

ANNUAL SHAREHOLDER MEETING

MAY 8, 2008

CHAIRMAN'S ADDRESS

BY

ROBERT GRATTON

CHAIRMAN OF THE BOARD

PRESIDENT'S ADDRESS

BY

R. JEFFREY ORR

PRESIDENT AND CHIEF EXECUTIVE OFFICER

REMARKS UPON HIS RETIREMENT

BY

ROBERT GRATTON

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R. JEFFREY ORR

REMARKS

BY

PAUL DESMARAIS, JR.

CHAIRMAN OF THE EXECUTIVE COMMITTEE



POWER FINANCIAL CORPORATION

FORWARD-LOOKING STATEMENTS › Certain statements, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's and its subsidiaries' current expectations. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of Power Financial and its subsidiaries for the current fiscal year and subsequent periods. 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", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

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By its nature, this information is subject to inherent risks and uncertainties that may be general or specific. A variety of material factors, many of which are beyond the Corporation's and its subsidiaries' control, affect the operations, performance and results of the Corporation and its subsidiaries, and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Corporation's and its subsidiaries' ability to complete strategic transactions and integrate acquisitions, and the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of the Corporation's and its subsidiaries' forward-looking statements. The reader is also cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements.

Other than as specifically required by law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties associated with the Corporation's business is provided in its disclosure materials, including its most recent Management's Discussion and Analysis of Operating Results and its Annual Information Form, filed with the securities regulatory authorities in Canada, available at www.sedar.com.

NON-GAAP FINANCIAL MEASURES › In analysing the financial results of the Corporation and consistent with the presentation in previous years, net earnings are subdivided into the following components:

- › operating earnings; and
- › other items, which include the after-tax impact of any item that management considers to be of a non-recurring nature or that could make the period-over-period comparison of results from operations less meaningful, and also include the Corporation's share of any such item presented in a comparable manner by Lifeco or IGM.

Management has used these financial measures for many years in its presentation and analysis of the financial performance of Power Financial, and believes that they provide additional meaningful information to readers in their analysis of the results of the Corporation. As a consequence of Great-West Life & Annuity Insurance Company's sale of its healthcare business, the results from Lifeco's U.S. healthcare business are presented in the consolidated financial statements as "discontinued operations" in accordance with GAAP. Power Financial's share of these results is included in operating earnings. Operating earnings and operating earnings per share are non-GAAP financial measures that do not have a standard meaning and may not be comparable to similar measures used by other entities.

CHAIRMAN'S ADDRESS

BY

ROBERT GRATTON

It is my pleasure to address this meeting once again and to report to you on the results of Power Financial Corporation for the year 2007.

As you will hear, we have had a very active year, with a number of developments of strategic importance, as well as a very rewarding one.

As shareholders should know by now, Mr. Orr and I have been sharing executive duties at Power Financial Corporation for the last three years. As far as our group companies are concerned, Mr. Orr has had responsibility of the IGM Financial Group of companies, and I have been responsible for our investment in the Great-West Lifeco group of companies, with the exception of Putnam. Our acquisition of Putnam was a team effort across the Power Financial group, as all major acquisitions have been. But Mr. Orr has had responsibility for this investment since the announcement on February 1, 2007 of a definitive agreement to acquire this company. Therefore I will report on the Power Financial Corporation results for 2007 and on those of Great-West Lifeco. Mr. Orr will report on the IGM and Pargesa financial results, on Putnam's, as well as Power Financial Corporation's results for the first quarter of 2008 and the dividend. He will also discuss the long-term strategic focus and results of the company.

Power Financial's operating earnings for 2007 were \$2,082 million or \$2.84 per share, compared with \$1,802 million or \$2.46 per share in 2006. This represents a 15.8 per cent increase on a per share basis.

Other items not included in operating earnings were a charge of \$38 million or \$0.05 per share in 2007. In 2006, other items not included in operating earnings were of \$353 million or \$0.50 per share, which essentially consisted of the Corporation's share of the gain on the disposal of Bertelsmann.

As a result, net earnings were \$2,044 million or \$2.79 per share in 2007, compared with \$2,155 million or \$2.96 per share in 2006.

For the fifteenth consecutive year, Power Financial's common share dividend was increased and the dividends declared on common shares grew from \$1.00 per share in 2006 to \$1.16 in 2007, up 16 per cent.

