



POWER FINANCIAL
CORPORATION

2012 ANNUAL INFORMATION FORM

March 22, 2013

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GENERAL INFORMATION

The following abbreviations have been used throughout this Annual Information Form:

Name in full	Abbreviation
Canada Life Financial Corporation	CLFC
Frère-Bourgeois / Compagnie Nationale à Portefeuille	Frère group
Great-West Life & Annuity Insurance Company	Great-West Financial
Great-West Lifeco Inc.	Lifeco
Groupe Bruxelles Lambert	GBL
IGM Financial Inc.	IGM Financial
Investment Planning Counsel Inc.	Investment Planning Counsel
Lafarge SA	Lafarge
London Life Insurance Company	London Life
Mackenzie Financial Corporation	Mackenzie Financial
Mackenzie Inc.	Mackenzie
Pargesa Holding SA	Pargesa
Parjointco N.V.	Parjointco
Power Corporation of Canada	Power
Power Financial Corporation	Power Financial or the Corporation
Power Financial Europe B.V.	PFE
Putnam Investments, LLC	Putnam
Suez Environnement Company	Suez Environnement
The Canada Life Assurance Company	Canada Life
The Great-West Life Assurance Company	Great-West Life
Total SA	Total

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated herein by reference:

- Certain portions of the Annual Information Form of Lifeco, dated February 7, 2013; and
- Certain portions of the Annual Information Form of IGM Financial, dated March 21, 2013.

The above documents are available on SEDAR under the respective company profiles at www.sedar.com.

FORWARD-LOOKING INFORMATION

Certain statements in this Annual Information Form, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's current expectations, or with respect to disclosure regarding the Corporation's public subsidiaries, reflect such subsidiaries' disclosed current expectations. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and the reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries, as well as the outlook for North American and international economies 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", "seeks", "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".

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

The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including that the list of factors in the previous paragraph, collectively, are not expected to have a material impact on the Corporation and its subsidiaries. While the Corporation considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

Other than as specifically required by applicable Canadian 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 and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including this Annual Information Form and its most recent Management's Discussion and Analysis, filed with the securities regulatory authorities in Canada and available at www.sedar.com. The sections entitled "General" of Lifeco's Annual Information Form dated February 7, 2013 and "Forward-Looking Statements" of IGM Financial's Annual Information Form dated March 21, 2013 are incorporated herein by reference.

CORPORATE STRUCTURE

INCORPORATION

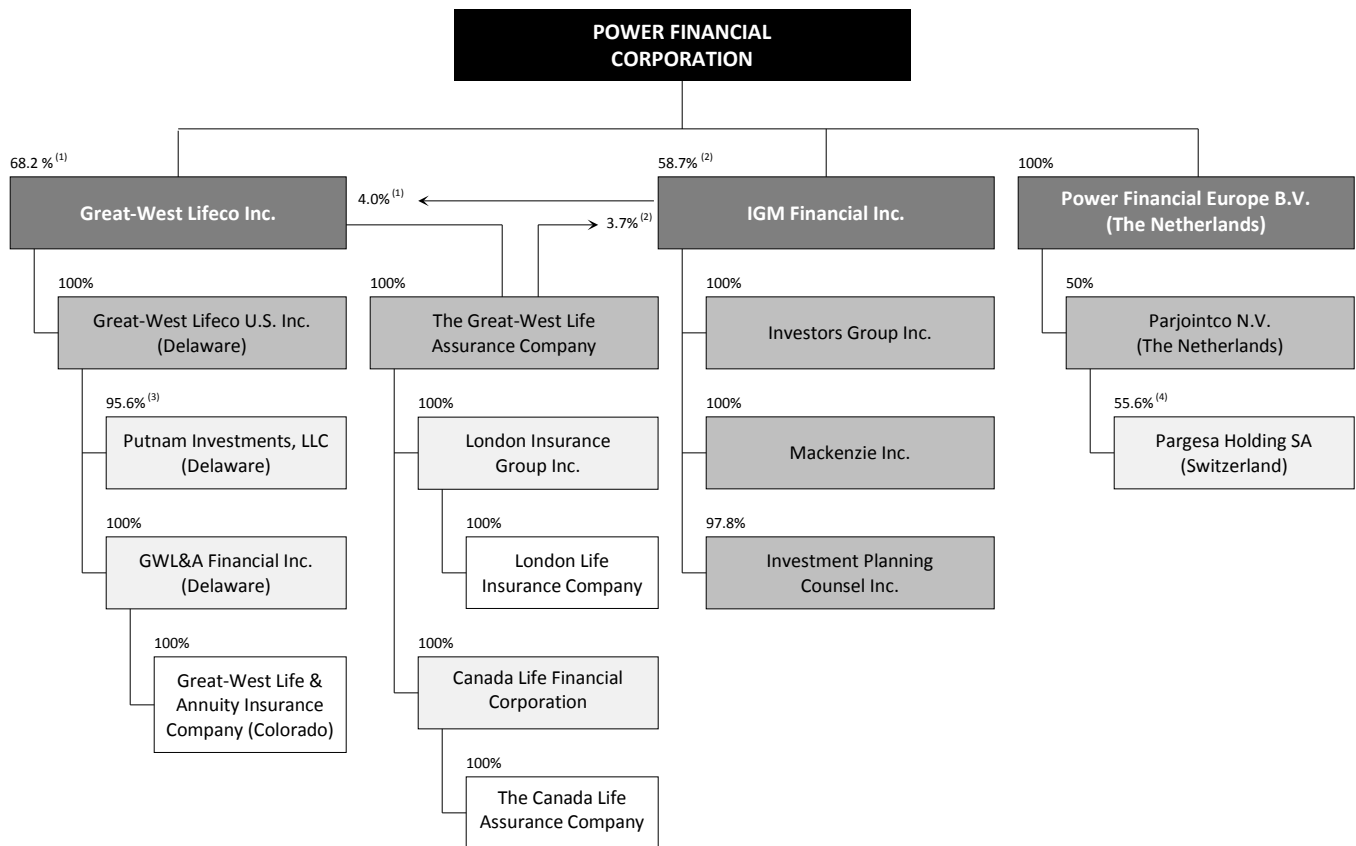
Power Financial Corporation — Corporation Financière Power was continued under the *Canada Business Corporations Act* (“CBCA”) on December 4, 1986. Its head and registered office is located at 751 Victoria Square, Montréal, Québec H2Y 2J3.

The Articles of the Corporation were amended, effective August 17, 1993, to create 6,000,000 7.00 per cent Non-Cumulative First Preferred Shares, Series B (redeemed on May 30, 2003); effective January 10, 1997, to subdivide the Common Shares on a two-for-one basis; effective October 14, 1997, to create 6,000,000 5.20 per cent Non-Cumulative First Preferred Shares, Series C (redeemed on October 31, 2010); effective December 11, 1997, to create 6,000,000 5.50 per cent Non-Cumulative First Preferred Shares, Series D; effective July 9, 1998, to subdivide the Common Shares on a two-for-one basis; effective November 22, 2001, to create 8,000,000 5.25 per cent Non-Cumulative First Preferred Shares, Series E; effective July 10, 2002, to create 6,000,000 5.90 per cent Non-Cumulative First Preferred Shares, Series F; effective December 4, 2002, to create 6,000,000 5.75 per cent Non-Cumulative First Preferred Shares, Series H; effective March 7, 2003, to create 8,000,000 6.00 per cent Non-Cumulative First Preferred Shares, Series I and 6,000,000 4.70 per cent Non-Cumulative First Preferred Shares, Series J (redeemed on July 30, 2010); effective July 23, 2004, to subdivide the Common Shares on a two-for-one basis; effective September 30, 2005, to create 10,000,000 4.95 per cent Non-Cumulative First Preferred Shares, Series K; effective July 28, 2006, to create 8,000,000 5.10 per cent Non-Cumulative First Preferred Shares, Series L; effective November 25, 2008, to create an unlimited number of Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series M and an unlimited number of Non-Cumulative Floating Rate First Preferred Shares, Series N; effective October 7, 2009, to create up to 10,000,000 5.80 per cent Non-Cumulative First Preferred Shares, Series O; effective May 14, 2010 to increase the maximum number of directors from 18 to 20; effective June 22, 2010, to create an unlimited number of Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series P and an unlimited number of Non-Cumulative Floating Rate First Preferred Shares, Series Q; effective February 16, 2012, to create 10,000,000 5.50 per cent Non-Cumulative First Preferred Shares, Series R; and effective February 25, 2013, to create 12,000,000 4.80 per cent Non-Cumulative First Preferred Shares, Series S.

INTERCORPORATE RELATIONSHIPS

The chart on the following page summarizes Power Financial’s corporate structure as at December 31, 2012, including interests in its material and certain other subsidiaries and investee companies. The chart sets forth the jurisdiction of incorporation (unless otherwise indicated, all companies were incorporated in Canada) and the approximate percentages of participating equity securities beneficially owned, or over which control or direction is exercised, directly or indirectly, by Power Financial (unless otherwise indicated such percentages also represent the approximate percentages of votes attached to voting securities beneficially owned, or over which control or direction is exercised, directly or indirectly, by Power Financial) as at that date.

The sections entitled “Corporate Structure” of Lifeco’s Annual Information Form dated February 7, 2013 and “General” of IGM Financial’s Annual Information Form dated March 21, 2013 are incorporated herein by reference.



(1) 56.6 per cent of the participating equity securities of Lifeco are owned by the Corporation, 3.0 per cent are owned by 3411893 Canada Inc., a wholly owned subsidiary of the Corporation, 7.7 per cent are owned by 3439453 Canada Inc., a wholly owned subsidiary of the Corporation, and 0.9 per cent are owned by 4400003 Canada Inc., a wholly owned subsidiary of the Corporation. In addition, IGM Financial, a subsidiary of the Corporation, owns 4.0 per cent of the participating equity securities of Lifeco. Power Financial and its subsidiaries own, in the aggregate, voting securities to which are attached approximately 65.0 per cent of the votes attached to all voting securities of Lifeco.

(2) 55.6 per cent of the participating equity securities of IGM Financial are owned by the Corporation, 2.2 per cent are owned by 3411893 Canada Inc., a wholly owned subsidiary of the Corporation, and 0.9 per cent are owned by 4400003 Canada Inc., a wholly owned subsidiary of the Corporation. In addition, Great-West Life, a subsidiary of the Corporation, owns 3.7 per cent of the participating equity securities of IGM Financial (excluding 0.04 per cent of equity securities of IGM Financial held by Great-West Life in its segregated funds or for similar purposes). Power Financial and its subsidiaries own, in the aggregate, voting securities to which are attached approximately 62.4 per cent of the votes attached to all voting securities of IGM Financial.

(3) 100 per cent voting interest

(4) 75.4 per cent voting interest

GENERAL DEVELOPMENT OF THE BUSINESS

BUSINESS OF POWER FINANCIAL

Power Financial is a diversified international management and holding company that holds interests, directly or indirectly, in companies that are active in the financial services sector in Canada, the United States and Europe and, through its indirect investment in Pargesa, has substantial holdings in companies based in Europe, active in the following industries: oil and gas, electricity, energy services, water and waste management services, specialty minerals, cement, aggregates and concrete, and wines and spirits. These investments are held by Pargesa through its affiliated company, GBL, a Belgian holding company.

Power Financial owns a controlling interest in each of Lifeco and IGM Financial. These companies and their subsidiaries offer an extensive range of financial products and services to individuals and corporations in Canada, the United States and Europe. Through its wholly owned subsidiary, PFE, which in turn holds a 50 per cent interest in Parjointco, Power Financial has a significant interest in the Pargesa group.

As at December 31, 2012, Power Financial employed, directly and through subsidiaries, approximately 29,300 people in North America. As at December 31, 2012, Power Financial controlled, directly and indirectly, approximately 72.2 per cent of the outstanding common shares of Lifeco, representing approximately 65.0 per cent of the voting rights attached to all the outstanding Lifeco voting shares. At December 31, 2012, Power Financial also controlled, directly and indirectly, approximately 62.4 per cent of the outstanding common shares of IGM Financial.

DEVELOPMENT OF THE BUSINESS OVER THE LAST THREE YEARS

The sections entitled “General Development of the Business” of Lifeco’s Annual Information Form dated February 7, 2013 and “Development of Business Over the Last Three Years” of IGM Financial’s Annual Information Form dated March 21, 2013 are incorporated herein by reference.

