



**POWER FINANCIAL
CORPORATION**

ADDRESS TO SHAREHOLDERS

WEDNESDAY, MAY 10, 2006

BY

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**PRESIDENT
AND
CHIEF EXECUTIVE OFFICER**

Check against delivery

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**PRESIDENT'S SPEECH TO THE
ANNUAL MEETING OF SHAREHOLDERS
POWER FINANCIAL CORPORATION
MAY 10, 2006**

Thank you Mr. Chairman and good morning ladies and gentlemen. Let me say what an honour it is for me to address you today for the first time.

I was very pleased to join IGM Financial several years ago, and I was delighted to take on a new role at Power Financial, and to be part of a continuing team that has delivered such outstanding results to shareholders over many years.

As I look at the Power Financial companies, in addition to our strength and depth of leadership, the group has an enviable strategic and financial position from which to build upon into the future.

In Canada, Great-West, together with London Life and Canada Life, is the leading life insurance company in the country across virtually all product sectors. The company has leading market shares in both individual and group markets, in life insurance products, in the rapidly growing segregated fund market and in living benefits markets.

On the mutual fund side, IGM Financial, which includes Investors Group, Mackenzie and Investment Planning Counsel, is the largest mutual fund manager in Canada. IGM has in excess of a 16 per cent market share, and has nearly twice the share of long-term mutual fund assets as its nearest competitor.

Together, these companies provide our group with a multi-channel distribution system which is unmatched in its breadth and scope. To summarize briefly,

- Great-West Life has 1,600 advisors, 8,600 specialist brokerage contracts, and over 2,300 inter-corporate advisors.
- The Freedom 55 Financial exclusive sales force consists of some 3,000 advisors.
- Canada Life sells mainly through the General Agents (MGAs) channel with over 68 general agency contracts, covering 10,000 agents.
- Investors Group's exclusive consultant network is now in excess of 3,600 consultants.
- Mackenzie sells through over 30,000 brokers and financial planners across Canada, who are served by Mackenzie's industry-leading team of experienced wholesalers.
- And Investment Planning Counsel sells financial products through its own network of over 500 financial advisors.

As broad and as diverse as these distribution networks are, they share a common focus on personal financial advisors. We believe personal financial advice will continue to grow in importance to Canadians in the years ahead as they deal increasingly with the demands and challenges of retirement.

In the United States, Great-West Life & Annuity occupies strong positions in specific sectors of the financial services and healthcare markets.

Great-West provides retirement services to more than 16,000 employers, representing 2.8 million people, making Great-West the 7th largest group retirement record-keeper in the United States. The company is a leading player providing retirement plans to the public non-profit sector, such as governments, and has a strong position in the profitable market serving small corporate clients.

Great-West is also a significant healthcare plan provider in the United States. Great-West Healthcare provides health plans to over 5,000 employers and 2 million participants, focusing on the small and mid-size corporate market.

In Europe, Great-West, through Canada Life, has a profitable and growing presence. In the United Kingdom, Canada Life has an 8 per cent share of the payout annuity market, an industry-leading 29 per cent share of group life insurance, 12 per cent of the group income protection market and 13 per cent of the offshore individual investment and insurance market. In Ireland, Canada Life is the 7th largest insurance company in the country, and in Germany, it has a growing presence in advisor-sold fund-based products.

And our position in Pargesa provides Power Financial with an additional source of growth, diversification and financial strength.

As impressive as these various market positions may be, Power Financial's size and scope does not by any means guarantee its future success. Outside of Canada, for example, where we have chosen to compete in specific market sectors, we typically face competitors with broader product offerings, more extensive distribution networks and equally strong balance sheets. The team at Power Financial and its companies is highly focused on the continued development of its international strategy, where we see many opportunities for future growth.

But whether pursuing opportunities or facing challenges, we do so from a position of strength, confident in our record of making sound decisions and executing our chosen strategies with discipline and effectiveness.

Let me now turn to the results of Power Financial's subsidiaries and affiliate for 2005.

Subsidiaries' and Affiliate's Results

Great-West Lifeco

Power Financial Corporation holds a 70.6 per cent direct interest in Great-West Lifeco. IGM Financial holds an additional 4.2 per cent interest.

Great-West Lifeco experienced solid operating results in all major business segments during 2005 and significant growth in net income attributable to common shareholders.

The information I'll be reviewing for Great-West Lifeco for 2005 excludes the restructuring costs related to the Canada Life acquisition, and reinsurance provisions relating to hurricane activity during the year.

Net income attributable to common shareholders was \$1.8 billion for 2005, compared with \$1.63 billion in 2004. On a per share basis, this represented \$2.022 per common share for 2005, an increase of 11 per cent compared with \$1.827 per common share for 2004. The strong results were achieved by Great-West Lifeco in spite of the fact that earnings were negatively impacted by the strengthening of the Canadian dollar.

Net income, including all charges, attributable to common shareholders for the twelve months of 2005 was \$1.742 billion, compared with \$1.6 billion a year ago.