GREAT-WEST LIFEKO

Turning to the financial numbers for Great-West Lifeco, net adjusted income attributable to common shareholders was \$2,153 million for 2007, compared with \$1,875 million in 2006. Adjusted earnings per share were \$2.413 per common share for 2007, an increase of 15 per cent over 2006. Great-West Lifeco's reported earnings in 2007

were adversely affected by the strengthening Canadian dollar against most major currencies, especially in the fourth quarter.

Adjusted net income excludes an after-tax provision of \$97 million, representing the cost of settling litigation relating mostly to the Canada Life Pension Plan resulting from the 2004 Monsanto decision by the Supreme Court which changed the law of the land. Had the decision been standing in 2003 when Canada Life was acquired, its impact would have been reflected as a purchase price adjustment.

Return on common shareholders' equity was 21.6 per cent for 2007, and assets under administration totalled \$394 billion at year-end. Included in this figure is \$184 billion of mutual fund and institutional account assets managed by Putnam.

Consolidated net earnings of the Canadian segment of Great-West Lifeco attributable to common shareholders increased to \$973 million in 2007, up 9 per cent from 2006.

Consolidated net earnings of the United States segment of Great-West Lifeco increased in U.S. dollars 18 per cent from \$452 million in 2006 to \$532 million in 2007, or 11 per cent in Canadian dollars from \$511 million in 2006 to \$569 million in 2007.

Net earnings of the European segment of Great-West Lifeco were \$611 million in 2007, up 26 per cent from 2006, as a result of higher earnings from reinsurance operations, group insurance and annuities. On a constant currency basis, the increase was 25 per cent.

Great-West Lifeco paid dividends of \$1.06 per common share in 2007, compared with \$0.93 in 2006, an increase of 14 per cent.

Great-West Lifeco's operating companies also showed strong sales growth, coming after strong years in 2005 and 2006.

In recent years, targeted acquisitions have also played a key role in the development of Great-West Lifeco. In the U.K., Canada Life has done four transactions since 2005, adding four blocks of annuities to its own business. The last such transaction, the largest one so far, amounting to \$12.5 billion was announced early in 2008. These transactions dramatically increased our scale in the payout annuity market, taking us from 85,000 policies in 2005 to over 615,000 policies today, and added approximately \$28 billion in assets.

In the United States, Lifeco first acquired from Metropolitan Life their full-service small and mid-size 401(k) business as well as some defined benefit plans, adding \$8.7 billion in plan assets and 300,000 participants.

Then Lifeco acquired the full-service 401(k) business of U.S. Bank, adding almost 200,000 participants and \$10.5 billion in plan assets.

In both cases, the acquisitions included a distribution group, wholesalers, relationship managers and sales and client service specialists.

These two acquisitions tripled Lifeco's full-service 401(k) business and brought its total retirement business to 3.4 million participants, making Great-West Retirement Services the fourth largest provider/servicer in the U.S.

But most importantly, Great-West Lifeco took two major steps furthering its new business strategy in the United States.

First, in late January, Great-West Lifeco reached an agreement with Marsh & McLennan Companies whereby Lifeco acquired the asset management business of Putnam Investments Trust for US\$3 billion, and The Great-West Life Assurance Company acquired Putnam's 25 per cent interest in T.H. Lee Partners for US\$350 million. The parties made an election under section 338(h)(10) of the U.S. *Internal Revenue Code* that will result in a tax benefit that Lifeco intends to securitize for approximately US\$550 million. In aggregate, these transactions represent a value of US\$3.9 billion.

Established in 1937, Putnam is one of the oldest and largest investment managers in the United States at the time of acquisition. At December 2007, Putnam had \$186 billion in assets under management, with 8.6 million unitholders and participants. With offices in Boston, London and Tokyo, Putnam's approximately 2,500 employees manage US\$104 billion in retail assets for U.S. mutual fund investors, US\$41 billion for North American institutional accounts and US\$41 billion of institutional and retail assets in Europe and Japan.

Putnam is the 6th largest U.S. mutual fund company among those distributing through sales representatives, and the 15th largest overall by long-term mutual fund assets.

Therefore, the acquisition of Putnam allowed Lifeco and Power Financial to achieve, with a single transaction, a major presence in the mutual fund and institutional asset management industry in the United States, with operations in Europe and Asia, and a world-class brand.

Putnam has retained its name, with existing management, investment, distribution and service teams remaining in place.

Mr. Orr will be providing more information on Putnam later during this meeting.

