

Great-West  
LIFECO<sub>INC.</sub>

**R E L E A S E**

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

**TSX:GWO**

**Great-West Lifeco reports first quarter 2006 results**

*Toronto, May 4, 2006 ...* Great-West Lifeco Inc. (Lifeco) has reported net income attributable to common shareholders of \$446 million for the three months ended March 31, 2006 compared to net income of \$419 million reported a year ago. On a per share basis, this result represents \$0.501 per common share for the three months ended March 31, 2006, an increase of 6% (14% on a constant currency basis) compared to \$0.471 per common share for 2005. Net income in 2005 included \$4 million, or \$0.004 per common share, for restructuring charges related to the acquisition of Canada Life Financial Corporation.

Lifeco experienced solid operating results in all major business segments and significant growth in net income attributable to common shareholders.

***Highlights***

- Earnings per common share for the first quarter of 2006 increased 6% (14% on a constant currency basis) compared to a year ago.
- Return on common shareholders' equity was 20.4% for the twelve months ended March 31, 2006.
- Assets under administration at March 31, 2006 totalled \$182.3 billion, up \$5.0 billion from December 31, 2005 levels.
- Quarterly dividends declared were \$0.22375 per common share payable June 30, 2006. Dividends paid on common shares for the three months ended March 31, 2006 were 15% higher than a year ago.

Consolidated net earnings for Lifeco are the net operating earnings of The Great-West Life Assurance Company (Great-West Life), Canada Life Financial Corporation (CLFC), London Life Insurance Company (London Life) and Great-West Life & Annuity Insurance Company (GWL&A), together with Lifeco's corporate results.

.../2  
**100 Osborne Street North, Winnipeg, MB Canada R3C 3A5**

A member of the Power Financial Corporation group of companies.

## **CANADA**

Consolidated net earnings of the Canadian segment of Lifeco attributable to common shareholders for the first quarter of 2006 increased 10% to \$204 million from \$186 million at March 31, 2005.

Total sales for the three months ended March 31, 2006 were \$2.4 billion, an increase of 34% over the first quarter of 2005. Fee income for the period increased \$27 million to \$216 million.

Total assets under administration at March 31, 2006 were \$90.3 billion, up \$2.2 billion from December 31, 2005 levels, essentially due to increases in segregated funds.

## **UNITED STATES**

Consolidated net earnings of the United States segment of Lifeco attributable to common shareholders for the first quarter of 2006 decreased 7% (an increase of 6% on a constant currency basis) to \$134 million from \$144 million at March 31, 2005.

Total sales for the three months ended March 31, 2006 were \$869 million an increase of 9% (an increase of 17% on a constant currency basis) over the first quarter of 2005. Fee income for the period increased by \$3 million to \$297 million.

Total assets under administration of \$44.9 billion at March 31, 2006 were up \$0.6 billion from December 31, 2005 levels, essentially due to increases in segregated funds.

## **EUROPE**

Consolidated net earnings of the European segment of Lifeco attributable to common shareholders for the first quarter of 2006 increased 10% (an increase of 24% on a constant currency basis) to \$111 million from \$101 million at March 31, 2005.

Total sales for the three months ended March 31, 2006 were \$1.9 billion, a decrease of 7% (an increase of 3% on a constant currency basis) over the first quarter of 2005. Fee income for the period increased by \$8 million to \$139 million.

Total assets under administration at March 31, 2006 were \$47.1 billion, up \$2.2 billion from December 31, 2005 levels, with increases in the general fund of \$0.4 billion and in segregated funds of \$1.8 billion.

## **CORPORATE**

Corporate net earnings for Lifeco attributable to common shareholders were a net charge of \$3 million for the first quarter of 2006 compared to a net charge of \$12 million for the first quarter of 2005.

## **CONSTANT CURRENCY**

The geographic diversification of Lifeco's business operations creates exposure to movement in foreign exchange rates affecting the translation of operating results to Canadian dollars from foreign currencies, principally US dollars, British Pounds and euros.

Compared to the first quarter of 2005, the translation of foreign currency denominated earnings to Canadian dollars in 2006 has resulted in a decrease in the Company's Canadian dollar equivalent earnings of approximately \$23 million as a result of movement in translation rates, as well as a decrease of \$9 million from the expiry in 2005 of favourable forward foreign exchange contracts. Adjusting for the \$32 million negative impact of currency, net income attributable to common shareholders for the three months ended March 31, 2006 increased by 14%.

## **QUARTERLY DIVIDENDS**

At its meeting today, the Board of Directors approved a quarterly dividend of \$0.22375 per share on the common shares of the Company payable June 30, 2006 to shareholders of record at the close of business June 2, 2006.

In addition, the Directors approved quarterly dividends on:

- Series D First Preferred Shares \$0.293750 per share;
- Series E First Preferred Shares \$0.30 per share;
- Series F First Preferred Shares \$0.36875 per share;
- Series G First Preferred Shares of \$0.325 per share;
- Series H First Preferred Shares of \$0.30313 per share; and
- Initial dividend on Series I First Preferred Shares of \$0.24349 per share,

all payable June 30, 2006 to shareholders of record at the close of business June 2, 2006.

