

Readers are referred to the cautionary notes regarding Forward-Looking Information and Non-GAAP Financial Measures at the end of this release. All figures are expressed in Canadian dollars.

Great-West Lifeco reports second quarter 2010 results

Winnipeg, August 4, 2010 ... Great-West Lifeco Inc. (Lifeco) has reported net earnings attributable to common shareholders of \$433 million for the three months ended June 30, 2010, compared to \$413 million in the second quarter of 2009. On a per common share basis, this represents \$0.457 per common share for the three months ended June 30, 2010, compared to \$0.437 per common share for the same period in 2009.

For the six months ended June 30, 2010, net earnings attributable to common shareholders were \$874 million, compared to \$739 million a year ago. This represents \$0.923 per common share for the six months ended June 30, 2010, compared to \$0.783 per common share for the same period in 2009.

The Company experienced solid earnings growth in the local currencies of all regions in which it operates, with in quarter net earnings on a constant currency basis up 13% year over year. The continued strengthening of the Canadian dollar against the US dollar, the British pound and the euro had a negative currency impact on Lifeco's net earnings of \$33 million or \$0.035 per common share in the second quarter of 2010 compared to the same period in 2009. For the six months ended June 30, 2010, negative currency impact on earnings was \$64 million or \$0.067 per common share compared to 2009.

Consolidated assets under administration at June 30, 2010 were \$460.2 billion, up \$1.6 billion from December 31, 2009.

Highlights

- Sales in Canada continue to be very strong, with individual life insurance sales 26% higher and Individual Retirement and Investment Services sales 27% higher than the second quarter of 2009.
- Sales in the U.S. Financial Services business increased 48% on a constant currency basis in the quarter compared to the same quarter in 2009.
- Putnam sales are 19% higher than the second quarter of 2009 on a constant currency basis and the Putnam suite of absolute return mutual funds reached US\$2.1 billion in assets under management.
- Sales of single premium savings products in the Isle of Man increased by 226% in local currency in the quarter.
- Premiums and deposits overall were up 12% in quarter on a constant currency basis and up 17% when excluding the impact of the acquisition of the group retirement assets from Fidelity Investments Canada in second quarter of 2009.
- The Company achieved a 15.2% return on common shareholders' equity, consistent with its long-term objective.
- The Company declared a quarterly common dividend of \$0.3075 per common share payable September 30, 2010, unchanged from the previous quarter.
- 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 202% at June 30, 2010. At June 30, 2010 Lifeco held, at the holding company level, approximately \$1.0 billion in liquid assets derived from capital raising initiatives since the fourth quarter of 2008.

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Although equity markets fell during the second quarter to below December 31, 2009 levels, average equity market levels during 2010 have remained significantly higher than the same period in 2009. Higher average equity markets, as well as strong investment performance and sales growth, were the major contributors to an 8% increase in fee income year to date as compared to 2009, including the negative impact of currency movement. On a constant currency basis fee income was up 19% year to date as compared to 2009.

Credit market conditions were stable during the second quarter and interest rates generally declined. This contributed to an overall increase in the fair value of bonds in the quarter. The Company's gross unrealized bond losses decreased to \$1.7 billion from \$3.1 billion at year end 2009 and \$5.7 billion at June 30, 2009.

For the three months ended June 30, 2010, the Company recognized a net recovery in investment impairment charges of \$10 million after tax. Changes in bond credit ratings for the quarter positively impacted net earnings attributable to common shareholders by an additional \$1 million after tax.

OPERATING RESULTS

Consolidated net earnings for Lifeco are comprised of the net earnings 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 earnings attributable to common shareholders for the second quarter of 2010 were up 9% to \$237 million compared to \$217 million in the second quarter of 2009. For the six months ended June 30, 2010, net earnings attributable to common shareholders were \$470 million compared to \$425 million in 2009.

Total sales for the six months ended June 30, 2010 were up 38% to \$5.0 billion compared to \$3.6 billion after adjusting the 2009 six month period for the impact of the group retirement assets acquired from Fidelity Investments Canada. The growth in sales was driven by strong proprietary retail investment funds which were up 49%, payout annuity products were up 122% and individual life product sales increased 32% compared to the same six month period in 2009.

Total assets under administration at June 30, 2010 were \$116.6 billion, compared to \$114.6 billion at December 31, 2009.

UNITED STATES

Net earnings attributable to common shareholders for the second quarter of 2010 were \$54 million compared to \$49 million in the second quarter of 2009. For the six months ended June 30, 2010, net earnings attributable to common shareholders were \$122 million compared to \$124 million in 2009.

As a result of currency movement, net earnings were negatively impacted by \$7 million compared to the second quarter of 2009 and by \$21 million compared to the first six months of 2009. On a constant currency basis net earnings grew by 26% in the second quarter of 2010 and by 16% for the first six months of 2010 when compared to the same periods in 2009.

Total sales for the six months ended June 30, 2010 were \$18.4 billion compared to \$14.4 billion in 2009.

Total assets under administration at June 30, 2010 were \$279.3 billion compared to \$277.8 billion at December 31, 2009. Included in assets under administration at June 30, 2010 were \$116.2 billion of mutual fund and institutional account assets managed by Putnam.

EUROPE

Net earnings attributable to common shareholders for the second quarter of 2010 were \$142 million compared to \$149 million in the second quarter of 2009. For the six months ended June 30, 2010, net earnings attributable to common shareholders were \$282 million compared to \$197 million in 2009.

As a result of currency movement, net earnings were negatively impacted by \$26 million when compared to the second quarter of 2009 and by \$43 million when compared to the first six months of 2009. On a constant currency basis net earnings grew 13% in the second quarter of 2010 and by 65% for the first six months of 2010 when compared to the same periods in 2009.

Total sales for the six months ended June 30, 2010 were \$2.2 billion, level in comparison to 2009. Sales increased by 16% in local currency, however, this was largely offset by adverse currency movement.

Total assets under administration at June 30, 2010 were \$64.3 billion, compared to \$66.2 billion at December 31, 2009.

CORPORATE

Corporate net earnings for Lifeco attributable to common shareholders were nil for both the second quarter and the six months ended June 30, 2010 compared to a net loss of \$2 million in the second quarter of 2009 and a net loss of \$7 million for the six months ended June 30, 2009.

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, 2010 to shareholders of record at the close of business September 2, 2010.

In addition, the Directors approved quarterly dividends on:

- Series F First Preferred Shares of \$0.36875 per share;
- Series G First Preferred Shares of \$0.3250 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;
- Series L First Preferred Shares of \$0.353125 per share; and
- Series M First Preferred Shares of \$0.36250 per share

all payable September 30, 2010 to shareholders of record at the close of business September 2, 2010.