A second important step was taken when the company announced at the end of November a definitive agreement to sell its U.S. Healthcare business to Cigna, a transaction that closed on April 1, 2008, for a price equivalent to \$2,250 million. Healthcare has been a core and very profitable business for Lifeco; it was sold, as I said, for strategic reasons and the sale made it possible to fund the Putnam acquisition without having to issue Great-West Lifeco common shares.

Let me add in closing the Lifeco chapter, that prudent and disciplined investment policies and procedures, and underwriting standards followed by the company have proved very beneficial in 2007 as Lifeco was not impacted directly by the capital and credit markets crisis that unfolded during the second half of the year and indeed until today. Lifeco having no exposure to the kind of structured securities that created the crisis, it did not have to make any write-down connected with it.

PRESIDENT'S ADDRESS

BY

R. JEFFREY ORR

I will continue with the operating report on our group companies and then report on the first quarter of 2008 and the dividend.

PUTNAM INVESTMENTS

Let me start with Putnam.

As Mr. Gratton has said, the acquisition of Putnam has provided our group with a major presence in the mutual fund and institutional asset management industry in the United States, with operations in Europe and Asia, and a world-class brand.

Great-West Lifeco closed the acquisition in August of last year.

Since that time, the management of Putnam has been focused on a number of priorities.

The first was to improve the economics of the business through a program composed primarily of cost reductions but also of a number of revenue enhancements. The initial plans in this regard, drawn up by management prior to the closing, have been largely successfully completed.

The second was to build on the growing momentum that Putnam's institutional businesses had been experiencing. The net flows of money into this business turned around sharply in 2007, with net inflows of \$2.1 billion compared to net outflows of \$2.8 billion in 2006.

The third priority was to continue to improve investment performance in the company's equity mutual funds with a view to turning the outflows into inflows. At the time of the acquisition, we believed that this would take time to turn around, perhaps several years.

On this front, Putnam's equity mutual fund performance has actually weakened since the closing, and mutual funds have remained in outflows, being \$14.5 billion in 2007 versus \$16.7 billion in 2006.

This remains the number one focus of the management team at Putnam, and many steps have been taken in recent months and continue to be taken to address equity mutual fund investment performance.

Together with money market inflows, overall net outflows were \$9 billion at Putnam in 2007, compared with just under \$16 billion in 2006.

In asset management, revenues are directly tied to asset levels, which fluctuate with market levels. We know this well from our like businesses in IGM and at Great-West.

Of course markets have been down over the past few quarters, with the S&P Index off 11 per cent since last fall. This, coupled with negative flows, have put pressure on Putnam's revenues. So the Putnam team is also hard at work identifying further opportunities to improve the economics of the business.

Notwithstanding the challenges that we knew were present at Putnam at the time of the announcement of the deal, and the current weak state of financial markets, we are very pleased with Great-West Lifeco's acquisition, and are confident that Putnam will provide our group with a broad platform from which to build a growing asset management presence over the long term in the United States and internationally.

IGM FINANCIAL

Power Financial holds a 58.4 per cent economic interest in IGM Financial. IGM Financial continues as one of Canada's premier financial services companies. Comparing long-term mutual fund assets across the industry, IGM Financial has a dominant number one position.

IGM Financial and its operating companies experienced continued growth in 2007 which, once again, produced positive financial results and dividends for its shareholders. Investors Group Inc. and Mackenzie Financial Corporation, the company's principal businesses, continued to generate strong activity in terms of sales, product innovation, investment management, and resource development.

Adjusted net income for 2007 was \$864 million, compared with \$763 million in 2006, an increase of 13.2 per cent. Adjusted net income for both years excluded non-cash income tax benefits. Adjusted earnings per share on this basis were \$3.23, compared with \$2.85 in 2006.

IGM's assets under management increased by 3 per cent during 2007 and totalled \$123 billion at year-end. Assets had been higher in mid-2007, but were impacted by the sell-off in equity markets during the later part of the year. Average assets under management, the key driver of revenue, was up 11 per cent in 2007 over 2006 levels. Return on average common equity was 21.5 per cent.

At Investors Group, mutual fund assets under management finished the year at \$60.2 billion.

The success of Investors Group is based in large measure upon the success of its consultant network, which has grown for 15 consecutive quarters. The number of consultants exceeded 4,300 at year-end, a record number. Since June 30, 2004, the number of consultants has increased by more than 35 per cent.

Mutual fund sales for 2007 were \$7.2 billion, up from \$6.2 billion last year. Driven by strong client relationships, the redemption rate of Investors' long-term funds decreased to 7.3 per cent in 2007, a record low and substantially below the average for other members of its industry. Mutual fund net sales were \$2.2 billion in 2007, an increase of 60 per cent over last year.