## **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, and reinsurance businesses. The Company has operations in Canada, the United States and Europe through The Great-West Life Assurance Company, London Life Insurance Company, The Canada Life Assurance Company and Great-West Life & Annuity Insurance Company. Lifeco and its companies have \$182 billion in assets under administration. Great-West Lifeco is a member of the Power Financial Corporation group of companies.

***Forward-Looking Information and Non-GAAP Financial Measures***

This release may contain 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, and possible future Company action, is also a forward-looking statement. 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 insurance industry generally. 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. 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 specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

This release may also contain non-GAAP financial measures. Terms by which non-GAAP financial measures are identified include but are not limited to “net income on a constant currency basis”, “net income excluding the negative impact of currency”, “adjusted net income”, “earnings before adjustments”, “net income before adjustments” and other similar expressions. Non-GAAP financial measures are used to provide management and investors with additional measures of performance. However, non-GAAP financial measures do not have standard meanings prescribed by GAAP and are not directly comparable to similar measures used by other companies. Please refer to the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP.

***Further information***

Selected financial information is attached.

Great-West Lifeco's first quarter analyst teleconference will be held Thursday, May 4, at 2:00 p.m. (Eastern). The call can be accessed through [www.greatwestlifeco.com](http://www.greatwestlifeco.com) or by phone, through listen-only lines at:

- Participants in the Toronto area: 416-641-6108
- Participants from North America: 1-866-542-4237
- Participants from Overseas: Dial international access code first, then 800-9559-6853

A replay of the call will be available from May 4, until May 11, and can be accessed by calling 1-800-408-3053 or 416-695-5800 in Toronto (passcode: 3170771#).

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

- end -

**For more information contact:**

Marlene Klassen  
Director, Media & Public Relations  
(204) 946-7705

GREAT-WEST  
LIFECO INC.

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

|  | 2006       | 2005      | % Change |
|--|------------|-----------|----------|
| <b>For the three months ended March 31</b>                       |            |           |          |
| Premiums:  |            |           |          |
| Life insurance, guaranteed annuities and insured health products | \$ 3,700   | \$4,528   | -18%     |
| Self-funded premium equivalents (ASO contracts)                  | 1,919      | 1,890     | 2%       |
| Segregated funds deposits:                                       |            |           |          |
| Individual products  | 2,021      | 1,572     | 29%      |
| Group products   | 1,553      | 1,228     | 26%      |
| Total premiums and deposits                                      | 9,193      | 9,218     | 0%       |
| Fee and other income   | 652        | 614       | 6%       |
| Paid or credited to policyholders                                | 4,001      | 4,816     | -17%     |
| Net income - common shareholders before adjustments (1)          | 446        | 423       | 5%       |
| Adjustments after tax (1)  | -          | 4         |          |
| Net income - common shareholders                                 | 446        | 419       | 6%       |
| <b>Per common share</b>  |            |           |          |
| Basic earnings before adjustments (1)                            | \$ 0.501   | \$0.475   | 5%       |
| Adjustments after tax (1)  | -          | 0.004     |          |
| Basic earnings after adjustments                                 | 0.501      | 0.471     | 6%       |
| Dividends paid   | 0.22375    | 0.195     | 15%      |
| Book value   | 10.06      | 9.38      | 7%       |
| <b>Return on common shareholders' equity (12 months):</b>        |            |           |          |
| Net income before adjustments (1)                                | 20.5%      | 20.7%     |          |
| Net income   | 20.4%      | 20.4%     |          |
| <b>At March 31</b>   |            |           |          |
| Total assets   | \$ 102,306 | \$ 97,036 | 5%       |
| Segregated funds assets  | 79,997     | 69,927    | 14%      |
| Total assets under administration                                | \$ 182,303 | \$166,963 | 9%       |
| Share capital and surplus  | \$ 9,767   | \$ 8,857  | 10%      |

- (1) Following the acquisition of Canada Life Financial Corporation (CLFC) by the Company, a plan was developed to restructure and exit selected operations of CLFC. Shareholder net income for the three months ended March 31, 2005 includes restructuring costs related to the acquisition of \$4 after tax, or \$0.004 per common share. Net income, basic earnings per common share and return on common shareholders' equity are presented before restructuring costs as a non-GAAP financial measure of earnings performance.

GREAT-WEST  
LIFECO INC.

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

|   |           | For the three months<br>ended March 31 |                 |
|---|-----------|--|-----------------|
|   |           | 2006                                   | 2005            |
| <b>Income</b>   |           |  |                 |
| Premium income  | \$        | 3,700                                  | \$ 4,528        |
| Net investment income (note 2)                          |           | 1,323                                  | 1,292           |
| Fee and other income                                    |           | 652                                    | 614             |
|   |           | <u>5,675</u>                           | <u>6,434</u>    |
| <b>Benefits and expenses</b>                            |           |  |                 |
| Paid or credited to policyholders and beneficiaries     |           |  |                 |
| including policyholder dividends and experience refunds |           | 4,001                                  | 4,816           |
| Commissions   |           | 342                                    | 329             |
| Operating expenses                                      |           | 562                                    | 564             |
| Premium taxes   |           | 60                                     | 61              |
| Financing charges (note 3)                              |           | 47                                     | 48              |
| Amortization of finite life intangible assets           |           | 4                                      | 5               |
| Restructuring costs                                     |           | -                                      | 7               |
|   |           | <u>-</u>                               | <u>7</u>        |
| <b>Net income before income taxes</b>                   |           | <b>659</b>                             | <b>604</b>      |
| Income taxes  | - current | 117                                    | 29              |
|   | - future  | 52                                     | 120             |
|   |           | <u>52</u>                              | <u>120</u>      |
| <b>Net income before non-controlling interests</b>      |           | <b>490</b>                             | <b>455</b>      |
| Non-controlling interests (note 8)                      |           | 34                                     | 29              |
|   |           | <u>34</u>                              | <u>29</u>       |
| <b>Net income - shareholders</b>                        |           | <b>456</b>                             | <b>426</b>      |
| Perpetual preferred share dividends                     |           | 10                                     | 7               |
|   |           | <u>10</u>                              | <u>7</u>        |
| <b>Net income - common shareholders</b>                 | \$        | <u><b>446</b></u>                      | <u>\$ 419</u>   |
| <b>Earnings per common share (note 12)</b>              |           |  |                 |
| <b>Basic</b>  | \$        | <u><b>0.501</b></u>                    | <u>\$ 0.471</u> |
| <b>Diluted</b>  | \$        | <u><b>0.497</b></u>                    | <u>\$ 0.466</u> |

