

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933 and may not be offered or sold within the United States or to U.S. persons.

Short Form Prospectus

March 4, 2003

New Issue



\$200,000,000
(8,000,000 shares)
6.00% Non-Cumulative First Preferred Shares, Series I

The 6.00% Non-Cumulative First Preferred Shares, Series I (the “Series I First Preferred Shares”) will be entitled to fixed non-cumulative preferential cash dividends, if, as and when declared by the Board of Directors, at a rate equal to \$1.5000 per share per annum. The initial dividend, if declared, will be payable April 30, 2003, and will be \$0.20548 per share, based upon an anticipated issue date of March 11, 2003. Thereafter, dividends will be payable quarterly at a rate of \$0.3750 per share. Certain provisions relating to the Series I First Preferred Shares are summarized under “Details of the Offering”.

On and after April 30, 2008, Power Financial Corporation (“Power Financial” or the “Corporation”) may, on not less than 30 nor more than 60 days’ notice, redeem for cash the Series I First Preferred Shares in whole or in part, at the Corporation’s option, at \$26.00 per share if redeemed prior to April 30, 2009, \$25.75 if redeemed on or after April 30, 2009 and prior to April 30, 2010, \$25.50 if redeemed on or after April 30, 2010 and prior to April 30, 2011, \$25.25 if redeemed on or after April 30, 2011 and prior to April 30, 2012 and \$25.00 if redeemed on or after April 30, 2012, in each case together with all declared and unpaid dividends to but excluding the date of redemption. See “Details of the Offering”.

The Toronto Stock Exchange has conditionally approved the listing of the Series I First Preferred Shares. Listing is subject to the Corporation fulfilling all the listing requirements of such Exchange on or before May 29, 2003.

BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc. and Merrill Lynch Canada Inc. (collectively, the “Underwriters”) have agreed to purchase the Series I First Preferred Shares from the Corporation subject to the terms and conditions set forth in the underwriting agreement referred to under “Plan of Distribution” (the “Underwriting Agreement”). In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series I First Preferred Shares at a level above that which might otherwise prevail in the open market. See “Plan of Distribution”.

Price: \$25.00 per share to yield 6.00%

	<u>Price to Public</u>	<u>Underwriters’ Fee (1)</u>	<u>Net Proceeds to the Corporation (1)(2)</u>
Per Series I First Preferred Share	\$25.00	\$0.75	\$24.25
Total	\$200,000,000	\$6,000,000	\$194,000,000

(1) The Underwriters’ fee is \$0.25 for each Series I First Preferred Share sold to certain institutions and \$0.75 for all other Series I First Preferred Shares which are sold. The Underwriters’ fee set forth in the table assumes that no Series I First Preferred Shares are sold to such institutions.

(2) Before deduction of the expenses of this issue, estimated at \$300,000, which together with the Underwriters’ fee will be paid from the general funds of the Corporation.

The Underwriters, as principals, conditionally offer the Series I First Preferred Shares subject to prior sale, if, as and when issued by Power Financial and accepted by them in accordance with the conditions contained in the Underwriting Agreement and subject to the approval of certain legal matters on behalf of Power Financial by Blake, Cassels & Graydon LLP, and on behalf of the Underwriters by Ogilvy Renault.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. A book-entry only certificate representing the Series I First Preferred Shares distributed hereunder will be issued in registered form only to The Canadian Depository for Securities Limited (“CDS”) or its nominee and will be deposited with CDS on the closing of this offering.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
Eligibility For Investment	2	Risk Factors	13
Power Financial Corporation	3	Book-Based System	14
Acquisition Of Canada Life Financial Corporation	5	Registrar And Transfer Agent	15
Pro Forma Consolidated Financial Statements ...	6	Purchasers' Statutory Rights	15
Changes To Consolidated Capitalization Since December 31, 2001	6	Compilation Report	F-1
Use Of Proceeds	7	Pro Forma Consolidated Balance Sheet As At September 30, 2002	F-2
Plan Of Distribution	7	Pro Forma Consolidated Statement Of Earnings For The Nine Months Ended September 30, 2002	F-3
Earnings Coverage Ratios	8	Pro Forma Consolidated Statement Of Earnings For The Year Ended December 31, 2001	F-4
Details Of The Offering	8	Notes To Pro Forma Consolidated Financial Statements	F-5
Ratings	11	Certificate Of The Corporation	C-1
Documents Incorporated By Reference	11	Certificate Of The Underwriters	C-2
Certain Canadian Federal Income Tax Considerations	12		
Experts	13		

ELIGIBILITY FOR INVESTMENT

Eligibility of the Series I First Preferred Shares offered hereby for investment by purchasers to whom any of the following statutes apply is, in certain cases, governed by criteria which such purchasers are required to establish as policies or guidelines pursuant to the applicable statute (and, where applicable, the regulations thereunder) and is subject to compliance with the prudent investment standards and general investment provisions and restrictions provided therein:

Insurance Companies Act (Canada)
Loan and Trust Corporations Act (Ontario)
Trust and Loan Companies Act (Canada)
Pension Benefits Act (Ontario)
Pension Benefits Standards Act, 1985 (Canada)
The Pension Benefits Act (Manitoba)
An Act respecting insurance (Québec), for an insurer, as defined in that act, incorporated under the laws of the Province of Québec, other than a guarantee fund

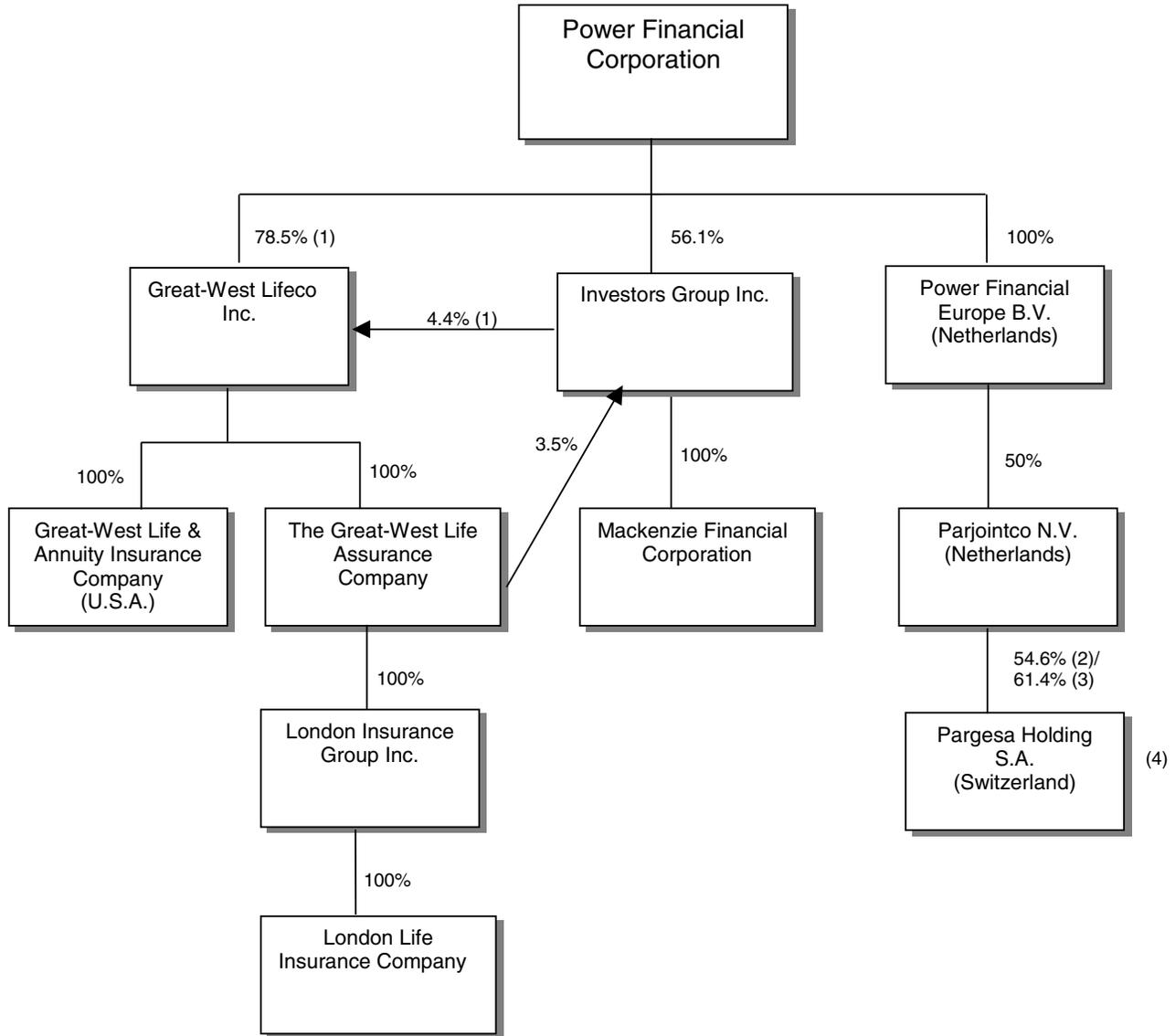
Employment Pension Plans Act (Alberta)
An Act respecting trust companies and savings companies (Québec), for a trust company, as defined in that act, which invests its own funds and funds received as deposits and a savings company, as defined in that act, investing its funds
Insurance Act (Alberta)
Loan and Trust Corporations Act (Alberta)
Supplemental Pension Plans Act (Québec)
Financial Institutions Act (British Columbia)

