer of assets from the Fidelity Investments Canada group retirement services business which it acquired in September, 2009. The total assets transferred from Fidelity were \$1.4 billion.
- Sales in the U.S. Financial Services business increased 25% in the third quarter compared to 2008. Sales of public/non-profit plans were very strong in the quarter.
- In Putnam, net asset flows in the third quarter improved by US\$1.5 billion compared to 2008.
- The Company declared a quarterly common dividend of \$0.3075 per common share payable December 31, 2009, unchanged from the previous quarter. Dividends paid on common shares for the nine months ended September 30, 2009 were 3.4% 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 200% at September 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, or the \$170 million of perpetual preferred share capital issued in October 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 third quarter of 2009 was \$212 million compared to \$251 million in 2008. Included in the third quarter results in 2009 was the mark to market adjustment on the Company's preferred shares Series D and Series E, which reduced net income attributable to common shareholders by \$15 million. For the nine months ended September 30, 2009, net income attributable to common shareholders was \$637 million compared to \$775 million in 2008.

Investment impairment charges and provisions for future credit losses reduced net income attributable to common shareholders by \$5 million in the quarter.

Total sales for the nine months ended September 30, 2009 were \$6,610 million compared to \$6,148 million in 2008. Sales of protection products increased over the nine months ended September 30, 2008 with Individual Life sales up 10%, while sales of Group insurance products decreased 11% over 2008.

Total assets under administration at September 30, 2009 were \$113.4 billion, compared to \$103.9 billion at December 31, 2008.

UNITED STATES

Net income attributable to common shareholders for the third quarter of 2009 was \$68 million compared to \$43 million in 2008. For the nine months ended September 30, 2009, net income attributable to common shareholders was \$192 million compared to \$227 million in 2008.

Investment impairment charges and provisions for future credit losses reduced net income attributable to common shareholders by \$9 million in the quarter.

Net income of \$227 million for the nine months ended September 30, 2008 excludes the gain on sale of GWL&A's health care business of \$649 million and 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 nine months ended September 30, 2009 were \$22.9 billion compared to \$34.3 billion in 2008.

Total assets under administration at September 30, 2009 were \$274.1 billion compared to \$271.1 billion at December 31, 2008. Included in assets under administration at September 30, 2009 were \$121.5 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 third quarter of 2009 was \$167 million compared to \$140 million in 2008. For the nine months ended September 30, 2009, net income attributable to common shareholders was \$364 million compared to \$502 million in 2008.

Investment impairment charges and provisions for future credit losses reduced net income attributable to common shareholders by \$72 million in the quarter.

Total sales for the nine months ended September 30, 2009 were \$2,986 million compared to \$3,655 million in 2008.

Total assets under administration at September 30, 2009 were \$67.4 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 third quarter of 2009 and a charge of \$9 million for the nine months ended September 30, 2009, compared to net income of \$2 million for the third quarter of 2008 and a charge of \$11 million for the nine months ended September 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 December 31, 2009 to shareholders of record at the close of business December 3, 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;
- Series J First Preferred Shares of \$0.3750 per share; and
- Initial dividend on Series L First Preferred Shares of \$0.34829 per share

all payable December 31, 2009 to shareholders of record at the close of business December 3, 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 \$455 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 third quarter conference call will be held Thursday, November 5 at 3:30 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 November 5 to November 12, 2009, and can be accessed by calling 1-800-408-3053 or 416-695-5800 in Toronto (passcode: 4003484#).

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 nine months ended	
	September 30, 2009	June 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Premiums and deposits:					
Life insurance, guaranteed annuities and insured health products	\$ 4,336	\$ 4,664	\$ 3,912	\$ 13,709	\$ 25,225
Self-funded premium equivalents (ASO contracts)	610	639	583	1,867	1,795
Segregated funds deposits:					
Individual products	1,236	1,699	1,982	4,193	5,771
Group products	2,325	1,823	1,140	6,844	4,125
Proprietary mutual funds and institutional deposits ⁽¹⁾	5,045	5,140	7,794	15,465	24,209
Total premiums and deposits	13,552	13,965	15,411	42,078	61,125
Fee and other income	728	666	778	2,074	2,381
Paid or credited to policyholders	8,687	7,473	2,176	19,526	21,962
Net income-common shareholders					
Continuing operations - adjusted ⁽³⁾	445	413	436	1,184	1,493
Discontinued operations - adjusted ⁽²⁾	-	-	-	-	43
Net income - adjusted ⁽³⁾	445	413	436	1,184	1,536
Adjustments after tax ⁽³⁾	-	-	-	-	767
Net income	445	413	436	1,184	2,303
Per common share					
Basic earnings - adjusted ⁽³⁾	\$ 0.471	\$ 0.437	\$ 0.487	\$ 1.254	\$ 1.717
Adjustments after tax ⁽³⁾	-	-	-	-	0.858
Basic earnings	0.471	0.437	0.487	1.254	2.575
Dividends paid	0.3075	0.3075	0.3075	0.9225	0.8925
Book value	12.21	12.65	12.70		
Return on common shareholders' equity (12 months):					
Net income - adjusted ⁽³⁾	13.7%	14.2%	21.4%		
Net income	2.4%	2.3%	27.1%		
Total assets	\$ 129,813	\$ 131,644	\$ 127,339		
Segregated funds net assets	86,640	83,192	81,916		
Proprietary mutual funds and institutional net assets ⁽⁴⁾	124,272	121,729	147,165		
Total assets under management	340,725	336,565	356,420		
Other assets under administration ⁽⁵⁾	114,145	105,341	107,970		
Total assets under administration	\$ 454,870	\$ 441,906	\$ 464,390		
Share capital and surplus	\$ 12,861	\$ 13,270	\$ 12,474		