GREAT-WEST  
LIFECO INC.

**CONSOLIDATED BALANCE SHEET** *(unaudited)*

*(in \$ millions)*

|   | March 31,<br>2006 | December 31,<br>2005 | March 31,<br>2005 |
|---|-------------------|----------------------|-------------------|
| <b>Assets</b>                                     |                   |                      |                   |
| Bonds   | \$ 59,481         | \$ 59,298            | \$ 55,439         |
| Mortgage loans                                    | 14,693            | 14,605               | 14,643            |
| Stocks  | 4,182             | 4,028                | 3,567             |
| Real estate                                       | 1,839             | 1,842                | 1,679             |
| Loans to policyholders                            | 6,735             | 6,646                | 6,572             |
| Cash and certificates of deposit                  | 2,674             | 2,961                | 2,804             |
| Funds held by ceding insurers                     | 2,504             | 2,556                | 2,209             |
| Goodwill  | 5,327             | 5,327                | 5,328             |
| Intangible assets                                 | 1,453             | 1,453                | 1,498             |
| Other assets (note 4)                             | 3,418             | 3,445                | 3,297             |
| <b>Total assets</b>                               | <b>\$ 102,306</b> | <b>\$ 102,161</b>    | <b>\$ 97,036</b>  |
| <b>Liabilities</b>                                |                   |                      |                   |
| Policy liabilities                                |                   |                      |                   |
| Actuarial liabilities                             | \$ 71,611         | \$ 71,263            | \$ 66,704         |
| Provision for claims                              | 1,010             | 999                  | 1,081             |
| Provision for policyholder dividends              | 546               | 535                  | 595               |
| Provision for experience rating refunds           | 352               | 401                  | 507               |
| Policyholder funds                                | 2,112             | 2,088                | 2,067             |
|   | 75,631            | 75,286               | 70,954            |
| Debentures and other debt instruments (note 5)    | 1,891             | 1,903                | 2,092             |
| Funds held under reinsurance contracts            | 4,009             | 4,089                | 4,376             |
| Other liabilities (note 6)                        | 3,787             | 4,318                | 4,295             |
| Repurchase agreements                             | 996               | 936                  | 800               |
| Deferred net realized gains                       | 2,654             | 2,598                | 2,168             |
|   | 88,968            | 89,130               | 84,685            |
| Preferred shares (note 9)                         | 787               | 787                  | 797               |
| Capital trust securities and debentures (note 7)  | 648               | 648                  | 650               |
| Non-controlling interests (note 8)                |                   |                      |                   |
| Participating surplus in subsidiaries             | 1,771             | 1,741                | 1,680             |
| Preferred shares issued by subsidiaries           | 209               | 209                  | 209               |
| Perpetual preferred shares issued by subsidiaries | 156               | 157                  | 158               |
| <b>Share capital and surplus</b>                  |                   |                      |                   |
| Share capital (note 9)                            |                   |                      |                   |
| Perpetual preferred shares                        | 799               | 799                  | 499               |
| Common shares                                     | 4,668             | 4,660                | 4,659             |
| Accumulated surplus                               | 5,095             | 4,860                | 4,124             |
| Contributed surplus                               | 21                | 19                   | 16                |
| Currency translation account                      | (816)             | (849)                | (441)             |
|   | 9,767             | 9,489                | 8,857             |
| <b>Liabilities, share capital and surplus</b>     | <b>\$ 102,306</b> | <b>\$ 102,161</b>    | <b>\$ 97,036</b>  |

GREAT-WEST  
LIFECO INC.