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 over \$460 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 action by the Company 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 2009 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 “operating earnings”, “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 and audio webcast will be held Thursday, August 5, 2010 at 9:00 a.m. (EDT). The call and webcast can be accessed through www.greatwestlifeco.com or by phone at:

- Participants in the Toronto area: 416-340-8018
- Participants from North America: 1-866-223-7781
- Participants from Overseas: Dial international access code first, then 800-6578-9898

A replay of the call will be available from August 5 to August 12, 2010, and can be accessed by calling 1-800-408-3053 or 416-695-5800 in Toronto (passcode: 5040650#). The archived webcast will be available on www.greatwestlifeco.com from approximately 1:00 p.m. (EDT) on August 5, 2010 until August 5, 2011.

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.

For more information contact:

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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 2010 | March 31 2010 | June 30 2009 | June 30 2010 | June 30 2009 |
| Premiums and deposits: | | | | | |
| Life insurance, guaranteed annuities and insured health products | \$ 4,215 | \$ 4,610 | \$ 4,664 | \$ 8,825 | \$ 9,373 |
| Self-funded premium equivalents (ASO contracts) | 657 | 645 | 639 | 1,302 | 1,257 |
| Segregated funds deposits: | | | | | |
| Individual products | 1,633 | 1,790 | 1,699 | 3,423 | 2,957 |
| Group products | 2,335 | 1,730 | 1,823 | 4,065 | 4,519 |
| Proprietary mutual funds and institutional deposits | 5,389 | 6,191 | 5,140 | 11,580 | 10,420 |
| Total premiums and deposits | 14,229 | 14,966 | 13,965 | 29,195 | 28,526 |
| Fee and other income | 718 | 736 | 666 | 1,454 | 1,346 |
| Paid or credited to policyholders | 5,622 | 6,571 | 7,473 | 12,193 | 10,839 |
| Net earnings - common shareholders | 433 | 441 | 413 | 874 | 739 |
| Per common share | | | | | |
| Basic earnings | \$ 0.457 | \$ 0.466 | \$ 0.437 | \$ 0.923 | \$ 0.783 |
| Dividends paid | 0.3075 | 0.3075 | 0.3075 | 0.615 | 0.615 |
| Book value | 12.30 | 11.88 | 12.65 | | |
| Return on common shareholders' equity (12 months): | | | | | |
| Net earnings | 15.2% | 15.0% | 2.3% | | |
| Total assets | \$ 131,320 | \$ 126,842 | \$ 131,644 | | |
| Segregated funds net assets | 87,023 | 87,349 | 83,192 | | |
| Proprietary mutual funds and institutional net assets | 119,069 | 123,665 | 121,729 | | |
| Total assets under management | 337,412 | 337,856 | 336,565 | | |
| Other assets under administration | 122,778 | 125,329 | 105,341 | | |
| Total assets under administration | \$ 460,190 | \$ 463,185 | \$ 441,906 | | |
| Share capital and surplus | \$ 13,309 | \$ 12,907 | \$ 13,270 | | |

GREAT-WEST
LIFECO INC.

SUMMARIES OF CONSOLIDATED OPERATIONS *(unaudited)*

(in \$ millions except per share amounts)

| | For the three months ended | | | For the six months ended | |
|--|----------------------------|------------------|-----------------|--------------------------|-----------------|
| | June 30 2010 | March 31 2010 | June 30 2009 | June 30 2010 | June 30 2009 |
| Income | | | | | |
| Premium income | \$ 4,215 | \$ 4,610 | \$ 4,664 | \$ 8,825 | 9,373 |
| Net investment income (note 2) | | | | | |
| Regular net investment income | 1,342 | 1,422 | 1,616 | 2,764 | 3,127 |
| Changes in fair value on held for trading assets | 1,091 | 1,502 | 2,272 | 2,593 | 305 |
| Total net investment income | 2,433 | 2,924 | 3,888 | 5,357 | 3,432 |
| Fee and other income | 718 | 736 | 666 | 1,454 | 1,346 |
| | 7,366 | 8,270 | 9,218 | 15,636 | 14,151 |
| Benefits and expenses | | | | | |
| Policyholder benefits | 3,861 | 3,888 | 4,126 | 7,749 | 8,735 |
| Policyholder dividends and experience refunds | 351 | 383 | 371 | 734 | 769 |
| Change in actuarial liabilities | 1,410 | 2,300 | 2,976 | 3,710 | 1,335 |
| Total paid or credited to policyholders | 5,622 | 6,571 | 7,473 | 12,193 | 10,839 |
| Commissions | 364 | 363 | 353 | 727 | 660 |
| Operating expenses | 629 | 630 | 628 | 1,259 | 1,291 |
| Premium taxes | 61 | 65 | 68 | 126 | 123 |
| Financing charges (note 4) | 70 | 69 | 106 | 139 | 181 |
| Amortization of finite life intangible assets | 24 | 23 | 25 | 47 | 47 |
| Earnings before income taxes | 596 | 549 | 565 | 1,145 | 1,010 |
| Income taxes - current | (19) | 1 | 21 | (18) | 103 |
| - future | 134 | 85 | 101 | 219 | 97 |
| Net earnings before non-controlling interests | 481 | 463 | 443 | 944 | 810 |
| Non-controlling interests | 26 | 2 | 12 | 28 | 36 |
| Net earnings | 455 | 461 | 431 | 916 | 774 |
| Perpetual preferred share dividends | 22 | 20 | 18 | 42 | 35 |
| Net earnings - common shareholders | \$ 433 | \$ 441 | \$ 413 | \$ 874 | \$ 739 |
| Earnings per common share (note 9) | | | | | |
| Basic | \$ 0.457 | \$ 0.466 | \$ 0.437 | \$ 0.923 | 0.783 |
| Diluted | \$ 0.457 | \$ 0.465 | \$ 0.437 | \$ 0.922 | 0.782 |

GREAT-WEST
LIFECO INC.

