

October 2, 2008

### **Financial markets update**

*The following financial markets update is from Allen Loney, our President and CEO, and Paul Mahon, our President and Chief Operating Officer, Canada:*

With the continuing turmoil in financial markets in the United States and around the world, we realize that you will have questions regarding the potential impact on Great-West Lifeco and its subsidiaries. It is important to note that over a long period of time, our companies have maintained prudent and conservative investment policies and practices with respect to the management of their consolidated assets. Our balance sheets continue to be very strong, and we are well capitalized.

On September 18 and September 26 Great-West Lifeco issued news releases (attached) detailing holdings in certain issuers where the possibility of credit losses exist. The aggregate value of these investments represents approximately three-tenths of one per cent of Lifeco's consolidated general account assets, which were more than CDN\$131 billion at June 30, 2008. In addition, we have a high quality bond portfolio with 99% rated investment grade at June 30, 2008.

Great-West Lifeco expects to record a charge to its third quarter 2008 net income as a result of the decline in value on some of these investments. We anticipate that only part of the value in these investments will be lost.

While recent financial market events are concerning, it is important to remember that Canada's economic fundamentals remain strong. In the United States, the financial services sector has been severely impacted by problems tied to U.S. mortgage and housing markets. This has led to a severe credit and liquidity crisis.

In response, the U.S. government has implemented a number of initiatives to restore stability and provide liquidity to financial institutions and financial markets. Furthermore, governments throughout the world are taking steps to provide significant support to financial institutions in their markets and to restore liquidity.

Our expectation is that in time, the global economy will recover.

*We appreciate your business and look forward to continuing to serve your needs.*

*Sincerely,*



Bill Kyle  
Senior Vice-President  
Group Retirement Services