NORTH AMERICA

On June 29, 2010, Power Financial issued 11,200,000 Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series P, priced at \$25.00 per share to annually yield 4.40 per cent for gross proceeds of \$280 million. Proceeds from the issue were used to supplement Power Financial’s financial resources and for general corporate purposes.

On September 2, 2011, Mackenzie Financial, a subsidiary of IGM Financial, announced that it had entered into an agreement with B2B Trust, a subsidiary of Laurentian Bank, under which B2B Trust would acquire 100 per cent of M.R.S. Trust Company and M.R.S. Inc., which were wholly owned subsidiaries of Mackenzie Financial. The transaction closed on November 16, 2011 for cash consideration of approximately \$199 million and repayment by B2B Trust of \$20 million of subordinated indebtedness of M.R.S. Trust Company to Mackenzie Financial.

On February 23, 2012, Power Financial issued 10,000,000 Non-Cumulative First Preferred Shares, Series R, priced at \$25.00 per share to annually yield 5.50 per cent for gross proceeds of \$250 million. Proceeds from the issue were used to supplement Power Financial’s financial resources and for general corporate purposes.

On February 19, 2013, Lifeco announced that it had reached an agreement with the Government of Ireland to acquire, through its subsidiary Canada Life Limited, all of the shares of Irish Life Group Limited for \$1.75 billion (€1.3 billion). The transaction is expected to close in July of 2013, and is subject to customary regulatory approvals and certain closing conditions.

On February 28, 2013, Power Financial issued 12,000,000 Non-Cumulative First Preferred Shares, Series S, priced at \$25.00 per share to annually yield 4.80 per cent for gross proceeds of \$300 million. Proceeds from the issue were used to acquire, on March 12, 2013, subscription receipts of Lifeco exchangeable into common shares

of Lifeco as part of the \$1.25 billion offering of subscription receipts issued by Lifeco (as described below) in connection with its proposed acquisition of Irish Life Group Limited and to supplement the Corporation's financial resources.

On March 12, 2013, Lifeco issued 48,660,000 subscription receipts for proceeds of approximately \$1.25 billion by way of public bought deal offering and private placement to affiliates. Power Financial and IGM purchased 21,410,000 subscription receipts for approximately \$550 million and 1,950,000 subscription receipts for approximately \$50 million, respectively. Each subscription receipt entitles the holder to receive one common share of Lifeco upon Lifeco's completion of its proposed acquisition of Irish Life Group Limited. If Lifeco does not acquire Irish Life Group Limited, each subscription receipt will be cancelled and Power Financial will receive the purchase price paid plus interest.

EUROPE

In the first quarter of 2010, GBL bought back €13.5 million of its own shares. In 2012, GBL bought back 633,016 of its own shares and sold 597,946 of its shares. As at December 31, 2012, GBL held 6,134,514 of its own shares representing a total equity interest of 3.8 per cent.

In June 2010, GBL issued a €350 million bond bearing interest at 4.0 per cent, due in 2017.

In November 2010, Pargesa issued, on the Swiss market, a SF150 million bond due in 2016, bearing interest at 2.5 per cent. Also, in 2010, 2011 and 2012, Pargesa bought back, respectively, SF206 million, SF346 million and SF198 million of issued convertible bonds due in 2013 and 2014.

In 2010, GBL invested €122 million to purchase shares of Pernod Ricard. On March 15, 2012, GBL sold approximately 2.3 per cent of the shares of Pernod Ricard for proceeds of €499 million and a gain of €240 million, bringing GBL's position in Pernod Ricard to 7.5 per cent.

Also in 2010, GBL invested €27 million in Arkema (a global chemical producer based in France). During 2011, additional shares were purchased by GBL. On March 14, 2012, GBL sold its 10 per cent interest in Arkema for proceeds of €433 million and a gain of €221 million.

On February 3, 2011, the international energy activities of GDF Suez outside Europe were combined with International Power plc to accelerate the international development of GDF Suez. In 2012, GDF Suez purchased all remaining shares of International Power plc.

In April 2011, Pargesa sold its 25.6 per cent equity interest in Imerys to GBL, for a total amount of €1,087 million. Following the transaction and additional market purchases of Imerys shares in 2011 and 2012, GBL held a 56.9 per cent equity interest in Imerys as at December 31, 2012.

On May 16, 2011, Pargesa announced that BNP Paribas had sold all of its registered shares in Pargesa to Parjointco, but had maintained its position in bearer shares. As a result of this transaction, Parjointco's equity stake in Pargesa increased from 54.1 per cent to 56.5 per cent, and its interest in voting rights increased from 62.9 per cent to 76.0 per cent. In November 2012, Parjointco sold 775,000 shares of Pargesa. As at December 31, 2012, Parjointco held a 55.6 per cent equity interest and a 75.4 per cent voting interest in Pargesa.

On August 1, 2011, Imerys announced the completion of the acquisition of the Luzenac Group, the world leader in talc, for an enterprise value of US\$340 million.

In 2011, GBL announced that it had extended its €1.8 billion bank credit facilities, including €950 million that was used as of December 31, 2011 primarily to purchase 25.6 per cent of Imerys from Pargesa as described above. As of December 31, 2012, GBL had total credit facilities of €1.6 billion, most of which expire in 2016 and 2017, and of which €1.2 billion was unused as of that date.

In April 2012, GBL redeemed for cash at the principal amount, all of its outstanding exchangeable bonds issued in 2005 for €184 million. GBL had repurchased a total of €159 million of such bonds in 2010 and €92 million in 2011.

In September 2012, GBL issued approximately €400 million of bonds exchangeable into existing ordinary shares of Suez Environnement. The offering related to almost all of the Suez Environnement shares held by GBL (approximately 35 million shares representing 6.9 per cent of the share capital of Suez Environnement). The implied exchange price of the bonds reflects a premium of 20 per cent to the reference price of Suez Environnement shares. Bondholders may request the exchange of their bonds for Suez Environnement shares subject to the option of GBL to instead pay in cash all or part of the value of Suez Environnement shares in lieu of such exchange. The bonds have a maturity of 3 years from their date of issue and bear interest at a rate of 0.125 per cent per annum. The bonds will be redeemed at par on September 21, 2015 subject to the option exercisable by GBL to deliver Suez Environnement shares to holders and pay in cash, if applicable, the difference between the value of the Suez Environnement shares to be delivered and the nominal value of the bonds.

On December 17, 2012, Power, Power Financial and the Frère group extended the term of the agreement governing their strategic partnership in Europe to December 31, 2029, with provision for possible further extension of the agreement. The agreement is more fully described below in the section entitled “Narrative Description of the Business - The Pargesa Group – Background of the Pargesa Group”.

On January 24, 2013, GBL’s wholly owned subsidiary, GBL Verwaltung S.A., launched an offering of €1 billion of bonds, exchangeable into existing ordinary shares of GDF Suez. The offering of the bonds relates to almost half the GDF Suez shares held by GBL (approximately 54 million shares representing 2.3 per cent of GDF Suez’s share capital and voting rights). The implied exchange price of the bonds reflects a premium of 20 per cent to the reference price of GDF Suez shares. Bondholders may request the exchange of their bonds for GDF Suez shares subject to the option of GBL to instead pay in cash all or part of the value of GDF Suez shares in lieu of such exchange. The bonds have a maturity of 4 years from their date of issue and bear interest at a rate of 1.25 per cent per annum. The bonds will be redeemed at par on February 7, 2017, subject to the option exercisable by GBL to deliver GDF Suez shares to bondholders and pay in cash, if applicable, the difference between the value of the GDF Suez shares to be delivered and the nominal value of the bonds.

As described above, the Pargesa portfolio currently consists primarily of investments in Lafarge, Imerys, Total, GDF Suez, Suez Environnement and Pernod Ricard, which are held through Pargesa’s subsidiary, GBL. The interests of Power Financial in these companies as at December 31, 2012, through the Pargesa group, are more fully described herein at the section entitled “Narrative Description of the Business – The Pargesa Group”.

NARRATIVE DESCRIPTION OF THE BUSINESS

Power Financial is a diversified international management and holding company that holds interests, directly or indirectly, in companies that are active in the financial services sector in Canada, the United States and Europe and, through its indirect investment in Pargesa, has substantial holdings in companies based in Europe, active in the following industries: oil and gas, electricity, energy services, water and waste management services, specialty minerals, cement, aggregates and concrete, and wines and spirits.

GREAT-WEST LIFECO INC.

Lifeco is an international financial services holding company with interests in the life insurance, health insurance, asset management, investment and retirement savings and reinsurance businesses. Lifeco has operations in Canada, the United States, Europe and Asia through Great-West Life, London Life, Canada Life, Great-West Financial and Putnam. As at December 31, 2012, Lifeco and its subsidiaries had approximately \$545.8 billion in assets under administration and approximately 17,870 employees worldwide. Each of Great-West Life, London Life, CLFC and Canada Life are Canadian insurance companies governed by the *Insurance Companies Act* (Canada). Great-West Life also owned, as at December 31, 2012, approximately 9.2 million common shares (representing 3.7 per cent) of IGM Financial (excluding approximately 0.1 million common shares of IGM Financial held by Great-West Life in its segregated funds or for similar purposes).

In Canada, Great-West Life, London Life and Canada Life offer a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations. Through their Individual Insurance business units, Great-West, London Life and Canada Life provide life, disability and critical illness insurance products to individual clients. Through their Wealth management business units, Great-West Life, London Life and Canada Life provide accumulation products and annuity products for both group and individual clients. Through their Group Insurance business units, Great-West Life and Canada Life provide life, health, critical illness, disability and creditor insurance products to group clients.

In Europe, Canada Life is broadly organized along geographically defined market segments and offers protection and wealth management products, including payout annuity products, and reinsurance. The Europe segment is composed of two distinct business units: Insurance & Annuities, which consists of operations in the United Kingdom, Isle of Man, Ireland and Germany; and Reinsurance, which operates primarily in the United States, Barbados and Ireland. Reinsurance products are provided through Canada Life, London Reinsurance Group Inc. and their subsidiaries.

In the United States, Great-West Financial is a leading provider of employer-sponsored retirement savings plans and of individual life insurance sold through banks. In addition to employer-sponsored defined contribution plans, Great-West Financial provides enrolment services, communication materials, investment options and education services as well as fund management, investment and advisory services. Great-West Financial also provides life insurance, annuity products and retirement accounts for individuals as well as business-owned life insurance and executive benefits. Putnam provides investment management, certain administrative functions, distribution, and retirement plan services. Putnam offers a broad range of investment products, including equity, fixed income, absolute return and alternative strategies. Individual retail investors are served through a broad network of distribution relationships with unaffiliated broker-dealers, financial planners, registered investment advisors and other financial institutions that distribute the Putnam funds to their customers, which, in total, includes nearly 160,000 advisors. Institutional investors are supported by Putnam's dedicated account management, product management, and client service professionals and through strategic relationships with certain investment management firms outside of the United States. As at December 31, 2012, Putnam had approximately \$127 billion in total assets under management. The section entitled "Description of the Business" of Lifeco's Annual Information Form dated February 7, 2013 is incorporated herein by reference.

IGM FINANCIAL INC.

IGM Financial is a personal financial services company, primarily providing investment advisory and related services. Its activities are carried out principally through its subsidiaries Investors Group, Mackenzie and Investment Planning Counsel. As at December 31, 2012, IGM Financial had \$120.7 billion in total assets under management.

As at December 31, 2012, IGM Financial owned all of the outstanding common shares of Investors Group, all of the outstanding common shares of Mackenzie, 97.8 per cent of the outstanding common shares of Investment Planning Counsel, and 37.8 million common shares (representing 4.0 per cent) of Lifeco.

Investors Group, founded in 1926, delivers personalized financial solutions to Canadians through a network of more than 4,500 consultants located throughout Canada, with approximately \$60.6 billion in mutual fund assets under management. In addition to an exclusive family of mutual funds and other investment vehicles, Investors Group offers a wide range of insurance, securities, mortgage products and other financial services.

Mackenzie was founded in 1967, and is an investment management firm providing investment advisory and related services. With approximately \$61.5 billion in total assets under management, Mackenzie distributes its products and services primarily through a diversified distribution network of third party financial advisors.