At Mackenzie Financial, total sales of mutual funds and other managed assets for 2007 were \$12.7 billion, compared with \$11.7 billion in the prior year.

Net sales of managed assets were just over a billion dollars in 2007.

Total assets under management at Mackenzie grew 2.8 per cent in 2007 and ended the year at \$63.3 billion, although average assets under management were up 16.7 per cent from 2006, due to the acquisition of the Cundill business, in the 3rd quarter of 2006, sales and asset appreciation.

At Investment Planning Counsel, 2007 assets under administration grew to \$12.7 billion from \$10.3 billion, an increase of 23.2 per cent over the prior year, while the Counsel group of funds, Investment Planning Counsel's internal fund family, grew to \$2.3 billion, an increase of 2.8 per cent.

Finally, IGM Financial increased the dividends paid on its common shares from \$1.535 in 2006, to \$1.775 for an increase of over 15 per cent.

PARGESA HOLDING SA

I will now turn to the Pargesa group in Europe. Power Financial holds, together with the Frère Group of Belgium, a 54.1 per cent equity interest in Pargesa. At December 31, 2007, Pargesa held 50.2 per cent of the voting shares in the Belgian holding company GBL.

Pargesa reported operating earnings of SF609 million in 2007, compared with SF539 million in 2006. Non-operating earnings were SF113 million in 2007, compared with SF1,754 million in 2006, the latter being composed primarily of Pargesa's share of the gain recorded by GBL on the sale of its interest in Bertelsmann.

As a result, net earnings reported by Pargesa were SF722 million in 2007, compared with SF2,293 million in 2006.

Dividends in 2007 paid by Pargesa totalled SF2.37 per bearer share. The dividend payable in 2008 is SF2.62 per bearer share, an increase of 10.5 per cent.

I will briefly provide an overview of the leading companies in the Pargesa portfolio.

The Pargesa group holds a 3.9 per cent equity interest in Total, one of the world's leading oil and gas groups, and a major operator in chemicals. Net income for the year was €13.2 billion, a 12 per cent increase compared to 2006.

The Pargesa group holds a 9.3 per cent equity interest in Suez, an international industrial and services group operating in the Energy (electricity and gas) and Environment (water and waste services) sectors. Net income for Suez in 2007 was up 8.8 per cent to €3.9 billion.

Preparation for the merger between Suez and Gaz de France has continued, as the Boards of Directors of both groups approved a revised merger plan in 2007.

Imerys, in which the Pargesa group holds a 54.1 per cent interest, is a world leading producer of value-added minerals. Operating income was up 2.7 per cent in 2007, reaching €317 million. Net income was €284 million, compared with €187 million in the previous year.

At the end of 2007, Pargesa held a 17.9 per cent interest in Lafarge. With a presence in more than 80 countries, Lafarge holds leading positions in each of its business segments. Net income in 2007 was €2 billion, a 27.9 per cent increase over 2006.

The €8.8 billion acquisition of Orascom Cement Industries, which holds leading positions in the Middle East and the Mediterranean basin, was announced in December 2007.

The Pargesa group also holds a 6.2 per cent equity interest in Pernod Ricard, the co-leader worldwide in wines and spirits. Net income for the year ended June 30, 2007 was €831 million, a 30 per cent increase over the preceding year.

So, all told, very satisfying results for shareholders of each of the companies in our group.

FIRST QUARTER 2008 EARNINGS

It is now my pleasure to announce the financial results of Power Financial Corporation for the first quarter of 2008.

Operating earnings were \$491 million or \$0.67 per share for the first quarter, compared with \$482 million or \$0.66 per share in 2007. This represents a 1.8 per cent increase on a per share basis. Earnings were impacted by the strong Canadian dollar when reporting Great-West Lifeco's non-Canadian-based earnings and by lower asset levels at IGM due to weaker stock markets. Based upon Great-West Lifeco's growth in earnings on a constant currency basis, Power Financial's operating earnings on a per share basis for the quarter would have increased by 9.0 per cent.

Other income was \$95 million or \$0.13 per share in the first quarter of 2008 and consisted of Power Financial's share of non-operating earnings recorded by Great-West Lifeco, as well as by Pargesa. Net earnings, including other income, for the quarter were \$586 million or \$0.80 per share, compared with \$482 million or \$0.66 per share in the first quarter of 2007.

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 33.5 cents per Common Share, representing an increase of 7.2 per cent over the previous quarterly rate of 31.25 cents.