In the opinion of Blake, Cassels & Graydon LLP and Ogilvy Renault, the Series I First Preferred Shares, if issued on the date hereof, would be qualified investments under the *Income Tax Act (Canada)* and the Regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, and would not be foreign property for purposes of Part XI of such Act.

POWER FINANCIAL CORPORATION

Intercorporate Relationships

The following chart summarizes Power Financial's corporate structure at December 31, 2002, including selected subsidiaries and affiliate. Unless otherwise specified below, all companies were incorporated in Canada. The indicated percentages represent holdings of common shares.



(1) Approximately a 65% direct and indirect voting interest in the aggregate.

(2) Equity interest.

(3) Voting interest.

(4) The companies in the Pargesa group are more fully described in Power Financial's Annual Information Form, incorporated herein by reference.

General

Power Financial is a diversified management and holding company that holds interests, directly or indirectly, in companies that are active in the financial services sector in Canada and the United States and, through its indirect investment in Pargesa Holding S.A. (“Pargesa Holding”), has substantial holdings in a group of major media, energy, water, waste services and value-added specialty minerals companies based in Europe. Power Financial’s head and registered office is located at 751 Victoria Square, Montréal, Québec, H2Y 2J3.

Power Financial owns a controlling interest in Great-West Lifeco Inc. (“Lifeco”) and Investors Group Inc. (“Investors Group”). These companies and their subsidiaries offer an extensive range of financial products and services to individuals and corporations in Canada and the United States. Through its wholly owned subsidiary, Power Financial Europe B.V. (“Power Financial Europe”), which in turn holds a 50% interest in Parjointco N.V. (“Parjointco”), Power Financial has a significant interest in the Pargesa group. Both Power Financial Europe and Parjointco are corporations incorporated under the laws of the Netherlands.

At December 31, 2002, Power Financial controlled, directly and indirectly, approximately 82.9% of the outstanding common shares of Lifeco, representing approximately 65.0% of the voting rights attached to all the outstanding Lifeco voting shares and representing an economic interest of 80.9% in Lifeco. At December 31, 2002, Power Financial also controlled, directly and indirectly, 59.6% of the outstanding common shares of Investors Group.

Great-West Lifeco Inc.

At December 31, 2002, Lifeco owned all of the outstanding common shares of The Great-West Life Assurance Company (“Great-West Life”); all of the outstanding preferred shares of London Life Insurance Company (“London Life”); and, through wholly owned subsidiaries, all of the outstanding common shares of Great-West Life & Annuity Insurance Company (“GWL&A”). Lifeco currently has no other holdings and carries on no business or activities unrelated to its holdings in Great-West Life, London Life and GWL&A. However, Lifeco is not restricted to investing only in such securities and on February 17, 2003, Lifeco announced that it had entered into a definitive agreement with Canada Life Financial Corporation (“Canada Life”) to acquire 100% of the outstanding common shares of Canada Life. See “Acquisition of Canada Life Financial Corporation”.

The Great-West Life Assurance Company and London Life Insurance Company

Great-West Life owns all of the common shares of London Insurance Group Inc. (“LIG”), a company continued under the *Canada Business Corporations Act*. LIG owns all of the voting shares of London Life. Both Great-West Life and London Life are Canadian insurance companies governed by the *Insurance Companies Act* (Canada). Great-West Life also owned at December 31, 2002, 9.2 million common shares (representing 3.5%) of its affiliate, Investors Group.

Great-West Life and London Life serve more than nine million Canadians with a broad portfolio of financial and benefit plan solutions for families, individuals, businesses and organizations. Products are marketed through a network of Great-West Life and Freedom 55 FinancialTM security advisors, and through brokers and marketing agreements with other financial institutions. Great-West Life is also a supplier of reinsurance in the United States and Europe through London Reinsurance Group Inc. The operations of Great-West Life and London Life are managed from Winnipeg, Manitoba and London, Ontario, respectively.

Great-West Life & Annuity Insurance Company

In the United States, GWL&A serves its customers through a full range of health care, life and disability insurance, annuities and retirement savings products and services. The operations of GWL&A are managed from Greenwood Village, Colorado.

Investors Group Inc.

Investors Group is one of Canada’s leading financial services companies offering a comprehensive package of financial products and services to individuals and corporations throughout Canada. Its core business is to provide personal financial planning including mutual funds, insurance, securities services, guaranteed investment certificates and mortgages to Canadians through its network of over 3,300 consultants. Investors Group is the largest sponsor and distributor of mutual funds in Canada, with client assets under management and administration in excess of \$39.6 billion at December 31, 2002.

At December 31, 2002, Investors Group held 16.2 million common shares (representing 4.4%) of its affiliate, Lifeco.

Mackenzie Financial Corporation

Investors Group owns, indirectly, 100% of the shares of Mackenzie Financial Corporation (“Mackenzie”). In Canada, Mackenzie’s core business activity is the manufacturing, marketing and management of approximately 149 public mutual funds comprising the Cundill, Ivy, Keystone, Mackenzie, Maxxum and Universal fund families. Mackenzie also provides management services to institutional accounts and provides trust and administrative services in Canada. Mackenzie’s client assets under management and administration exceeded \$35.2 billion at December 31, 2002.

Power Financial Europe B.V.

At December 31, 2002, Power Financial Europe held a 50% interest in Parjointco, which held a 61.4% voting interest and a 54.6% equity interest in Pargesa Holding of Geneva, Switzerland. At such date, Pargesa Holding held a 50.2% voting and a 48.1% equity interest in Groupe Bruxelles Lambert S.A. (“GBL”) of Brussels, Belgium. The Pargesa group holds significant interests in a selected number of European companies, either through Pargesa Holding or through GBL. At December 31, 2002, such interests consisted principally of a 25.1% interest in Bertelsmann AG, a company with leading positions in the global media and entertainment industries; a 3.4% interest in TotalFinaElf, an international oil and petrochemical group; a 7.2% interest in Suez, a leading energy, water and waste services company; and a 54.3% interest in Imerys S.A., a leading company in value-added specialty minerals.

ACQUISITION OF CANADA LIFE FINANCIAL CORPORATION

On February 17, 2003, Lifeco announced that it had entered into a definitive agreement (the “Transaction Agreement”) with Canada Life to acquire 100% of the outstanding common shares of Canada Life for approximately \$7.3 billion, which represents a purchase price of \$44.50 per common share. Each holder of a Canada Life common share would be entitled to receive, for each such share held, at his or her election, (i) \$44.50 in cash (the maximum cash to be paid limited to \$4.4 billion); (ii) 1.1849 common shares of Lifeco (the maximum number of such shares to be issued limited to 56.0 million shares); (iii) 1.78 Lifeco 4.80% non-cumulative 10-year retractable preferred shares (the maximum number of such shares to be issued limited to 24.0 million shares); (iv) 1.78 Lifeco 5.90% non-cumulative perpetual preferred shares (the maximum number of such shares to be issued limited to 8.0 million shares); or (v) a combination of the above alternatives, subject in each case to the maximum amounts noted and any resultant pro ration.