Investment Planning Counsel was founded in 1996, and is an independent distributor of financial products, services and advice in Canada, with close to 800 financial advisors and \$16.1 billion in client assets under administration, which includes over \$2.9 billion in mutual fund assets under management in Counsel Portfolio Services Inc.

The section entitled “Description of Business” of IGM Financial’s Annual Information Form dated March 21, 2013 is incorporated herein by reference.

THE PARGESA GROUP

The annual financial information contained herein concerning Pargesa and the companies in which it has an investment has been publicly reported by Pargesa. Although Power Financial has no knowledge that would indicate that any statements contained in such information are materially incorrect, Power Financial takes no responsibility for the accuracy or completeness of such information, or for any omission by such companies to disclose facts or events which may have occurred or may affect the significance or accuracy of any such information but which are not known to Power Financial.

BACKGROUND OF THE PARGESA GROUP

The carrying value of the Corporation’s interest in Parjointco was \$2.1 billion as at December 31, 2012. Pargesa is organized under the laws of Switzerland. In 1981, Power participated with European partners in reorganizing the company to acquire Paribas (Suisse) S.A. of Geneva. Power, and subsequently Power Financial, participated with others in the development of Pargesa throughout the ensuing decade. The extent of this participation increased steadily and, under an agreement concluded in 1990 (the “agreement”), Power Financial now holds substantial interests in the Pargesa group with the Frère group of Charleroi, Belgium, another of the original partners in Pargesa. Pursuant to the agreement, Power Financial, through its wholly owned subsidiary PFE, and the Frère group established a new holding company structure bringing together their respective interests in Pargesa and GBL. Each of the Power Financial group and the Frère group controls on an equal basis Parjointco, incorporated under the laws of The Netherlands. Parjointco, at December 31, 2012, in turn held a 75.4 per cent voting interest and a 55.6 per cent equity interest in Pargesa, while Pargesa held at that same date a 52.0 per cent voting and a 50.0 per cent equity interest in GBL. The agreement was intended to achieve and maintain parity between the Power group and the Frère group with respect to their control in each of Pargesa, GBL (and at that time, Parfinance S.A.) and their respective designated subsidiaries. Each group agreed not to

acquire, hold or dispose of interests in any of those corporations (other than through Parjointco), either directly or indirectly, and has granted the other group a prior right, subject to certain restrictions, to acquire its interests in Pargesa and GBL upon any disposition thereof for a period of five years beginning at the termination of the agreement. The initial agreement, signed in 1990, had a term of 11 years subject to possible extensions. It requires the maintenance of the shareholding chain, up to and including the ultimate shareholder group, over the jointly owned holding company. On September 24, 1996, the term of the agreement was extended to December 31, 2014 and on December 17, 2012, the term of the agreement was extended to December 31, 2029 with provision for possible further extension of the agreement.

Upon the occurrence of an event of default, the groups must submit to pre-arbitration with a view of resolving the default and, if that is unsuccessful, shall proceed to arbitration. Subject to the results of such arbitration, the non-defaulting group is entitled to elect either the first or both of the following remedies: (a) the liquidation of the jointly owned holding company established to hold their respective interests in Pargesa and GBL, and termination of the agreement; and (b) the acquisition of interests in Pargesa held by the defaulting group or acquired by it on the liquidation of the jointly owned holding company, at the market price of the Pargesa voting shares at the time of the arbitrators' decision and at the issued price of any other Pargesa securities.

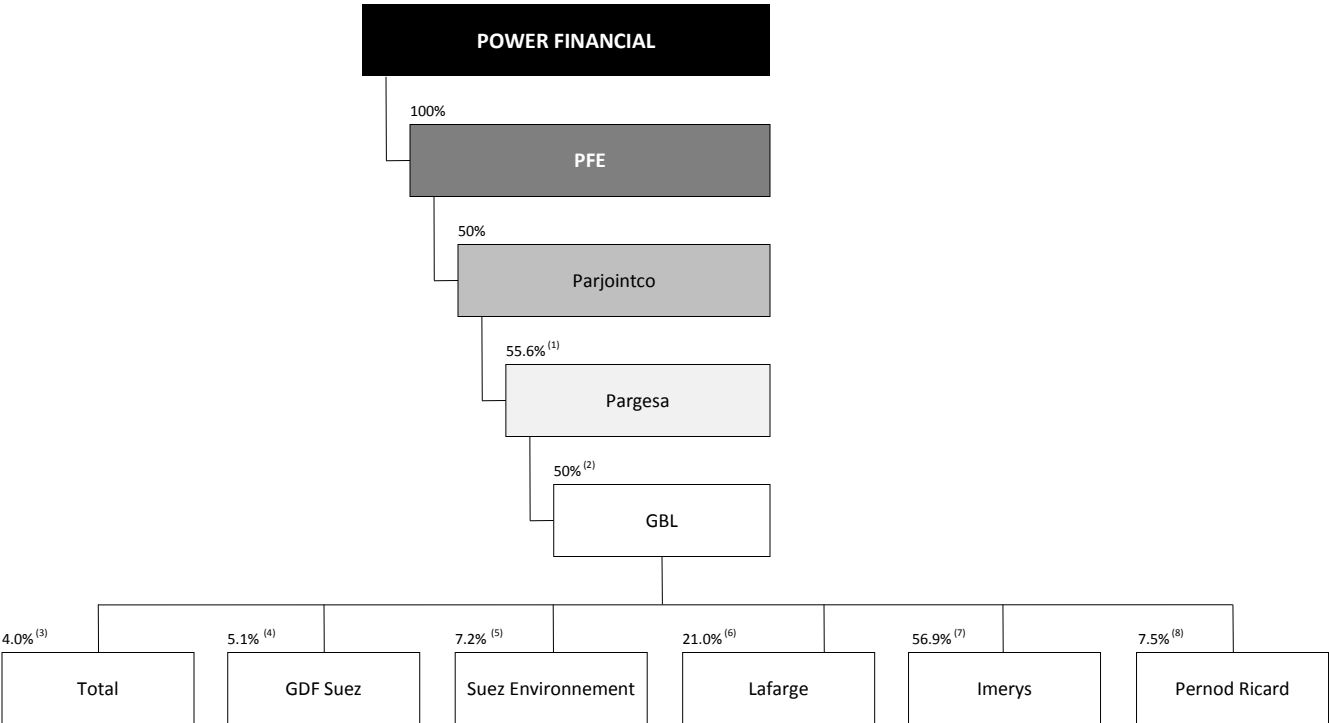
The Pargesa group currently holds significant interests in a limited number of large European companies. These interests are held by Pargesa's affiliated Belgian holding company, GBL, as shown on the chart on page 14. At December 31, 2012, the shareholders' equity of Pargesa was \$7.8 billion (SF7.2 billion)⁽¹⁾. The financial information reported herein in respect of Pargesa has been extracted from Pargesa's financial statements.

The investment in Parjointco is accounted for by Power Financial under the equity method as the Corporation has joint control over its activities, and Pargesa in turn is consolidated into the financial statements of Parjointco. As described above, the Pargesa portfolio currently consists primarily of investments in Imerys, Lafarge, Total, GDF Suez, Suez Environnement and Pernod Ricard, which are held through GBL. GBL's financial statements are consolidated into the financial statements of Pargesa. GBL consolidates its investment in Imerys and it accounts for its investment in Lafarge under the equity method. The contribution from GDF Suez, Suez Environnement, Total and Pernod Ricard to GBL's earnings consists of the dividends received from these companies.

The contribution to Power Financial's earnings is based on the economic (flow-through) presentation of results used by Pargesa. Pursuant to this presentation, "operating income" and "non-operating income" are presented separately by Pargesa. Power Financial's share of non-operating income of Pargesa, after adjustments or reclassifications if necessary, is included as part of "share of earnings (losses) of investment in a jointly controlled corporation" in the Corporation's consolidated financial statements.

¹ Information in this section uses currency conversion rates in effect for the years ended December 31, 2012 and 2011.

The following is a simplified chart of the corporate structure of the Pargesa group and includes direct and indirect principal holdings as at December 31, 2012.



Percentages denote interests in participating equity held by subsidiaries and affiliates of Pargesa. Further details of interests are shown on page 15.

- (1) 75.4 per cent voting interest
- (2) 52.0 per cent voting interest
- (3) 3.7 per cent voting interest
- (4) 5.1 per cent voting interest
- (5) 7.2 per cent voting interest
- (6) 27.4 per cent voting interest
- (7) 66.2 per cent voting interest
- (8) 6.9 per cent voting interest

Table of interests of the Pargesa group as at December 31, 2012:

Corporation	Jurisdiction of Incorporation	Effective Interest Held by Pargesa Holding SA (%)	Cumulative Equity Interest Held by Pargesa Group Companies (%)	Cumulative Voting Rights Held by Pargesa Group Companies (%)
GBL	Belgium	50.0	50.0	52.0
Total	France	2.0	4.0	3.7
GDF Suez	France	2.6	5.1	5.1
Suez Environnement	France	3.6	7.2	7.2
Lafarge	France	10.5	21.0	27.4
Imerys	France	28.5	56.9	66.2
Pernod Ricard	France	3.8	7.5	6.9

FINANCIAL HIGHLIGHTS OF THE PARGESA GROUP ^{(1) (2)}

As at and for the years ended December 31 (in millions, except per share amounts)	2012 SF	\$	2011 SF	\$
Contribution from principal holdings				
Full consolidation (Imerys) and equity accounted (Lafarge)				
Imerys	111	118	122	136
Lafarge	101	108	56	63
Non-consolidated (net dividends)				
Total	126	134	164	183
GDF Suez	110	117	114	128
Suez Environnement	14	15	15	17
Pernod Ricard	20	21	24	27
	482	513	495	554
Contribution from other holdings	(1)	(1)	(1)	(2)
Other operating earnings (losses) from holding companies ⁽³⁾	(122)	(130)	(151)	(169)
Operating earnings ⁽³⁾	359	382	343	383
Operating earnings per bearer share ⁽³⁾	4.24	4.52	4.05	4.53
Non-operating income (losses) ⁽³⁾	59	63	(408)	(456)
Net earnings (losses)	418	446	(65)	(73)
Earnings (losses) per bearer share	4.94	5.27	(0.77)	(0.86)

(1) Using SF/CDN\$ currency conversion rates in effect for each year as follows:

	Average	Closing
2012	1.0662	1.0867
2011	1.1187	1.0846

(2) Economic analysis of the net earnings as published by Pargesa (reported under International Financial Reporting Standards ("IFRS")) and converted into Canadian dollars based upon average exchange rates. Power Financial's share of operating and non-operating earnings as reported by Pargesa may be subject to adjustments and reclassifications, when necessary.

(3) Operating earnings, non-operating income and operating earnings per share are non-IFRS financial measures that do not have standard meaning and may not be comparable to similar measures used by other entities. For a discussion of the Corporation's use of non-IFRS financial measures, please refer to the section entitled "Basis of Presentation and Summary of Accounting Policies" in the Management's Discussion and Analysis of Power Financial, dated March 13, 2013.

FINANCIAL HIGHLIGHTS OF PARGESA — TWO-YEAR SUMMARY

(in millions of dollars, except per share amounts)	2012	2011
Income from holdings ⁽¹⁾	513	554
Other operating earnings (losses) from holding companies ⁽²⁾	(130)	(169)
Non-operating income (losses) ⁽²⁾⁽³⁾	63	(456)
Net earnings (losses)	446	(73)
Declared dividends ⁽⁴⁾	236	236
Earnings (losses) per bearer share	5.27	(0.86)
Total assets ⁽⁵⁾	23,849	25,145
Long-term debt, including short term portion ⁽⁶⁾	1,151	1,334
Consolidated shareholder's equity (excluding minority interests)	7,863	8,115

(1) Includes contribution from other holdings — see “Financial Highlights of the Pargesa Group” above.

(2) Operating earnings, non-operating income and operating earnings per share are non-IFRS financial measures that do not have standard meaning and may not be comparable to similar measures used by other entities. For a discussion of the Corporation's use of non-IFRS financial measures, please refer to the section entitled “Basis of Presentation and Summary of Accounting Policies” in the Management's Discussion and Analysis of Power Financial, dated March 13, 2013.

(3) Including non-operating income from operating companies consolidated and accounted for under the equity method, amounting to a charge of \$51 million in 2012 (profit of \$18 million in 2011).

