ADDRESS TO SHAREHOLDERS

WEDNESDAY, MAY 9, 2007

BY

ROBERT GRATTON

CHAIRMAN OF THE BOARD

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, its subsidiaries' or affiliate's current expectations. These statements may include, without limitation, statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of Power Financial, its subsidiaries or affiliate 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".

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including the perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances.

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, its subsidiaries' and affiliate's control, affect the operations, performance and results of the Corporation, its subsidiaries and affiliate, 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, its subsidiaries' or affiliate's ability to complete strategic transactions and integrate acquisitions, and the Corporation's, its subsidiaries' or affiliate's success in anticipating and managing the foregoing risks.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of the Corporation's, its subsidiaries' and affiliate's forward-looking statements. The reader is also cautioned to consider these and other factors carefully and not to put 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 of the Corporation's business is provided in its disclosure materials 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 includes, but is not limited to, the impact on the Corporation's net earnings of "Other Income" as presented in the Corporation's Consolidated Statements of Earnings (net of income taxes and non-controlling interests, if any).

Management has used these performance 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. "Operating earnings" excludes 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 excludes the Corporation's share of any such item presented in a comparable manner by its subsidiaries. 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 TO THE
ANNUAL MEETING OF SHAREHOLDERS

POWER FINANCIAL CORPORATION

MAY 9, 2007

2006 has been a very rewarding year for Power Financial and its group companies.

I indicated last year that both Mr. Orr and I had been given the mandate of pursuing the Corporation's goal of building long-term value for shareholders, working as a team and sharing executive duties and responsibilities as circumstances dictate. As you shall see there has been more to share than either of us would have bargained for, which is another way of saying that the year 2006 has been a very productive one.

We will also share in reporting to you on the group's results. I will start by discussing Power Financial's results for 2006, placing them in an historical context as well. 2006 has been a most active year on the acquisition front and I will be commenting on that. Mr. Orr will discuss the results and operations of the three major units of our group, Great-West Lifeco, IGM Financial and Pargesa. He will also report on the first quarter for 2007. We will both be available to answer any questions you might have following the formal part of this meeting.

RESULTS FOR 2006

Power Financial's operating earnings for 2006 were $1,802 million or $2.46 per share, compared with $1,694 million or $2.33 per share in 2005. This represents a 5.7 per cent increase on a per share basis and 11.6 per cent based upon Lifeco's net income on a constant currency basis.

Other items not included in operating earnings were $353 million or $0.50 per share in 2006, representing essentially the impact of the gain recorded in the third quarter in connection with the sale by Groupe Bruxelles Lambert of its interest in Bertelsmann. In 2005, other items not included in operating earnings were a net charge of $33 million or $0.05 per share.

As a result, net earnings were $2,155 million or $2.96 per share in 2006, compared with $1,661 million or $2.28 per share in 2005.

For the fourteenth consecutive year, Power Financial's Common Share dividend was increased and the dividends declared on Common Shares grew from $0.87 per share in 2005 to $1.00 in 2006, up 15 per cent.

LONG-TERM SHAREHOLDER VALUE

Power Financial's goal is to provide superior long-term returns to shareholders. We have therefore, over the years, been reporting to you both our annual results and our performance over a longer period.

Operating earnings provide a meaningful measure of our ability to produce sustainable long-term profit growth. In 1991, our operating earnings were $150 million. In the most recent year they were $1.8 billion. This represents a twelve-fold increase and a fifteen-year compound annual growth rate of 18 per cent.

Dividends are important to value investors. Our quarterly dividend at the end of 1991 was 2.19 cents (adjusted for three intervening share splits). Beginning in 1993, our dividend has been increased 27 times. The current level of 26.75 cents is 8 times the level of 15 years ago. Put differently, our dividends have increased 18.2 per cent compounded annually over that period.

The book value of our Common Shares at the end of 1991 was $2.33. Fifteen years later it stands at $14.22.

Total assets and assets under administration by the Power Financial group stood at some $39 billion in 1991. At the recent year-end they stood at $340 billion, for a compound growth rate of 15.5 per cent. The Putnam acquisition would add $225 billion, bringing this figure to $565 billion.