The Transaction Agreement provides that the completion of this acquisition of Canada Life is subject to a number of conditions including:

- (a) the approval of the transaction by the holders of the Canada Life common shares at a meeting of Canada Life shareholders called to approve the transaction, as required by applicable laws;
- (b) the receipt of all regulatory approvals of the transaction required or appropriate under regulatory legislation, on a basis which does not impose terms which, in the aggregate would have a material adverse effect on Lifeco and Canada Life on a combined basis;
- (c) the absence of any restrictions or limitations on the completion of the transaction under the competition laws of Canada, the United States, the United Kingdom and the European Community;
- (d) the receipt of all other material consents, waivers, permits, orders and approvals required to permit the consummation of the transaction on a basis which does not impose terms which, in the aggregate would have a material adverse effect on Lifeco and Canada Life on a combined basis;
- (e) Lifeco shall have determined that the Canada Life shareholder rights plan shall have been waived by Canada Life’s shareholders or otherwise rendered unexercisable or unenforceable; and
- (f) other conditions customary to transactions of this nature.

In addition to representations, warranties, conditions and other provisions customary in an agreement of its type, the Transaction Agreement provides for the payment by Canada Life to Lifeco of a fee of \$287 million in the event that, among other things, the board of directors of Canada Life fails to recommend or confirm its recommendation of the transaction within two business days of being requested to do so by Lifeco. The Transaction Agreement also

contains non-solicitation provisions and provides that Canada Life must give immediate notice to Lifeco of the terms of (and then a right to match) any potential competing offer.

Investors Group and Power Financial have each agreed to invest, at Lifeco's request, up to \$100 million and \$800 million, respectively, to acquire common shares of Lifeco from treasury. The purchase price per Lifeco common share will be \$37.556 cash. Such purchases will be completed approximately coincident with payment for the Canada Life common shares by Lifeco. The economic interest which Power Financial has, directly and through Investors Group, in Lifeco, currently 80.9%, is expected to be reduced to 71.6% once the transaction as announced is completed.

Subject to satisfaction of the conditions and other requirements of the Transaction Agreement, it is expected that the acquisition will be completed in the third quarter of 2003.

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The pro forma consolidated financial statements of Power Financial attached to this prospectus give effect to the probable acquisition of Canada Life by Lifeco, the issuance of Series I First Preferred Shares under this short form prospectus and the concurrent issuance of 6,000,000 4.70% Non-Cumulative First Preferred Shares, Series J (the "Series J First Preferred Shares") and \$250,000,000 principal amount of 6.90% Debentures due March 11, 2033 (the "PFC Debentures") under separate prospectuses (see "Changes to Consolidated Capitalization"). These transactions have been reflected as if they had occurred as of September 30, 2002 for the purposes of the pro forma consolidated balance sheet and as of January 1, 2001 for the purposes of the pro forma consolidated statements of earnings for the year ended December 31, 2001 and for the nine months ended September 30, 2002.

The pro forma consolidated financial statements are not intended to reflect the consolidated results of operations or the consolidated financial position that would actually have resulted had the transactions been consummated on the dates indicated, and do not represent a projection or forecast of the results which may be reported in the future. This information has been prepared for illustrative purposes only and in order to comply with applicable securities regulation.

The specific pro forma adjustments and the basic assumptions used in the preparation of the pro forma consolidated financial statements are described in detail in the notes thereto. The pro forma adjustments are based on information currently available, on assumptions which the Corporation considers reasonable under the circumstances, and on historic accounting practices applicable to business combinations.

CHANGES TO CONSOLIDATED CAPITALIZATION SINCE DECEMBER 31, 2001

On July 12, 2002, the Corporation redeemed all of its outstanding Variable Rate Exchangeable Debentures due April 30, 2014 (the "Exchangeable Debentures"). Pursuant to their rights under the terms of the trust indenture governing the Exchangeable Debentures, the holders of all the outstanding Exchangeable Debentures exercised their right to receive a specific number of shares of BCE Inc. and Nortel Networks Corporation held by Power Financial, in lieu of cash. On July 16, 2002, Power Financial issued 6,000,000 Non-Cumulative First Preferred Shares, Series F for net proceeds to the Corporation of \$145,200,000. On December 9, 2002, Power Financial issued 6,000,000 Non-Cumulative First Preferred Shares, Series H for net proceeds to the Corporation of \$145,200,000. The purpose of this issue was to finance the redemption by the Corporation of its \$150 million First Preferred Shares, Series B which the Corporation intends to effect later this year.

Contemporaneously with the filing of this prospectus, Power Financial filed a short form prospectus relating to the offering of the Series J First Preferred Shares and a short form prospectus relating to the offering of the PFC Debentures.

On November 22, 2002, Lifeco exchanged 2,911,955 Non-Cumulative Preferred Shares, Series N (the "Series N Shares") of Great-West Life then owned by it for 15,318 newly issued common shares of Great-West Life, and the Series N Shares were cancelled. On December 9, 2002, Investors Group issued \$175,000,000 principal amount of 7.00% Debentures due December 31, 2032. On December 15, 2002, Great-West Life Capital Trust issued 350,000 Great-West Life Trust Securities — Series A for aggregate proceeds of \$350,000,000, which were used by such trust to acquire \$350,000,000 principal amount 5.995% Debentures due December 31, 2052 from Great-West Life. On February 27, 2003, Investors Group filed a supplement under its shelf prospectus with respect to the issuance, on or about March 5, 2003, of \$150,000,000 principal amount of 6.58% Debentures due March 7, 2018 and \$150,000,000 principal amount of 7.11% Debentures due March 7, 2033 (collectively, the "2003 IG Debentures").

USE OF PROCEEDS

The net proceeds from the sale of the Series I First Preferred Shares offered hereunder will amount to approximately \$193,700,000 after deducting the Underwriters' fee and estimated expenses of the issue. Such fee and expenses will be paid out of the general funds of the Corporation. The net proceeds of this offering, and the net proceeds of the concurrent offerings of the Series J First Preferred Shares and the PFC Debentures, will be used by the Corporation to supplement its financial resources and for general corporate purposes, and to assist the Corporation in the financing of the acquisition of Canada Life by Lifeco. See "Acquisition of Canada Life Financial Corporation".

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement dated as of February 25, 2003 between the Corporation and BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc. and Merrill Lynch Canada Inc. as underwriters, the Corporation has agreed to sell and the Underwriters have severally agreed to purchase, as principals, subject to compliance with all necessary legal requirements and to the terms and conditions contained therein, on March 11, 2003 or such other date not later than April 11, 2003 as may be agreed upon by the parties (the "Closing Date"), all but not less than all of the 8,000,000 Series I First Preferred Shares at an aggregate price of \$200,000,000, payable to the Corporation.

In consideration for their services in connection with this offering, the Corporation has agreed to pay the Underwriters a fee equal to \$0.25 per Series I First Preferred Share sold to certain institutions and \$0.75 per share with respect to all other sales of Series I First Preferred Shares. Assuming that no Series I First Preferred Shares are sold to such institutions, the Underwriters' fee will be \$6,000,000. All fees payable to the Underwriters will be paid on account of services rendered in connection with the issue and will be paid out of the general funds of the Corporation.

The Underwriting Agreement provides that the Underwriters may, at their discretion, terminate their obligations thereunder upon the occurrence of certain stated events or if there should develop, occur or come into effect any occurrence of national or international consequence, or any action, government law or regulation, inquiry or other occurrence of any nature whatsoever which in the reasonable opinion of the Underwriters may materially adversely affect Canadian financial markets. The Underwriters are, however, obligated to take up and pay for all the Series I First Preferred Shares if any Series I First Preferred Shares are purchased under the Underwriting Agreement.

The Underwriters may not, throughout the period of distribution, bid for or purchase the Series I First Preferred Shares. The foregoing restriction is subject to certain exemptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Series I First Preferred Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable stock exchanges relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series I First Preferred Shares at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Underwriting Agreement provides that without the prior written consent of the Underwriters, which consent will not be unreasonably withheld, the Corporation will not sell or announce its intention to sell, nor will the Corporation authorize or issue, or announce its intention to so authorize or issue, any preferred shares other than the Series I First Preferred Shares and the Series J First Preferred Shares during the period commencing on the date of the Underwriting Agreement and ending 90 days from the Closing Date.

The Series I First Preferred Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and, subject to certain exemptions, may not be offered or sold within the United States or to U.S. persons. The distribution of this short form prospectus and the offering and sale of the Series I First Preferred Shares are also subject to certain restrictions under the laws of certain jurisdictions outside of Canada. Each Underwriter has agreed that it will not offer for sale or sell or deliver the Series I First Preferred Shares in any such jurisdiction except in accordance with the laws thereof.