(4) Declared dividends for 2012 are to be approved at the 2013 Annual General Meeting of Pargesa to be held on May 8, 2013. If approved, declared dividends would amount to SF217.5 million, which was the same as in the previous year. These amounts are converted into CDN\$ using year-end currency conversion rates.

(5) Including a positive cash position of \$759 million held by Pargesa as at December 31, 2012 (\$988 million as at December 31, 2011).

(6) Represents indebtedness of Pargesa and wholly owned subsidiaries only. Represents, in 2012, the book value of outstanding convertible bonds issued by Pargesa in March 2006 and June 2007 (including \$469 million due in 2013), in addition to the \$158 million bonds issued in 2010, as shown in the balance sheet of Pargesa. In addition, at December 31, 2012, Pargesa and its wholly owned subsidiaries had lines of credit with banks in the amount of \$268 million (\$269 million as at December 31, 2011). Most of these lines of credit will expire in 2015.

The foregoing financial information is prepared using SF/CDN\$ currency conversion rates in effect for each year as follows:

	Average	Closing
2012	1.0662	1.0867
2011	1.1187	1.0846

PARGESA – DESCRIPTION OF GROUP COMPANIES

GBL is a holding company with its headquarters in Brussels, Belgium. Its main holdings are an interest in Lafarge (cement, aggregates and concrete), Imerys (mineral-based specialties for industry), Total (oil, gas and alternative energies), GDF Suez (electricity, natural gas, and energy and environmental services), Suez Environnement (water and waste management services) and Pernod Ricard (wines and spirits). For more information, please refer to Part D of Power Financial's Management's Discussion and Analysis (dated March 13, 2013) related to Pargesa.

LAFARGE

With a presence in more than 64 countries, Lafarge holds leading positions in both of its business units: Cement and Aggregates and Concrete.

The year 2012 was marked by sales and operating results growth, driven by a combination of higher prices in response to cost inflation, cost saving measures and favourable foreign exchange effects.

Cement sales volumes decreased in 2012, mostly due to the construction slowdown in Europe, the increased local supply in Egypt, the political situation in Syria and the impact of U.S. divestments. The effects of these factors were mitigated by domestic growth in Asia, Latin America and in most countries in the Middle East and Africa. Lafarge's aggregates sales volumes declined in 2012, primarily reflecting lower construction activity in Western and Eastern Europe. Concrete volumes, which were impacted by the sale of U.S. ready-mix assets in

2012, also declined. Lafarge's overall ready-mix concrete sales volumes decreased while registering higher volumes in North America, Middle East and Africa.

IMERYS

Imerys is a world leader in specialty minerals. Imerys transforms a unique range of minerals to deliver essential functions (heat resistance, mechanical strength, conductivity, coverage, barrier effect, etc.) that are essential to its customers' products and manufacturing processes.

In 2012, Imerys' revenues increased by 5.7 per cent compared to 2011, mainly due to the consolidation of the Luzenac Group acquired on August 1, 2011, the acquisition of Itatex Mineral Specialties (a Brazilian company that designs and markets kaolin and clay-based specialties for paint, polymers and rubber) and a positive foreign exchange impact. Product prices, which further improved this year, combined with the launch of new products continued to have a positive effect in every Imerys business group. During the second quarter of 2012, Imerys' European activities relating to the construction and industrial equipment sectors were affected by the recession in this region. Some activities, such as Monolithic Refractories were not impacted until the middle of the third quarter. On the other hand, the divisions exposed to the US construction sector posted better performances.

TOTAL

Created from the successive mergers of Total, PetroFina and Elf Aquitaine, Total is one of the world's leading oil and gas groups and a major operator in chemicals. With operations in more than 130 countries, its activities span all aspects of the oil industry chain, from upstream – oil and gas exploration, development and production – to downstream – refining and distributing refined products as well as international trading in both crude and refined products. Total produces base and specialty chemicals and is also involved in the development of renewable energy.

In 2012, Total's hydrocarbon production decreased compared to 2011. The decrease was mainly caused by the negative effects of the gas leak incident at the Elgin platform located in the UK North Sea, the incident in Ibewa's gas field in Nigeria, the disruptions related to security conditions in Yemen, the production shutdown in Syria and the impact of changing hydrocarbon prices on entitlement volumes. The positive effects of the start-ups and ramp-ups from new projects and from favourable changes, comprised essentially of the increased interest in OAO Novatek (Russia's largest independent natural gas producer), the sale of Total's interest in Compania Espanola de Petroleos SA ("CEPSA") and the sale of assets in the UK, France, Nigeria and Cameroon, were not sufficient to counterbalance the negative effects of the previously mentioned factors.

In 2012, refinery throughput decreased compared to 2011, essentially caused by the effects of the sale of Total's interest in CEPSA at the end of July 2011 and the closure of the Rome refinery at the end of the third quarter of 2012. Excluding these effects, throughput increased due to the increased availability of Total's refineries.

GDF SUEZ

GDF Suez focuses on the generation of electricity and heat, the trading, the transmission and distribution of electricity and natural and liquefied gas, and the supply of energy and industrial services. GDF Suez's strategy in energy is centered on strengthening its positions in Europe from its domestic home base (France and Benelux) in conjunction with the selective international development of existing positions.

In June 2012, GDF Suez acquired the remaining shares of International Power plc as part of its strategy of accelerating development in fast-growing markets and simplifying the group's structure. With this acquisition, GDF Suez entered new markets such as Kuwait, with a 1,500 MW gas-fired combined cycle power plant project and an associated water desalination plant and, more recently, Morocco with the 300 MW Tarfaya windfarm project.

GDF Suez commissioned a total of 6.2 GW in power capacity in 2012, 90 per cent of which is in fast-growing markets, including the plant commissionings of Paiton in Indonesia, Gheco One in Thailand, Estreito in Brazil, Chilca Uno in Peru, and Al Dur in Bahrain.

A total of 40 per cent of GDF Suez's installed power capacity is already located in fast-growing markets where there is an immense need for energy. 80 per cent of the 10,000 MW capacity currently under construction is also located in these areas.

GDF Suez strengthened its leadership in the global liquefied natural gas market in 2012 with new contract signings with operators in Asia (India, Thailand and South Korea) for a total of 2.6 million metric tons to be delivered between 2012 and 2014.

SUEZ ENVIRONNEMENT

Suez Environnement operates water and waste services businesses. In the water sector, Suez Environnement ensures the design and management of systems to produce and distribute drinking water and treating waste water, and it also carries out engineering activities and supplies a wide range of services to industry. In the waste services sector, Suez Environnement is active in managing (collecting, sorting, recycling, treating, deploying and storing) industrial and household waste.

Suez Environnement pursued its growth strategy in 2012. In the water sector in Europe, Suez Environnement continued to rely on strong commercial activity in France and Spain, and continued to benefit from price increases and from the development of its new businesses. In France, Suez Environnement's subsidiary, Lyonnaise des Eaux, successfully renewed almost all of its contracts. In Spain, the contracts of Aguas de Barcelona, an affiliate of Suez Environnement, remain long term duration contracts, with an average term of 19 years. In the waste sector in Europe, despite the challenging economic context, Suez Environnement was able to take advantage of its position on the full waste value chain, specifically on the recovery market, where volumes increased during the year. Suez Environnement is benefiting from the development of recovery units, which has been on-going for several years. In 2012, Suez Environnement generated 31 per cent of its revenues outside Europe, compared to 29 per cent in 2011.

PERNOD RICARD

Since the creation of Pernod Ricard in 1975, significant organic growth and numerous acquisitions, notably those of Seagram in 2001, Allied Domecq in 2005 and Vin & Sprit in 2008, have enabled the company to become the world's co-leader in wines and spirits. Firmly established on every continent, with good positioning in emerging countries in Asia, Eastern Europe and South America, the group produces and distributes a range of wines and spirits under 15 strategic brands, local market-leading brands and a large number of regional brands.

Pernod Ricard reported positive organic growth in the second half of 2012 with continued dynamic growth in emerging markets. In mature markets, the performance was contrasted, with growth in the U.S. and a significant decline in France, which was due to stock building at the end of 2011 in anticipation of an increase in the excise tax on spirits that came into force on January 1, 2012. Sales in the rest of Europe recorded a slight decline compared to 2011.

Pernod Ricard's top fourteen brands recorded organic growth of 4 per cent in value in 2012.

RISK FACTORS

There are certain risks inherent in an investment in the securities of the Corporation and in the activities of the Corporation, including the following and others disclosed elsewhere in this Annual Information Form, which investors should carefully consider before investing in securities of the Corporation. This description of risks does not include all possible risks, and there may be other risks of which the Corporation is not currently aware.

Power Financial is a holding company that holds substantial interests in the financial services sector through its controlling interest in each of Lifeco and IGM Financial. As a result, investors in Power Financial are subject to the risks attributable to its subsidiaries, including those that Power Financial has as the principal shareholder of each of Lifeco and IGM Financial. The risks of being an investor in Lifeco are described and referenced in the section entitled “Risk Factors” of Lifeco’s Annual Information Form dated February 7, 2013 and the risks of being an investor in IGM Financial are referenced in the last paragraph of the section entitled “Development of Business Over the Last Three Years” of IGM Financial’s Annual Information Form dated March 21, 2013, which section and further references, in the case of Lifeco, and paragraph, in the case of IGM Financial, are incorporated herein by reference.

As a holding company, Power Financial’s ability to pay interest and other operating expenses and dividends, to meet its obligations and to complete current or desirable future enhancement opportunities or acquisitions generally depends upon receipt of sufficient dividends from its principal subsidiaries and other investments and its ability to raise additional capital. The likelihood that shareholders of Power Financial will receive dividends will be dependent upon the operating performance, profitability, financial position and creditworthiness of the principal subsidiaries of Power Financial and on their ability to pay dividends to Power Financial. The payment of interest and dividends by certain of these principal subsidiaries to Power Financial is also subject to restrictions set forth in insurance, securities and corporate laws and regulations which require that solvency and capital standards be maintained by such companies. If required, the ability of Power Financial to arrange additional financing in the future will depend in part upon prevailing market conditions as well as business performance of Power Financial and its subsidiaries. In recent years, global financial conditions and market events have experienced increased volatility and resulted in the tightening of credit that has reduced available liquidity and overall economic activity. There can be no assurance that debt or equity financing will be available or, together with internally generated funds, will be sufficient to meet or satisfy Power Financial’s objectives or requirements or, if the foregoing are available to Power Financial, that they will be on terms acceptable to Power Financial. The inability of Power Financial to access sufficient capital on acceptable terms could have a material adverse effect on Power Financial’s business, prospects, dividend paying capability and financial condition and further enhancement opportunities or acquisitions.

The market price for Power Financial’s securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Power Financial’s control. Economic conditions may adversely affect Power Financial, including fluctuations in foreign exchange, inflation and interest rates, as well as monetary policies, business investment and the health of capital markets in Canada, the United States and Europe. In recent years, financial markets have experienced significant price and volume fluctuations that have affected the market prices of equity securities held by the Corporation and its subsidiaries and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be significant or prolonged, which may result in impairment losses. In periods of increased levels of volatility and related market turmoil, Power Financial’s subsidiaries’ operations could be adversely impacted and the trading price of Power Financial’s securities may be adversely affected.