CHIEF FINANCIAL OFFICER

Before concluding, I would like to take this opportunity to acknowledge the tremendous contribution of Mr. Michel Plessis-Bélair, who retired as Chief Financial Officer of Power Financial and of Power Corporation on January 31 of this year.

Mr. Plessis-Bélair joined Power Financial in 1986 as Vice-President Finance and Administration and was subsequently named Senior and then Executive Vice-President and then Chief Financial Officer.

Mr. Plessis-Bélair continues to serve the Power group as Vice-Chairman of the Board of Directors of Power Corporation, and as a Director of Power Financial and certain affiliated companies. Michel, would you please stand and be recognized.

On January 31, we also announced the appointment of Philip K. Ryan as Executive Vice-President and Chief Financial Officer of Power Financial and of Power Corporation, replacing Mr. Plessis-Bélair in that capacity. Mr. Ryan joined our group after a successful career of 22 years at Credit Suisse Group where he held a number of senior management positions, including that of Chief Financial Officer. Phil, would you please stand.

CONCLUSION

In conclusion, ladies and gentlemen, the year 2007 was another very rewarding year for your Corporation. Operating earnings and dividends achieved record levels, while the companies in the group re-aligned and strengthened their strategic positions.

We at Power Financial express our thanks 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 the results we have announced. We thank them, and we also thank their clients for the trust and loyalty they have shown in our group companies.

REMARKS UPON HIS RETIREMENT

BY

ROBERT GRATTON

I am retiring as a full-time executive of Power Financial and therefore I will not be standing for re-election as Chairman of the Board when the board holds its organizational meeting in a few minutes.

At that meeting, Mr. Orr will be reappointed President and Chief Executive Officer of the company and Mr. Ray McFeetors will be elected Vice-Chairman of the Board and be given the ongoing responsibility for Power Financial Corporation's investment in the Lifeco companies. Messrs. André Desmarais and Paul Desmarais, Jr. will be appointed Co-Chairmen of the Board.

Last week, on the occasion of the Great-West Lifeco annual meeting, Mr. McFeetors was appointed Chairman of the Boards and Mr. Jeffrey Orr, Chairman of the Executive Committees of Great-West Lifeco Inc., The Great-West Life Assurance Company, Great-West Life & Annuity Insurance Company, London Insurance Group Inc., London Life Insurance Company, Canada Life Assurance Company, Canada Life Financial Corporation and Canada Life Capital Corporation.

There is a time for everything in life. I have been President and Chief Executive Officer or executive Chairman of Power Financial Corporation for 18 years, having direct responsibility for our North American-based financial services companies, although in the last 3 years Mr. Orr has assumed direct responsibility for the IGM companies as well as for Putnam since February 2007.

Eventually, succession has to happen, and ideally it should happen at a time and in a way that provides for continuity, as well as for the opportunity for a new management to do more and better.

I believe that we are now in such a favourable position and therefore that the timing for change is right.

With my retirement and Mr. McFeetors' new role, a new leadership has been put in place in each of Lifeco's major operating units, i.e. the United States, Canada, the European segment and Lifeco itself. As our practice has been, each of the new CEOs (COOs) will be reporting to his own separate board. Mr. Orr will comment on these appointments in a few moments; let me simply say that this new Lifeco leadership has the skills, experience and commitment that will allow the company to continue to grow its business and its profits faster than the competition. And the same could be said indeed of the leadership in place at the IGM companies.

Turning to Power Financial Corporation, no one is better qualified than Mr. McFeetors to take over the responsibilities that will be his here. He has been the Chief Executive Officer of Lifeco's Canadian operations since 1992, and of its European segment since 2003, as well as of its U.S. business since 2006. With a track record second to none in the Canadian financial industry, he has earned and enjoys the respect and support of his colleagues at Power Financial Corporation and at Power Corporation and of management at the Lifeco companies.

Change creates its own opportunities; Mr. McFeetors and Mr. Orr together, working with Paul Desmarais, Jr. and André Desmarais, as well as with the management of our operating group companies, will provide shareholders with the returns that we have always sought to produce.

I know there are others who will speak after me. I ask that you keep in mind that credit for Power Financial's undeniable growth in the past 15 or 20 years is due to several people and various levels.

First, I would not be here today without the trust and support of the shareholder who controls our company, Mr. Paul Desmarais, as well as André and Paul Jr., over the past 25 years. But it is more than just that: Paul Desmarais, Jr., was heavily involved in redefining the strategy of our companies in the first half of the 1990s and beyond; Paul, Jr. and André played essential roles in each of our major acquisitions, namely London Life, Mackenzie Financial, Canada Life and Putnam. They were and remain major debates and critical decisions.