Looking at various other key measures: return on common shareholders' equity was 20.9 per cent for 2005. Assets under administration at year-end totalled \$177.3 billion.

Consolidated net earnings of the Canadian segment of Great-West Lifeco attributable to common shareholders increased 20 per cent in 2005 to \$773 million from the previous year. Canadian activities continued to show very strong growth, aided by

the launch over the year of many new products across the company's different market segments.

Consolidated net earnings of the European segment of Great-West Lifeco increased 24 per cent in 2005 to \$442 million from \$356 million. European operations are experiencing excellent organic growth. As well, Canada Life completed the purchase of a large annuity block of business in the U.K. in 2005 from The Resolution Life Group.

Consolidated net earnings of the United States segment attributable to common shareholders, in U.S. dollars, increased 14 per cent in 2005 to \$459 million from \$403 million. U.S. operations continue to record excellent profitability across all lines of business.

Dividends paid per common share at Great-West Lifeco increased from 68.5 cents to 81 cents in 2005, up 18 per cent.

IGM Financial

Power Financial's other major financial services holding is its controlling interest in IGM Financial. Power Financial holds a direct 55.9 per cent interest, while a further 3.5 per cent is held by The Great-West Life Assurance Company.

IGM Financial had a strong year, reporting increases in earnings, mutual fund assets, sales and the number of consultants.

IGM Financial reported net income for 2005 of \$682.4 million, compared with adjusted net income of \$615.6 million in 2004, an increase of 11 per cent. Adjusted net income for 2004 excludes a non-recurring expense.

Mutual fund assets under management at December 31, 2005 totalled \$94.1 billion, compared with \$83.3 billion at the end of 2004, an increase of 13.0 per

cent. Total assets under management totalled \$100.2 billion, compared with \$86.6 billion at December 31, 2004, an increase of 15.7 per cent.

Mutual fund sales for the year for Investors Group were \$5.5 billion, compared with \$4.7 billion in the prior year, while mutual fund net sales for the year were \$778 million, compared with \$218 million a year ago, well ahead of the growth in net sales experienced by the industry.

Investors Group's mutual fund assets under management at the 2005 year-end were \$50.7 billion, an increase of 13.9 per cent, compared with \$44.5 billion at the end of 2004. The number of Investors Group consultants was 3,668 at the end of 2005. Investors Group consultant network has experienced six consecutive quarters of growth, resulting in an increase of 14.4 per cent in its consultant network since June 2004.

Mackenzie experienced strong growth in mutual fund sales, which reached \$8.1 billion for 2005, compared with \$6.8 billion in the prior year. Mutual fund net sales were \$1.2 billion, an increase of 47 per cent from 2004.

Mackenzie's mutual fund assets under management at December 31, 2005 were \$41.6 billion, an increase of 11.5 per cent, compared with \$37.3 billion at the end of 2004. Total assets under management totalled \$49.9 billion, compared with \$42.3 billion at December 31, 2004, an increase of 17.7 per cent.

Investment Planning Counsel, which IGM Financial acquired 75 per cent of in 2004, also produced a strong 2005, increasing its assets under administration by 11 per cent in 2005 to \$8.9 billion, and its assets in its own mutual fund family, Counsel Funds, by 24 per cent to \$1.9 billion.

Finally, IGM Financial increased the dividends it paid on its common shares in 2005 to \$1.335, an increase of 16 per cent.

Pargesa Holding S.A.

I will now turn to Power Financial's Pargesa group companies in Europe.

Power Financial and the Frère group of Belgium each hold 50 per cent interests in Parjointco, which in turn controls Pargesa Holding S.A., based in Geneva, Switzerland.

Pargesa holds interests in five large companies, which have important positions in their respective industries. These are Bertelsmann, Suez, Total, Imerys and Lafarge.

Pargesa reported operating earnings of \$496 million compared with operating earnings of \$498 million in 2004. In Swiss francs, Pargesa's reporting currency, operating earnings increased by 6.9 per cent in 2005 compared with 2004. Non-operating income was \$23 million, compared with \$88 million in 2004. Pargesa's net earnings, after non-operating income, were \$519 million compared with \$586 million in 2004.

Dividends paid by Pargesa in 2006 and related to the 2005 fiscal year totalled SF2.15 per share, a 7.5 per cent increase over the previous year.

I will briefly touch on the results of the five companies in the Pargesa portfolio.

The Pargesa group holds a 25.1 per cent interest in Bertelsmann, the integrated media and entertainment company.

In 2005, Bertelsmann reported operating EBIT of \$2.4 billion, compared with \$2.3 billion in 2004. In its reporting currency, that represented an increase of 12.7 per cent over 2004. Bertelsmann reported net income of \$1.327 billion for the year, compared with \$1.669 billion in 2004.

Bertelsmann, like many of Pargesa's investments, is held through Groupe Bruxelles Lambert. In January 2006, Groupe Bruxelles Lambert announced that, in accordance with its shareholder agreement with the Mohn family (the controlling shareholder of Bertelsmann), it would pursue the public listing of shares of Bertelsmann later in 2006, if market conditions are favourable.