DESCRIPTION OF THE SHARE CAPITAL

GENERAL

The authorized capital of Power Financial consists of an unlimited number of First Preferred Shares (the “First Preferred Shares”), an unlimited number of Second Preferred Shares (the “Second Preferred Shares”), and an unlimited number of common shares (the “Common Shares”). As at February 28, 2013, there were issued and outstanding 4,000,000 First Preferred Shares designated as Series A Cumulative Redeemable First Preferred Shares, (the “Series A First Preferred Shares”), 6,000,000 First Preferred Shares designated as 5.50 per cent Non-Cumulative First Preferred Shares, Series D (the “Series D First Preferred Shares”), 8,000,000 First Preferred Shares designated as 5.25 per cent Non-Cumulative First Preferred Shares, Series E (the “Series E First Preferred Shares”), 6,000,000 First Preferred Shares designated as 5.90 per cent Non-Cumulative First Preferred Shares, Series F (the “Series F First Preferred Shares”), 6,000,000 First Preferred Shares designated as 5.75 per cent Non-Cumulative First Preferred Shares, Series H (the “Series H First Preferred Shares”), 8,000,000 First Preferred Shares designated as 6.00 per cent Non-Cumulative First Preferred Shares, Series I (the “Series I First Preferred Shares”), 10,000,000 First Preferred Shares designated as 4.95 per cent Non-Cumulative First Preferred Shares, Series K (the “Series K First Preferred Shares”), 8,000,000 First Preferred Shares designated as 5.10 per cent Non-Cumulative First Preferred Shares, Series L (the “Series L First Preferred Shares”), 7,000,000 First Preferred Shares designated as 6.00 per cent Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series M (the “Series M First Preferred Shares”), 6,000,000 First Preferred Shares designated as 5.80 per cent Non-Cumulative First Preferred Shares, Series O (the “Series O First Preferred Shares”), 11,200,000 First Preferred Shares designated as 4.40 per cent Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series P (the “Series P First Preferred Shares”), 10,000,000 First Preferred Shares designated as 5.50 per cent Non-Cumulative First Preferred Shares, Series R (the “Series R First Preferred Shares”); 12,000,000 First Preferred Shares designated as 4.80 per cent Non-Cumulative First Preferred Shares, Series S (the “Series S First Preferred Shares”); and 709,487,780 Common Shares. There are no Non-Cumulative Floating Rate First Preferred Shares, Series N (the “Series N First Preferred Shares”), Non-Cumulative Floating Rate Preferred Shares, Series Q (the “Series Q Preferred Shares”) or Second Preferred Shares issued and outstanding.

Dividends on the Common Shares, First Preferred Shares and Second Preferred Shares are payable only as and when declared by the Board of Directors.

COMMON SHARES

Each Common Share entitles the holder to one vote at all meetings of shareholders (other than meetings exclusively of another class or series of shares), and subject to the rights of holders of the First Preferred Shares and the Second Preferred Shares, to receive any dividend on such share and to participate equally with all other holders of Common Shares in the remaining property of Power Financial on dissolution or winding-up. There are no conversion rights, special liquidation rights, pre-emptive rights or subscription rights attaching to the Common Shares.

FIRST PREFERRED SHARES

The First Preferred Shares may be issued in one or more series with such rights, privileges, restrictions and conditions as the Board of Directors designates. With respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Power Financial, whether voluntary or involuntary, or any other distribution of the assets of Power Financial 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, the Common Shares and any other shares

ranking junior to the First Preferred Shares. 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 its shareholders except as may be required by law or as specifically provided in the provisions attaching to the First Preferred Shares of such series.

In the event of the liquidation, dissolution or winding-up of Power Financial or other distribution of the assets of Power Financial 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 Power Financial and of holders of shares of Power Financial ranking prior to the First Preferred Shares, the holders of the First Preferred Shares shall be entitled to be paid and to receive an amount equal to \$25.00 per First Preferred Share plus declared and unpaid dividends before any amount shall be paid or any assets of Power Financial shall be distributed to the holders of Common Shares or of shares of any other class of Power Financial ranking junior to the First Preferred Shares.

SERIES A FIRST PREFERRED SHARES

The Series A First Preferred Shares rank equally with all other First Preferred Shares and have a cumulative floating dividend, payable quarterly, equal to one quarter of 70 per cent of Prime. Power Financial has had the right to redeem the Series A First Preferred Shares since November 15, 1991 at \$25.00 per share plus declared and unpaid dividends. "Prime" means, for any quarterly dividend period, the arithmetic average of the Prime Rates quoted by two reference banks in effect during each day during the three-month period which ends on the last day of the calendar month immediately preceding the applicable dividend payment date in respect of which the determination is being made, and "Prime Rate" is the reference rate as quoted by those two banks for determining interest rates on Canadian dollar commercial loans made to prime commercial borrowers in Canada.

SERIES D FIRST PREFERRED SHARES

The Series D First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.50 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series D First Preferred Shares since January 31, 2013, in whole or in part, for \$25.00 cash per share plus declared and unpaid dividends.

SERIES E FIRST PREFERRED SHARES

The Series E First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.25 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series E First Preferred Shares since November 30, 2006, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing November 30, 2006, \$25.75 per share if redeemed during the 12 months commencing November 30, 2007, \$25.50 if redeemed during the 12 months commencing November 30, 2008, \$25.25 if redeemed during the 12 months commencing November 30, 2009, and \$25.00 per share if redeemed on or after November 30, 2010, in each case plus declared and unpaid dividends.

SERIES F FIRST PREFERRED SHARES

The Series F First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.90 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series F First Preferred Shares since July 17, 2007, in whole or in part, for \$26.00 per share if redeemed during the 12 months commencing July 17, 2007, \$25.75 if redeemed during the 12 months commencing July 17, 2008, \$25.50 if redeemed during the 12 months commencing July 17, 2009, \$25.25 if redeemed during the 12 months commencing July 17, 2010, and \$25.00 if redeemed on or after July 17, 2011, in each case plus declared and unpaid dividends.

SERIES H FIRST PREFERRED SHARES

The Series H First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.75 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series H First Preferred Shares since December 10, 2007, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing December 10, 2007, \$25.75 per share if redeemed during the 12 months commencing December 10, 2008, \$25.50 if redeemed during the 12 months commencing December 10, 2009, \$25.25 if redeemed during the 12 months commencing December 10, 2010, and \$25.00 per share if redeemed on or after December 10, 2011, in each case plus declared and unpaid dividends.

SERIES I FIRST PREFERRED SHARES

The Series I First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 6.00 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series I First Preferred Shares since April 30, 2008, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing April 30, 2008, \$25.75 per share if redeemed during the 12 months commencing April 30, 2009, \$25.50 if redeemed during the 12 months commencing April 30, 2010, \$25.25 if redeemed during the 12 months commencing April 30, 2011, and \$25.00 per share if redeemed on or after April 30, 2012, in each case plus declared and unpaid dividends.

SERIES K FIRST PREFERRED SHARES

The Series K First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 4.95 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series K First Preferred Shares since October 31, 2010, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing October 31, 2010, \$25.75 per share if redeemed during the 12 months commencing October 31, 2011, \$25.50 if redeemed during the 12 months commencing October 31, 2012, \$25.25 if redeemed during the 12 months commencing October 31, 2013, and \$25.00 per share if redeemed on or after October 31, 2014, in each case plus declared and unpaid dividends.

SERIES L FIRST PREFERRED SHARES

The Series L First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.10 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series L First Preferred Shares since October 31, 2011, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing October 31, 2011, \$25.75 per share if redeemed during the 12 months commencing October 31, 2012, \$25.50 if redeemed during the 12 months commencing October 31, 2013, \$25.25 if redeemed during the 12 months commencing October 31, 2014, and \$25.00 per share if redeemed on or after October 31, 2015, in each case plus declared and unpaid dividends.

SERIES M FIRST PREFERRED SHARES

The Series M First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 6.00 per cent per annum, payable quarterly during the period from November 28, 2008 to but excluding January 31, 2014. Thereafter, during the "Subsequent Fixed Rate Periods" (that is, for the initial Subsequent Fixed Rate Period, the period from and including January 31, 2014 up to but excluding January 31, 2019 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period to but excluding January 31 in the fifth year thereafter), the Series M First Preferred Shares have fixed non-cumulative preferential dividends equal to a product of \$25.00 and the rate of interest equal to the sum of the Government

of Canada Yield on the applicable “Fixed Rate Calculation Date” (that is, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of the applicable Subsequent Fixed Rate Period) plus 3.20 per cent, payable quarterly. Power Financial has the right to redeem the Series M First Preferred Shares on January 31, 2014 and on January 31 every five years thereafter, in whole or in part, for \$25.00 per share plus declared and unpaid dividends to the date fixed for redemption. Subject to the Corporation’s right to redeem all the Series M First Preferred Shares, the holders of Series M First Preferred Shares will have the right, at their option, to convert their Series M First Preferred Shares into Series N First Preferred Shares, subject to certain conditions, on January 31, 2014 and on January 31 every five years thereafter.

SERIES N FIRST PREFERRED SHARES

The Series N First Preferred Shares rank equally with all other First Preferred Shares and will have a floating rate non-cumulative dividend per annum, payable quarterly, in the amount per share equal to the product of \$25.00 and the “Floating Quarterly Dividend Rate”. The Floating Quarterly Dividend Rate means, for any “Quarterly Floating Rate Period” (that is, the period from and including January 31, 2014 to but excluding April 30, 2014, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding “Quarterly Commencement Date” (that is, the last day of January, April, July and October in each year)), the rate of interest equal to the sum of the T-Bill Rate on the applicable “Floating Rate Calculation Date” (that is, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period) plus 3.20 per cent. Power Financial has the right to redeem the Series N First Preferred Shares, in whole or in part, commencing January 31, 2014: (i) for \$25.00 per share plus declared and unpaid dividends to the date fixed for redemption for redemptions on January 31, 2019 and on January 31 every five years thereafter or (ii) for \$25.50 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on any other date after January 31, 2014 that is not a date on which Series N First Preferred Shares can be converted. Subject to the Corporation’s right to redeem all the Series N First Preferred Shares, the holders of Series N First Preferred Shares will have the right, at their option, to convert their Series N First Preferred Shares into Series M First Preferred Shares, subject to certain conditions, on January 31, 2019 and on January 31 every five years thereafter.

SERIES O FIRST PREFERRED SHARES

The Series O First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.80 per cent per annum, payable quarterly. Power Financial has the right to redeem the Series O First Preferred Shares on or after October 31, 2014, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing October 31, 2014, \$25.75 per share if redeemed during the 12 months commencing October 31, 2015, \$25.50 if redeemed during the 12 months commencing October 31, 2016, \$25.25 if redeemed during the 12 months commencing October 31, 2017, and \$25.00 per share if redeemed on or after October 31, 2018, in each case plus declared and unpaid dividends.

SERIES P FIRST PREFERRED SHARES

The Series P First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 4.40 per cent per annum, payable quarterly during the period from June 29, 2010 up to but excluding January 31, 2016. Thereafter, during the “Subsequent Fixed Rate Periods” (that is, for the initial Subsequent Fixed Rate Period, the period from and including January 31, 2016 up to but excluding January 31, 2021 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period to but excluding January 31 in the fifth year thereafter), the Series P First Preferred Shares have fixed non-cumulative

preferential dividends equal to a product of \$25.00 and the rate of interest equal to the sum of the Government of Canada Yield on the applicable “Fixed Rate Calculation Date” (that is, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of the applicable Subsequent Fixed Rate Period) plus 1.60 per cent, payable quarterly. Power Financial has the right to redeem the Series P First Preferred Shares, in whole or in part, commencing January 31, 2016 and on January 31 every five years thereafter for \$25.00 cash per share plus declared and unpaid dividends to the date fixed for redemptions. Subject to the Corporation’s right to redeem all the Series P First Preferred Shares, the holders of Series P First Preferred Shares will have the right, at their option, to convert their Series P First Preferred Shares into Series Q First Preferred Shares, subject to certain conditions, on January 31, 2016 and on January 31 every five years thereafter.

SERIES Q FIRST PREFERRED SHARES

The Series Q First Preferred Shares rank equally with all other First Preferred Shares and will have a floating rate non-cumulative dividend per annum, payable quarterly, in the amount per share equal to the product of \$25.00 and the “Floating Quarterly Dividend Rate”. The Floating Quarterly Dividend Rate means, for any “Quarterly Floating Rate Period” (that is, the period from and including January 31, 2016 to but excluding April 30, 2016, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding “Quarterly Commencement Date” (that is, the last day of January, April, July and October in each year)), the rate of interest equal to the sum of the T-Bill Rate on the applicable “Floating Rate Calculation Date” (that is, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period) plus 1.60 per cent. Power Financial has the right to redeem the Series Q First Preferred Shares, in whole or in part, commencing January 31, 2016: (i) for \$25.00 per share plus declared and unpaid dividends to the date fixed for redemption for redemptions on January 31, 2021 and on January 31 every five years thereafter or (ii) for \$25.50 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on any other date after January 31, 2016 that is not a date on which Series Q First Preferred Shares can be converted. Subject to the Corporation’s right to redeem all the Series Q First Preferred Shares, the holders of Series Q First Preferred Shares will have the right, at their option, to convert their Series Q First Preferred Shares into Series P First Preferred Shares, subject to certain conditions, on January 31, 2021 and on January 31 every five years thereafter.