The Toronto Stock Exchange has conditionally approved the listing of the Series I First Preferred Shares. Listing is subject to the Corporation fulfilling all the listing requirements of such Exchange on or before May 29, 2003.

EARNINGS COVERAGE RATIOS

The Corporation's dividend requirements on all of its preferred shares, after giving effect to the issue of the Series I First Preferred Shares and the Series J First Preferred Shares, and adjusted to a pre-tax equivalent using an effective income tax rate of 35.1%, amounted to \$102 million for the 12 months ended December 31, 2001 and for the 12 months ended September 30, 2002. The Corporation's interest requirements on long-term debt for the 12 months ended December 31, 2001 and for the 12 months ended September 30, 2002, after giving effect to these issues, the issue of the PFC Debentures, the issue of the 2003 IG Debentures and repayment of long-term debt to the date hereof, amounted to \$190 million for each such period.

The Corporation's earnings before interest on long-term debt and income tax for the 12 months ended December 31, 2001 was \$1,641 million, which is 5.6 times (4.8 times on a pro forma basis, taking into account the acquisition of Canada Life) the aggregate dividend and interest on long-term debt requirements for this period. The Corporation's earnings before interest on long-term debt and income tax for the 12 months ended September 30, 2002 was \$1,824 million, which is 6.2 times (5.2 times on a pro forma basis) the aggregate dividend and interest on long-term debt requirements for this period.

DETAILS OF THE OFFERING

The authorized capital of the Corporation consists of an unlimited number of First Preferred Shares, an unlimited number of Second Preferred Shares and an unlimited number of common shares.

The First Preferred Shares of the Corporation may be issued in one or more series with such rights, privileges, restrictions and conditions as the Board of Directors of the Corporation designates. As of the date hereof, the Series A Floating Rate Cumulative Redeemable First Preferred Shares, the 7.0% Non-Cumulative First Preferred Shares, Series B, the 5.20% Non-Cumulative First Preferred Shares, Series C, the 5.50% Non-Cumulative First Preferred Shares, Series D, the 5.25% Non-Cumulative First Preferred Shares, Series E, the 5.90% Non-Cumulative First Preferred Shares, Series F and the 5.75% Non-Cumulative First Preferred Shares, Series H are the only series of First Preferred Shares outstanding. The Series I First Preferred Shares will be issued on the same date as the Series J First Preferred Shares. The following is a summary of certain provisions of the First Preferred Shares as a class and of the Series I First Preferred Shares.

Certain Provisions of the First Preferred Shares as a Class

Priority

With respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, the First Preferred Shares of each series rank on a parity with the First Preferred Shares of every other series and in priority to the Second Preferred Shares (although no Second Preferred Shares have yet been issued), the common shares and any other shares ranking junior to the First Preferred Shares. On such a distribution, the rights of the holders of the First Preferred Shares of each series will be subject to the prior satisfaction of all claims of all creditors of the Corporation and of holders of shares of the Corporation ranking prior to the First Preferred Shares.

Approval by First Preferred Shareholders

In addition to any shareholder approvals required by applicable law, the approval of the holders of the First Preferred Shares as a class, given in the manner described under "Modification of Series" below, is required to delete, add to or vary any right, privilege, preference, restriction or condition attaching to the First Preferred Shares as a class.

Voting Rights

The holders of First Preferred Shares of any series shall not be entitled to notice of or to attend or to vote at any meeting of the shareholders of the Corporation except as may be specifically provided in the provisions attaching to the First Preferred Shares of such series. At any meeting of shareholders at which, notwithstanding the foregoing, holders of the First Preferred Shares are required or entitled by law to vote separately as a class, each holder of a First Preferred Share of any series thereof shall be entitled to cast, in respect of each such share held, that number of votes as is equal to the quotient obtained by dividing the total number of dollars which were received by the Corporation as consideration for the issue of all outstanding shares of such series by the number of such outstanding shares, provided

that in respect of any such consideration denominated in a currency other than Canadian dollars, the Board of Directors of the Corporation shall determine the appropriate conversion rate of such currency to Canadian dollars in effect on the date of the issue of such shares and, based on such rate, the Canadian dollar equivalent of such consideration, and provided further that when such quotient is a fraction or a whole number plus a fraction, there shall be no right to vote in respect of such fraction.

Any meeting of shareholders at which the holders of First Preferred Shares are required or entitled by law to vote separately as a class or as a series shall, unless the Articles of the Corporation otherwise provide, be called and conducted in accordance with the by-laws of the Corporation, provided that no amendment to or repeal of the provisions of such by-laws made after the date of the first issue of any of the First Preferred Shares by the Corporation shall be applicable to the calling and conduct of a meeting of holders of the First Preferred Shares voting separately as a class or as a series unless such amendment or repeal has theretofore been approved by a resolution adopted by the holders of the First Preferred Shares voting separately as a class.

Certain Provisions of the Series I First Preferred Shares

Dividends

The holders of the Series I First Preferred Shares will be entitled to receive quarterly non-cumulative preferential cash dividends, if, as and when declared by the Board of Directors, on the last day of January, April, July and October in each year at a rate equal to \$0.3750 per share (\$1.5000 per share per annum). The initial dividend, if declared, will be payable on April 30, 2003 and will be \$0.20548 per share, assuming an issue date of March 11, 2003.

Redemption by the Corporation

The Series I First Preferred Shares will not be redeemable prior to April 30, 2008. Subject to the provisions of any shares of the Corporation ranking prior to or *pari passu* with the Series I First Preferred Shares, and to the provisions described under “Restrictions on Dividends and Retirement of Shares”, the Corporation may redeem at any time on or after April 30, 2008 all or from time to time any of the then outstanding Series I First Preferred Shares. Such redemption may be made upon payment in cash of the amount of \$26.00 per share if redeemed prior to April 30, 2009, \$25.75 if redeemed on or after April 30, 2009 and prior to April 30, 2010, \$25.50 if redeemed on or after April 30, 2010 and prior to April 30, 2011, \$25.25 if redeemed on or after April 30, 2011 and prior to April 30, 2012 and \$25.00 if redeemed on or after April 30, 2012, in each case together with an amount equal to all declared and unpaid dividends thereon to but excluding the date of redemption. The Corporation shall provide not less than 30 nor more than 60 days’ notice of such redemption to each holder of Series I First Preferred Shares to be redeemed.

If less than all outstanding Series I First Preferred Shares are at any time to be redeemed, the shares to be redeemed will be selected in such manner as the Corporation may determine.

Purchase for Cancellation

Subject to the provisions described under “Restrictions on Dividends and Retirement of Shares”, and subject to the provisions of any shares of the Corporation ranking prior to or *pari passu* with the Series I First Preferred Shares, the Corporation may at any time or times purchase for cancellation all or any part of the Series I First Preferred Shares at any price if the purchase is effected prior to April 30, 2008 and at a price per share not exceeding the redemption price at the time of purchase together with an amount equal to all declared and unpaid dividends to but excluding the date of purchase and the costs of purchase if effected on or after April 30, 2008.

Restrictions on Dividends and Retirement of Shares

So long as any of the Series I First Preferred Shares are outstanding, the Corporation shall not, without the approval of the holders of the Series I First Preferred Shares given as described under “Modification of Series”:

- (i) declare or pay any dividends (other than stock dividends in shares ranking junior to the Series I First Preferred Shares) on the common shares or any other shares of the Corporation ranking junior to the Series I First Preferred Shares;
- (ii) except out of the net cash proceeds of an issue of shares ranking junior to the Series I First Preferred Shares, redeem or call for redemption or purchase or otherwise retire any common shares or other shares ranking junior to the Series I First Preferred Shares;

- (iii) redeem or call for redemption or purchase or otherwise retire or make any return of capital in respect of less than all of the Series I First Preferred Shares; or
- (iv) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provision attaching thereto, redeem or call for redemption or purchase or otherwise retire any shares ranking *pari passu* with the Series I First Preferred Shares;

unless dividends (including cumulative dividends, if any) for the immediately preceding payment date (as defined in the share provisions) in respect of the Series I First Preferred Shares and all other shares ranking prior to or *pari passu* with the Series I First Preferred Shares shall have been declared and paid or monies set aside for payment.