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

| | June 30 2010 | December 31 2009 | June 30 2009 |
|--|-------------------|---------------------|-------------------|
| Assets | | | |
| Bonds (note 2) | \$ 69,944 | \$ 66,147 | \$ 67,376 |
| Mortgage loans (note 2) | 16,536 | 16,684 | 17,349 |
| Stocks (note 2) | 6,563 | 6,442 | 6,093 |
| Real estate (note 2) | 3,108 | 3,099 | 3,378 |
| Loans to policyholders | 7,052 | 6,957 | 7,416 |
| Cash and cash equivalents | 2,918 | 3,427 | 3,357 |
| Funds held by ceding insurers | 10,345 | 10,839 | 11,761 |
| Goodwill | 5,405 | 5,406 | 5,418 |
| Intangible assets | 3,226 | 3,238 | 3,426 |
| Other assets | 6,223 | 6,130 | 6,070 |
| Total assets | \$ 131,320 | \$ 128,369 | \$ 131,644 |
| Liabilities | | | |
| Policy liabilities | | | |
| Actuarial liabilities | \$ 100,072 | \$ 98,059 | \$ 100,127 |
| Provision for claims | 1,242 | 1,308 | 1,352 |
| Provision for policyholder dividends | 619 | 606 | 636 |
| Provision for experience rating refunds | 279 | 317 | 286 |
| Policyholder funds | 2,470 | 2,361 | 2,409 |
| | 104,682 | 102,651 | 104,810 |
| Debentures and other debt instruments | 4,282 | 4,142 | 3,903 |
| Funds held under reinsurance contracts | 359 | 186 | 169 |
| Other liabilities | 4,747 | 4,608 | 5,202 |
| Repurchase agreements | 867 | 532 | 203 |
| Deferred net realized gains | 119 | 133 | 150 |
| | 115,056 | 112,252 | 114,437 |
| Preferred shares (note 5) | - | 203 | 779 |
| Capital trust securities and debentures | 535 | 540 | 786 |
| Non-controlling interests | | | |
| Participating account surplus in subsidiaries | 2,041 | 2,004 | 2,018 |
| Preferred shares issued by subsidiaries | 157 | 157 | 157 |
| Perpetual preferred shares issued by subsidiaries | 146 | 147 | 149 |
| Non-controlling interests in capital stock and surplus | 76 | 63 | 48 |
| Share capital and surplus | | | |
| Share capital (note 5) | | | |
| Perpetual preferred shares | 1,647 | 1,497 | 1,327 |
| Common shares | 5,790 | 5,751 | 5,741 |
| Accumulated surplus | 7,655 | 7,367 | 7,064 |
| Accumulated other comprehensive loss | (1,837) | (1,664) | (911) |
| Contributed surplus | 54 | 52 | 49 |
| | 13,309 | 13,003 | 13,270 |
| Total liabilities, share capital and surplus | \$ 131,320 | \$ 128,369 | \$ 131,644 |

GREAT-WEST
LIFECO_{INC.}

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

| | For the six months ended June 30 | |
|--|---|-----------------|
| | 2010 | 2009 |
| Accumulated surplus | | |
| Balance, beginning of year | \$ 7,367 | \$ 6,906 |
| Net earnings | 916 | 774 |
| Share issue costs | (3) | - |
| Dividends to shareholders | | |
| Perpetual preferred shareholders | (42) | (35) |
| Common shareholders | (583) | (581) |
| Balance, end of period | \$ 7,655 | \$ 7,064 |
| Accumulated other comprehensive loss, net of income taxes | | |
| Balance, beginning of year | \$ (1,664) | \$ (787) |
| Other comprehensive loss | (173) | (124) |
| Balance, end of period | \$ (1,837) | \$ (911) |
| Contributed surplus | | |
| Balance, beginning of year | \$ 52 | \$ 44 |
| Stock option expense | | |
| Current period expense (note 7) | 3 | 5 |
| Exercised | (1) | - |
| Balance, end of period | \$ 54 | \$ 49 |

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 | |
|---|---------------------------------------|---------------|-------------------------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| Net earnings | \$ 455 | \$ 431 | \$ 916 | \$ 774 |
| Other comprehensive income (loss) | | | | |
| Unrealized foreign exchange gains (losses) on translation of foreign operations | 246 | (311) | (233) | (129) |
| Income tax (expense) benefit | - | (1) | - | (1) |
| Unrealized gains (losses) on available for sale assets | 109 | 104 | 163 | (23) |
| Income tax (expense) benefit | (25) | (33) | (40) | (6) |
| Realized (gains) losses on available for sale assets | 4 | (20) | (9) | (35) |
| Income tax (expense) benefit | 1 | 3 | 4 | 6 |
| Unrealized gains (losses) on cash flow hedges | (100) | 171 | (66) | 89 |
| Income tax (expense) benefit | 35 | (60) | 23 | (31) |
| Realized (gains) losses on cash flow hedges | - | (34) | - | (15) |
| Income tax (expense) benefit | - | 12 | - | 5 |
| Non-controlling interests | (18) | 12 | (15) | 16 |
| | 252 | (157) | (173) | (124) |
| Comprehensive income | \$ 707 | \$ 274 | \$ 743 | \$ 650 |

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LIFECO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(in \$ millions)

| | For the three months ended June 30 | | For the six months ended June 30 | |
|--|---------------------------------------|-----------------|-------------------------------------|-----------------|
| | 2010 | 2009 | 2010 | 2009 |
| Operations | | | | |
| Net earnings | \$ 455 | \$ 431 | \$ 916 | \$ 774 |
| Adjustments: | | | | |
| Change in policy liabilities | 1,430 | 2,817 | 3,753 | 1,228 |
| Change in funds held by ceding insurers | 212 | 66 | 275 | 210 |
| Change in funds held under reinsurance contracts | 13 | (3) | 166 | (11) |
| Change in current income taxes payable | 89 | (100) | 25 | (207) |
| Future income tax expense | 134 | 101 | 219 | 97 |
| Changes in fair value of financial instruments | (1,091) | (2,241) | (2,595) | (273) |
| Other | 75 | (4) | (245) | 4 |
| Cash flows from operations | <u>1,317</u> | <u>1,067</u> | <u>2,514</u> | <u>1,822</u> |
| Financing Activities | | | | |
| Issue of common shares | 8 | 4 | 39 | 5 |
| Issue of preferred shares | - | - | 150 | - |
| Redemption of preferred shares | - | - | (200) | - |
| Increase in line of credit in subsidiary | 5 | 82 | 125 | 182 |
| Repayment of debentures and other debt instruments | 4 | (30) | 1 | (32) |
| Share issue costs | - | - | (3) | - |
| Dividends paid | (314) | (308) | (625) | (616) |
| | <u>(297)</u> | <u>(252)</u> | <u>(513)</u> | <u>(461)</u> |
| Investment Activities | | | | |
| Bond sales and maturities | 4,556 | 5,440 | 9,140 | 10,437 |
| Mortgage loan repayments | 572 | 374 | 966 | 793 |
| Stock sales | 356 | 655 | 805 | 1,277 |
| Real estate sales | 9 | 1 | 9 | 8 |
| Change in loans to policyholders | (54) | (9) | (54) | (55) |
| Change in repurchase agreements | 104 | (257) | 325 | (73) |
| Investment in bonds | (5,636) | (5,501) | (11,250) | (11,080) |
| Investment in mortgage loans | (684) | (491) | (974) | (681) |
| Investment in stocks | (526) | (643) | (1,148) | (1,436) |
| Investment in real estate | (86) | (20) | (143) | (85) |
| | <u>(1,389)</u> | <u>(451)</u> | <u>(2,324)</u> | <u>(895)</u> |
| Effect of changes in exchange rates on cash and cash equivalents | 50 | 14 | (186) | 41 |
| Increase (decrease) in cash and cash equivalents | (319) | 378 | (509) | 507 |
| Cash and cash equivalents, beginning of period | 3,237 | 2,979 | 3,427 | 2,850 |
| Cash and cash equivalents, end of period | \$ 2,918 | \$ 3,357 | \$ 2,918 | \$ 3,357 |

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, 2010 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, 2009. During the six months ended June 30, 2010 the Company did not adopt any changes in accounting policy that resulted in a material impact to the financial statements of the Company. 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, 2009.