I also worked closely with the management teams of each of the operating companies in our group for 18 years.

First and foremost with Ray McFeetors, during 16 years: without his leadership and exceptional talents none of the achievements of Great-West Lifeco would have been possible. And then Jeff Orr, for 25 years, the last 7 as Chief Executive Officer of IGM and later as CEO of Power Financial Corporation: without his leadership, the strategic refocussing of Investors Group and the successful integration of Mackenzie into our group would not have happened.

And this is only the tip of the iceberg. A large number of senior executives in each of our operating companies have made significant contributions, in many cases over a very long period of time. I cannot name them today but I will always be most grateful to all those exceptional people.

I must also mention the important role played by the members of our boards of directors, especially those from Power Financial's subsidiaries, who gave me a great deal of advice and support. Our group has a common culture that enabled the management of Power Financial and its subsidiaries as well as members of various boards to work together actively and positively without minimizing the different roles each of us may have filled. Some sceptics will find this amusing; they will be wrong. Just as some may think that the words I just spoke to underscore the contribution of several people to our success are purely words of convenience. That would be unfortunate: if I lack eloquence, at least afford me the pleasure of believing my sincerity.

The board of Power Corporation has indicated its intention to name me as Deputy Chairman of the Board. If the Board does so tomorrow, I will of course serve with pleasure.

It will make it possible for me to continue to be part of the life of the group and to remain available; but mostly it shows my continuing interest in our affairs and my support for the team that has been put in place.

I know better than anyone how we could have done more and better; but we all poured our heart and our energy into it. It was never just work for me; it was my whole life.

And that is why I am happy to have my wife, my children and their spouses here today; I could not have celebrated this day without them. They are my happiness, and life would have no meaning without them.

So, thank you all, and until next year when I will have the pleasure of being seated among you and not up here on this podium.

A few years ago, at my son's graduation, the Dean of the Business School told the new graduates that no success in business could compensate for a failure at home. I have been truly lucky.

TRIBUTE TO MR. ROBERT GRATTON

BY

R. JEFFREY ORR

I have some remarks to make regarding our Chairman, but before I do, I would like to comment on how fortunate I think we are at Power Financial to have Ray McFeetors joining us. Mr. McFeetors' vast experience, deep knowledge and his boundless energy will continue to be applied to growing the business of Great-West from his new role at Power Financial and from his Chairman's role at Great-West, and this will benefit all of the shareholders of Power Financial. Mr. McFeetors' exceptional track record speaks for itself.

Ray, I am really looking forward to working even more closely with you in the future.

I would also like to say that I think the management team that succeeds Mr. McFeetors at Great-West Lifeco is a very strong one. Last week, Mr. Alan Loney was appointed President and Chief Executive Officer of Great-West Lifeco and Great-West Life's Canadian business. In Europe, Mr. Bill Acton was appointed President and CEO, and in the United States, Mr. Mitchell Graye was appointed President and CEO of Great-West Life & Annuity. Each of these individuals will report directly to their boards, which are chaired by Mr. McFeetors.

Mr. Paul Mahon was also appointed as President and Chief Operating Officer, Canada, replacing Mr. Denis Devos, who is retiring.

The outstanding leadership team at Great-West, together with the excellent team at IGM Financial led by Mr. Murray Taylor and Mr. Charlie Sims, means our financial services companies are in strong, capable and experienced hands.

TRIBUTE TO MR. GRATTON

Mr. Gratton's association with the Power group started in 1982 when he was hired as the Chairman, President and CEO of Montreal Trustco by Mr. Desmarais, Sr., and ably assisted by Mr. Jim Burns, the then CEO of Power Financial. Over the next seven years, under his leadership, Montreal Trustco produced an outstanding record of growth, fuelled both organically and by acquisitions, the most notable of these being Roynat and Credit Foncier.

When Power Financial sold its controlling interest in Montreal Trustco in 1989, the company was valued at \$870 million, or some thirteen times its value just seven years earlier when Mr. Gratton had been hired.

It's not surprising then, that Mr. Paul Desmarais, Jr. sought to secure the services of Mr. Gratton at Power Financial, and he joined this company as President in 1989 and was appointed Chief Executive Officer a year later in 1990.

Mr. Gratton's years at Power Financial would prove to be even more outstanding, creating one of the most spectacular track records of any company, anywhere.