Voting Rights

The holders of the Series I First Preferred Shares shall not be entitled to notice of or to attend or to vote at any meeting of the shareholders of the Corporation unless and until the Corporation shall at any time have failed to pay dividends on the Series I First Preferred Shares equal in the aggregate to one and one-half times the annual rate or amount of dividends carried by the Series I First Preferred Shares in accordance with the terms thereof, whether or not consecutive and whether or not such dividends shall have been declared and whether or not there shall have been any monies of the Corporation properly applicable to the payment of dividends, and for such purpose such dividends shall be deemed to have accrued from day to day. Thereafter, until an amount or amounts equal in the aggregate to one year's dividends at the annual rate or amount of dividends carried by the Series I First Preferred Shares shall have been paid thereon, the holders of the Series I First Preferred Shares shall be entitled to receive notice of all general meetings of shareholders of the Corporation and to attend thereat, other than any meetings of the holders of any other series of First Preferred Shares held separately and as a series, and shall at any such meetings which they shall be entitled to attend, except when the vote of the holders of shares of any other class or series is to be taken separately and as a class or series, be entitled to one vote in respect of each Series I First Preferred Share held by each of such holders respectively.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of the Corporation and of holders of shares of the Corporation ranking prior to the Series I First Preferred Shares, the holders of the Series I First Preferred Shares shall be entitled to be paid and to receive an amount equal to \$25.00 per Series I First Preferred Share plus declared and unpaid dividends up to and including the date of distribution before any amount shall be paid or any assets of the Corporation shall be distributed to the holders of common shares or shares of any other class of the Corporation ranking junior to the Series I First Preferred Shares. After payment to the holders of the Series I First Preferred Shares of the amount so payable to them, they shall not be entitled to share in any further distribution of the assets of the Corporation.

Modification of Series

Approval of variations to the provisions of the Series I First Preferred Shares as a series and any other authorization required to be given by the holders of such shares as a series may be given by a resolution passed by an affirmative vote of not less than two-thirds of the votes cast at a general meeting of the holders of Series I First Preferred Shares duly called for such purpose and held upon at least 21 days' notice at which the holders of a majority of the outstanding shares of such series are present in person or represented by duly qualified proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series I First Preferred Shares then present in person or represented by proxy will form the necessary quorum.

Tax Election

The provisions of the Series I First Preferred Shares as a series require the Corporation to make an election in prescribed form pursuant to the provisions of subsection 191.2(1) of the *Income Tax Act* (Canada), and within the time limits provided therein, for purposes of determining the tax payable under Part VI.1 of such Act with respect to the Series I First Preferred Shares. See "Certain Canadian Federal Income Tax Considerations".

RATINGS

The Series I First Preferred Shares have been given a preliminary rating of Pfd-1 (low) n with a stable trend by Dominion Bond Rating Service Limited (“DBRS”), and the rating is under review with negative implications. The Series I First Preferred Shares have been given a preliminary rating of P-1(low) (not on CreditWatch Negative) under its Canadian rating scale and A/CreditWatch Negative under its global rating scale by Standard & Poor’s Corporation (“S&P”).

A Pfd-1 rating by DBRS is the highest of five categories granted by DBRS for preferred shares. The “n” designation is attached to all ratings for securities that are non-cumulative. A P-1 rating by S&P is the highest of the five categories used by S&P in its Canadian preferred share rating scale. “High” and “Low” grades may be used to indicate the relative standing of a credit within a particular rating category.

Upon completion of the acquisition of Canada Life by Lifeco, DBRS has indicated that it expects that the rating of the Series I First Preferred Shares will be reduced by one notch to Pfd-2 (high) n, with a stable trend, and will be removed from the “under review” status. A Pfd-2 rating is the second highest of five categories granted by DBRS for preferred shares. In addition, upon the completion of the acquisition of Canada Life by Lifeco as announced, S&P has stated that it expects that the Canadian rating of P-1 (low) for the Series I First Preferred Shares will not be affected, and that the global rating will be lowered by one notch.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. A security rating is therefore not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Corporation filed with the securities commissions or similar regulatory authorities in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the Annual Information Form of the Corporation dated April 26, 2002, including documents incorporated by reference therein;
- (b) the interim unaudited consolidated comparative financial statements as at and for the nine-month periods ended September 30, 2002 and 2001, together with the interim Management’s Discussion and Analysis of Operating Results attached thereto;
- (c) the audited consolidated comparative financial statements as at and for the years ended December 31, 2001 and 2000 and the report of the auditors thereon;
- (d) the Management Proxy Circular dated April 8, 2002 with respect to the Annual Meeting of shareholders of the Corporation held on May 22, 2002;
- (e) the material change report dated February 20, 2003 of the Corporation with respect to its agreement to invest \$800 million in common shares of Lifeco in connection with Lifeco’s acquisition of Canada Life;
- (f) the audited consolidated comparative financial statements of Canada Life as at and for the years ended December 31, 2001 and 2000 and the report of the auditors thereon;
- (g) the interim unaudited consolidated comparative financial statements of Canada Life as at and for the nine-month periods ended September 30, 2002 and 2001, together with the interim Management’s Discussion and Analysis of Operating Results attached thereto; and
- (h) the audited consolidated balance sheet as at December 31, 2002 and the audited consolidated statements of net income, audited consolidated statements of equity and audited consolidated statements of cash flows for the twelve-month period ended December 31, 2002 contained in the press release of Canada Life dated February 5, 2003.

All documents of the type referred to above, as well as material change reports (other than confidential material change reports), filed by the Corporation with the securities regulatory authorities in Canada after the date of this short form prospectus and prior to the termination of the offering made hereby shall be deemed to be incorporated by reference into this short form prospectus.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents so incorporated by reference may be obtained on request without charge from the Secretary of Power Financial Corporation, 751 Victoria Square, Montréal, Québec H2Y 2J3 (Telephone: 514-286-7430). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of this permanent information record may be obtained from the Secretary of the Corporation at the same address and telephone number. Copies may also be obtained through the internet at www.SEDAR.com.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Corporation, and Ogilvy Renault, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Series I First Preferred Shares pursuant to this short form prospectus (a “Holder”) who, for purposes of the *Income Tax Act*(Canada) (the “Act”), is, or is deemed to be, resident in Canada, deals at arm’s length with the Corporation, holds such Series I First Preferred Shares as capital property, is not a “financial institution” as defined by Section 142.2 of the Act or a “specified financial institution” as defined in the Act and is not affiliated with the Corporation. Purchasers who do not hold their Series I First Preferred Shares as capital property, financial institutions and specified financial institutions should consult their own tax advisors with respect to their own particular circumstances.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Accordingly, prospective purchasers should consult their own tax advisors with respect to their particular circumstances.

This summary is based upon the current provisions of the Act, the regulations thereunder, all specific proposals to amend the Act and such regulations publicly announced by the Minister of Finance prior to the date hereof (the “Tax Proposals”), and counsel’s understanding of the current published administrative policies and assessing practices of the Canada Customs and Revenue Agency (the “CCRA”). This summary does not otherwise take into account or anticipate any changes in law or in the administrative policies or assessing practices of the CCRA, whether by legislative, governmental or judicial action, nor does it take into account any provincial, territorial or foreign income tax legislation or considerations. No assurance can be given that the Tax Proposals will be enacted in the form proposed, or at all.

Dividends

Dividends (including deemed dividends) received on the Series I First Preferred Shares by an individual will be included in the individual’s income and will generally be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations.

Dividends (including deemed dividends) received on Series I First Preferred Shares by a corporation will be included in computing the corporation’s income and will generally be deductible in computing the corporation’s taxable income.

The Series I First Preferred Shares are “taxable preferred shares” as defined in the Act. The terms of the Series I First Preferred Shares require the Corporation to make the necessary election under Part VI.1 of the Act so that Holders will not be subject to tax under Part IV.1 of the Act on dividends received (or deemed to be received) on the Series I First Preferred Shares.

A “private corporation”, as defined in the Act, or any other corporation controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33¹/₃% refundable tax under Part IV of the Act on dividends received (or deemed to be received) on the Series I First Preferred Shares to the extent such dividends are deductible in computing its taxable income.