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 policy 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 policy 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 policy liabilities.

(a) Future Accounting Policies

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has mandated that all Canadian publicly accountable entities are required to transition from Canadian generally accepted accounting principles (GAAP) to IFRS for fiscal years beginning on or after January 1, 2011. Consequently, the Company will adopt IFRS in its quarterly and annual reports starting with the first quarter of 2011 and will provide corresponding comparative information for 2010.

The Company continues to evaluate the financial statement impact of transitioning from Canadian GAAP to IFRS and the related effect on its information systems and processes. Until this effort is complete, the impact of adopting IFRS and the related effects on the Company's consolidated financial statements cannot be reasonably determined.

The IFRS standard that deals with the measurement of insurance contracts, also referred to as Phase II Insurance Contracts, is currently being developed and a final accounting standard is not expected to be implemented for several years. As a result, the Company will continue to measure insurance liabilities using the Canadian Asset Liability Method (CALM) until such time when a new IFRS standard for insurance contract measurement is issued. Consequently, the evolving nature of IFRS will likely result in additional accounting changes, some of which may be significant, in the years following the Company's initial transition to IFRS.

GREAT-WEST
LIFECO INC.

2. Portfolio Investments

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

| June 30, 2010 | | | | | | |
|-----------------------|----------------------|------------------------|--------------------------|-----------------|----------------------------|---------------------|
| | Held-for- trading | Available- for-sale | Loans and receivables | Other | Total carrying value | Total fair value |
| Bonds | \$ 54,658 | \$ 6,059 | \$ 9,227 | - | \$ 69,944 | \$ 70,580 |
| Mortgage loans | - | - | 16,536 | - | 16,536 | 17,336 |
| Stocks | 5,167 | 1,068 | - | 328 | 6,563 | 6,577 |
| Real estate | - | - | - | 3,108 | 3,108 | 3,193 |
| | \$ 59,825 | \$ 7,127 | \$ 25,763 | \$ 3,436 | \$ 96,151 | \$ 97,686 |

| December 31, 2009 | | | | | | |
|-----------------------|----------------------|------------------------|--------------------------|-----------------|-------------------------|------------------|
| | Held-for- trading | Available- for-sale | Loans and receivables | Other | Total carrying value | Total fair value |
| Bonds | \$ 52,362 | \$ 4,620 | \$ 9,165 | - | \$ 66,147 | \$ 66,403 |
| Mortgage loans | - | - | 16,684 | - | 16,684 | 16,891 |
| Stocks | 4,928 | 1,186 | - | 328 | 6,442 | 6,503 |
| Real estate | - | - | - | 3,099 | 3,099 | 3,053 |
| | \$ 57,290 | \$ 5,806 | \$ 25,849 | \$ 3,427 | \$ 92,372 | \$ 92,850 |

| June 30, 2009 | | | | | | |
|-----------------------|----------------------|------------------------|--------------------------|-----------------|-------------------------|------------------|
| | Held-for- trading | Available- for-sale | Loans and receivables | Other | Total carrying value | Total fair value |
| Bonds | \$ 52,628 | \$ 5,233 | \$ 9,515 | - | \$ 67,376 | \$ 67,398 |
| Mortgage loans | - | - | 17,349 | - | 17,349 | 17,095 |
| Stocks | 4,373 | 1,391 | - | 329 | 6,093 | 6,142 |
| Real estate | - | - | - | 3,378 | 3,378 | 3,044 |
| | \$ 57,001 | \$ 6,624 | \$ 26,864 | \$ 3,707 | \$ 94,196 | \$ 93,679 |

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(b) Included in portfolio investments are the following:

(i) Impaired investments

| | June 30, 2010 | | |
|---|-----------------|-----------------|--------------------|
| | Gross amount | Impairment | Carrying amount |
| Impaired amounts by type ⁽¹⁾ | | | |
| Held for trading | \$ 568 | \$ (254) | \$ 314 |
| Available for sale | 57 | (33) | 24 |
| Loans and receivables | 152 | (80) | 72 |
| Total | \$ 777 | \$ (367) | \$ 410 |

| | December 31, 2009 | | |
|---|-------------------|-----------------|--------------------|
| | Gross amount | Impairment | Carrying amount |
| Impaired amounts by type ⁽¹⁾ | | | |
| Held for trading | \$ 517 | \$ (278) | \$ 239 |
| Available for sale | 55 | (36) | 19 |
| Loans and receivables | 151 | (81) | 70 |
| Total | \$ 723 | \$ (395) | \$ 328 |

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

Impaired investments include \$30 gross amount of capital securities that have deferred coupons on a non-cumulative basis.

⁽¹⁾ Excludes amounts in funds held by ceding insurers of \$9 and impairment of \$(3) at June 30, 2010 and \$10 and \$(4) at December 31, 2009 and \$16 and \$(13) at June 30, 2009.

(ii) The Company holds investments with restructured terms or which have been exchanged for securities with amended terms. These investments are performing according to their new terms. Their carrying value is as follows:

| | June 30 2010 | December 31 2009 | June 30 2009 |
|---------------------------------------|-----------------|---------------------|-----------------|
| Bonds | \$ 25 | \$ 36 | \$ 33 |
| Bonds with equity conversion features | 152 | 169 | - |
| Mortgages | 1 | 1 | 1 |
| | \$ 178 | \$ 206 | \$ 34 |

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(iii) Included in net earnings is the impact of other than temporary impairment (OTTI) as follows:

| | For the three months ended June 30, 2010 | | | | |
|---|--|------------------------|--------------------------|-------------|----------------------|
| | Held-for- trading | Available- for-sale | Loans and receivables | Other | Total |
| Impact on OTTI | | | | | |
| -Assets carried at market value | \$ (8) | \$ - | \$ - | \$ - | \$ (8) |
| -Transfer from other comprehensive income | - | (6) | - | - | (6) |
| -Assets carried at amortized cost | - | - | (1) | - | (1) |
| Gross impairment charges | (8) | (6) | (1) | - | (15) |
| Release of actuarial default provision and other | 29 | - | - | - | 29 |
| Net impairment (charges) recovery before income taxes | <u>\$ 21</u> | <u>\$ (6)</u> | <u>\$ (1)</u> | <u>\$ -</u> | <u>\$ 14</u> |
| Net impairment (charges) recovery after income taxes | | | | | <u><u>\$ 10</u></u> |
| | | | | | |
| | For the three months ended June 30, 2009 | | | | |
| | Held-for- trading | Available- for-sale | Loans and receivables | Other | Total |
| Impact on OTTI | | | | | |
| -Assets carried at market value | \$ 4 | \$ - | \$ - | \$ - | \$ 4 |
| -Assets carried at amortized cost | - | - | (11) | - | (11) |
| Gross impairment charges | 4 | - | (11) | - | (7) |
| Release of actuarial default provision and other | - | - | - | - | - |
| Net impairment (charges) recovery before income taxes | <u>\$ 4</u> | <u>\$ -</u> | <u>\$ (11)</u> | <u>\$ -</u> | <u>\$ (7)</u> |
| Net impairment (charges) recovery after income taxes | | | | | <u><u>\$ (4)</u></u> |