**CONSOLIDATED STATEMENT OF SURPLUS** *(unaudited)*

*(in \$ millions)*

|                                     | <b>For the three months<br/>ended March 31</b> |                 |
|-------------------------------------|--|-----------------|
|                                     | <b>2006</b>                                    | <b>2005</b>     |
| <b>Accumulated surplus</b>          |  |                 |
| Balance, beginning of year          | \$ 4,860                                       | \$ 3,890        |
| Net income                          | 456  | 426             |
| Common share cancellation excess    | (11)   | (11)            |
| Dividends to shareholders           |  |                 |
| Perpetual preferred shareholders    | (10)   | (7)             |
| Common shareholders                 | (200)  | (174)           |
| <b>Balance, end of period</b>       | <b>\$ 5,095</b>                                | <b>\$ 4,124</b> |
| <b>Contributed surplus</b>          |  |                 |
| Balance, beginning of year          | \$ 19  | \$ 14           |
| Stock option expense (note 10)      | 2  | 2               |
| <b>Balance, end of period</b>       | <b>\$ 21</b>                                   | <b>\$ 16</b>    |
| <b>Currency translation account</b> |  |                 |
| Balance, beginning of year          | \$ (849)                                       | \$ (426)        |
| Change during the period            | 33   | (15)            |
| <b>Balance, end of period</b>       | <b>\$ (816)</b>                                | <b>\$ (441)</b> |

GREAT-WEST  
LIFECO INC.

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

|   | <b>For the three months<br/>ended March 31</b> |                 |
|---|--|-----------------|
|   | <b>2006</b>                                    | 2005            |
| <b>Operations</b>   |  |                 |
| Net income  | \$ 456   | \$ 426          |
| Adjustments for non-cash items:   |  |                 |
| Change in policy liabilities  | 129  | 879             |
| Change in funds held by ceding insurers                                 | 52   | 128             |
| Change in funds held under reinsurance contracts                        | (78)   | 2               |
| Change in current income taxes payable                                  | (89)   | (153)           |
| Future income tax expense   | 52   | 120             |
| Other   | (574)  | (336)           |
| Cash flows from operations  | (52)   | 1,066           |
| <b>Financing Activities</b>   |  |                 |
| Issue of common shares  | 12   | 10              |
| Purchased and cancelled common shares                                   | (15)   | (13)            |
| Repayment of debentures and other debt instruments                      | (12)   | (1)             |
| Dividends paid  | (210)  | (181)           |
|   | (225)  | (185)           |
| <b>Investment Activities</b>  |  |                 |
| Bond sales and maturities   | 8,016  | 9,223           |
| Mortgage loan repayments  | 438  | 842             |
| Stock sales   | 294  | 240             |
| Real estate sales   | 119  | 36              |
| Change in loans to policyholders  | (87)   | (37)            |
| Change in repurchase agreements   | 114  | 112             |
| Investment in bonds   | (7,977)  | (9,528)         |
| Investment in mortgage loans  | (532)  | (970)           |
| Investment in stocks  | (353)  | (389)           |
| Investment in real estate   | (72)   | (52)            |
|   | (40)   | (523)           |
| Effect of changes in exchange rates on cash and certificates of deposit | 30   | (26)            |
| <b>Increase (decrease) in cash and certificates of deposit</b>          | <b>(287)</b>                                   | <b>332</b>      |
| <b>Cash and certificates of deposit, beginning of year</b>              | <b>2,961</b>                                   | <b>2,472</b>    |
| <b>Cash and certificates of deposit, end of period</b>                  | <b>\$ 2,674</b>                                | <b>\$ 2,804</b> |

**GREAT-WEST  
LIFECO INC.**

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

(in \$ millions except per share amounts)

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

(a) The interim unaudited consolidated financial statements of Great-West Lifeco Inc. (Lifeco or the Company) at March 31, 2006 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, 2005. 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, 2005.

(b) Certain of 2005 amounts presented for comparative purposes have been reclassified to conform to the presentation adopted in the current year.

**2. Net Investment Income**

Net Investment income is comprised of the following:

**For the three months ended March 31, 2006**

|                | Investment<br>income earned | Amortization<br>of net<br>realized and<br>unrealized<br>gains | Provision<br>for credit<br>losses | Investment<br>expenses | Net<br>investment<br>income |
|----------------|-----------------------------|---|-----------------------------------|------------------------|-----------------------------|
| Bonds          | \$ 800                      | \$ 61   | \$ 2                              | \$ -                   | \$ 863                      |
| Mortgage loans | 216                         | 12  | -                                 | -                      | 228                         |
| Stocks         | 33                          | 76  | -                                 | -                      | 109                         |
| Real estate    | 26                          | 14  | -                                 | -                      | 40                          |
| Other          | 99                          | -   | -                                 | (16)                   | 83                          |
|                | <u>\$ 1,174</u>             | <u>\$ 163</u>   | <u>\$ 2</u>                       | <u>\$ (16)</u>         | <u>\$ 1,323</u>             |

**For the three months ended March 31, 2005**

|                | Investment<br>income earned | Amortization<br>of net<br>realized and<br>unrealized<br>gains | Provision<br>for credit<br>losses | Investment<br>expenses | Net<br>investment<br>income |
|----------------|-----------------------------|---|-----------------------------------|------------------------|-----------------------------|
| Bonds          | \$ 778                      | \$ 60   | \$ 1                              | \$ -                   | \$ 839                      |
| Mortgage loans | 227                         | 13  | 2                                 | -                      | 242                         |
| Stocks         | 37                          | 43  | -                                 | -                      | 80                          |
| Real estate    | 46                          | 8   | -                                 | -                      | 54                          |
| Other          | 90                          | -   | -                                 | (13)                   | 77                          |
|                | <u>\$ 1,178</u>             | <u>\$ 124</u>   | <u>\$ 3</u>                       | <u>\$ (13)</u>         | <u>\$ 1,292</u>             |

GREAT-WEST  
LIFECO INC.