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)	-	(0.065)	Note 2
Q2: Gain on sale of GWL&A's health care business	649	-	0.726	Note 2
	<u>\$ 767</u>	<u>\$ -</u>	<u>\$ 0.858</u>	

4. Return on common shareholders' equity is restated excluding non-recurring items from prior periods.
5. Excludes Putnam Prime Money Market Fund.
6. 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 September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
Income				
Premium income	\$ 4,336	\$ 3,912	\$ 13,709	\$ 25,225
Net investment income (note 4)				
Regular net investment income	1,591	1,539	4,718	4,539
Changes in fair value on held for trading assets	3,734	(2,258)	4,039	(4,793)
Total net investment income	5,325	(719)	8,757	(254)
Fee and other income	728	778	2,074	2,381
	10,389	3,971	24,540	27,352
Benefits and expenses				
Policyholder benefits	3,918	3,732	12,653	11,855
Policyholder dividends and experience refunds	382	338	1,151	1,016
Change in actuarial liabilities	4,387	(1,894)	5,722	9,091
Total paid or credited to policyholders	8,687	2,176	19,526	21,962
Commissions	319	332	979	984
Operating expenses	636	661	1,927	1,932
Premium taxes	69	60	192	154
Financing charges (note 6)	93	76	274	259
Amortization of finite life intangible assets	21	20	68	63
Net income from continuing operations before income taxes	564	646	1,574	1,998
Income taxes - current	(43)	95	60	435
- future	141	89	238	28
Net income from continuing operations before non-controlling interests	466	462	1,276	1,535
Non-controlling interests	4	12	40	(118)
Net income from continuing operations	462	450	1,236	1,653
Net income from discontinued operations (note 2)	-	-	-	692
Net income	462	450	1,236	2,345
Perpetual preferred share dividends	17	14	52	42
Net income - common shareholders	\$ 445	\$ 436	\$ 1,184	\$ 2,303
Earnings per common share (note 13)				
Basic	\$ 0.471	\$ 0.487	\$ 1.254	\$ 2.575
Diluted	\$ 0.470	\$ 0.485	\$ 1.253	\$ 2.563

GREAT-WEST
LIFECO INC.

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

	September 30, 2009	December 31, 2008	September 30, 2008
Assets			
Bonds (note 4)	\$ 67,156	\$ 66,554	\$ 62,010
Mortgage loans (note 4)	16,974	17,444	17,159
Stocks (note 4)	6,355	5,394	6,054
Real estate (note 4)	3,133	3,188	3,230
Loans to policyholders	7,058	7,622	6,814
Cash and cash equivalents	3,046	2,850	3,333
Funds held by ceding insurers	11,258	11,447	12,527
Goodwill	5,409	5,425	6,355
Intangible assets	3,283	3,523	4,198
Other assets	6,141	6,627	5,659
Total assets	\$ 129,813	\$ 130,074	\$ 127,339
Liabilities			
Policy liabilities			
Actuarial liabilities	\$ 99,033	\$ 97,895	\$ 96,723
Provision for claims	1,253	1,466	1,368
Provision for policyholder dividends	651	630	638
Provision for experience rating refunds	322	310	272
Policyholder funds	2,321	2,326	2,244
	103,580	102,627	101,245
Debentures and other debt instruments (note 7)	3,817	3,821	3,852
Funds held under reinsurance contracts	122	192	164
Other liabilities	4,636	5,969	5,251
Repurchase agreements	699	334	445
Deferred net realized gains	140	161	160
	112,994	113,104	111,117
Preferred shares (note 9)	793	752	795
Capital trust securities and debentures (note 8)	782	658	642
Non-controlling interests			
Participating account surplus in subsidiaries	2,018	2,012	1,970
Preferred shares issued by subsidiaries	157	157	157
Perpetual preferred shares issued by subsidiaries	148	150	150
Non-controlling interests in capital stock and surplus	60	13	34
Share capital and surplus			
Share capital (note 9)			
Perpetual preferred shares	1,327	1,329	1,099
Common shares	5,747	5,736	4,733
Accumulated surplus	7,219	6,906	8,109
Accumulated other comprehensive loss (note 14)	(1,482)	(787)	(1,509)
Contributed surplus	50	44	42
	12,861	13,228	12,474
Total liabilities, share capital and surplus	\$ 129,813	\$ 130,074	\$ 127,339

GREAT-WEST
LIFECO INC.