SERIES R FIRST PREFERRED SHARES

The Series R First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.50 per cent per annum, payable quarterly. Power Financial has the right to redeem the Series R First Preferred Shares on or after April 30, 2017, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing April 30, 2017, \$25.75 per share if redeemed during the 12 months commencing April 30, 2018, \$25.50 if redeemed during the 12 months commencing April 30, 2019, \$25.25 if redeemed during the 12 months commencing April 30, 2020, and \$25.00 per share if redeemed on or after April 30, 2021, in each case plus declared and unpaid dividends.

SERIES S FIRST PREFERRED SHARES

The Series S First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 4.80 per cent per annum, payable quarterly. Power Financial has the right to redeem the Series S First Preferred Shares on or after April 30, 2018, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing April 30, 2018, \$25.75 per share if redeemed during the 12 months commencing April 30, 2019, \$25.50 if redeemed during the 12 months commencing April 30, 2020, \$25.25 if redeemed during the 12 months commencing April 30, 2021 and \$25.00 per share if redeemed on or after April 30, 2022, in each case plus declared and unpaid dividends.

SECOND PREFERRED SHARES

The Second Preferred Shares may be issued in one or more series with such rights, privileges, restrictions and conditions as the Board of Directors designates. With respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Power Financial, whether voluntary or involuntary, or any other distribution of the assets of Power Financial among its shareholders for the purpose of winding-up its affairs, the Second Preferred Shares of each series rank on a parity with the Second Preferred Shares of every other series and in priority to the Common Shares and any other shares ranking junior to the Second Preferred Shares. The holders of Second Preferred Shares of any series are not entitled to notice of or to attend or to vote at any meeting of Power Financial or of its shareholders except as may be required by law or as specifically provided in the provisions attaching to the Second Preferred Shares of such series.

RATINGS

The table below provides the ratings assigned to the Corporation and its outstanding securities as at March 22, 2013.

	DBRS Limited ("DBRS")	Standard & Poor's Ratings Services ("S&P")
Issuer rating	AA (low)	A+
6.9% debentures due March 11, 2033	AA (low)	A+
Preferred shares:		
Cumulative	Pfd-1 (low)	Canadian scale P-1 (Low) Global scale A-
Non-cumulative	Pfd-1 (low)	Canadian scale P-1 (Low) Global scale A-

The ratings of the Corporation and its outstanding securities have been assigned a stable trend by DBRS and a stable outlook by S&P.

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. The definitions of the categories of each rating set forth below have been obtained from the respective rating agencies' Web sites.

The Corporation has paid customary rating fees to S&P and DBRS in connection with the above-mentioned ratings. In addition, the Corporation has, in the ordinary course of business, made payments in respect of other services provided to the Corporation by S&P and DBRS during the last two years.

(a) DBRS Limited

In general terms, DBRS ratings are opinions that reflect the creditworthiness of an issuer, a security or an obligation.

DBRS corporate rating analysis begins with an evaluation of the fundamental creditworthiness of the issuer, which is reflected in an issuer rating. Issuer ratings address the overall credit strength of the issuer and, unlike ratings on individual securities or classes of securities, are based on the entity itself, without consideration for security or ranking. Ratings that apply to actual securities may be higher, lower or equal to the issuer rating for a given entity. DBRS applies additional considerations when assessing the credit quality of holding companies.

The DBRS long-term obligation rating scale provides an opinion on the risk of default, which is the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. Ratings are based on quantitative and qualitative considerations relevant to the issuer, and the relative ranking of claims.

DBRS' securities ratings are opinions based on forward-looking measurements and quantitative and qualitative analysis of information that assess an issuer's ability and willingness to make timely payments on outstanding obligations (whether principal, interest, dividend, or distributions) with respect to the terms of an obligation.

The DBRS preferred share rating scale is used in the Canadian securities market and is meant to give an indication of the risk that a borrower will not fulfill its full obligations in a timely manner, with respect to both dividend and principal commitments. Every DBRS rating is based on quantitative and qualitative considerations relevant to the borrowing entity.

Most rating categories are denoted by the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the middle of the category. Rating trends provide guidance in respect of

DBRS' opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories – "Positive", "Stable" or "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. In general, the DBRS view is based primarily on an evaluation of the issuing entity itself, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates.

DBRS typically assigns issuer ratings on a long-term basis using its long-term obligation rating scale. The Corporation's DBRS issuer rating is AA (low). The Corporation's debentures rating of AA (low) is the fourth highest of twenty-six ratings used by DBRS for long-term debt. Long-term debt rated AA by DBRS is of superior credit quality, and the capacity for the payment of financial obligations is considered high. In many cases they differ from long-term debt rated AAA only to a small degree and are unlikely to be significantly vulnerable to future events.

The Corporation's preferred shares rating of Pfd-1 (low) is the third highest of sixteen ratings used by DBRS for preferred shares in Canada. Preferred shares with a Pfd-1 (low) rating are of superior credit quality, and are supported by entities with strong earnings and balance sheet characteristics. A Pfd-1 rating generally corresponds with companies whose senior bonds are rated in the AAA or AA categories.

(b) Standard & Poor's Ratings Services

An S&P issuer credit rating is a forward-looking opinion about an obligor's overall financial capacity to pay its financial obligations and focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation.

In contrast, an issue rating relates to a specific financial obligation, a specific class of financial obligations, or a specific financial program. The rating on a specific issue may reflect positive or negative adjustments relative to the issuer's rating for (i) the presence of collateral, (ii) explicit subordination, or (iii) any other factors that affect the payment priority, expected recovery, or credit stability of the specific issue.

Since there are future events and developments that cannot be foreseen, the assignment of credit ratings is not an exact science and, for this reason, S&P ratings opinions are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular security issue will default. Instead, ratings express relative opinions about the creditworthiness of an issuer or credit quality of an individual issue, from strongest to weakest, within a universe of credit risk.

Most ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major letter rating categories. An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future credit watch action.

An S&P issuer rating usually refers to the issuer's ability and willingness to meet senior, unsecured obligations. The Corporation's S&P issuer rating is A+. The Corporation's debentures' rating of A+ is the fifth highest of twenty-two ratings used by S&P in its long-term issue credit rating scale. A long-term debenture rated A+ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories, however, the obligor's capacity to meet its financial commitment on the obligation is still strong.

The S&P Canadian preferred share rating scale serves issuers, investors and intermediaries in the Canadian financial markets by expressing preferred share ratings (determined in accordance with global rating criteria) in terms of rating symbols that have been actively used in the Canadian market over a number of years. There is a direct correspondence between the specific ratings assigned on the Canadian preferred share scale and the

various rating levels on the global debt rating scale of S&P. The Canadian scale rating is fully determined by the applicable global scale rating, and there are no additional analytical criteria associated with the determination of ratings on the Canadian scale. It is the practice of S&P to present an issuer's preferred share ratings on both the global rating scale and on the Canadian national scale when listing the ratings for a particular issuer.

The Corporation's preferred shares' rating of P-1 (Low) on S&P's Canadian national preferred share rating scale corresponds to A- on S&P's Global preferred share rating scale. A P-1 (Low) rating is the third highest of eighteen ratings used by S&P in its Canadian national preferred share rating scale. Correspondingly, an A- rating is the fifth highest of twenty ratings used by S&P in its Global preferred share rating scale. A preferred share rating of A- indicates that the obligor's capacity to meet its financial commitment on the obligation is still strong, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher rated categories.

DIVIDENDS

The cash dividends declared per share for each class of the Corporation's shares outstanding as at December 31, 2012 were as follows:

	2012 (in dollars)	2011 (in dollars)	2010 (in dollars)
Common Shares (PWF)	1.4000	1.4000	1.4000
Series A First Preferred Shares (PWF.PR.A)	0.5250	0.5250	0.452376
Series D First Preferred Shares (PWF.PR.E)	1.3750	1.3750	1.3750
Series E First Preferred Shares (PWF.PR.F)	1.3125	1.3125	1.3125
Series F First Preferred Shares (PWF.PR.G)	1.4750	1.4750	1.4750
Series H First Preferred Shares (PWF.PR.H)	1.4375	1.4375	1.4375
Series I First Preferred Shares (PWF.PR.I)	1.5000	1.5000	1.5000
Series K First Preferred Shares (PWF.PR.K)	1.2375	1.2375	1.2375
Series L First Preferred Shares (PWF.PR.L)	1.2750	1.2750	1.2750
Series M First Preferred Shares (PWF.PR.M)	1.5000	1.5000	1.5000
Series O First Preferred Shares (PWF.PR.O)	1.4500	1.4500	1.4500
Series P First Preferred Shares (PWF.PR.P) ⁽¹⁾	1.1000	1.1000	0.6487
Series R First Preferred Shares (PWF.PR.R) ⁽²⁾	1.28365	-	-

(1) An initial dividend of \$0.3737 was declared on August 6, 2010. Thereafter, quarterly dividends of \$0.2750 per share were declared in November of 2010 and March, May, August and November of 2011 and 2012, respectively.

(2) An initial dividend of \$0.2524 per share was declared on March 14, 2012. Thereafter, quarterly dividends of \$0.34375 per share were declared in May, August and November of 2012, respectively.

The current practice of the Corporation is to pay dividends to the holders of Common Shares on a quarterly basis. All future dividend amounts and dates are subject to approval by the Board of Directors.

MARKET FOR SECURITIES

The following table provides information regarding the price range and volume traded for each of these classes of securities of Power Financial on the Toronto Stock Exchange (the "TSX") on a monthly basis for each month of the year ended December 31, 2012. Currently there are no outstanding Series N and Series Q First Preferred Shares.

	Common Shares (PWF)	First Preferred Shares, Series A (PWF.PR.A)	First Preferred Shares, Series D (PWF.PR.E)	First Preferred Shares, Series E (PWF.PR.F)	First Preferred Shares, Series F (PWF.PR.G)	First Preferred Shares, Series H (PWF.PR.H)	First Preferred Shares, Series I (PWF.PR.I)
January 2012							
Intraday High (\$)	27.59	21.35	26.19	25.55	25.74	25.74	26.04
Intraday Low (\$)	24.91	19.40	25.15	24.90	25.33	25.36	25.37
Volume	17,424,467	38,145	61,495	239,329	71,009	60,287	175,838
February 2012							
Intraday High (\$)	27.97	22.65	26.09	25.90	25.73	25.79	25.95
Intraday Low (\$)	26.79	20.50	25.11	24.93	25.30	25.29	25.35
Volume	5,615,831	30,399	53,945	264,398	149,537	46,229	336,606
March 2012							
Intraday High (\$)	30.15	23.39	25.60	25.55	25.68	25.79	25.88
Intraday Low (\$)	27.29	20.99	25.19	25.05	25.42	25.37	25.51
Volume	8,344,092	16,078	26,750	147,923	112,146	46,407	69,874
April 2012							
Intraday High (\$)	29.92	24.00	25.49	25.40	25.75	25.78	25.90
Intraday Low (\$)	28.35	22.20	25.06	25.00	25.25	25.18	25.26
Volume	5,676,638	16,994	109,931	194,499	31,144	62,717	102,083
May 2012							
Intraday High (\$)	29.87	23.99	25.46	25.32	25.60	25.63	25.70
Intraday Low (\$)	25.12	22.20	25.06	24.94	25.28	25.20	25.45
Volume	11,619,850	14,613	34,306	66,881	87,380	47,437	361,231
June 2012							
Intraday High (\$)	26.12	22.45	25.63	25.30	25.50	25.50	25.59
Intraday Low (\$)	24.06	21.50	25.12	24.91	25.28	25.25	25.40
Volume	8,888,376	29,286	24,901	82,641	272,735	55,022	138,975
July 2012							
Intraday High (\$)	26.09	23.49	25.75	25.59	25.58	25.53	25.70
Intraday Low (\$)	24.07	22.00	25.22	25.05	25.14	25.20	25.30
Volume	11,097,356	5,915	29,513	61,424	99,619	50,967	126,020
August 2012							
Intraday High (\$)	25.47	22.71	25.74	25.66	25.50	25.44	25.65
Intraday Low (\$)	24.11	21.75	25.27	25.10	25.25	25.28	25.38
Volume	6,653,813	12,667	24,850	41,158	60,304	38,668	203,341
September 2012							
Intraday High (\$)	26.67	22.30	25.59	25.56	25.60	25.49	25.69
Intraday Low (\$)	24.78	21.50	25.41	25.20	25.35	25.34	25.41
Volume	8,660,249	137,166	16,251	208,326	34,476	94,767	58,898
October 2012							
Intraday High (\$)	25.81	22.71	25.63	25.60	25.65	25.59	25.65
Intraday Low (\$)	24.81	21.50	25.01	25.00	25.30	25.05	25.30
Volume	7,193,120	235,528	90,001	85,219	64,345	66,737	142,462
November 2012							
Intraday High (\$)	26.51	22.54	25.59	25.57	25.68	25.58	25.76
Intraday Low (\$)	25.41	21.95	25.22	25.10	25.33	25.30	25.43
Volume	9,710,618	20,186	106,629	46,105	94,847	47,170	37,904
December 2012							
Intraday High (\$)	27.68	22.36	25.63	25.96	25.66	25.65	25.92
Intraday Low (\$)	26.04	21.74	25.37	25.30	25.33	25.30	25.57
Volume	7,358,501	37,017	47,380	91,192	35,685	61,258	37,733

