



**POWER FINANCIAL  
CORPORATION**

**ADDRESS TO SHAREHOLDERS**

**WEDNESDAY, MAY 10, 2006**

**BY**

**ROBERT GRATTON**

**CHAIRMAN OF THE BOARD**

**Check against delivery**

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Additional information about the risks and uncertainties of Power Financial's business is provided in its disclosure materials, including its most recent Annual Information Form and Management's Discussion and Analysis of Operating Results, filed with the securities regulatory authorities in Canada, available at [www.sedar.com](http://www.sedar.com)

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

2005 was a year in which a number of significant steps were taken to ensure that the Power Financial group of companies would continue to benefit from strong and experienced leadership well into the future.

First, as announced by Mr. Paul Desmarais Jr. at last year's Annual Meeting, Mr. Jeffrey Orr was appointed President and Chief Executive Officer of the Corporation and I was appointed Chairman. Mr. Desmarais said at that time that, together, we would have the mandate of pursuing the Corporation's goal of building long term value for shareholders and that we will work as a team, sharing executive duties and responsibilities as circumstances dictate.

I am pleased to report that this past year has developed exactly as we had intended, with Mr. Orr and I working effectively together as a team, and all the while continuing the close collaboration with Mr. Paul Desmarais Jr., Chairman of the Executive Committee, and with Mr. Andre Desmarais, Deputy Chairman.

Shortly after these announcements, IGM Financial announced that Mr. Orr's role at IGM Financial would be filled by Messrs. Murray Taylor and Charlie Sims, who were appointed co-Presidents and Chief Executive Officers of IGM. Mr. Taylor and Mr. Sims continued in their roles as President and Chief Executive Officers of Investors Group and Mackenzie, respectively.

And, in December of 2005, Great-West Life & Annuity Insurance Company, the company that carries on Great-West Lifeco's business in the United States, announced that Mr. Ray McFeetors had been appointed President and Chief Executive Officer, while continuing to serve as President and CEO of The Great-West Life Assurance Company, London Life Insurance Company and The Canada Life Assurance Company, as well as Great-West Lifeco Inc.

Mr. McFeetors replaced Mr. William McCallum, who retired as President and CEO of the U.S. company after a distinguished 41 year career with Great-West, and who continues to serve the U.S. company as Vice-Chairman.

Great-West also announced that Mr. Denis Devos was appointed President and Chief Operating Officer, Canada, and announced a number of other key senior appointments in the Canadian companies at the same time. As well, Mr. William Acton was appointed President and Chief Operating Officer, Europe.

These various management appointments across the Power Financial group in 2005 reflect, on the one hand, the growing size and scope of the Corporation's activities. They also underscore our commitment to having in place, now and in the future, capable leadership who are experienced in the management practices and disciplines that have served the group so well in the past.

Now, it is a pleasure for me to report on the very strong financial results achieved at Power Financial Corporation.

I will first provide some highlights of our results for 2005 as well as those of our affiliated companies. This will be followed by a short review of shareholder returns over the longer term. The President and CEO, Mr. Orr will then review the results and strategic position of our group companies, then report on the first quarter results for 2006 as well as comment on a matter of public policy.

Power Financial Corporation's operating earnings for 2005 were \$1,694 million or \$2.33 per share, compared with \$1,538 million or \$2.11 per share in 2004, an increase of 10.1 per cent on a per share basis.

Growth in operating earnings reflects a substantial increase in the contribution from our subsidiaries and affiliate.

Other income was a charge of \$2 million in 2005, compared with a gain of \$5 million in the preceding year. The results for 2005 also include Power Financial's share, in the amount of \$31 million or \$0.05 per share, of a specific charge recorded by Lifeco.

Net earnings, after taking into account other income and the share of the specific charge, were \$1.661 billion or \$2.28 per share in 2005, compared with \$1.543 billion or \$2.12 per share in 2004.

For the thirteenth consecutive year, Power Financial Corporation's common share dividend was increased, so that at the end of 2005 the quarterly dividend was 23.25 cents per share, compared with 20.25 cents at the end of 2004. The dividends declared on common shares totalled 87 cents per share in 2005, compared with 73 cents in 2004, representing an increase of 19 per cent.

### **Long-Term Shareholder Value**

It may help to put our results in context by providing an historic comparison. This will underscore our continuing drive to deliver sustained long-term value to our shareholders.

In 1990, our operating earnings were \$213 million. In the most recent year they were \$1.7 billion. This represents almost an eight-fold increase and a fifteen-year compound annual growth rate of 15 per cent.

Our quarterly dividend at the end of 1990 was 2.19 cents (adjusted for share splits). Starting in 1993, dividends have been increased 25 times. The current level is 8 times the level of 13 years ago, an increase of 15 per cent compounded annually.

The book value of our common shares at the end of 1990 was \$2.11. Fifteen years later it stood at \$11.63.

And total assets and assets under administration by the Power Financial group in 1990 were some \$31 billion. At the recent year-end they stood at \$280 billion, for a compound growth rate of 16 per cent.

At the end of 1990, the market price of our shares (adjusted for three subsequent share splits) was \$2.28. Today it stands at about \$33.20, up fourteen-fold.

Total returns to Power Financial shareholders over the fifteen years from the end of 1990 to the end of 2005 were 23 per cent compounded annually, while over the same period total returns for the S&P/TSX index were 10.9 per cent per year, and 17.5 per cent for the S&P/TSX Financial Index. Over the last 10 years total returns for PFC shareholders were 26 per cent compounded annually.

These results have been achieved through the growth in operating earnings of our group companies resulting first from three large strategic acquisitions: London Life in 1997, Mackenzie Financial Corporation in 2001 and Canada Life in 2003 for a total of \$14 billion. It also resulted from an operating focus on the strategic fundamentals of our businesses: a low cost structure, competitive and strategically viable distribution channels, value-added products and a continuing investment in the business made possible by the size of our companies and their profitability.

Lifeco's operating earnings in 2005 were 12.6 times higher than they were fifteen years ago. On a per share basis, earnings were 9 times higher. Total returns for Lifeco shareholders were 25.7 per cent compounded annually over the last fifteen years.

IGM's operating earnings last year were 14.3 times higher than its earnings fifteen years ago. On a per share basis, earnings were 10.3 times higher. Total returns to IGM shareholders were 22.4 per cent compounded annually for the last fifteen years. And, at Pargesa total returns were 16.3 per cent compounded annually for the last fifteen years.

These figures underline the strength of the companies in our group, and their success in delivering superior returns over the long term.