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For the six months ended June 30, 2010

| | Held-for- trading | Available- for-sale | Loans and receivables | Other | Total |
|---|----------------------|------------------------|--------------------------|-------------|--------------|
| Impact on OTTI | | | | | |
| - Assets carried at market value | \$ (52) | \$ - | \$ - | \$ - | \$ (52) |
| - Transfer from other comprehensive income | - | (10) | - | - | (10) |
| - Assets carried at amortized cost | - | - | (1) | - | (1) |
| Gross impairment charges | (52) | (10) | (1) | - | (63) |
| Release of actuarial default provision and other | 88 | - | - | - | 88 |
| Net impairment (charges) recovery before income taxes | <u>\$ 36</u> | <u>\$ (10)</u> | <u>\$ (1)</u> | <u>\$ -</u> | <u>\$ 25</u> |
| Net impairment (charges) recovery after income taxes | | | | <u>\$</u> | <u>19</u> |

For the six months ended June 30, 2009

| | Held-for- trading | Available- for-sale | Loans and receivables | Other | Total |
|---|----------------------|------------------------|--------------------------|-------------|----------------|
| Impact on OTTI | | | | | |
| - Assets carried at market value | \$ (3) | \$ - | \$ - | \$ - | \$ (3) |
| - Assets carried at amortized cost | - | - | (30) | - | (30) |
| Gross impairment charges | (3) | - | (30) | - | (33) |
| Release of actuarial default provision and other | - | - | - | - | - |
| Net impairment (charges) recovery before income taxes | <u>\$ (3)</u> | <u>\$ -</u> | <u>\$ (30)</u> | <u>\$ -</u> | <u>\$ (33)</u> |
| Net impairment (charges) recovery after income taxes | | | | <u>\$</u> | <u>(23)</u> |

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

| For the three months ended June 30, 2010 | Bonds | Mortgage loans | Stocks | Real estate | Other | Total |
|---|-----------------|-------------------|-----------------|----------------|----------------|-----------------|
| Regular net investment income: | | | | | | |
| Investment income earned | \$ 941 | \$ 215 | \$ 47 | \$ 55 | \$ 98 | \$ 1,356 |
| Net realized gains (losses) (available for sale) | (7) | - | 4 | - | - | (3) |
| Net realized gains (losses) (other classifications) | - | 5 | - | - | - | 5 |
| Amortization of net realized/unrealized gains (non-financial instruments) | - | - | - | 5 | - | 5 |
| Net (provision) recovery for credit losses (loans and receivables) | - | (1) | - | - | - | (1) |
| Other income and expenses | - | - | - | - | (20) | (20) |
| | <u>934</u> | <u>219</u> | <u>51</u> | <u>60</u> | <u>78</u> | <u>1,342</u> |
| Changes in fair value on held for trading assets: | | | | | | |
| Net realized/unrealized gains (losses) (classified held for trading) | 34 | - | - | - | - | 34 |
| Net realized/unrealized gains (losses) (designated held for trading) | 1,525 | - | (295) | - | (173) | 1,057 |
| | <u>1,559</u> | <u>-</u> | <u>(295)</u> | <u>-</u> | <u>(173)</u> | <u>1,091</u> |
| Net investment income | \$ 2,493 | \$ 219 | \$ (244) | \$ 60 | \$ (95) | \$ 2,433 |

| 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) (available for sale) | 19 | - | 1 | - | - | 20 |
| Net realized gains (losses) (other classifications) | 4 | 2 | 7 | - | - | 13 |
| Amortization of net realized/unrealized gains (non-financial instruments) | - | - | - | (6) | - | (6) |
| Net (provision) recovery for credit losses (loans and receivables) | (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) (classified held for trading) | (9) | - | - | - | - | (9) |
| Net realized/unrealized gains (losses) (designated held for trading) | 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 |

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| For the six months ended June 30, 2010 | Bonds | Mortgage loans | Stocks | Real estate | Other | Total |
|--|-----------------|-------------------|----------------|----------------|--------------|-----------------|
| Regular net investment income: | | | | | | |
| Investment income earned | \$ 1,878 | \$ 436 | \$ 90 | \$ 100 | \$ 264 | \$ 2,768 |
| Net realized gains (losses) <i>(available for sale)</i> | (3) | - | 12 | - | - | 9 |
| Net realized gains (losses) <i>(other classifications)</i> | 10 | 8 | - | - | - | 18 |
| Amortization of net realized/unrealized gains <i>(non-financial instruments)</i> | - | - | - | 7 | - | 7 |
| Net (provision) recovery for credit losses <i>(loans and receivables)</i> | - | (1) | - | - | - | (1) |
| Other income and expenses | - | - | - | - | (37) | (37) |
| | <u>1,885</u> | <u>443</u> | <u>102</u> | <u>107</u> | <u>227</u> | <u>2,764</u> |
| Changes in fair value on held for trading assets: | | | | | | |
| Net realized/unrealized gains (losses) <i>(classified held for trading)</i> | 49 | - | - | - | - | 49 |
| Net realized/unrealized gains (losses) <i>(designated held for trading)</i> | 2,860 | - | (137) | - | (179) | 2,544 |
| | <u>2,909</u> | <u>-</u> | <u>(137)</u> | <u>-</u> | <u>(179)</u> | <u>2,593</u> |
| Net investment income | <u>\$ 4,794</u> | <u>\$ 443</u> | <u>\$ (35)</u> | <u>\$ 107</u> | <u>\$ 48</u> | <u>\$ 5,357</u> |

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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) <i>(available for sale)</i> | 35 | - | - | - | - | 35 |
| Net realized gains (losses) <i>(other classifications)</i> | 1 | 6 | 83 | - | - | 90 |
| Amortization of net realized/unrealized gains <i>(non-financial instruments)</i> | - | - | - | (10) | - | (10) |
| Net (provision) recovery for credit losses <i>(loans and receivables)</i> | (16) | (14) | - | - | - | (30) |
| Other income and expenses | - | - | - | - | (33) | (33) |
| | 2,127 | 455 | 171 | 83 | 291 | 3,127 |
| 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> | (45) | - | 452 | - | (102) | 305 |
| | (45) | - | 452 | - | (102) | 305 |
| Net investment income | \$ 2,082 | \$ 455 | \$ 623 | \$ 83 | \$ 189 | \$ 3,432 |

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.