Dispositions

A Holder who disposes of or is deemed to dispose of Series I First Preferred Shares (including on a redemption) will generally realize a capital gain (or sustain a capital loss) to the extent that the Holder’s proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the Holder. The amount of any deemed dividend arising on the redemption or acquisition by the Corporation of Series I First Preferred Shares will generally not be included in computing the Holder’s proceeds of disposition for purposes of computing the capital gain or loss arising on a disposition of such Series I First Preferred Shares (see “Redemption”). If the Holder is a corporation, any capital loss arising on a disposition of a Series I First Preferred Share may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on the Series I First Preferred Share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. Generally, one-half of any capital gain will be included in computing the Holder’s income as a taxable capital gain, and one-half of any capital loss may be deducted from the Holder’s taxable capital gains in accordance with the rules in the Act.

Corporations that are “Canadian-controlled private corporations” as defined in the Act may be subject to an additional refundable 6²/₃% tax on their “aggregate investment income” (which is defined in the Act to include an amount in respect of taxable capital gains but not dividends or deemed dividends deductible in computing taxable income).

Redemption

If the Corporation redeems Series I First Preferred Shares, or otherwise acquires or cancels Series I First Preferred Shares (other than by a purchase in the open market in the manner in which shares are normally purchased by any member of the public in the open market), the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation in excess of the paid-up capital of such shares at such time as computed for purposes of the Act. Generally, the difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate Holder, it is possible that in certain circumstances all or part of any such deemed dividend may be treated as proceeds of disposition and not as a dividend.

EXPERTS

Certain legal matters in connection with this offering will be passed upon by Blake, Cassels & Graydon LLP for the Corporation and by Ogilvy Renault for the Underwriters. As of February 24, 2003, the partners and associates of Blake, Cassels & Graydon LLP as a group and the partners and associates of Ogilvy Renault as a group, owned beneficially, directly or indirectly, less than one per cent of any class of securities of Power Financial or any of its associated or affiliated companies.

RISK FACTORS

Investors should consider the following investment considerations before making a decision to purchase Series I First Preferred Shares, as well as the other information in this short form prospectus and the documents incorporated by reference herein.

Holding Company Structure

As a holding company, Power Financial’s ability to pay interest and other operating expenses and dividends and to meet its obligations generally depends upon receipt of sufficient funds from its principal subsidiaries and its ability to raise additional capital. The likelihood that holders of the Series I First Preferred Shares will receive dividends will be dependent upon the financial position and creditworthiness of the principal subsidiaries and affiliate of Power Financial, referred to above under “Power Financial Corporation”. The payment of interest and dividends by certain of these principal subsidiaries to Power Financial is also subject to restrictions set forth in the insurance, securities and corporate laws and regulations which require that solvency and capital standards be maintained by such companies.

Operational Risks

The businesses conducted by Power Financial's principal subsidiaries are subject to risks including competition from other businesses, dependence on key personnel, reliance on information technology systems, investment performance and underwriting experience of morbidity, mortality and catastrophic risk, all of which could affect the ability of Power Financial to meet its obligations.

Regulatory Environment

The businesses of certain of Power Financial's principal subsidiaries are subject to various regulatory requirements imposed by legislation and regulation in Canada, the United States and Europe applicable to insurance companies and companies providing other financial services. Material changes in the regulatory framework or the failure to comply with regulatory requirements could have an adverse effect on Power Financial.

General Economic Conditions

Unfavourable economic conditions may adversely affect the business of Power Financial's principal subsidiaries.

Series I First Preferred Shares

The value of Series I First Preferred Shares will be affected by the general creditworthiness of Power Financial. Power Financial's "Management's Discussion and Analysis of Operating Results" for the year ended December 31, 2001 as well as Power Financial's "Management's Discussion and Analysis of Operating Results" for the nine-month period ended September 30, 2002 are incorporated by reference in this section. These analyses discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on Power Financial's business, financial condition or results of operations. See also the discussion under "Earnings Coverage Ratios", which is relevant to an assessment of the risk that Power Financial will be unable to pay dividends on the Series I First Preferred Shares.

The market value of the Series I First Preferred Shares, as with other preferred shares, is primarily affected by changes (actual or anticipated) in prevailing interest rates and in the credit rating assigned to such shares. Real or anticipated changes in credit ratings on the Series I First Preferred Shares may also affect the cost at which Power Financial can transact or obtain funding, and thereby affect its liquidity, business, financial condition or results of operations.

The Series I First Preferred Shares rank equally with other First Preferred Shares of Power Financial in the event of an insolvency or winding-up of Power Financial. If Power Financial becomes insolvent or is wound-up, Power Financial's assets must be used to pay debt, including subordinated debt, before payments may be made on Series I First Preferred Shares and other preferred shares.

BOOK-BASED SYSTEM

Registration of interest in and transfers of the Series I First Preferred Shares will only be made through the book-based system administered by CDS. On or about the Closing Date, the Corporation will deliver to CDS a certificate evidencing the aggregate number of Series I First Preferred Shares subscribed for under this offering. Series I First Preferred Shares must be purchased, transferred and surrendered for retraction or redemption through a participant in CDS (a "CDS Participant"). All rights of an owner of Series I First Preferred Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds Series I First Preferred Shares. Upon a purchase of any Series I First Preferred Shares, the owner will receive only the customary confirmation. References in this short form prospectus to a holder of Series I First Preferred Shares mean, unless the context otherwise requires, the owner of the beneficial interest in such shares.

The ability of a beneficial owner of Series I First Preferred Shares to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Corporation has the option to terminate registration of the Series I First Preferred Shares through the book-based system, in which event certificates for Series I First Preferred Shares in fully registered form will be issued to the beneficial owners of such shares or their nominees.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Series I First Preferred Shares will be Computershare Trust Company of Canada or its agent at its principal office in each of the cities of Montreal and Toronto.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

COMPILATION REPORT

The Board of Directors of
POWER FINANCIAL CORPORATION

We have reviewed, as to compilation only, the accompanying pro forma consolidated balance sheet of Power Financial Corporation as at September 30, 2002 and the pro forma consolidated statements of earnings for the nine months ended September 30, 2002 and the year ended December 31, 2001, which have been prepared for inclusion in this short form prospectus. In our opinion, these pro forma consolidated financial statements have been properly compiled to give effect to the proposed transactions and the assumptions described in the notes thereto.

Montréal, Québec
March 4, 2003

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants

POWER FINANCIAL CORPORATION

**UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 2002**

	<u>Power Financial Corporation</u>	<u>Canada Life</u>	<u>Pro forma Adjustments</u> (in millions)	<u>Note</u>	<u>Pro Forma</u>
Assets					
Cash and cash equivalents	\$ 2,732	\$ 1,830	\$ (2,204)	2(a), 3	\$ 2,358
Investments					
Shares	1,474	1,960	(290)	2(b)(i)	3,144
Bonds	32,428	20,933	1,702	2(b)(i)	55,063
Mortgages and other loans	14,804	8,969	875	2(b)(i)	24,648
Real estate	1,262	1,050	88	2(b)(i)	2,400
Other		519			519
	<u>49,968</u>	<u>33,431</u>	<u>2,375</u>		<u>85,774</u>
Investment in affiliate, at equity	1,513				1,513
Goodwill and intangibles	5,081	137	3,636	2(b)	8,854
Other assets	8,296	1,265	(116)	2(b)(v)	9,445
	<u>\$67,590</u>	<u>\$36,663</u>	<u>\$ 3,691</u>		<u>\$107,944</u>
Liabilities					
Policy liabilities					
Actuarial liabilities	\$44,254	\$27,835	\$ 3,668	2(b)(i), 2(b)(iii)	\$ 75,757
Other	3,771	1,501			5,272
Deposits liabilities	700				700
Long-term debt	2,253	550	1,774	2(a)(iii)(2), 2(a)(iv), 2(b)(iv), 3	4,577
Other liabilities	5,492	2,508	(1,377)	2(b)(iii), 2(b)	6,623
	56,470	32,394	4,065		92,929
Non-controlling interests	4,574	493	2,153	2(a), 2(c), 2(e), 3(c)	7,220
	<u> </u>	<u> </u>	<u> </u>		<u> </u>
Shareholders' Equity					
Preferred shares	900	145	205	2(c), 2(a), 3(a)	1,250
Common shares	548	317	(317)	2(d)	548
Retained earnings	4,646	3,192	(2,293)	2(d), 2(e)	5,545
Foreign currency translation	452	122	(122)	2(d)	452
	<u>6,546</u>	<u>3,776</u>	<u>(2,527)</u>		<u>7,795</u>
	<u>\$67,590</u>	<u>\$36,663</u>	<u>\$ 3,691</u>		<u>\$107,944</u>