To do this, Mr. Gratton worked closely with the controlling shareholders, most notably with Mr. Paul Desmarais, Jr. and with Mr. André Desmarais. In addition to their roles as Co-Chief Executive Officers of Power Corporation of Canada, Mr. Paul Desmarais, Jr. was Chairman of Power Financial throughout the years that Mr. Gratton was Chief Executive Officer and for the past several years has been Chairman of the Executive Committee. Mr. André Desmarais has been Deputy Chairman of Power Financial for the past dozen years.

And Mr. Gratton also worked very closely with the senior management teams at the public subsidiaries, such as Great-West Lifeco and IGM Financial, through his chairmanship of these companies' boards and various board committees.

In fact, a model of governance was perfected which saw Power Financial act as an active major shareholder, involved through the boards in all major items of strategic importance, while at the same time allowing the management teams of the operating companies the freedom and room to execute their strategies.

The model also included the creation of active boards made up of non-management directors at the wholly owned subsidiaries of the public companies themselves. This highly unusual structure, rare among public companies, meant that proper attention and focus was brought to bear on any business unit that was large enough or sufficiently distinct to warrant it.

The governance model has been and remains one of our group's great strengths, and will continue to evolve with the growth of our group.

One way to describe the success of the Corporation can be told in the numbers, and the value that has been created for our shareholders.

Going back to 1992, shortly after Mr. Gratton became the CEO, after-tax operating earnings have grown fifteen-fold to \$2.1 billion. That's a compounded annual growth rate of close to 20 per cent.

Quarterly dividends have increased from just over 2 cents a share to the 31.25 cents declared last quarter, a compound annual growth rate of 19.4 per cent.

The market value of the Corporation's common shares grew from \$1.8 billion to \$28.7 billion over the period. Over the same time, total dividends paid to common shareholders amounted to \$4.7 billion.

All in all, the compounded annual total return to shareholders was 23.5 per cent.

These returns have significantly outpaced those of the TSX in general, and of the TSX financial services sub-index over the period, and would place Power Financial at the top of the performance charts of all financial services companies in North America over the period.

But the story of Power Financial's success is more than numbers. It's also a story of large, successful acquisitions.

Mr. Gratton's ability to drive a successful acquisition is unmatched. His approach and leadership is evident in every element, from the extensive analyses and due diligence, to the preparation by management of detailed implementation plans, to the creativity of the financing solutions and, perhaps most importantly, to the determination to overcome the inevitable obstacles.

The transformation of the Corporation's strategic position from the mid-1990s to its position today is truly remarkable.

The acquisitions by Great-West Lifeco of London Life in 1997, by IGM Financial of Mackenzie Financial in 2001, and by Great-West Lifeco of Canada Life in 2003 transformed the group into the leading player in life insurance and mutual funds in Canada.

The Canada Life acquisition, along with the U.K. acquisitions that Mr. Gratton referred to, have also provided a strong position in Europe. And last year's acquisition of Putnam Investments, together with the 401(k) acquisitions in the U.S. retirement market, and the sale of healthcare, have positioned the group for strong long-term growth in the U.S.

It's not an exaggeration to say that the change in scale and scope of our group over this period has been dramatic.

Rather than adopting a "one size fits all" approach and trying to fit each of these companies into a common model, a multi-branded strategy was followed which allowed the unique strengths and market positions of each company to be built upon.

And to stop at the successful acquisitions doesn't go far enough. A balanced approach of strengthening from within was also pursued.

In whatever strategy that was being followed, one special quality which Mr. Gratton always brought to the Corporation was his ability to rise above the conventional wisdom of the day, and spot opportunity. To call him a contrarian would miss the point, because it implies predictability, rather than the intellectual rigour and good judgment that it really is.

To illustrate, in the mid-1990s, the financial services industry was convinced that open architecture was the only model for the future. All financial advisors would eventually be open to selling everybody's products, or so went the common view. Insurance companies across North America shed their so-called "captive" distribution networks, and integrated mutual fund companies opened up their shelves to outside products.

The Power Financial group differed, concluding instead that a well-run integrated model could prosper if it provided a breadth of quality products and services to advisors and their clients. The group went about strengthening Investors Group, an integrated model, and bucked the trend by purchasing London Life, another integrated model. Today, the wisdom of those decisions is obvious.