**3. Financing Charges**

Financing charges include interest on long-term debentures and other debt instruments together with distributions and interest on capital trust securities and debentures and preferred shares classified as liabilities

|  | For the three months<br>ended March 31 |              |
|--|--|--------------|
|  | 2006                                   | 2005         |
| Interest on long-term debentures and other debt instruments                                      | \$ 27                                  | \$ 29        |
| Preferred share dividends  | 10                                     | 10           |
| Interest on capital trust debentures   | 12                                     | 12           |
| Other  | 1                                      | -            |
| Distributions on capital trust securities held by<br>consolidated group as temporary investments | (3)                                    | (3)          |
| <b>Total</b>   | <b>\$ 47</b>                           | <b>\$ 48</b> |

**4. Other Assets**

Other assets consist of the following:

**Other Assets**

|                                  | March 31,<br>2006 | December 31,<br>2005 | March 31,<br>2005 |
|----------------------------------|-------------------|----------------------|-------------------|
| Premiums in course of collection | \$ 633            | \$ 623               | \$ 562            |
| Interest due and accrued         | 936               | 893                  | 881               |
| Future income taxes              | 338               | 363                  | 313               |
| Fixed assets                     | 271               | 279                  | 300               |
| Prepaid expenses                 | 60                | 76                   | 74                |
| Accounts receivable              | 659               | 716                  | 648               |
| Accrued pension asset            | 171               | 179                  | 174               |
| Other                            | 350               | 316                  | 345               |
|                                  | <b>\$ 3,418</b>   | <b>\$ 3,445</b>      | <b>\$ 3,297</b>   |

# GREAT-WEST LIFECO INC.

## 5. Debentures and Other Debt Instruments

Debentures and other debt instruments consist of the following:

|   | March 31,<br>2006 | December 31,<br>2005 | March 31,<br>2005 |
|---|-------------------|----------------------|-------------------|
| <b>Short term</b>   |                   |                      |                   |
| Commercial paper and other short term debt instruments with interest rates from 4.5% to 4.9% (4.0% to 5.0% in 2005)   | \$ 110            | \$ 112               | \$ 114            |
| Revolving credit in respect of reinsurance business with interest rates from 5.4% to 5.5% maturing within one year (5.0% to 5.2% in 2005)   | 3                 | 14                   | 18                |
| <b>Total short term</b>   | <b>113</b>        | <b>126</b>           | <b>132</b>        |
| <b>Long term</b>  |                   |                      |                   |
| <b>Operating:</b>   |                   |                      |                   |
| Notes payable with interest rate of 8.0%  | 9                 | 9                    | 10                |
| <b>Capital:</b>   |                   |                      |                   |
| <b>Lifeco</b>   |                   |                      |                   |
| Five year term facility   | -                 | -                    | 150               |
| 6.75% Debentures due August 10, 2015, unsecured   | 200               | 200                  | 200               |
| 6.14% Debentures due March 21, 2018, unsecured  | 200               | 200                  | 200               |
| 6.74% Debentures due November 24, 2031, unsecured   | 200               | 200                  | 200               |
| 6.67% Debentures due March 21, 2033, unsecured  | 400               | 400                  | 400               |
|   | <b>1,000</b>      | <b>1,000</b>         | <b>1,150</b>      |
| <b>Canada Life</b>  |                   |                      |                   |
| Subordinated debentures due September 19, 2011 bearing a fixed rate of 8% until 2006 and, thereafter, at a rate equal to the Canadian 90-day Bankers' Acceptance rate plus 1%, unsecured  | 250               | 250                  | 250               |
| Subordinated debentures due December 11, 2013 bearing a fixed rate of 5.8% until 2008 and, thereafter, at a rate equal to the Canadian 90-day Bankers' Acceptance rate plus 1%, unsecured | 200               | 200                  | 200               |
| 6.40% Subordinated debentures due December 11, 2028, unsecured  | 100               | 100                  | 100               |
| Acquisition related fair market value adjustment  | 10                | 13                   | 34                |
|   | <b>560</b>        | <b>563</b>           | <b>584</b>        |
| <b>Great-West Life &amp; Annuity Insurance Capital, LP</b>  |                   |                      |                   |
| 6.625% Deferrable debentures due November 15, 2034, unsecured (U.S.\$175)   | 209               | 205                  | 216               |
| <b>Total long term</b>  | <b>1,778</b>      | <b>1,777</b>         | <b>,960</b>       |
| <b>Total debentures and other debt instruments</b>  | <b>\$ 1,891</b>   | <b>\$ 1,903</b>      | <b>\$ 2,092</b>   |

## 6. Other Liabilities

Other liabilities consist of the following:

|                                    | March 31,<br>2006 | December 31,<br>2005 | March 31,<br>2005 |
|------------------------------------|-------------------|----------------------|-------------------|
| Current income taxes               | \$ 285            | \$ 374               | \$ 251            |
| Accounts payable                   | 513               | 511                  | 491               |
| Liability for restructuring costs  | -                 | -                    | 48                |
| Post retirement benefits provision | 525               | 508                  | 489               |
| Bank overdraft                     | 445               | 449                  | 651               |
| Future income taxes                | 332               | 317                  | 272               |
| Other                              | 1,687             | 2,159                | 2,093             |
|                                    | <b>\$ 3,787</b>   | <b>\$ 4,318</b>      | <b>\$ 4,295</b>   |