See notes to the unaudited pro forma consolidated financial statements

POWER FINANCIAL CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

	<u>Power Financial Corporation</u>	<u>Canada Life</u>	<u>Pro forma Adjustments</u>	<u>Note</u>	<u>Pro forma</u>
	(in millions, except per share amounts)				
Revenues					
Premium income	\$8,307	\$4,291	\$		\$12,598
Investment income	2,827	1,554	(111)	2(i)	4,270
Fee income	<u>2,776</u>	<u>404</u>	<u> </u>		<u>3,180</u>
	<u>13,910</u>	<u>6,249</u>	<u>(111)</u>		<u>20,048</u>
Expenses					
Insurance claims	9,434	4,700			14,134
Commissions and operating expenses	2,772	995	15	2(g)	3,782
Interest expense	<u>111</u>	<u>29</u>	<u>63</u>	2(h)	<u>203</u>
	<u>12,317</u>	<u>5,724</u>	<u>78</u>		<u>18,119</u>
	1,593	525	(189)		1,929
Share of earnings of affiliates	60				60
Other income, net	<u>(62)</u>				<u>(62)</u>
Earnings before other items	1,591	525	(189)		1,927
Income taxes	524	142	(62)	2(k)	604
Non-controlling interests	<u>323</u>	<u>17</u>	<u>164</u>	2(m)	<u>504</u>
Net earnings	<u>\$ 744</u>	<u>\$ 366</u>	<u>\$(291)</u>		<u>\$ 819</u>
Earnings per common share					
Basic	<u>\$ 2.05</u>				<u>\$ 2.23</u>
Diluted	<u>\$ 2.02</u>				<u>\$ 2.20</u>
Weighted average number of common shares					
Basic	<u>346.8</u>				<u>346.8</u>
Diluted	<u>351.7</u>				<u>351.7</u>

See notes to the unaudited pro forma consolidated financial statements

POWER FINANCIAL CORPORATION

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Power Financial Corporation</u>	<u>Canada Life</u>	<u>Pro forma Adjustments</u>	<u>Note</u>	<u>Pro forma</u>
		(in millions, except per share amounts)			
Revenues					
Premium income	\$10,477	\$5,358	\$		\$15,835
Investment income	3,905	2,241	(149)	2(i)	5,997
Fee income	<u>3,507</u>	<u>465</u>	<u> </u>		<u>3,972</u>
	<u>17,889</u>	<u>8,064</u>	<u>(149)</u>		<u>25,804</u>
Expenses					
Insurance claims	12,030	6,190			18,220
Commissions and operating expenses	3,810	1,319	20	2(g)	5,149
Interest expense	132	39	84	2(h)	255
Special charges	<u>204</u>	<u> </u>	<u> </u>		<u>204</u>
	<u>16,176</u>	<u>7,548</u>	<u>104</u>		<u>23,828</u>
	1,713	516	(253)		1,976
Share of earnings of affiliates	33				33
Other income, net	<u>207</u>	<u> </u>	<u> </u>		<u>207</u>
Earnings before other items	1,953	516	(253)		2,216
Income taxes	642	153	(83)	2(k)	712
Amortization of goodwill	148	25	(25)	2(l)	148
Non-controlling interests	<u>284</u>	<u>(4)</u>	<u>139</u>	2(m)	<u>419</u>
Net earnings	<u>\$ 879</u>	<u>\$ 342</u>	<u>\$(284)</u>		<u>\$ 937</u>
Earnings per common share					
Basic	<u>\$ 2.44</u>				<u>\$ 2.55</u>
Diluted	<u>\$ 2.41</u>				<u>\$ 2.52</u>
Weighted average number of common shares					
Basic	<u>347.0</u>				<u>347.0</u>
Diluted	<u>351.7</u>				<u>351.7</u>

See notes to the unaudited pro forma consolidated financial statements

POWER FINANCIAL CORPORATION

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2002

Unaudited

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated financial statements (the "Statements") give effect to the proposed acquisition (the "Acquisition") of Canada Life Financial Corporation ("CLFC") by Great-West Lifeco Inc. ("Lifeco"), a subsidiary of Power Financial Corporation (the "Corporation") and the pro forma assumptions and adjustments described below and in notes 2 and 3. The unaudited pro forma consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada.

The unaudited pro forma consolidated balance sheet as at September 30, 2002 is based on the unaudited consolidated financial statements of the Corporation as at September 30, 2002 and the unaudited consolidated financial statements of CLFC as at September 30, 2002 and gives effect to the Acquisition of CLFC as though it had taken place on September 30, 2002.

The unaudited pro forma consolidated statement of earnings for the nine months ended September 30, 2002 is based on the unaudited consolidated financial statements of the Corporation for the nine-month period ended September 30, 2002, and the unaudited financial statements of CLFC for the nine-month period ended September 30, 2002, and gives effect to the Acquisition of CLFC as though it had taken place on January 1, 2001.

The unaudited pro forma consolidated statement of earnings for the year ended December 31, 2001 is based on the audited consolidated financial statements of the Corporation for the year ended December 31, 2001, and the audited financial statements of CLFC for the year ended December 31, 2001, and gives effect to the Acquisition of CLFC as though it had taken place on January 1, 2001.

The financial information relating to CLFC included in the financial statements was taken from publicly available documents on file with Canadian securities regulatory authorities and other public sources.

For purposes of the Statements, the purchase method of accounting has been used to account for the Acquisition of CLFC described in Note 2. The excess of the purchase price over the estimated fair value of the net assets acquired has been preliminarily allocated to goodwill. The Statements do not include the anticipated financial benefits from such items as cost savings arising from the Acquisition nor do the Statements include restructuring and integration costs that may be incurred by Lifeco. Certain elements of the CLFC consolidated financial statements have been reclassified to conform to the presentation used by the Corporation.

These unaudited pro forma consolidated financial statements and notes thereto do not purport to represent what the Corporation's results of operations or financial condition would actually have been had this transaction in fact occurred on such dates or to project the Corporation's results of operations or financial condition for any future date or period. These unaudited pro forma consolidated financial statements should be read in conjunction with the historical consolidated financial statements and notes thereto of the Corporation, which are incorporated by reference in this prospectus and with the CLFC historical consolidated financial statements and notes thereto incorporated by reference in this prospectus.

2. THE ACQUISITION OF CANADA LIFE FINANCIAL CORPORATION

- (a) Lifeco has offered (hereafter "the Offer") to acquire all of the outstanding CLFC Common Shares that are currently not beneficially owned by Lifeco or its subsidiaries, in exchange for, at election of each shareholder tendering to the Offer:

Under the Offer, for each CLFC Common Share tendered the holder will receive, at the option of the holder:

Option 1 \$44.50 cash (provided the maximum to be paid under this Offer is \$4,372 million); or

Option 2 1.1849 Lifeco Common Shares to be issued by Lifeco from treasury (provided that the maximum number of Lifeco Common Shares to be issued under this Offer will be 56.0 million shares); or

Option 3 1.78 Lifeco non-cumulative 10-year soft retractable preferred shares at 4.80% (provided that the maximum number of Lifeco 10-year preferred shares to be issued under this Offer will be 24.0 million shares); or

Option 4 1.78 Lifeco non-cumulative perpetual preferred shares at 5.90% (provided that the maximum number of Lifeco perpetual preferred shares to be issued under this Offer will be 8.0 million shares); or

Option 5 a combination of the above options subject to the maximums noted.

CLFC common shareholders may select any Option with respect to all or any part of their Common Shares and may select other options with respect to the balance of their Common Shares. However, the amount of cash paid and the number of Lifeco Common Shares, Lifeco 10-year preferred shares and Lifeco perpetual preferred shares that will be issued are subject to the above noted maximums and shares to be issued to shareholders will be subject to pro ration in accordance with the terms of the Offer.