Throughout the latter half of the nineties and into this decade, a strong view also prevailed that the Internet and the direct models it facilitated would make financial advisors less and less relevant. Power Financial, on the other hand, under Mr. Gratton's leadership, figured that the bombardment of ever more information coupled with the needs of an aging population would make financial advice more relevant, not less.

The group went about strengthening its existing financial advisor networks and acquiring others. The growth of our advisor base over the period has been remarkable.

Today, the companies in the Power Financial group have a multi-channel distribution system of financial advisors which is unmatched in Canada and the envy of many.

In addition to his focus on distribution, Mr. Gratton was continually pushing the management teams to broaden the range and quality of products that were available. At Investors Group, for example, the financial consultants have built upon their mutual fund success and have emerged as major distributors of insurance, mortgages and banking products, all in the context of a financial planning framework.

And Mr. Gratton was never one to forget the expense side of the competitive equation. Perhaps the best example of this was his driving the management teams of the various operating companies, against their natural tendencies, to have information systems provided on a common shared service model across the companies. It sounds simple enough, but is very hard to actually achieve.

And I would be totally remiss if I failed to mention the time and energy he has devoted over many years to ensuring that we have high-quality corporate investment personnel and practices at our companies, particularly at Great-West, where there is a large corporate balance sheet. The manner in which the Great-West investment portfolio has prospered through the global financial and liquidity crisis of the past nine months is a testament to how successful these efforts have been.

I could go on and on. Perhaps you have already guessed that!

But allow me, instead, to play for you some comments made about Mr. Gratton by Kevin Kavanagh, former CEO of Great-West Lifeco and a director, which were played just last Thursday at the annual meeting of Great-West Lifeco on the occasion of Mr. Gratton retiring as Chairman of that corporation.

VIDEO CLIP OF KEVIN KAVANAGH

Let me conclude by saying that none of these great results we have been celebrating today would have been possible without the active involvement and support of many people, including the controlling shareholders, the Boards and many in management here and at the operating companies, as Mr. Gratton was very clear in pointing out.

But there is also no denying the force of the intellect, drive and judgment that Mr. Gratton brought to bear in bringing this great company to where it is today. And all of the shareholders of Power Financial and its group companies, and the management teams and employees, have been the fortunate beneficiaries.

On a personal note, I can say that I have worked closely with Robert for 25 years, for many of those years while I was at BMO Nesbitt Burns working on many of the acquisitions, and for the past seven years as CEO of IGM and then Power Financial. Throughout, he has been a mentor and a teacher to me. He, along with Paul and André Desmarais, is the principal reason I came to the Corporation. I can confidently say that anyone who has worked closely with him has learned to reach higher and to dream bigger.

I am very privileged to be in a position today to honour his accomplishments.

I would ask you to please recognize Mr. Gratton for his outstanding achievements on the occasion of his retirement from Power Financial.

REMARKS

BY

PAUL DESMARAIS, JR.

I will not attempt to repeat what Jeff Orr has said. He has said it so well.

But listening to him has brought back memories of so many events that we lived through together over the years. On behalf of André, our family and his colleagues at Power, I would like to share with you certain qualities that Robert brought to our group.

Power Financial Corporation and its parent company, Power Corporation of Canada, are steeped in a strong entrepreneurial culture stretching back to when Paul Desmarais, Sr. acquired control and began to build this group. We believe this is one of our strong attributes and a big factor in the superior shareholder returns which Jeff Orr spoke about a moment ago.

And one of Robert Gratton's many extraordinary talents was his capacity to bridge the gap between owners and managers. In fact, he ensured that there was no gap. He was extremely able at this. It has been a marvelous gift for our family and for all our shareholders.

Robert was able to do this because he brought a real ownership perspective to everything he did around here. And he brought this ability to bear in building sustainable franchises among our companies.

For all of us, perhaps his greatest ongoing legacy is his lasting impact on Power Financial (and the Power group) in two particular ways:

- › First, his demand for excellence, (firstly from himself and then from others); Robert leading by example is important because it has inspired us all.
- › Secondly, the intense desire to "get it right" through strategic planning, analysing every aspect of a decision before coming to a conclusion.

I believe that he has succeeded in permanently implanting those two powerful characteristics in the DNA of our group. And that is a great legacy, and for us, a great gift. It is not often that you can retire as Chief Executive Officer of a group and say that you contributed to improving a corporate culture in a lasting way.

Robert, we all thank you immensely. We look forward to your continued involvement and interest in this group through your presence on our boards. And we hope you will have a fruitful retirement. If you are as successful in your retirement as you were here, you should be on cloud nine.



POWER FINANCIAL CORPORATION