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

	For the nine months ended September 30,	
	2009	2008
Accumulated surplus		
Balance, beginning of year	\$ 6,906	\$ 6,599
Net income	1,236	2,345
Repatriation of Canada Life seed capital from participating policyholder account	-	5
Dividends to shareholders		
Perpetual preferred shareholders	(52)	(42)
Common shareholders	(871)	(798)
Balance, end of period	\$ 7,219	\$ 8,109
Accumulated other comprehensive loss, net of income taxes (note 14)		
Balance, beginning of year	\$ (787)	\$ (1,533)
Other comprehensive income (loss)	(695)	24
Balance, end of period	\$ (1,482)	\$ (1,509)
Contributed surplus		
Balance, beginning of year	\$ 44	\$ 34
Stock option expense		
Current period expense (note 11)	6	8
Balance, end of period	\$ 50	\$ 42

GREAT-WEST
LIFECO INC.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
Net income	\$ 462	\$ 450	\$ 1,236	\$ 2,345
Other comprehensive income (loss), net of income taxes				
Unrealized foreign exchange gains (losses) on translation of foreign operations	(767)	(36)	(897)	326
Unrealized gains (losses) on available for sale assets	130	(38)	101	(195)
Realized (gains) losses on available for sale assets	(6)	(6)	(35)	(34)
Unrealized gains (losses) on cash flow hedges	70	(61)	128	(71)
Realized (gains) losses on cash flow hedges	1	(1)	(9)	(1)
Non-controlling interests	1	-	17	(1)
	(571)	(142)	(695)	24
Comprehensive income	\$ (109)	\$ 308	\$ 541	\$ 2,369

Income tax (expense) benefit included in other comprehensive income

	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
Unrealized foreign exchange gains (losses) on translation of foreign operations	\$ -	\$ -	\$ (1)	\$ -
Unrealized gains (losses) on available for sale assets	(42)	25	(48)	81
Realized (gains) losses on available for sale assets	-	3	6	12
Unrealized gains (losses) on cash flow hedges	(38)	33	(69)	39
Realized (gains) losses on cash flow hedges	-	1	5	1
Non-controlling interests	5	(3)	5	(3)
	\$ (75)	\$ 59	\$ (102)	\$ 130

GREAT-WEST
LIFECO INC.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
Operations				
Net income	\$ 462	\$ 450	\$ 1,236	\$ 2,345
Adjustments:				
Change in policy liabilities	4,277	(3,131)	5,505	(4,581)
Change in funds held by ceding insurers	127	1,605	337	2,106
Change in funds held under reinsurance contracts	(27)	(6)	(38)	(12)
Change in current income taxes payable	(149)	(333)	(356)	(44)
Future income tax expense	141	89	238	28
Gain on disposal of business, after tax (note 2)	-	-	-	(649)
Changes in fair value of financial instruments	(3,720)	2,259	(3,993)	4,802
Other	(377)	(208)	(373)	(1,563)
Cash flows from operations	<u>734</u>	<u>725</u>	<u>2,556</u>	<u>2,432</u>
Financing Activities				
Issue of common shares	6	15	11	24
Partial repayment of five year term facility in subsidiary	-	-	-	(198)
Issue of subordinated debentures in subsidiary	-	-	-	500
Repayments on credit facility	-	-	-	(1,886)
Increase in (repayment of) line of credit in subsidiary	(17)	73	165	143
Increase in (repayment of) debentures and other debt instruments	31	(33)	(1)	(30)
Dividends paid	(307)	(289)	(923)	(840)
	<u>(287)</u>	<u>(234)</u>	<u>(748)</u>	<u>(2,287)</u>
Investment Activities				
Bond sales and maturities	4,325	5,166	14,762	13,974
Mortgage loan repayments	504	524	1,297	1,441
Stock sales	517	729	1,794	1,727
Real estate sales	-	-	8	198
Change in loans to policyholders	(37)	(28)	(92)	(202)
Change in repurchase agreements	531	(90)	458	185
Acquisition of intangible assets	(37)	-	(37)	-
Disposal of business (note 2)	-	-	-	1,344
Investment in bonds	(5,199)	(4,617)	(16,279)	(13,587)
Investment in mortgage loans	(638)	(907)	(1,319)	(2,744)
Investment in stocks	(462)	(635)	(1,898)	(1,998)
Investment in real estate	(3)	(452)	(88)	(852)
	<u>(499)</u>	<u>(310)</u>	<u>(1,394)</u>	<u>(514)</u>
Effect of changes in exchange rates on cash and cash equivalents	(259)	(115)	(218)	26
Increase (decrease) in cash and cash equivalents	(311)	66	196	(343)
Cash and cash equivalents from continuing operations, beginning of period	<u>3,357</u>	<u>3,267</u>	<u>2,850</u>	<u>3,676</u>
Cash and cash equivalents from continuing operations, end of period	<u>\$ 3,046</u>	<u>\$ 3,333</u>	<u>\$ 3,046</u>	<u>\$ 3,333</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 September 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 \$138 with a corresponding increase to intangible assets at September 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 \$24, an increase to the amortization of finite life intangible assets of \$33, a decrease to commissions of \$9 and an increase in total paid or credited to policyholders of \$3 with a corresponding decrease in income tax expense for the nine months ended September 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 September 30, 2008	For the nine months ended September 30, 2008
Income		
Premium income	\$ -	\$ 184
Net investment income	-	11
Fee and other income	-	164
	-	359
Gain on sale	-	1,025
	-	1,384
Benefits and expenses		
Paid or credited to policyholders and beneficiaries including policyholder dividends and experience refunds	-	151
Other	-	145
Net income from discontinued operations before income taxes	-	1,088
Income taxes	-	396
Net income from discontinued operations	\$ -	\$ 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 September 30, 2009
Compensation costs	\$ 133	\$ (27)	\$ (76)	\$ (17)	\$ 1	\$ 14
Exiting and consolidating operations	22	(6)	(5)	-	-	11
Eliminating duplicate systems	29	(1)	-	-	-	28
	<u>\$ 184</u>	<u>\$ (34)</u>	<u>\$ (81)</u>	<u>\$ (17)</u>	<u>\$ 1</u>	<u>\$ 53</u>
Accrued on acquisition Expense as incurred	\$ 154 30	\$ (34) -	\$ (81) -	\$ (17) -	\$ 1 -	\$ 23 30
	<u>\$ 184</u>	<u>\$ (34)</u>	<u>\$ (81)</u>	<u>\$ (17)</u>	<u>\$ 1</u>	<u>\$ 53</u>