3. 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). Our risk governance structure and risk management approach have not substantially changed from that described in our 2009 Annual Report. Certain risks have been outlined below. For a complete discussion of our risk governance structure and our risk management approach, see the "Financial Instrument Risk Management" note in the Company's consolidated financial statements dated December 31, 2009.

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.

(a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of debtors making payments when due.

(i) 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.

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

| | June 30, 2010 | | | |
|---|----------------------|----------------------|------------------|------------------|
| | Canada | United States | Europe | Total |
| Bonds issued or guaranteed by: | | | | |
| Canadian federal government | \$ 2,890 | \$ - | \$ 13 | \$ 2,903 |
| Provincial, state and municipal governments | 5,443 | 1,806 | 49 | 7,298 |
| U.S. Treasury and other U.S. agencies | 363 | 2,759 | 943 | 4,065 |
| Other foreign governments | 133 | - | 6,272 | 6,405 |
| Government related | 803 | - | 1,357 | 2,160 |
| Sovereign | 719 | 4 | 666 | 1,389 |
| Asset-backed securities | 2,807 | 3,572 | 868 | 7,247 |
| Residential mortgage backed securities | 47 | 846 | 102 | 995 |
| Banks | 2,470 | 474 | 2,234 | 5,178 |
| Other financial institutions | 1,089 | 1,471 | 1,480 | 4,040 |
| Basic materials | 161 | 552 | 211 | 924 |
| Communications | 598 | 269 | 502 | 1,369 |
| Consumer products | 1,529 | 1,573 | 1,597 | 4,699 |
| Industrial products/services | 567 | 706 | 177 | 1,450 |
| Natural resources | 1,075 | 701 | 493 | 2,269 |
| Real estate | 591 | - | 1,378 | 1,969 |
| Transportations | 1,501 | 591 | 593 | 2,685 |
| Utilities | 3,202 | 2,367 | 2,811 | 8,380 |
| Miscellaneous | 1,666 | 616 | 189 | 2,471 |
| Total long term bonds | 27,654 | 18,307 | 21,935 | 67,896 |
| Short term bonds | 1,176 | 683 | 189 | 2,048 |
| | \$ 28,830 | \$ 18,990 | \$ 22,124 | \$ 69,944 |

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December 31, 2009

| | Canada | United States | Europe | Total |
|---|------------------|------------------|------------------|------------------|
| Bonds issued or guaranteed by: | | | | |
| Canadian federal government | \$ 2,264 | \$ 1 | \$ 14 | \$ 2,279 |
| Provincial, state and municipal governments | 4,917 | 1,333 | 55 | 6,305 |
| U.S. Treasury and other U.S. agencies | 240 | 2,620 | 758 | 3,618 |
| Other foreign governments | 104 | - | 5,773 | 5,877 |
| Government related | 778 | - | 1,372 | 2,150 |
| Sovereign | 783 | 4 | 762 | 1,549 |
| Asset-backed securities | 2,636 | 3,306 | 851 | 6,793 |
| Residential mortgage backed securities | 46 | 842 | 60 | 948 |
| Banks | 2,201 | 453 | 2,299 | 4,953 |
| Other financial institutions | 1,021 | 1,336 | 1,507 | 3,864 |
| Basic materials | 151 | 571 | 198 | 920 |
| Communications | 598 | 276 | 473 | 1,347 |
| Consumer products | 1,384 | 1,351 | 1,664 | 4,399 |
| Industrial products/services | 516 | 651 | 206 | 1,373 |
| Natural resources | 1,000 | 710 | 581 | 2,291 |
| Real estate | 559 | - | 1,216 | 1,775 |
| Transportations | 1,414 | 585 | 594 | 2,593 |
| Utilities | 3,008 | 2,172 | 2,702 | 7,882 |
| Miscellaneous | 1,489 | 562 | 182 | 2,233 |
| Total long term bonds | 25,109 | 16,773 | 21,267 | 63,149 |
| Short term bonds | 2,406 | 455 | 137 | 2,998 |
| | <u>\$ 27,515</u> | <u>\$ 17,228</u> | <u>\$ 21,404</u> | <u>\$ 66,147</u> |

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June 30, 2009

| | Canada | United States | Europe | Total |
|---|-----------|---------------|-----------|-----------|
| Bonds issued or guaranteed by: | | | | |
| Canadian federal government | \$ 1,930 | \$ 1 | \$ 10 | \$ 1,941 |
| Provincial, state and municipal governments | 4,630 | 1,394 | 73 | 6,097 |
| U.S. Treasury and other U.S. agencies | 270 | 3,201 | 777 | 4,248 |
| Other foreign governments | 148 | - | 6,499 | 6,647 |
| Government related | 816 | - | 1,357 | 2,173 |
| Sovereign | 731 | 6 | 908 | 1,645 |
| Asset-backed securities | 2,707 | 3,447 | 901 | 7,055 |
| Residential mortgage backed securities | 75 | 979 | 64 | 1,118 |
| Banks | 2,164 | 425 | 2,425 | 5,014 |
| Other financial institutions | 1,046 | 1,154 | 1,570 | 3,770 |
| Basic materials | 140 | 609 | 217 | 966 |
| Communications | 594 | 338 | 445 | 1,377 |
| Consumer products | 1,401 | 1,326 | 1,806 | 4,533 |
| Industrial products/services | 590 | 680 | 243 | 1,513 |
| Natural resources | 974 | 625 | 628 | 2,227 |
| Real estate | 557 | - | 1,275 | 1,832 |
| Transportations | 1,338 | 642 | 695 | 2,675 |
| Utilities | 2,989 | 2,075 | 2,863 | 7,927 |
| Miscellaneous | 1,391 | 544 | 190 | 2,125 |
| Total long term bonds | 24,491 | 17,446 | 22,946 | 64,883 |
| Short term bonds | 1,947 | 381 | 165 | 2,493 |
| | \$ 26,438 | \$ 17,827 | \$ 23,111 | \$ 67,376 |

(ii) Asset Quality

Bond Portfolio Quality

| | June 30 2010 | December 31 2009 | June 30 2009 |
|--------------------|------------------|---------------------|------------------|
| AAA | \$ 24,007 | \$ 21,754 | \$ 23,255 |
| AA | 11,382 | 10,585 | 10,960 |
| A | 20,786 | 19,332 | 19,319 |
| BBB | 10,468 | 10,113 | 10,517 |
| BB and lower | 1,253 | 1,365 | 832 |
| | 67,896 | 63,149 | 64,883 |
| Short term bonds | 2,048 | 2,998 | 2,493 |
| Total bonds | \$ 69,944 | \$ 66,147 | \$ 67,376 |