Based on the assumptions as described below, \$4,372 million of cash will be paid, approximately 56 million Lifeco Common Shares will be issued at an ascribed price of \$37.556 per share, approximately 24 million Lifeco non-cumulative 10 year preferred shares and approximately 8 million Lifeco non-cumulative perpetual preferred shares will be issued at an ascribed price of \$25.00 per share,

representing an aggregate value of approximately \$7,274 million, plus estimated transaction costs (net of income taxes) to be incurred by Lifeco of \$32 million. The Statements also assume the following:

- (i) The total number of outstanding CLFC Common Shares is approximately 160.4 million as at December 31, 2002. After exercise of existing stock options for proceeds of approximately \$125 million there are expected to be approximately 163.5 million CLFC Common Shares outstanding at the time of the Acquisition, all of which will be acquired by Lifeco under the terms of the Offer.
- (ii) For purposes of calculating the purchase consideration used in the Statements, the price of Lifeco Common Shares to be issued is assumed to be \$37.556.
- (iii) Funding assumptions for the transaction are as follows:
 - (1) The Corporation will purchase approximately 21 million Lifeco Common Shares for \$800 million and Investors Group Inc., a subsidiary of the Corporation will purchase approximately 2.7 million Lifeco Common Shares in the amount of \$100 million via private placements,
 - (2) Lifeco will issue \$600 million of debentures and will obtain \$500 million of term financing, and
 - (3) The remainder will be paid from existing Lifeco cash.
- (iv) The financing by the Corporation of the private placements referred to above is assumed to be through the issuance by the Corporation of \$200 million of 6% perpetual Series I First Preferred Shares, \$150 million of 4.7% 10 year soft retractable Series J First Preferred Shares and \$250 million of debentures and the remaining balance of \$300 million from the Corporation and Investors Group Inc.'s cash resources.
- (b) For purposes of the Statements, the Acquisition is accounted for using the purchase method of accounting.

As such the purchase price is allocated to the assets acquired (including identifiable intangible assets arising from the purchase) and liabilities assumed based on their estimated fair value. Certain fair value adjustments to the CLFC balance sheet in connection with the Acquisition are described in Notes 2(b) (i) to (v). The excess of the total purchase consideration over the estimated fair value of the net identifiable assets acquired is allocated to goodwill.

	<u>(in millions)</u>
Total purchase consideration	
Purchase price	
Cash	\$4,372
Lifeco Common Shares	2,102
Lifeco Preferred Shares	<u>800</u>
	7,274
Estimated transaction costs, net of income taxes — Note 2(c)	<u>32</u>
Total	7,306
Net assets acquired	
Carrying value of CLFC's net balance sheet assets prior to Acquisition	3,751
Estimated fair value adjustments — Note 2(b)(i), (iii), (iv) and (v)	<u>0</u>
Estimated fair value of net balance sheet assets acquired	3,751
Future income taxes	<u>(81)</u>
Total	<u>3,670</u>
Goodwill and Intangible Assets — Note 2(b)(ii)	<u>\$3,636</u>

The estimated fair market value of CLFC's invested assets and policy liabilities was based primarily on publicly available information. With respect to accounting and actuarial policies or practices, any differences between CLFC and Lifeco have not been reflected in these amounts. The actual adjustments will depend on a number of factors, including the measurement date of the Acquisition and changes in the market value of net balance sheet assets and operating results of CLFC between September 30, 2002 and the acquisition date. Lifeco expects to make such adjustments at the closing of the Acquisition. Such adjustments will affect the value of assets, liabilities or goodwill and any such adjustments may be material.

- (i) Fair value adjustments to CLFC's invested assets reflect the difference between estimated fair market value and carrying value of its invested assets, including an increase of \$1,702 million in bond investments, \$875 million in mortgage investments and \$88 million in real estate investments, as well as a reduction of \$290 million in stock investments. These net fair value adjustments amount to an aggregate increase of \$2,375 million, of which \$2,489 million represents adjustments to CLFC's invested assets backing actuarial liabilities. As a result, CLFC's actuarial liabilities have been increased by a commensurate amount.
- (ii) Fair valuation of assets includes the recognition of certain intangible assets arising from the Acquisition, such as CLFC's brand name, distribution network, licensing agreements and contractual rights, totalling approximately \$500 million. Of this amount approximately \$400 million is assumed to represent the value of intangible assets with finite lives which will be amortized over their estimated useful lives of 20 years.
- (iii) As part of the fair value adjustments, CLFC's deferred realized net gains having a carrying value of \$1,458 million have been eliminated. Actuarial liabilities have accordingly been increased by \$1,179 million to reflect the estimated portion of the gains attributable to policyholder liabilities. The remaining \$279 million of deferred realized gains are attributable to shareholders.

- (iv) Estimated fair value of CLFC's subordinated debt is \$49 million above its carrying value. This fair value increase will be amortized over the remaining term of the subordinated debt.
- (v) Other assets have also been decreased by \$116 million to reflect the estimated fair value of the accrued pension plan asset.
- (c) CLFC's preferred shares and dividends have been reclassified to Non-controlling interest in subsidiaries.
- (d) CLFC's common shareholders' equity has been eliminated to reflect the effect of the Acquisition.
- (e) The recording of a dilution gain in the amount of \$899 million by the Corporation resulting from the issuance of common shares to the public by Lifeco which reduces the Corporation's direct and indirect interest in Lifeco from 80.9% to 71.6% as well as the related increase in non-controlling interest.

The pro forma statements of earnings incorporate the following adjustments:

- (f) The portion of the amortization of unrealized net gains and deferred realized net gains attributable to shareholders as a result of fair market value adjustments to assets and liabilities in connection with the Acquisition has not been reflected in the pro forma statements of earnings. Lifeco expects to make such adjustments at the closing of the Acquisition — see Note 2(b)(i) and Note 2(b)(iii).
- (g) Amortization of identifiable intangible assets of \$20 million (on a full year basis) arising from the Acquisition — see Note 2(b)(ii).
- (h) Interest expense on the debentures and term financing described in 2 (a)(iii)(2) and 2(a)(iv).
- (i) A reduction in investment income as a result of the cash consideration paid to CLFC shareholders and the financing from internal resources referred in 2(a)(iv).
- (j) Increased preferred share dividends on the new preferred issues described in 2(a).
- (k) Income tax effect as a result of the above adjustments to the statement of earnings.
- (l) As goodwill and intangible assets with an indefinite life are no longer amortized under CICA Handbook Section 3062 — Goodwill and Other Intangible Assets, all goodwill related to CLFC is not amortized in these financial statements.
- (m) Non-controlling interest has been adjusted to reflect the Corporation's new ownership level in Lifeco as well as all adjustments to earnings of Lifeco as a result of its acquisition of CLFC and the related financing.
- (n) The statements of earnings do not reflect either the dilution gain or the restructuring charge as these are not recurring and are not indicative of the ongoing earnings of the Corporation.

3. OTHER

The consolidated balance sheet has also been affected by the following events, which occurred after September 30, 2002.

- (a) The issuance by the Corporation in December 2002 of First Preferred Shares, Series H in the amount of \$150 million and the proposed intention of the Corporation to redeem all of its \$150 million First Preferred Shares, Series B.
- (b) The issuance in December 2002 by Investors Group Inc. of debentures for an amount of \$175 million and the repayment by Investors Group Inc. of \$100 million of banker's acceptances and the issuance by Investors Group Inc., on or about March 5, 2003, of debentures in the amount of \$300 million.
- (c) The issuance in December 2002 by Great-West Life Capital Trust, a trust controlled by Lifeco, of \$350 million of non-voting Great West Life Trust Securities, Series A and the repurchase of \$250 million of preferred shares by a subsidiary of Lifeco and \$100 million by Lifeco itself.

CERTIFICATE OF THE CORPORATION

Dated: March 4, 2003

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities laws of all the provinces of Canada. For the purposes of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

By: (Signed) ROBERT GRATTON
President and Chief Executive Officer

By: (Signed) MICHEL PLESSIS-BÉLAIR
Executive Vice-President and Chief Financial Officer

On behalf of the Board of Directors

By: (Signed) PAUL DESMARAIS, JR.
Director

By: (Signed) ANDRÉ DESMARAIS
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: March 4, 2003

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities laws of all the provinces of Canada. For the purposes of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

BMO NESBITT BURNS INC.

By: (Signed) GEORGE HUCAL

CIBC WORLD
MARKETS INC.

By: (Signed) CHARLES
ST-GERMAIN

NATIONAL BANK
FINANCIAL INC.

By: (Signed) IAN D.
MCPHERSON

RBC DOMINION
SECURITIES INC.

By: (Signed) PIERRE
FLEURENT

SCOTIA CAPITAL INC.

By: (Signed) PIERRE
LE FÈVRE

TD SECURITIES INC.

By: (Signed) JEAN-LUC GRAVEL

MERRILL LYNCH CANADA INC.

By: (Signed) M. MARIANNE HARRIS