4. Portfolio Investments

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

	September 30, 2009							Total
	Carrying Value & Market Value			Amortized Cost			Carrying value	
	Available for sale	Held for trading ¹		Carrying Value Loans and receivables	Market Value Loans and receivables	Carrying Value Non-financial instruments		
	Designated	Classified						
Bonds								
- government	\$ 2,925	\$ 15,337	\$ 824	\$ 1,536	\$ 1,696	\$ -	\$ -	\$ 20,622
- corporate	2,197	35,644	981	7,712	7,791	-	-	46,534
	<u>5,122</u>	<u>50,981</u>	<u>1,805</u>	<u>9,248</u>	<u>9,487</u>	<u>-</u>	<u>-</u>	<u>67,156</u>
Mortgage loans								
- residential	-	-	-	6,389	6,596	-	-	6,389
- non-residential	-	-	-	10,585	10,575	-	-	10,585
	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,974</u>	<u>17,171</u>	<u>-</u>	<u>-</u>	<u>16,974</u>
Stocks	1,399	4,629	-	-	-	327	390	6,355
Real estate	-	-	-	-	-	3,133	2,912	3,133
	<u>\$ 6,521</u>	<u>\$ 55,610</u>	<u>\$ 1,805</u>	<u>\$ 26,222</u>	<u>\$ 26,658</u>	<u>\$ 3,460</u>	<u>\$ 3,302</u>	<u>\$ 93,618</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>

September 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	\$ 1,839	\$ 13,977	\$ 516	\$ 1,716	\$ 1,757	\$ -	\$ -	\$ 18,048
- corporate	2,127	33,464	1,089	7,282	7,096	-	-	43,962
	<u>3,966</u>	<u>47,441</u>	<u>1,605</u>	<u>8,998</u>	<u>8,853</u>	<u>-</u>	<u>-</u>	<u>62,010</u>
Mortgage loans								
- residential	-	-	-	6,992	7,021	-	-	6,992
- non-residential	-	-	-	10,167	9,983	-	-	10,167
	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,159</u>	<u>17,004</u>	<u>-</u>	<u>-</u>	<u>17,159</u>
Stocks	1,348	4,377	-	-	-	329	354	6,054
Real estate	-	-	-	-	-	3,230	3,334	3,230
	<u>\$ 5,314</u>	<u>\$ 51,818</u>	<u>\$ 1,605</u>	<u>\$ 26,157</u>	<u>\$ 25,857</u>	<u>\$ 3,559</u>	<u>\$ 3,688</u>	<u>\$ 88,453</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

	September 30, 2009		
	Gross amount	Impairment	Carrying amount
Impaired amounts by type			
Held for trading ⁽¹⁾	\$ 219	\$ (141)	\$ 78
Available for sale	18	(14)	4
Loans and receivables	153	(84)	69
Total	\$ 390	\$ (239)	\$ 151

	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

	September 30, 2008		
	Gross amount	Impairment	Carrying amount
Impaired amounts by type			
Held for trading ⁽¹⁾	\$ 156	\$ (130)	\$ 26
Available for sale	7	(7)	-
Loans and receivables	52	(50)	2
Total	\$ 215	\$ (187)	\$ 28

(1) Excludes amounts in funds held by ceding insurers of \$10 and impairment of \$(4) at September 30, 2009, \$15 and \$(11) at December 31, 2008 and \$15 and \$(12) at September 30, 2008.

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(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 nine months ended September 30, 2009			For the nine months ended September 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	21	37	1	(2)	(1)
Write-offs, net of recoveries	(1)	(2)	(3)	(6)	2	(4)
Other (including foreign exchange rate changes)	(5)	(5)	(10)	1	1	2
Balance, end of period	<u>\$ 41</u>	<u>\$ 43</u>	<u>\$ 84</u>	<u>\$ 30</u>	<u>\$ 20</u>	<u>\$ 50</u>

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

For the three months ended September 30, 2009	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
Regular net investment income:						
Investment income earned	\$ 1,039	\$ 231	\$ 38	\$ 45	\$ 255	\$ 1,608
Net realized gains (losses) (available for sale)	10	-	(4)	-	-	6
Net realized gains (losses) (other classifications)	3	3	-	-	-	6
Amortization of net realized/unrealized gains (non-financial instruments)	-	-	-	(5)	-	(5)
Net (provision) recovery for credit losses (loans and receivables)	-	(7)	-	-	-	(7)
Other income and expenses	-	-	-	-	(17)	(17)
	<u>1,052</u>	<u>227</u>	<u>34</u>	<u>40</u>	<u>238</u>	<u>1,591</u>
Changes in fair value on held for trading assets:						
Net realized/unrealized gains (losses) (classified held for trading)	28	-	-	-	-	28
Net realized/unrealized gains (losses) (designated held for trading)	3,329	-	381	-	(4)	3,706
	<u>3,357</u>	<u>-</u>	<u>381</u>	<u>-</u>	<u>(4)</u>	<u>3,734</u>
Net investment income	<u>\$ 4,409</u>	<u>\$ 227</u>	<u>\$ 415</u>	<u>\$ 40</u>	<u>\$ 234</u>	<u>\$ 5,325</u>