**GREAT-WEST  
LIFECO INC.**

**7. Capital Trust Securities and Debentures**

|   | <b>March 31,<br/>2006</b> | December 31,<br>2005 | March 31,<br>2005 |
|---|---------------------------|----------------------|-------------------|
| Capital trust debentures:   |                           |                      |                   |
| 5.995% Senior debentures due December 31, 2052, unsecured (GWLCT)               | <b>\$ 350</b>             | \$ 350               | \$ 350            |
| 6.679% Senior debentures due June 30, 2052, unsecured (CLCT)                    | <b>300</b>                | 300                  | 300               |
| 7.529% Senior debentures due June 30, 2052, unsecured (CLCT)                    | <b>150</b>                | 150                  | 150               |
|   | <b>800</b>                | 800                  | 800               |
| Acquisition related fair market value adjustment                                | <b>33</b>                 | 34                   | 36                |
| Capital trust securities held by consolidated group<br>as temporary investments | <b>(185)</b>              | (186)                | (186)             |
| <b>Total</b>  | <b>\$ 648</b>             | \$ 648               | \$ 650            |

Great-West Life Capital Trust (GWLCT), a trust established by The Great-West Life Assurance Company (Great-West Life), had issued \$350 of capital trust securities, the proceeds of which were used by GWLCT to purchase Great-West Life senior debentures in the amount of \$350, and Canada Life Capital Trust (CLCT), a trust established by The Canada Life Assurance Company (Canada Life), had issued \$450 of capital trust securities, the proceeds of which were used by CLCT to purchase Canada Life senior debentures in the amount of \$450.

**8. Non-Controlling Interests**

The Company controlled a 100% equity interest in Great-West Life, London Life Insurance Company (London Life), Canada Life and Great-West Life & Annuity Insurance Company (GWL&A) at March 31, 2006 and March 31, 2005.

(a) The non-controlling interests of Great-West Life, London Life, Canada Life, GWL&A and their subsidiaries reflected in the Summary of Consolidated Operations are as follows:

(a)

|  | <b>For the three months<br/>ended March 31,</b> |       |
|--|---|-------|
|  | <b>2006</b>                                     | 2005  |
| Participating policyholder   |   |       |
| Net income attributable to participating<br>policyholder before policyholder dividends |   |       |
| Great-West Life  | <b>\$ 29</b>                                    | \$ 30 |
| London Life  | <b>162</b>                                      | 149   |
| Canada Life  | <b>47</b>                                       | 43    |
| GWL&A  | <b>43</b>                                       | 50    |
| Policyholder dividends   |   |       |
| Great-West Life  | <b>(26)</b>                                     | (24)  |
| London Life  | <b>(139)</b>                                    | (132) |
| Canada Life  | <b>(46)</b>                                     | (43)  |
| GWL&A  | <b>(40)</b>                                     | (49)  |
| Net income   | <b>30</b>                                       | 24    |
| Preferred shareholder dividends of subsidiaries  | <b>4</b>  | 5     |
| <b>Total</b>   | <b>\$ 34</b>                                    | \$ 29 |

**GREAT-WEST  
LIFECO INC.**

**(b)**

|  | <b>March 31,<br/>2006</b> | December 31,<br>2005 | March 31,<br>2005 |
|--|---------------------------|----------------------|-------------------|
| Participating surplus:                             |                           |                      |                   |
| Great-West Life                                    | \$ 375                    | \$ 372               | \$ 366            |
| London Life  | 1,174                     | 1,151                | 1,098             |
| Canada Life  | 26                        | 25                   | 17                |
| GWL&A  | 196                       | 193                  | 199               |
|  | <b>\$ 1,771</b>           | <b>\$ 1,741</b>      | <b>\$ 1,680</b>   |
| Preferred shares issued by subsidiaries:           |                           |                      |                   |
| Great-West Life Series L, 5.20% Non-Cumulative     | \$ 52                     | \$ 52                | \$ 52             |
| Great-West Life Series O, 5.55% Non-Cumulative     | 157                       | 157                  | 157               |
|  | <b>\$ 209</b>             | <b>\$ 209</b>        | <b>\$ 209</b>     |
| Perpetual preferred shares issued by subsidiaries: |                           |                      |                   |
| CLFC Series B, 6.25% Non-Cumulative                |                           | \$ 145               | \$ 145            |
| Acquisition related fair market value adjustment   |                           | 12                   | 13                |
|  | <b>\$ 156</b>             | <b>\$ 157</b>        | <b>\$ 158</b>     |

GREAT-WEST  
LIFECO INC.