Derivative Portfolio Quality

| | June 30 2010 | December 31 2009 | June 30 2009 |
|--|-----------------|---------------------|-----------------|
| Over-the-counter contracts (counterparty ratings): | | | |
| AAA | \$ 7 | \$ 5 | \$ 3 |
| AA | 332 | 338 | 219 |
| A | 346 | 374 | 274 |
| Total | \$ 685 | \$ 717 | \$ 496 |

(iii) 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 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 2010 | December 31 2009 | June 30 2009 |
|---------------------|-----------------|---------------------|-----------------|
| Less than 30 days | \$ 4 | \$ 45 | \$ 9 |
| 30 - 90 days | 12 | 6 | 11 |
| 90 days and greater | 1 | 9 | 3 |
| Total | \$ 17 | \$ 60 | \$ 23 |

(iv) Performing Securities Subject to Deferred Coupons

| | Payment Resumption Date | | |
|---------------------------|-------------------------|--------------|-----------|
| | < 1 year | 1 to 2 years | > 2 years |
| Coupon payment receivable | \$ - | \$ 2 | \$ - |

(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 and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets.
- 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 or the capital markets.

(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 which include three types: currency risk, interest rate (including related inflation) 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. If the assets backing policy liabilities are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases.

- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating policy liabilities and their supporting assets by approximately the same amount resulting in an immaterial change to net earnings. A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating policy liabilities and their supporting assets by approximately the same amount resulting in an immaterial change in net earnings.

(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.

Projected cash flows from the current assets and liabilities are used in CALM to determine policy liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that policy liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

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 policy liabilities impacting the shareholder earnings of the Company of a 1% immediate parallel shift in the yield curve. These interest rate changes will impact the projected cash flows.

- The effect of an immediate 1% parallel increase in the yield curve would be to increase these policy liabilities by approximately \$174 causing a decrease in net earnings of approximately \$121.
- The effect of an immediate 1% parallel decrease in the yield curve would be to increase these policy liabilities by approximately \$43 causing a decrease in net earnings of approximately \$29.

In addition to above, if this change in the yield curve persisted for an extended period the range of the tested scenarios might change. The effect of an immediate 1% parallel decrease or increase in the yield curve persisting for a year would have immaterial additional effects on the reported policy liability.

(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. The risks associated with segregated fund guarantees have been mitigated through a hedging program for lifetime Guaranteed Minimum Withdrawal Benefit guarantees consisting of purchasing equity futures, currency forwards, and interest rate swaps. For policies with segregated fund guarantees, the Company generally determines policy liabilities at a CTE75 (conditional tail expectation of 75) level.

Some policy liabilities are supported by real estate, common stocks and private equities, for example segregated fund products and products with long-tail cash flows. 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 policy liabilities by approximately \$31 causing an increase in net earnings of approximately \$23. A 10% decrease in equity markets would be expected to additionally increase non-participating policy liabilities by approximately \$114 causing a decrease in net earnings of approximately \$81.

The best estimate return assumptions for equities are primarily based on long term historical averages. Changes in the current market could result in changes to these assumptions and will impact both asset and liability cash flows. A 1% increase in the best estimate assumption would be expected to decrease non-participating policy liabilities by approximately \$307 causing an increase in net earnings of approximately \$224. A 1% decrease in the best estimate assumption would be expected to increase non-participating policy liabilities by approximately \$361 causing a decrease in net earnings of approximately \$261.

4. Financing Charges

Financing charges consist of the following:

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|--------|---|--------|
| | 2010 | 2009 | 2010 | 2009 |
| Operating charges: | | | | |
| Interest on operating lines and short-term debt instruments | \$ 3 | \$ 1 | \$ 6 | \$ 2 |
| Financial charges: | | | | |
| Interest on long-term debentures and other debt instruments | 56 | 52 | 110 | 104 |
| Dividends on preferred shares classified as liabilities | - | 9 | 2 | 18 |
| Net realized/unrealized losses (gains) on preferred shares classified as held for trading | - | 31 | (2) | 32 |
| Other | 3 | 2 | 7 | 4 |
| Net interest on capital trust debentures and securities | 8 | 11 | 16 | 21 |
| | 67 | 105 | 133 | 179 |
| Total | \$ 70 | \$ 106 | \$ 139 | \$ 181 |

5. Share Capital

(a) Preferred Shares

On March 4, 2010 the Company issued 6,000,000 Series M, 5.80% Non-Cumulative First Preferred Shares at \$25 per share. The shares are redeemable at the option of the Company on or after March 31, 2015 for \$25 per share plus a premium if redeemed prior to March 31, 2019, in each case with all declared and unpaid dividends to but excluding the date of redemption.

On March 31, 2010 the Company redeemed all of the remaining outstanding Series D First Preferred shares at a redemption price of \$25.25 per share. The Company had designated outstanding Preferred Shares Series D as held for trading on the Consolidated Balance Sheets with changes in fair value reported in the Summaries of Consolidated Operations. In connection with the transaction the Company recognized unrealized gains of \$2 in the Summaries of Consolidated Operations. As a result the Company no longer has any outstanding preferred shares classified as liabilities.

(b) Common Shares

Issued and outstanding

| | June 30, 2010 | | December 31, 2009 | | June 30, 2009 | |
|--|--------------------|-----------------|--------------------|-----------------|--------------------|-----------------|
| | Number | Carrying value | Number | Carrying value | Number | Carrying value |
| Common shares: | | | | | | |
| Balance, beginning of year | 945,040,476 | \$ 5,751 | 943,882,505 | \$ 5,736 | 943,882,505 | \$ 5,736 |
| Issued under stock option plan (exercised) | 2,826,925 | 39 | 1,157,971 | 15 | 410,951 | 5 |
| Balance, end of period | 947,867,401 | \$ 5,790 | 945,040,476 | \$ 5,751 | 944,293,456 | \$ 5,741 |

6. 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.

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.

In Canada, The Office of the Superintendent of Financial Institutions Canada (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 2010 | December 31 2009 | June 30 2009 |
|--------------------------------|-------------------------|---------------------|-----------------|
| Capital Available: | | | |
| Net Tier 1 Capital | \$ 7,187 | \$ 7,014 | \$ 7,064 |
| Tier 2 Capital Allowed | 1,663 | 1,856 | 2,088 |
| Total Available Capital | \$ 8,850 | \$ 8,870 | \$ 9,152 |
| Capital Required: | | | |
| Total Capital Required | \$ 4,385 | \$ 4,354 | \$ 4,464 |
| MCCSR ratios: | | | |
| Tier 1 | 164% | 161% | 158% |
| Total | 202% | 204% | 205% |

In the United States, Great-West Life & Annuity Insurance Company (GWL&A) is subject to comprehensive state and federal regulation and supervision. The National Association of Insurance Commissioners (NAIC) has adopted risk-based capital rules and other financial ratios for U.S. life insurance companies. At December 31, 2009, the Risk-Based Capital (RBC) ratio for GWL&A was 476% of the Company Action Level.