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For the three months ended September 30, 2008	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
Regular net investment income:						
Investment income earned	\$ 1,079	\$ 241	\$ 28	\$ 46	\$ 132	\$ 1,526
Net realized gains (losses) <i>(available for sale)</i>	5	-	(3)	-	-	2
Net realized gains (losses) <i>(other classifications)</i>	14	12	(6)	-	-	20
Amortization of net realized/unrealized gains <i>(non-financial instruments)</i>	-	-	-	8	-	8
Net (provision) recovery for credit losses <i>(loans and receivables)</i>	(1)	-	-	-	-	(1)
Other income and expenses	-	-	-	-	(16)	(16)
	<u>1,097</u>	<u>253</u>	<u>19</u>	<u>54</u>	<u>116</u>	<u>1,539</u>
Changes in fair value on held for trading assets:						
Net realized/unrealized gains (losses) <i>(classified held for trading)</i>	-	-	-	-	-	-
Net realized/unrealized gains (losses) <i>(designated held for trading)</i>	(1,464)	-	(660)	-	(134)	(2,258)
	<u>(1,464)</u>	<u>-</u>	<u>(660)</u>	<u>-</u>	<u>(134)</u>	<u>(2,258)</u>
Net investment income	<u>\$ (367)</u>	<u>\$ 253</u>	<u>\$ (641)</u>	<u>\$ 54</u>	<u>\$ (18)</u>	<u>\$ (719)</u>

For the nine months ended September 30, 2009	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
Regular net investment income:						
Investment income earned	\$ 3,146	\$ 694	\$ 126	\$ 138	\$ 579	\$ 4,683
Net realized gains (losses) <i>(available for sale)</i>	45	-	(4)	-	-	41
Net realized gains (losses) <i>(other classifications)</i>	4	9	83	-	-	96
Amortization of net realized/unrealized gains <i>(non-financial instruments)</i>	-	-	-	(15)	-	(15)
Net (provision) recovery for credit losses <i>(loans and receivables)</i>	(16)	(21)	-	-	-	(37)
Other income and expenses	-	-	-	-	(50)	(50)
	<u>3,179</u>	<u>682</u>	<u>205</u>	<u>123</u>	<u>529</u>	<u>4,718</u>
Changes in fair value on held for trading assets:						
Net realized/unrealized gains (losses) <i>(classified held for trading)</i>	28	-	-	-	-	28
Net realized/unrealized gains (losses) <i>(designated held for trading)</i>	3,284	-	833	-	(106)	4,011
	<u>3,312</u>	<u>-</u>	<u>833</u>	<u>-</u>	<u>(106)</u>	<u>4,039</u>
Net investment income	<u>\$ 6,491</u>	<u>\$ 682</u>	<u>\$ 1,038</u>	<u>\$ 123</u>	<u>\$ 423</u>	<u>\$ 8,757</u>

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For the nine months ended September 30, 2008	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
Regular net investment income:						
Investment income earned	\$ 3,066	\$ 705	\$ 146	\$ 123	\$ 419	\$ 4,459
Net realized gains (losses) <i>(available for sale)</i>	50	-	(4)	-	-	46
Net realized gains (losses) <i>(other classifications)</i>	29	23	-	-	-	52
Amortization of net realized/unrealized gains <i>(non-financial instruments)</i>	-	-	-	28	-	28
Net (provision) recovery for credit losses <i>(loans and receivables)</i>	(1)	2	-	-	-	1
Other income and expenses	-	-	-	-	(47)	(47)
	3,144	730	142	151	372	4,539
Changes in fair value on held for trading assets:						
Net realized/unrealized gains (losses) <i>(classified held for trading)</i>	1	-	-	-	-	1
Net realized/unrealized gains (losses) <i>(designated held for trading)</i>	(4,029)	-	(733)	-	(32)	(4,794)
	(4,028)	-	(733)	-	(32)	(4,793)
Net investment income	\$ (884)	\$ 730	\$ (591)	\$ 151	\$ 340	\$ (254)

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.

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- 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.

	September 30, 2009	December 31, 2008	September 30, 2008
Cash and cash equivalents	\$ 3,046	\$ 2,850	\$ 3,333
Bonds			
Held for trading	52,786	51,201	49,046
Available for sale	5,122	5,645	3,966
Amortized cost	9,248	9,708	8,998
Mortgage loans	16,974	17,444	17,159
Loans to policyholders	7,058	7,622	6,814
Other financial assets	14,702	15,004	15,863
Derivative assets	671	677	605
Total balance sheet maximum credit exposure	\$ 109,607	\$ 110,151	\$ 105,784

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:

	September 30, 2009	December 31, 2008	September 30, 2008
Bonds issued or guaranteed by:			
Canadian federal government	\$ 2,464	\$ 1,867	\$ 1,358
Canadian provincial and municipal governments	6,231	6,029	5,591
U.S. Treasury and other U.S. agencies	3,798	4,968	4,154
Other foreign governments	6,245	6,854	6,035
Government related	2,115	1,563	2,061
Sovereign	1,554	1,739	1,923
Asset-backed securities	7,032	7,243	7,288
Residential mortgage backed securities	1,015	1,156	1,002
Banks	5,087	5,070	5,400
Other financial institutions	3,891	3,602	3,857
Basic materials	928	870	816
Communications	1,400	1,220	1,178
Consumer products	4,433	4,104	3,854
Industrial products/services	1,421	1,985	1,463
Natural resources	2,325	1,813	1,758
Real estate	1,822	1,645	1,646
Transportations	2,587	2,497	2,444
Utilities	7,986	7,068	6,511
Miscellaneous	2,187	1,866	1,661
Total long term bonds	64,521	63,159	60,000
Short term bonds	2,635	3,395	2,010
	\$ 67,156	\$ 66,554	\$ 62,010
Canada	\$ 27,578	\$ 26,231	\$ 24,085
United States	17,491	17,703	15,811
Europe/Reinsurance	22,087	22,620	22,114
	\$ 67,156	\$ 66,554	\$ 62,010

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

	September 30, 2009			
	Single family residential	Multi-family residential	Commercial	Total
Canada	\$ 1,743	\$ 4,127	\$ 6,350	\$ 12,220
United States	-	489	1,454	1,943
Europe/Reinsurance	-	30	2,781	2,811
Total mortgage loans	\$ 1,743	\$ 4,646	\$ 10,585	\$ 16,974

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

September 30, 2008

	Single family residential	Multi-family residential	Commercial	Total
Canada	\$ 1,836	\$ 4,606	\$ 6,007	\$ 12,449
United States	-	519	1,259	1,778
Europe/Reinsurance	-	31	2,901	2,932
Total mortgage loans	\$ 1,836	\$ 5,156	\$ 10,167	\$ 17,159

(iii) Asset Quality

Bond Portfolio Quality

	September 30, 2009	December 31, 2008	September 30, 2008
AAA	\$ 22,643	\$ 25,138	\$ 23,523
AA	10,752	10,765	11,331
A	19,449	18,030	16,968
BBB	10,588	8,809	7,729
BB and lower	1,089	417	449
	64,521	63,159	60,000
Short term bonds	2,635	3,395	2,010
Total bonds	\$ 67,156	\$ 66,554	\$ 62,010

Derivative Portfolio Quality

	September 30, 2009	December 31, 2008	September 30, 2008
Over-the-counter contracts (counterparty ratings):			
AAA	\$ 4	\$ 19	\$ 2
AA	257	165	333
A	441	468	270
Total	\$ 702	\$ 652	\$ 605

(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:

	September 30, 2009	December 31, 2008	September 30, 2008
Less than 30 days	\$ 48	\$ 50	\$ 64
30 - 90 days	4	4	2
90 days and greater	10	1	1
Total	\$ 62	\$ 55	\$ 67

(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 \$123.
- 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 \$28.

(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 \$19. A 10% decrease in equity markets would be expected to additionally increase non-participating actuarial liabilities by approximately \$153.

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6. Financing Charges

Financing charges consist of the following:

	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
Operating charges:				
Interest on long-term debentures and other debt instruments	\$ 3	\$ 1	\$ 5	\$ 4
Financial charges:				
Interest on long-term debentures and other debt instruments	51	47	155	173
Dividends on preferred shares classified as liabilities	9	9	27	27
Unrealized losses (gains) on preferred shares classified as held for trading	14	1	46	9
Subordinated debenture issue costs	-	-	-	5
Other	4	9	8	13
Interest on capital trust debentures	13	13	37	37
Distributions on capital trust securities held by consolidated group as temporary investments	(1)	(4)	(4)	(9)
	90	75	269	255
Total	\$ 93	\$ 76	\$ 274	\$ 259

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 US \$500, an increase of US \$300 from the previous agreement. At September 30, 2009, a subsidiary of Putnam LLC had drawn US \$255 (US \$120 at December 31, 2008) on this credit facility.

8. Capital Trust Securities and Debentures

During the nine months ended September 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 nine months ended September 30, 2009 the Company recognized unrealized gains (losses) of \$(5) for Series D and \$(41) for Series E (for the nine months ended September 30, 2008, \$3 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

	September 30, 2009		December 31, 2008		September 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	814,469	11	1,920,866	27	1,759,600	24
Balance, end of period	944,696,974	\$ 5,747	943,882,505	\$ 5,736	895,521,239	\$ 4,733

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):