## 9. Share Capital

### Authorized

Unlimited First Preferred Shares, Class A Preferred Shares and Second Preferred Shares,

Unlimited Common Shares

### Issued and outstanding

|                                | March 31, 2006     |                 | December 31, 2005  |                 | March 31, 2005     |                 |
|--------------------------------|--------------------|-----------------|--------------------|-----------------|--------------------|-----------------|
|                                | Number             | Stated value    | Number             | Stated value    | Number             | Stated value    |
| Preferred shares:              |                    |                 |                    |                 |                    |                 |
| Classified as liabilities      |                    |                 |                    |                 |                    |                 |
| Series D, 4.70% Non-Cumulative |                    |                 |                    |                 |                    |                 |
|                                | <b>7,978,900</b>   |                 |                    |                 |                    |                 |
| First Preferred Shares         |                    | \$ 199          | 7,978,900          | \$ 199          | 8,000,000          | \$ 200          |
| Series E, 4.80% Non-Cumulative |                    |                 |                    |                 |                    |                 |
|                                | <b>23,499,915</b>  |                 |                    |                 |                    |                 |
| First Preferred Shares         |                    | <b>588</b>      | 23,499,915         | 588             | 23,868,115         | 597             |
|                                | <b>31,478,815</b>  |                 |                    |                 |                    |                 |
|                                | <b>\$ 787</b>      |                 | <b>31,478,815</b>  | <b>\$ 787</b>   | <b>31,868,115</b>  | <b>\$ 797</b>   |
| Perpetual preferred shares:    |                    |                 |                    |                 |                    |                 |
| Classified as equity           |                    |                 |                    |                 |                    |                 |
| Series F, 5.90% Non-Cumulative |                    | #               | #                  | #               | #                  |                 |
|                                | <b>7,957,001</b>   |                 |                    |                 |                    |                 |
| First Preferred Shares         |                    | \$ 199          | 7,957,001          | \$ 199          | 7,957,001          | \$ 199          |
| Series G, 5.20% Non-Cumulative |                    | #               | #                  | #               | #                  |                 |
|                                | <b>12,000,000</b>  |                 |                    |                 |                    |                 |
| First Preferred Shares         |                    | <b>300</b>      | 12,000,000         | 300             | 12,000,000         | 300             |
| Series H, 4.85% Non-Cumulative |                    |                 |                    |                 |                    |                 |
|                                | <b>12,000,000</b>  |                 |                    |                 |                    |                 |
| First Preferred Shares         |                    | <b>300</b>      | 12,000,000         | 300             | -                  | -               |
|                                | <b>31,957,001</b>  |                 |                    |                 |                    |                 |
|                                | <b>\$ 799</b>      |                 | <b>31,957,001</b>  | <b>\$ 799</b>   | <b>19,957,001</b>  | <b>\$ 499</b>   |
| Common shares:                 |                    |                 |                    |                 |                    |                 |
|                                | <b>890,689,076</b> |                 |                    |                 |                    |                 |
| Balance, beginning of year     |                    | \$ 4,660        | 890,592,348        | \$ 4,651        | 890,592,348        | \$ 4,651        |
| Purchased and cancelled under  |                    |                 |                    |                 |                    |                 |
| Normal Course Issuer Bid       | <b>(504,000)</b>   | <b>(4)</b>      | (2,012,600)        | (11)            | (476,000)          | (2)             |
|                                | <b>1,154,095</b>   |                 |                    |                 |                    |                 |
| Issued under Stock Option Plan |                    | <b>12</b>       | 2,109,328          | 20              | 1,102,790          | 10              |
|                                | <b>891,339,171</b> |                 |                    |                 |                    |                 |
| Balance, end of period         |                    | <b>\$ 4,668</b> | <b>890,689,076</b> | <b>\$ 4,660</b> | <b>891,219,138</b> | <b>\$ 4,659</b> |

## 10. Stock Based Compensation

No options were granted under the Company's stock option plan for the three months ended March 31, 2006 (100,000 options were granted during the first quarter of 2005). The weighted-average fair value of options granted during the three months ended March 31, 2005 were \$6.68 per option. Compensation expense of \$2 after tax has been recognized in the Summary of Consolidated Operations for the three months ended March 31, 2006 (\$2 after tax for the three months ended March 31, 2005).

GREAT-WEST  
LIFECO INC.

**11. Pension Plans and Other Post Retirement Benefits**

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

|                  | For the three months<br>ended March 31 |              |
|------------------|--|--------------|
|                  | 2006                                   | 2005         |
| Pension benefits | \$ 19                                  | \$ 18        |
| Other benefits   | 7                                      | 10           |
| <b>Total</b>     | <b>\$ 26</b>                           | <b>\$ 28</b> |

**12. Earnings Per Common Share**

|   | For the three months<br>ended March 31, |             |
|---|---|-------------|
|   | 2006                                    | 2005        |
| <b>a) Earnings</b>  |   |             |
| Net income - common shareholders                            | \$ 446                                  | \$ 419      |
| <b>b) Number of common shares</b>                           |   |             |
| Average number of common shares outstanding                 | 890,681,974                             | 890,865,663 |
| Add:  |   |             |
| -   |   |             |
| Potential exercise of outstanding stock options             | 7,060,652                               | 8,206,778   |
| Average number of common shares outstanding - diluted basis | 897,742,626                             | 899,072,441 |
| <b>Earnings per common share</b>                            |   |             |
| Basic   | \$ 0.501                                | \$ 0.471    |
| Diluted   | \$ 0.497                                | \$ 0.466    |

GREAT-WEST  
LIFECO INC.