As at June 30, 2010 and 2009 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 Company is required to put amounts on deposit for certain reinsurance transactions. These amounts on deposit are presented in funds held by ceding insurers on the Consolidated Balance Sheets. Some of these amounts on deposit support surplus.

7. Stock Based Compensation

No options were granted under the Company's stock option plan during the second quarter and 863,000 options were granted during the first quarter of 2010 (no options were granted under the Company's stock option plan during the first and second quarter of 2009). The weighted average fair value of options granted was \$4.34 per option during the six months ended June 30, 2010. Compensation expense relating to the Company's stock option plan of \$3 after-tax has been recognized in the Summaries of Consolidated Operations for the six months ended June 30, 2010 (\$5 after-tax for the six months ended June 30, 2009).

8. 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 | |
|------------------|---------------------------------------|--------------|-------------------------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| Pension benefits | \$ 24 | \$ 20 | \$ 40 | \$ 36 |
| Other benefits | 4 | 3 | 7 | 6 |
| Total | \$ 28 | \$ 23 | \$ 47 | \$ 42 |

9. 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 | |
|---|---------------------------------------|--------------------|-------------------------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| Earnings | | | | |
| Net earnings | \$ 455 | \$ 431 | \$ 916 | \$ 774 |
| Perpetual preferred share dividends | 22 | 18 | 42 | 35 |
| Net earnings - common shareholders | \$ 433 | \$ 413 | \$ 874 | \$ 739 |
| Number of common shares | | | | |
| Average number of common shares outstanding | 947,648,873 | 944,194,975 | 946,877,593 | 944,056,508 |
| Add: | | | | |
| - Potential exercise of outstanding stock options | 985,134 | 1,332,473 | 1,419,075 | 812,929 |
| Average number of common shares outstanding - diluted basis | 948,634,007 | 945,527,448 | 948,296,668 | 944,869,437 |
| Basic earnings per common share | \$ 0.457 | \$ 0.437 | \$ 0.923 | \$ 0.783 |
| Diluted earnings per common share | \$ 0.457 | \$ 0.437 | \$ 0.922 | \$ 0.782 |

10. Segmented Information

Consolidated Operations

For the three months ended June 30, 2010

| | Canada | United States | Europe | Lifeco Corporate | Total |
|--|---------------|---------------|---------------|------------------|---------------|
| Income: | | | | | |
| Premium income | \$ 2,228 | \$ 675 | \$ 1,312 | \$ - | \$ 4,215 |
| Net investment income | | | | | |
| Regular net investment income | 589 | 324 | 425 | 4 | 1,342 |
| Changes in fair value on held for trading assets | 187 | 404 | 500 | - | 1,091 |
| Total net investment income | 776 | 728 | 925 | 4 | 2,433 |
| Fee and other income | 255 | 307 | 156 | - | 718 |
| Total income | 3,259 | 1,710 | 2,393 | 4 | 7,366 |
| Benefits and expenses: | | | | | |
| Paid or credited to policyholders | 2,278 | 1,247 | 2,097 | - | 5,622 |
| Other | 602 | 380 | 140 | 2 | 1,124 |
| Amortization of finite life intangible assets | 10 | 13 | 1 | - | 24 |
| Earnings before income taxes | 369 | 70 | 155 | 2 | 596 |
| Income taxes | 90 | 16 | 7 | 2 | 115 |
| Net earnings before non-controlling interests | 279 | 54 | 148 | - | 481 |
| Non-controlling interests | 24 | - | 2 | - | 26 |
| Net earnings | 255 | 54 | 146 | - | 455 |
| Perpetual preferred share dividends | 18 | - | 4 | - | 22 |
| Net earnings - common shareholders | \$ 237 | \$ 54 | \$ 142 | \$ - | \$ 433 |

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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 |
| Earnings before income taxes | 340 | 58 | 165 | 2 | 565 |
| Income taxes | 101 | 8 | 13 | - | 122 |
| Net earnings before non-controlling interests | 239 | 50 | 152 | 2 | 443 |
| Non-controlling interests | 12 | 1 | (1) | - | 12 |
| Net earnings | 227 | 49 | 153 | 2 | 431 |
| Perpetual preferred share dividends | 10 | - | 4 | 4 | 18 |
| Net earnings - common shareholders | \$ 217 | \$ 49 | \$ 149 | \$ (2) | \$ 413 |

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For the six months ended June 30, 2010

| | Canada | United States | Europe | Lifeco Corporate | Total |
|--|---------------|---------------|---------------|------------------|---------------|
| Income: | | | | | |
| Premium income | \$ 4,496 | \$ 1,501 | \$ 2,828 | \$ - | \$ 8,825 |
| Net investment income | | | | | |
| Regular net investment income | 1,208 | 658 | 893 | 5 | 2,764 |
| Changes in fair value on held for trading assets | 608 | 696 | 1,289 | - | 2,593 |
| Total net investment income | 1,816 | 1,354 | 2,182 | 5 | 5,357 |
| Fee and other income | 511 | 624 | 319 | - | 1,454 |
| Total income | 6,823 | 3,479 | 5,329 | 5 | 15,636 |
| Benefits and expenses: | | | | | |
| Paid or credited to policyholders | 4,958 | 2,537 | 4,698 | - | 12,193 |
| Other | 1,189 | 758 | 302 | 2 | 2,251 |
| Amortization of finite life intangible assets | 19 | 25 | 3 | - | 47 |
| Earnings before income taxes | 657 | 159 | 326 | 3 | 1,145 |
| Income taxes | 129 | 36 | 33 | 3 | 201 |
| Net earnings before non-controlling interests | 528 | 123 | 293 | - | 944 |
| Non-controlling interests | 23 | 1 | 4 | - | 28 |
| Net earnings | 505 | 122 | 289 | - | 916 |
| Perpetual preferred share dividends | 35 | - | 7 | - | 42 |
| Net earnings - common shareholders | \$ 470 | \$ 122 | \$ 282 | \$ - | \$ 874 |

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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 |
| Earnings before income taxes | 640 | 170 | 200 | - | 1,010 |
| Income taxes | 163 | 40 | (3) | - | 200 |
| Net earnings before non-controlling interests | 477 | 130 | 203 | - | 810 |
| Non-controlling interests | 31 | 6 | (1) | - | 36 |
| Net earnings | 446 | 124 | 204 | - | 774 |
| Perpetual preferred share dividends | 21 | - | 7 | 7 | 35 |
| Net earnings - common shareholders | \$ 425 | \$ 124 | \$ 197 | \$ (7) | \$ 739 |