	September 30, 2009	December 31, 2008	September 30, 2008
Capital Available:			
Tier 1 Capital			
Common shares (1)	\$ 6,116	\$ 6,116	\$ 6,116
Shareholder surplus	5,876	5,604	5,394
Qualifying non-controlling interests	148	150	150
Innovative instruments	777	648	637
Other Tier 1 Capital Elements	1,083	1,513	1,372
Gross Tier 1 Capital	<u>14,000</u>	<u>14,031</u>	<u>13,669</u>
Deductions from Tier 1:			
Goodwill & intangible assets in excess of limit	5,683	5,673	5,689
Other deductions	1,509	1,697	1,355
Net Tier 1 Capital	<u>6,808</u>	<u>6,661</u>	<u>6,625</u>
Adjustment to Net Tier 1 Capital	(43)	-	-
Net Tier 1 Capital	<u>6,765</u>	<u>6,661</u>	<u>6,625</u>
Tier 2 Capital			
Tier 2A	359	345	273
Tier 2B allowed	300	300	500
Tier 2C	1,448	1,550	1,324
Tier 2 Deductions	(43)	-	-
Tier 2 Capital Allowed	<u>2,064</u>	<u>2,195</u>	<u>2,097</u>
Total Tier 1 and Tier 2 Capital	<u>8,829</u>	<u>8,856</u>	<u>8,722</u>
Less: Deductions/Adjustments	-	124	127
Total Available Capital	<u>\$ 8,829</u>	<u>\$ 8,732</u>	<u>\$ 8,595</u>
Capital Required:			
Assets Default & market risk	\$ 1,732	\$ 1,510	\$ 1,581
Insurance Risks	1,831	1,800	1,711
Interest Rate Risks	832	803	961
Other	14	50	(19)
Total Capital Required	<u>\$ 4,409</u>	<u>\$ 4,163</u>	<u>\$ 4,234</u>
MCCSR ratios:			
Tier 1	<u>153%</u>	<u>160%</u>	<u>156%</u>
Total	<u>200%</u>	<u>210%</u>	<u>203%</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 September 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 September 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 three quarters of 2009 (110,000 options were granted during the first quarter of 2008, 3,115,000 options were granted during the second quarter of 2008, and 933,270 options were granted during the third quarter of 2008). The weighted average fair value of options granted was \$3.11 per option during the nine months ended September 30, 2008. Compensation expense of \$6 after-tax has been recognized in the Summaries of Consolidated Operations for the nine months ended September 30, 2009 (\$8 after-tax for the nine months ended September 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 September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
Pension benefits	\$ 15	\$ 9	\$ 51	\$ 43
Other benefits	3	4	9	11
Total	\$ 18	\$ 13	\$ 60	\$ 54

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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 September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
Earnings				
Net income from continuing operations	\$ 462	\$ 450	\$ 1,236	\$ 1,653
Net income from discontinued operations	-	-	-	692
Net income	\$ 462	\$ 450	\$ 1,236	\$ 2,345
Perpetual preferred share dividends	17	14	52	42
Net income - common shareholders	<u>\$ 445</u>	<u>\$ 436</u>	<u>\$ 1,184</u>	<u>\$ 2,303</u>
Number of common shares				
Average number of common shares outstanding	944,465,294	894,580,690	944,194,267	894,243,179
Add:				
- Potential exercise of outstanding stock options	2,157,507	3,981,236	1,423,061	4,349,332
Average number of common shares outstanding - diluted basis	<u>946,622,801</u>	<u>898,561,926</u>	<u>945,617,328</u>	<u>898,592,511</u>
Basic earnings per common share				
From continuing operations	\$ 0.471	\$ 0.487	\$ 1.254	\$ 1.801
From discontinued operations	-	-	-	0.774
	<u>\$ 0.471</u>	<u>\$ 0.487</u>	<u>\$ 1.254</u>	<u>\$ 2.575</u>
Diluted earnings per common share				
From continuing operations	\$ 0.470	\$ 0.485	\$ 1.253	\$ 1.793
From discontinuing operations	-	-	-	0.770
	<u>\$ 0.470</u>	<u>\$ 0.485</u>	<u>\$ 1.253</u>	<u>\$ 2.563</u>

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14. Accumulated Other Comprehensive Loss

For the nine months ended September 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-controllin g interest	Shareholder
Balance, beginning of year	\$ (605)	\$ (36)	\$ (197)	\$ (838)	\$ 51	\$ (787)
Other comprehensive loss	(896)	108	183	(605)	12	(593)
Income tax	(1)	(42)	(64)	(107)	5	(102)
	(897)	66	119	(712)	17	(695)
Balance, end of period	<u>\$ (1,502)</u>	<u>\$ 30</u>	<u>\$ (78)</u>	<u>\$ (1,550)</u>	<u>\$ 68</u>	<u>\$ (1,482)</u>

For the nine months ended September 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	326	(322)	(112)	(108)	2	(106)
Income tax	-	93	40	133	(3)	130
	326	(229)	(72)	25	(1)	24
Balance, end of period	<u>\$ (1,475)</u>	<u>\$ (55)</u>	<u>\$ (59)</u>	<u>\$ (1,589)</u>	<u>\$ 80</u>	<u>\$ (1,509)</u>

15. Contingent Liabilities (changes since December 31, 2008 annual report)

A subsidiary of the Company has concluded an arbitration relating to the interpretation of certain provisions of a reinsurance treaty. The results of the arbitration award fall 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 has commenced.

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16. Segmented Information

Consolidated Operations

For the three months ended September 30, 2009

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	\$ 2,243	\$ 724	\$ 1,369	\$ -	\$ 4,336
Net investment income					
Regular net investment income	689	390	501	11	1,591
Changes in fair value on held for trading assets	1,012	671	2,051	-	3,734
Total net investment income	1,701	1,061	2,552	11	5,325
Fee and other income	238	308	182	-	728
Total income	4,182	2,093	4,103	11	10,389
Benefits and expenses:					
Paid or credited to policyholders	3,353	1,618	3,716	-	8,687
Other	559	381	174	3	1,117
Amortization of finite life intangible assets	9	11	1	-	21
Net income from continuing operations before income taxes	261	83	212	8	564
Income taxes	39	15	38	6	98
Net income before non-controlling interests	222	68	174	2	466
Non-controlling interests	-	-	4	-	4
Net income from continuing operations	222	68	170	2	462
Net income from discontinued operations	-	-	-	-	-
Net Income	222	68	170	2	462
Perpetual preferred share dividends	10	-	3	4	17
Net income - common shareholders	\$ 212	\$ 68	\$ 167	\$ (2)	\$ 445