**13. Segmented Information**

**Consolidated Operations**

**For the three months ended March 31, 2006**

|  | <u>Canada</u> | <u>United States</u> | <u>Europe</u> | <u>Lifeco Corporate</u> | <u>Total</u>  |
|--|---------------|----------------------|---------------|-------------------------|---------------|
| <b>Income:</b>                                     |               |                      |               |                         |               |
| Premium income                                     | \$ 1,575      | \$ 692               | \$ 1,433      | \$ -                    | \$ 3,700      |
| Net investment income                              | 684           | 335                  | 304           | -                       | 1,323         |
| Fee and other income                               | <u>216</u>    | <u>297</u>           | <u>139</u>    | <u>-</u>                | <u>652</u>    |
| <b>Total income</b>                                | <u>2,475</u>  | <u>1,324</u>         | <u>1,876</u>  | <u>-</u>                | <u>5,675</u>  |
| <b>Benefits and expenses:</b>                      |               |                      |               |                         |               |
| Paid or credited to policyholders                  | 1,528         | 838                  | 1,635         | -                       | 4,001         |
| Other  | 620           | 289                  | 101           | 1                       | 1,011         |
| Amortization of finite life intangible assets      | 3             | -                    | 1             | -                       | 4             |
| Restructuring costs                                | <u>-</u>      | <u>-</u>             | <u>-</u>      | <u>-</u>                | <u>-</u>      |
| <b>Net operating income before income taxes</b>    | <u>324</u>    | <u>197</u>           | <u>139</u>    | <u>(1)</u>              | <u>659</u>    |
| Income taxes                                       | <u>82</u>     | <u>61</u>            | <u>24</u>     | <u>2</u>                | <u>169</u>    |
| <b>Net income before non-controlling interests</b> | <u>242</u>    | <u>136</u>           | <u>115</u>    | <u>(3)</u>              | <u>490</u>    |
| Non-controlling interests                          | <u>28</u>     | <u>2</u>             | <u>4</u>      | <u>-</u>                | <u>34</u>     |
| <b>Net income - shareholders</b>                   | <u>214</u>    | <u>134</u>           | <u>111</u>    | <u>(3)</u>              | <u>456</u>    |
| Perpetual preferred share dividends                | <u>10</u>     | <u>-</u>             | <u>-</u>      | <u>-</u>                | <u>10</u>     |
| <b>Net income - common shareholders</b>            | <u>\$ 204</u> | <u>\$ 134</u>        | <u>\$ 111</u> | <u>\$ (3)</u>           | <u>\$ 446</u> |

**GREAT-WEST  
LIFECO INC.**

For the three months ended March 31, 2005

|   | <u>Canada</u> | <u>United<br/>States</u> | <u>Europe</u> | <u>Lifeco<br/>Corporate</u> | <u>Total</u>  |
|---|---------------|--------------------------|---------------|-----------------------------|---------------|
| Income:                                       |               |                          |               |                             |               |
| Premium income                                | \$ 1,509      | \$ 1,204                 | \$ 1,815      | \$ -                        | \$ 4,528      |
| Net investment income                         | 684           | 371                      | 240           | (3)                         | 1,292         |
|   |               |                          |               | -                           |               |
| Fee and other income                          | <u>189</u>    | <u>294</u>               | <u>131</u>    | <u>-</u>                    | <u>614</u>    |
| Total income                                  | <u>2,382</u>  | <u>1,869</u>             | <u>2,186</u>  | <u>(3)</u>                  | <u>6,434</u>  |
| Benefits and expenses:                        |               |                          |               |                             |               |
|   |               |                          |               | -                           |               |
| Paid or credited to policyholders             | 1,519         | 1,356                    | 1,941         |                             | 4,816         |
| Other   | 579           | 304                      | 118           | 1                           | 1,002         |
|   |               | -                        |               | -                           |               |
| Amortization of finite life intangible assets | 4             |                          | 1             |                             | 5             |
|   | -             | -                        | -             |                             |               |
| Restructuring costs                           | <u>-</u>      | <u>-</u>                 | <u>-</u>      | <u>7</u>                    | <u>7</u>      |
| Net operating income before income taxes      | 280           | 209                      | 126           | (11)                        | 604           |
| Income taxes                                  | <u>61</u>     | <u>64</u>                | <u>23</u>     | <u>1</u>                    | <u>149</u>    |
| Net income before non-controlling interests   | 219           | 145                      | 103           | (12)                        | 455           |
|   |               |                          |               | -                           |               |
| Non-controlling interests                     | <u>26</u>     | <u>1</u>                 | <u>2</u>      | <u>-</u>                    | <u>29</u>     |
| Net income - shareholders                     | 193           | 144                      | 101           | (12)                        | 426           |
|   |               | -                        | -             | -                           |               |
| Perpetual preferred share dividends           | <u>7</u>      | <u>-</u>                 | <u>-</u>      | <u>-</u>                    | <u>7</u>      |
| Net income - common shareholders              | \$ <u>186</u> | \$ <u>144</u>            | \$ <u>101</u> | \$ <u>(12)</u>              | \$ <u>419</u> |

#### 14. Subsequent Events

On March 30, 2006, the Company entered into an agreement with a syndicate of underwriters under which the underwriters have agreed to buy 12,000,000 4.50% Non-cumulative First Preferred Shares Series I from the Company for sale to the public at a price of \$25 per Preferred Share, representing an aggregate issue amount of \$300. The offering closed April 12, 2006.

On April 24, 2006, Crown Life Insurance Company (Crown Life) served notice, pursuant to the terms of the 1999 acquisition of the majority of the insurance operations of Crown Life by Canada Life, commencing a process under which Canada Life may be required to acquire the common shares of Crown Life. This transaction is not expected to have a material impact on the financial position of the Company.