	First Preferred Shares, Series K (PWF.PR.K)	First Preferred Shares, Series L (PWF.PR.L)	First Preferred Shares, Series M (PWF.PR.M)	First Preferred Shares, Series O (PWF.PR.O)	First Preferred Shares, Series P (PWF.PR.P)	First Preferred Shares, Series R (PWF. PR.R)
January 2012						
Intraday High (\$)	25.25	25.55	27.04	27.11	26.10	--
Intraday Low (\$)	24.60	25.10	26.30	26.41	25.25	--
Volume	254,886	126,433	34,342	171,102	273,216	--
February 2012						
Intraday High (\$)	26.21	26.25	26.94	27.05	26.10	25.63
Intraday Low (\$)	24.11	24.42	26.31	25.95	25.30	24.95
Volume	250,568	251,468	300,662	85,966	225,815	1,458,708
March 2012						
Intraday High (\$)	25.00	25.33	26.73	26.85	26.26	25.93
Intraday Low (\$)	24.25	24.85	26.30	26.12	25.60	25.30
Volume	172,433	132,321	55,495	62,574	112,549	542,227
April 2012						
Intraday High (\$)	24.76	25.35	26.74	26.40	26.31	26.10
Intraday Low (\$)	24.25	24.85	26.11	25.83	25.41	25.50
Volume	161,132	155,785	74,324	67,626	69,274	514,368
May 2012						
Intraday High (\$)	25.20	25.40	26.39	26.55	25.75	26.05
Intraday Low (\$)	24.70	25.06	26.04	26.03	25.20	25.75
Volume	130,726	123,407	315,436	96,361	201,897	256,116
June 2012						
Intraday High (\$)	25.12	25.33	26.33	26.66	25.99	26.39
Intraday Low (\$)	24.57	24.77	26.07	26.10	25.34	25.82
Volume	91,144	51,771	192,963	135,746	95,295	149,184
July 2012						
Intraday High (\$)	25.25	25.35	26.57	26.75	26.34	26.60
Intraday Low (\$)	24.85	25.00	26.00	26.20	25.52	25.90
Volume	109,674	87,488	114,657	76,327	108,610	430,275
August 2012						
Intraday High (\$)	25.38	25.70	26.57	27.00	25.75	26.70
Intraday Low (\$)	24.96	25.35	26.09	26.33	25.42	26.40
Volume	185,157	232,864	99,734	27,019	108,607	100,518
September 2012						
Intraday High (\$)	25.74	25.84	26.39	26.75	25.57	26.75
Intraday Low (\$)	25.23	25.17	26.10	26.42	25.05	26.49
Volume	43,351	100,128	190,932	38,704	585,058	96,100
October 2012						
Intraday High (\$)	25.70	25.75	26.45	26.90	25.27	27.00
Intraday Low (\$)	25.02	25.27	25.80	26.28	24.94	26.30
Volume	67,656	63,555	138,505	79,527	474,289	182,845
November 2012						
Intraday High (\$)	25.47	25.77	26.53	27.09	25.67	27.44
Intraday Low (\$)	25.09	25.27	25.99	26.50	25.10	26.69
Volume	98,711	54,056	28,696	50,704	217,716	195,667
December 2012						
Intraday High (\$)	25.54	25.88	26.37	26.85	25.84	27.05
Intraday Low (\$)	25.13	25.41	26.02	26.58	25.07	26.55
Volume	71,707	55,945	46,848	28,605	134,305	103,612

DIRECTORS AND OFFICERS

DIRECTORS

The following table sets forth the full name, province or state and country of residence and principal occupation for each current Director of the Corporation.

Name and Province/State and Country of Residence	Director since	Principal Occupation
Marc A. Bibeau Québec, Canada	May 2009	President and Chief Executive Officer of Beauward Shopping Centres Ltd., a privately owned company which develops, leases and operates real estate properties
André Desmarais Québec, Canada	May 1988	Co-Chairman of the Corporation and a Deputy Chairman, President and Co-Chief Executive Officer of Power
The Honourable Paul Desmarais Québec, Canada	February 1966	Chairman of the Executive Committee of Power
Paul Desmarais, Jr. Québec, Canada	April 1983	Co-Chairman of the Corporation and Chairman and Co-Chief Executive Officer of Power
Gérald Frère Hainaut, Belgium	May 1990	Managing Director of Frère-Bourgeois S.A., a financial group
Anthony R. Graham Ontario, Canada	May 2001	President and a Director of Wittington Investments, Limited, an investment management company
Robert Gratton Québec, Canada	December 1986	A Deputy Chairman of Power since May 2008; previously, Chairman of the Corporation
V. Peter Harder ⁽¹⁾ Ontario, Canada	May 2009	Senior Policy Adviser to Fraser Milner Casgrain LLP, a law firm
R. Jeffrey Orr Québec, Canada	May 2005	President and Chief Executive Officer of the Corporation
Louise Roy Québec, Canada	May 2010	Invited Fellow and, since 2012, Chair of the Board at CIRANO, the <i>Centre interuniversitaire de recherche en analyse des organisations</i> , Chancellor and Chair of the Board of Université de Montréal; previously President of the <i>Conseil des arts de Montréal</i>
Raymond Royer Québec, Canada	December 1986	Company Director; previously, President and Chief Executive Officer of Domtar Corporation, a pulp and paper company
T. Timothy Ryan, Jr. ⁽²⁾ New York, United States	May 2011	Managing Director, Global Head of Regulatory Strategy and Policy for JPMorgan Chase & Co., a leading global financial services firm, since 2013; previously, President and Chief Executive Officer of the Securities Industry and Financial Markets Association (SIFMA), a leading trade association representing global financial market participants
Emőke J.E. Szathmáry Manitoba, Canada	May 1999	President Emeritus of the University of Manitoba since July 2008; previously, President and Vice-Chancellor of the University of Manitoba

All Directors were elected as Directors at the Annual Meeting of Shareholders held on May 14, 2012, to hold office until the close of the next annual meeting of shareholders.

[1] Mr. Harder was a Director of ARISE Technologies Corporation until June 24, 2011, which was approximately six months prior to the date such issuer filed a Notice of Intention to make a proposal under the *Bankruptcy and Insolvency Act* (Canada) and approximately nine months prior to the date on which such issuer was deemed to have made an assignment in bankruptcy.

[2] Mr. Ryan will not be standing for re-election at the next Annual Meeting of Shareholders of the Corporation to be held on May 14, 2013.

OFFICERS OTHER THAN THOSE REFERRED TO ABOVE

Name and Province/State and Country of Residence	Principal Occupation
Raymond L. McFeetors Manitoba, Canada	A Vice-Chairman of the Corporation and Chairman of the Board of Lifeco since May 2008; previously, President and Chief Executive Officer of Lifeco
Michel Plessis-Bélair Québec, Canada	A Vice-Chairman since May 2012 and a Vice-Chairman of Power since 2008
Henri-Paul Rousseau Québec, Canada	A Vice-Chairman of the Corporation and Power since January 2009; previously, President and Chief Executive Officer of the Caisse de dépôt et placement du Québec
Amaury de Seze Paris, France	A Vice-Chairman since May 2010; previously, a Director and a Vice-Chairman of Power
Gregory D. Tretiak Manitoba, Canada	Executive Vice-President and Chief Financial Officer of the Corporation and Power since May 2012; previously, Executive Vice-President and Chief Financial Officer of IGM Financial
Arnaud Vial Québec, Canada	Senior Vice-President of the Corporation and Power
Stéphane Lemay Québec, Canada	Vice-President, General Counsel and Secretary of the Corporation and Power since August 2012; previously, Vice-President, Assistant General Counsel and Associate Secretary of the Corporation, since May 2009, and of Power since 2005
Denis Le Vasseur Québec, Canada	Vice-President and Controller of the Corporation and Power
Richard Pan Québec, Canada	Vice-President since 2008; previously, an Executive Director at Goldman Sachs International (UK) in the Global Natural Resources Group
Luc Reny Québec, Canada	Vice-President since 2009 and Vice-President of Power since 2005
Isabelle Morin Québec, Canada	Treasurer of the Corporation and Power

VOTING SECURITIES

The aggregate number and percentage of securities of each class of voting securities of Power Financial and its subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by all Directors and officers of Power as a group⁽¹⁾, as at December 31, 2012 was:

Name	Number of shares	Percentage
Power Financial		
Common Shares	475,946,913	67.12
Lifeco		
Common Shares	3,615,873	0.38
IGM Financial		
Common Shares	306,343	0.12

(1) The Honourable Paul Desmarais and associates own or control 61.1 per cent of the votes attached to the voting securities of Power. Power in turn controls 66.0 per cent of the voting shares of Power Financial, which in turn controls directly or indirectly 65.0 per cent and 62.4 per cent of the voting shares of Lifeco and IGM Financial, respectively. In accordance with applicable Canadian securities laws, securities of subsidiaries of Power Financial that are beneficially owned, or controlled or directed, directly or indirectly, by Directors or executive officers through ownership, or control or direction, directly or indirectly, over securities of Power Financial, have not been included in the table. Therefore, the table does not include securities of subsidiaries of Power Financial (i.e. Lifeco and IGM Financial) that are beneficially owned, or controlled or directed, directly or indirectly, by the Honourable Paul Desmarais through ownership, control or direction over securities of Power Financial.

COMMITTEES

The CBCA and securities legislation require the Corporation to have an Audit Committee. The Corporation also appoints an Executive Committee, a Compensation Committee, a Related Party and Conduct Review Committee and a Governance and Nominating Committee.

The current membership of the Audit Committee is set forth below at “Audit Committee – Composition of Audit Committee”. The current members of the Executive Committee are André Desmarais, The Honourable Paul Desmarais, Paul Desmarais, Jr., R. Jeffrey Orr and Raymond Royer. The current members of the Compensation Committee are Raymond Royer, Gérald Frère and V. Peter Harder. The current members of the Related Party and Conduct Review Committee are V. Peter Harder, Gérald Frère and Raymond Royer. The current members of the Governance and Nominating Committee are André Desmarais, The Honourable Paul Desmarais, Paul Desmarais, Jr., Anthony R. Graham and Raymond Royer.

AUDIT COMMITTEE

AUDIT COMMITTEE’S CHARTER

The charter of the Audit Committee is attached as Appendix A to this Annual Information Form.

COMPOSITION OF AUDIT COMMITTEE

The members of the Audit Committee are Raymond Royer, Marc A. Bibeau and Emőke J.E. Szathmáry. Each member of the Audit Committee is independent (as defined under National Instrument 52-110 – *Audit Committees*) and none receives, directly or indirectly, any compensation from Power Financial other than for service as a member of the Board of Directors and its committees. All members of the Audit Committee are financially literate (as defined under National Instrument 52-110 – *Audit Committees*).

RELEVANT EDUCATION AND EXPERIENCE OF AUDIT COMMITTEE MEMBERS

In addition to each member’s general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is as follows:

Mr. Bibeau is President and Chief Executive Officer, since 1996, of Beauward Shopping Centres Ltd., a privately owned company which develops, leases and operates real estate properties. He previously held a number of other positions with that company. Mr. Bibeau is a Director of IGM Financial, Investors Group Inc. and Mackenzie since May 2009. He was previously a Director of Lifeco, Great-West Life, London Life, CLFC, Canada Life and Crown Life until May 2009. He graduated from Bishop’s University with a Bachelor of Business Administration. He has been a member of the Corporation’s Audit Committee since May 2009 and is also a member of the Audit Committee of other Power Financial group companies, including IGM Financial and Investors Group Inc.