At the end of 1991, the market price of our shares – adjusted for the three subsequent share splits – was $2.50. Today it stands at about $39.95, up sixteen-fold.

Total returns for the S&P/TSX index from the end of 1991 to the end of 2006 were 9.1 per cent compounded annually. For the S&P/TSX Financial Index they were 13.5 per cent. Total returns to Power Financial shareholders over these same 15 years were 23.2 per cent compounded annually.

Had our returns been in line with the Financial index, our stock price would be at $17.49 today and our market capitalization would stand at $12.3 billion, $15.8 billion lower than the actual one.

Looking briefly at our subsidiaries, Great-West Lifeco's operating earnings in 2006 were 16 times higher than they were 15 years ago. On a per share basis, earnings were 11.4 times higher. Total returns for Lifeco shareholders were 25.3 per cent compounded annually over the last 15 years.

IGM's operating earnings last year were 15 times higher than its earnings 15 years ago. On a per share basis, earnings were 10 times higher. Total returns to IGM shareholders were 18.9 per cent compounded annually for the last 15 years.

At Pargesa total returns were 17.4 per cent compounded annually over the same 15 years.

ACQUISITIONS

Power Financial's strategy is to own controlling interests in financial services companies with strong fundamentals: a low cost structure, competitive and strategically viable distribution channels, value-added products and a size that allows them to invest and develop profitably.

Power Financial also seeks to maintain a balance between Canadian and non-Canadian earnings, first through the American and European operations of Great-West Lifeco and second through its investment in Pargesa, a European-based holding company.

Acquisitions have been key to a successful implementation of our strategy. And in that respect, what a year we've had!

The group has achieved seven acquisitions over the last 12 to 15 months: one in Canada, one in the U.K. and five in the United States. All of a strategic nature and contributing to earnings.

In Canada, Mackenzie Financial Corporation acquired the Vancouver-based Cundill Group, one of Canada's most respected investment managers. The company, renowned for its fundamental value approach, was founded by Peter Cundill who continues with his team to manage $12.5 billion of sub-advised Mackenzie assets and over $3 billion of institutional and high net worth mandates for a global client base.

In the U.K., Canada Life reached an agreement with the Equitable Life Assurance Society to acquire $10.2 billion of assets and liabilities associated with Equitable's pension annuity business, comprising approximately 130,000 policies.

This transaction followed another significant such transaction done in 2005, continuing our strategic thrust in this market segment, which we identified after our Canada Life acquisition as promising given the local market circumstances.

Let's now turn to the U.S.

Starting in 2004, Power Financial Corporation undertook with Great-West Lifeco a strategic review with the purpose of expanding and broadening Lifeco's presence in the United States and indeed globally, through acquisitions. It's the implementation of the resulting strategy that started to unfold in 2006.

First, Great-West Healthcare made two acquisitions, building on the specialty markets initiative: Indiana Health Networks Inc., an Indiana-based hospital and physician network, adding more than 70,000 members to Great-West Healthcare's enrollment; and then Montana-based Benefit Management Corporation, a third-party administrator of employee health plans, adding nearly 90,000 members.

On the financial services side, our strategic review resulted in a renewed focus on the group retirement business, and a new commitment to expand into the asset management and mutual fund businesses.

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.

Last but not least, Putnam. In late January, Great-West Lifeco Inc. reached an agreement with Marsh & McLennan Companies, Inc. whereby Lifeco will acquire the asset management business of Putnam Investments Trust, and The Great-West Life Assurance Company will acquire Putnam's 25% interest in T.H. Lee Partners. The parties have 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 $644 million. In aggregate these transactions represent a value of $4.6 billion.

Established in 1937, Putnam is one of the oldest and largest investment managers in the United States. Putnam has $225 billion in assets under management, with 11 million unitholders and participants. With offices in Boston, London and Tokyo, Putnam's approximately 3,000 employees manage $138 billion in retail assets for U.S. mutual fund investors, $46 billion for North American institutional accounts and $41 billion of institutional and retail assets in Europe and Japan.

Putnam is the fifth largest U.S. mutual fund company among those distributing through sales representatives, and the 10th largest overall.

Therefore, the acquisition of Putnam allows 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 will retain its name, with existing management, investment, distribution and service teams remaining in place.

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