The Pargesa group also holds a 3.8 per cent equity interest in Total, the integrated petroleum company.

Total's adjusted net income increased 31 per cent in 2005 to an equivalent of \$18.1 billion. Adjusted earnings per share increased by 35 per cent. In 2005, Total's return on equity was 35 per cent, among the highest in the industry.

The Pargesa group holds a 7.3 per cent equity interest in Suez, a leading international industrial organization in the fields of energy, water and waste services. Net income was \$3.8 billion in 2005, compared with \$1.8 billion in 2004.

In February 2006, Suez announced a possible merger with Gaz de France, which would create one of the largest gas groups in the world. This transaction is subject to the various approvals.

The Pargesa group's interests in Suez and Total are accounted for on a cost basis. Therefore, we account only for the dividends received. Pargesa's share of the dividend from these companies for 2005 was \$131 million, compared with \$144 million for 2004.

The Pargesa group also holds a 53 per cent interest in Imerys, which is a leading company in the production and sale of value-added minerals. Because it holds a controlling position, the Pargesa group consolidates its share of Imerys' profit.

In 2005, the markets in which Imerys operates remained soft and some non-recurring adverse factors impacted activity levels: a harsh winter, a strike in the Finnish paper industry and hurricanes in the United States. Despite these difficulties, net income was \$466 million, compared with \$388 million in 2004.

In January 2006, Groupe Bruxelles Lambert announced that it had acquired an interest in Lafarge, a world leader in the cement and building materials sector. The interest stood at 9.2 per cent at the end of April. Net income of Lafarge in 2005 was \$1.654 billion.

First Quarter 2006 Earnings

It is now my pleasure to announce the financial results for the first quarter of 2006.

As shareholders already know, Great-West Lifeco, IGM Financial and Pargesa have announced their first quarter results.

Power Financial and its group companies experienced very strong growth in earnings during the first quarter of 2006 across its businesses when measured in local currencies, but these increases were mitigated substantially when translated and reported back into Canadian dollars, due to the strong appreciation of our currency against the U.S. and European currencies.

Operating earnings were \$408 million or \$0.56 per share, as against \$381 million or \$0.52 per share a year ago, representing a 6.3 per cent increase on a per share basis.

Net earnings for the quarter were also \$408 million, compared with \$379 million in 2005.

The impact of the strengthening Canadian dollar on the Corporation's first quarter results is easy to demonstrate. Power Financial, and its two major subsidiaries, Great-West Lifeco and IGM Financial, each had a strong quarter, when measured in constant currency terms. Power Financial's earnings grew by 13 per cent over the corresponding quarter in 2005, prior to taking into account the rise in the Canadian dollar, compared to the 6.3 per cent actually reported. Great-West's constant currency earnings grew by 14 per cent. And IGM Financial reported 15 per cent growth in earnings.

Quarterly Dividend

I am pleased to announce that at the meeting of the Board a few moments ago, the Directors, in addition to declaring the regular dividends on the preferred shares, declared a quarterly dividend of 25 cents per share on the common shares, representing a 7.5 per cent increase over the previous quarterly rate of 23.25 cents.

Banks and Insurance

Before closing, I would like to address one issue that is significant for our Corporation. . . and for all Canadians. As you may be aware, Canada's chartered banks have over the past several years expanded their financial services offering to include life insurance...which they have been seeking to market directly through their branches.

Canada's life insurance industry has a well-developed distribution system with tens of thousands of agents and brokers who deliver insurance products and services into every corner of the country. The Canadian consumer is very well served, with the right products and services at competitive prices.

Until a little over a decade ago, banks were not permitted to sell life insurance products, except in limited circumstances. But in 1992, they were granted entry and were given the right to acquire or build life insurance subsidiaries with the same rights and powers as any other insurance company. However, regulations significantly limit the use of their banking customer data bases for the purpose of selling life insurance. This information was provided to them by their clients for very different purposes. The

banks currently compete on a level playing field with other insurance companies, but are now asking to go beyond this to be able to mine their customers' information to sell them life insurance.

The record shows that the Canadian banks have come to dominate the industry sectors to which they are granted new access. The securities industry, the trust industry and the factoring industry are obvious examples of this.

Is it really in consumers' best interests to risk allowing further concentration of market power in the hands of the banks?

That, I think, is a very difficult case to make.

Particularly when Canadians are already well-served by a vibrant life insurance industry, an industry in which the banks are already permitted to compete, and on equal terms.

We know that the federal government has indicated that it intends to maintain the current regulations governing insurance marketing by the chartered banks. We believe that this is the appropriate course.

Conclusion

In conclusion, ladies and gentlemen, the year 2005 was another very rewarding year for your Corporation, with record operating earnings and record dividends, and the underlying strength and growth of our businesses remain strong through the start of 2006.

We are grateful to you our shareholders for your continuing support, as well as to the management teams and to all the employees and representatives of our group companies for their outstanding work in achieving our results. We thank them, and we

also thank their clients for the trust and loyalty they have shown in our group companies.

And that, Mr. Chairman, concludes my report.