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For the three months ended September 30, 2008

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	\$ 1,949	\$ 479	\$ 1,484	\$ -	\$ 3,912
Net investment income					
Regular net investment income	609	331	597	2	1,539
Changes in fair value on held for trading assets	(1,392)	(398)	(468)	-	(2,258)
Total net investment income	(783)	(67)	129	2	(719)
Fee and other income	262	353	163	-	778
Total income	1,428	765	1,776	2	3,971
Benefits and expenses:					
Paid or credited to policyholders	436	343	1,397	-	2,176
Other	529	385	214	1	1,129
Amortization of finite life intangible assets	8	11	1	-	20
Net income from continuing operations before income taxes	455	26	164	1	646
Income taxes	187	(17)	15	(1)	184
Net income before non-controlling interests	268	43	149	2	462
Non-controlling interests	6	-	6	-	12
Net income from continuing operations	262	43	143	2	450
Net income from discontinued operations	-	-	-	-	-
Net Income	262	43	143	2	450
Perpetual preferred share dividends	11	-	3	-	14
Net income - common shareholders	\$ 251	\$ 43	\$ 140	\$ 2	\$ 436

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For the nine months ended September 30, 2009

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	\$ 6,560	\$ 2,288	\$ 4,861	\$ -	\$ 13,709
Net investment income					
Regular net investment income	1,977	1,189	1,534	18	4,718
Changes in fair value on held for trading assets	1,495	996	1,548	-	4,039
Total net investment income	3,472	2,185	3,082	18	8,757
Fee and other income	689	882	503	-	2,074
Total income	10,721	5,355	8,446	18	24,540
Benefits and expenses:					
Paid or credited to policyholders	8,121	3,925	7,480	-	19,526
Other	1,675	1,137	550	10	3,372
Amortization of finite life intangible assets	24	40	4	-	68
Net income from continuing operations before income taxes	901	253	412	8	1,574
Income taxes	202	55	35	6	298
Net income before non-controlling interests	699	198	377	2	1,276
Non-controlling interests	31	6	3	-	40
Net income from continuing operations	668	192	374	2	1,236
Net income from discontinued operations	-	-	-	-	-
Net Income	668	192	374	2	1,236
Perpetual preferred share dividends	31	-	10	11	52
Net income - common shareholders	\$ 637	\$ 192	\$ 364	\$ (9)	\$ 1,184

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For the nine months ended September 30, 2008

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	\$ 5,998	\$ 1,805	\$ 17,422	\$ -	\$ 25,225
Net investment income					
Regular net investment income	1,873	977	1,692	(3)	4,539
Changes in fair value on held for trading assets	(1,560)	(1,005)	(2,228)	-	(4,793)
Total net investment income	313	(28)	(536)	(3)	(254)
Fee and other income	804	1,107	470	-	2,381
Total income	7,115	2,884	17,356	(3)	27,352
Benefits and expenses:					
Paid or credited to policyholders	4,238	1,533	16,191	-	21,962
Other	1,647	1,131	542	9	3,329
Amortization of finite life intangible assets	22	38	3	-	63
Net income from continuing operations before income taxes	1,208	182	620	(12)	1,998
Income taxes	351	12	101	(1)	463
Net income before non-controlling interests	857	170	519	(11)	1,535
Non-controlling interests	50	(175)	7	-	(118)
Net income from continuing operations	807	345	512	(11)	1,653
Net income from discontinued operations	-	692	-	-	692
Net Income	807	1,037	512	(11)	2,345
Perpetual preferred share dividends	32	-	10	-	42
Net income - common shareholders	\$ 775	\$ 1,037	\$ 502	\$ (11)	\$ 2,303

17. Subsequent Events

- (a) On October 2, 2009 the Company issued 6,800,000 Series L, 5.65% Non-Cumulative First Preferred Shares at \$25 per share. The shares are redeemable at the option of the Company on and after December 31, 2014 for \$25 per share plus a premium if redeemed prior to December 31, 2018, in each case with all declared and unpaid dividends to but excluding the date of redemption.
- (b) The Company has entered into an agreement to settle a class action relating to the provision of notice of the acquisition of Canada Life Financial Corporation to certain shareholders of Canada Life Financial Corporation. The agreement requires approval of the Court before it is final. Based on information presently known, this matter is not expected to have a material adverse effect on the consolidated financial position of the Company.
- (c) On November 3, 2009, the Royal Bank of Scotland Group PLC (RBS) and Lloyds Banking Group (Lloyds) announced capital and restructuring plans which contemplate the deferral of coupons and extensions of anticipated redemption dates on some capital securities. The Company believes that some, but not all, of its investment holdings in these issuers may be affected by these plans. The instruments most likely to be impacted are the Upper Tier 2 and Tier 1 Capital Securities. As at September 30, 2009, the Company held the following Upper Tier 2 and Tier 1 Capital Securities of these companies.

	Amortized Cost		Market Value
Royal Bank of Scotland	\$ 473 *	\$	294
Lloyds Banking Group	\$ 567 *	\$	374

The Company currently holds provisions of \$306 against these securities.

* These are all cumulative instruments, except for \$96 of holdings in Lloyds which are non-cumulative.

There is uncertainty regarding the impact on these securities of the announcements. Therefore management is not yet able to determine the impact, if any, on the Company.