Mr. Royer is a company Director. He was, from 1996 to 2008, the President and Chief Executive Officer of Domtar Corporation, a pulp and paper company based in Montréal. He was previously President and Chief Operating Officer of Bombardier Inc. He holds a Bachelor in Civil Law, Master of Commerce, and a Master of Accountancy Degrees from the University of Sherbrooke. He is a Fellow of the *Ordre des comptables professionnels agréés du Québec*, a member of the Barreau du Québec and a member of the Canadian Bar Association. He is a Director and the Chairman of the Audit Committee of several Power Financial group companies, including Lifeco, Great-West Life, London Life, CLFC, Canada Life, Great-West Financial and Putnam.

Mr. Royer is also a Director of Power's newspaper subsidiary Gesca Itée. He was a Director of Domtar Corporation until 2009, of Shell Canada Limited until 2007, of Ballard Power Systems Inc. until 2002 and of National Bank of Canada until 2000. He is a member of the Board of The Research Institute of the McGill University Health Centre and of the International Advisory Board of École des hautes études commerciales of Montréal. He has been a member of the Power Financial Audit Committee since May 1989 and its Chairman since July 1991.

Dr. Szathmáry is President Emeritus of the University of Manitoba since July 2008, and a Professor in the Departments of Anthropology and of Biochemistry and Medical Genetics. From 1996 to 2008, she was President and Vice-Chancellor of the University of Manitoba, a member of its Board of Governors and a member of the Board's Audit Committee and a member of the Finance, Administration and Human Resources Committee. In the course of her administrative duties at the University, she was accountable for monitoring and communicating financial information with respect to the University's annual budget, including its trust and endowment funds. She was also a member of the committee that is responsible for the University's endowments, which oversees the professional investment managers of these funds. Dr. Szathmáry was previously Provost and Vice-President (Academic) at McMaster University in Hamilton and, prior thereto, Dean of the Faculty of Social Science at the University of Western Ontario (now Western University) in London. She has been a member of the Corporation's Audit Committee since May 1999. She is also a Director of Power and has been a member of its Audit Committee since 2002. She is a Director of several other Power group companies including Lifeco, Great-West Life, London Life, CLFC and Canada Life. She also serves on the Board of Directors of the International Institute for Sustainable Development and of several national and provincial educational, research and philanthropic not-for-profit organizations. She has received the Lieutenant Governor's Medal for Excellence in Public Administration in Manitoba as well as five Honorary Doctorates. Dr. Szathmáry is a Fellow of the Royal Society of Canada and is a member of the Order of Canada and of the Order of Manitoba.

PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has adopted a Policy Regarding Pre-approval of Services Provided by the External Auditor (the "Policy"). The Policy sets out audit services that are pre-approved by the Committee, outlines prohibited non-audit services and sets out a pre-approved list of permitted non-audit services. The pre-approved list of permitted non-audit services is to be reviewed and pre-approved periodically and certain other non-audit services must be approved on a case-by-case basis by the Audit Committee. The Policy further requires that the external independent auditor (referred to as "the auditor" hereafter) implement its own policies and procedures to provide that prohibited services are not provided and that permitted services are pre-approved before an engagement is accepted.

AUDITOR'S FEES

Fees payable by Power Financial⁽¹⁾ for the years ended December 31, 2012 and December 31, 2011 to Deloitte LLP and its affiliates were \$1,134,000 and \$1,335,000, respectively, as follows:

	Years ended December 31	
	2012	2011
Audit Fees ⁽²⁾	\$959,000	\$857,000
Audit-Related Fees	\$99,000	\$154,000
Tax Fees	\$76,000	\$324,000
Other Fees	Nil	Nil
TOTAL	\$1,134,000	\$1,335,000

(1) Fees payable by Lifeco are described in the section entitled "Audit Committee Information" of Lifeco's Annual Information Form dated February 7, 2013 and fees payable by IGM Financial are described in the section entitled "Audit Committee" of IGM Financial's Annual Information Form dated March 21, 2013.

(2) During the financial year ended December 31, 2012, Deloitte LLP provided audit services to subsidiary entities of the Corporation, other than Lifeco and IGM Financial, for additional fees in the amount of \$16,000 (2011 - \$16,000).

The nature of each category of fees is described below.

AUDIT FEES

Audit fees were paid for professional services rendered by the auditors for the audit of the annual financial statements of Power Financial and its wholly owned subsidiaries and services provided in connection with statutory and regulatory filings or engagements. In addition, audit fees included the cost of translation of various continuous disclosure documents of the Corporation.

AUDIT-RELATED FEES

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual financial statements and that are not reported under the audit fees item above. These services consisted primarily of other attest services not required by statute or regulation, International Financial Reporting Standards transition support services and other accounting and reporting consultations.

TAX FEES

Tax fees were paid for tax compliance services and assistance with various other tax related questions.

PROCEDURES FOR COMPLAINTS

In accordance with *National Instrument 52-110 – Audit Committees*, the Corporation has established procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters. Persons wishing to utilize such procedures may contact the Vice-President, General Counsel and Secretary of the Corporation at 751 Victoria Square, Montréal, Québec H2Y 2J3.

TRANSFER AGENT AND REGISTRAR

Power Financial's securities are transferable at the principal offices of its transfer agent and registrar, Computershare Investor Services Inc., in Toronto and Montréal.

EXPERTS

Power Financial's auditor is Deloitte LLP. Deloitte LLP has advised the Corporation that it is independent with respect to the Corporation within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

SOCIAL RESPONSIBILITY

On March 14, 2012, the Board of Directors of the Corporation adopted a Corporate Social Responsibility Statement with respect to the making and overseeing of its investments.

ADDITIONAL INFORMATION

Additional information relating to Power Financial may be found on SEDAR at www.sedar.com. Information including Directors' and officers' remuneration and indebtedness, principal holders of Power Financial's securities, stock options and interests of insiders in material transactions is, where applicable, contained in its latest Management Proxy Circular. Additional financial information is provided in the financial statements for the year ended December 31, 2012 and the accompanying Management's Discussion and Analysis dated March 13, 2013, which have been filed on SEDAR.

Lifeco and IGM Financial, the major direct and indirect subsidiaries of Power Financial, are reporting issuers under Canadian securities legislation. Lifeco and IGM Financial are subject to the same continuous disclosure obligations as Power Financial. These obligations include the requirement to file annual and interim financial statements, material change reports and copies of material contracts. Investors who wish to do so may view such documents under the respective company profiles at www.sedar.com.

APPENDIX A

POWER FINANCIAL CORPORATION AUDIT COMMITTEE CHARTER

1.0 PURPOSE AND COMPOSITION

The purpose of the Audit Committee (the “*Committee*”) of Power Financial Corporation (the “*Corporation*”) is to assist the Board of Directors in reviewing:

- (1) the Corporation’s financial disclosure;
- (2) the qualifications and independence of the Corporation’s external auditor; and
- (3) the performance of the external auditor.

The Committee of the Corporation shall be composed of not less than three directors of the Corporation, all of whom shall be *independent* and *financially literate* within the meaning of the Canadian Securities Administrators National Instrument 52-110.

2.0 PROCEDURAL MATTERS

In connection with the discharge of its duties and responsibilities, the Committee shall observe the following procedures:

- (1) **Meetings.** The Committee shall meet at least four times every year, and more often if necessary, to discharge its duties and responsibilities hereunder.
- (2) **Advisors.** The Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay, at the Corporation’s expense, the compensation of such advisors.
- (3) **Quorum.** A quorum at any meeting of the Committee shall be two Committee members.
- (4) **Secretary.** The Chairman, or any person appointed by the Chairman, shall act as secretary of meetings of the Committee.
- (5) **Calling of Meetings.** A meeting of the Committee may be called by the Chairman of the Committee, by the Chairman of the Board, by the external auditor of the Corporation, or by any member of the Committee. When a meeting of the Committee is called by anyone other than the Chairman of the Board, the Chairman of the Committee shall so inform the Chairman of the Board forthwith.

3.0 DUTIES AND RESPONSIBILITIES

3.1 Financial Disclosure. The Committee shall:

- (1) unless otherwise determined by the Board, approve the Corporation’s:
 - (a) interim management’s discussions and analyses (pursuant to delegation of authority by the Board).
- (2) review the Corporation’s:
 - (a) interim and annual financial statements;
 - (b) annual management’s discussions and analyses;
 - (c) interim and annual earnings press releases; and

(d) other documents containing audited or unaudited financial information, at its discretion;

and report thereon to the Board of Directors (the “*Board*”) before such documents are approved by the Board and disclosed to the public;

- (3) be satisfied that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements, other than the disclosure provided by the financial statements, management’s discussions and analyses and earnings press releases, and shall periodically assess the adequacy of those procedures.

3.2 External Audit. The Committee shall:

- (1) recommend to the Board the external auditor to be appointed for purposes of preparing or issuing an auditor’s report or performing other audit, review or attest services;
- (2) review the terms of the external auditor’s engagement, the appropriateness and reasonableness of proposed audit fees, and any issues relating to the payment of audit fees, and make a recommendation to the Board with respect to the compensation of the external auditor;
- (3) review the independence of the external auditor, including an annual report prepared by the external auditor regarding its independence;
- (4) meet with the external auditor and with management to review the audit plan, audit findings, and any restrictions on the scope of the external auditor’s work;
- (5) review with the external auditor and management any changes in Generally Accepted Accounting Principles that may be material to the Corporation’s financial reporting;
- (6) have the authority to communicate directly with the external auditor;
- (7) require the external auditor to report directly to the Committee;
- (8) directly oversee the work of the external auditor that is related to the preparation or issue of an auditor’s report or other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (9) meet with the external auditor to discuss the annual financial statements (including the report of the external auditor thereon) and the interim financial statements (including the review engagement report of the external auditor thereon);
- (10) review any management letter containing the recommendations of the external auditor, and the response and follow-up by management in relation to any such recommendations;
- (11) review any evaluation of the Corporation’s internal control over financial reporting conducted by the external auditor, together with management’s response;
- (12) pre-approve (or delegate such pre-approval to one or more of its independent members) in accordance with a pre-approval policy, all engagements for non-audit services to be provided to the Corporation or its subsidiary entities by the external auditor, together with all non-audit services fees, and consider the impact of such engagements and fees on the independence of the external auditor;
- (13) review and approve the Corporation’s hiring policy regarding partners, employees and former partners and employees of the present and former external auditor;
- (14) in the event of a change of auditor, review and approve the Corporation’s disclosure relating thereto.

3.3 Financial Complaints Handling Procedures. The Committee shall establish procedures for:

- (1) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
- (2) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

3.4 In-Camera Sessions. The Committee shall periodically meet in-camera alone, and meet separately with each of the external auditor and management, as the Committee deems appropriate.

3.5 Subsidiaries.

- (1) With respect to any Material Operating Subsidiary in the corporate ownership chain between the Corporation and any Direct Subsidiary, the Committee shall review the financial statements of that Material Operating Subsidiary.
- (2) With respect to any Direct Subsidiary:
 - (a) the Committee shall rely on the review and approval of the financial statements of the Direct Subsidiary by the audit committee and the board of directors of the Direct Subsidiary, and on reports or opinions of the external auditor on those financial statements;
 - (b) the Committee shall receive a copy of the charter of the Direct Subsidiary's audit committee, together with a memorandum summarizing its meeting processes and structure ("*Process Memorandum*"); and
 - (c) at each meeting of the Committee, the secretary of the Committee shall table a report from the secretary of the Direct Subsidiary's audit committee confirming that the processes mandated by its charter and Process Memorandum have been followed.
- (3) For these purposes:
 - (a) "*Material Operating Subsidiary*" means an operating subsidiary whose net income represents 10% or more of the net income of the Corporation; and
 - (b) "*Direct Subsidiary*" means the first Material Operating Subsidiary entity below the Corporation in a corporate ownership chain that has an audit committee which is comprised of a majority of independent directors.

4.0 AUDITOR'S ATTENDANCE AT MEETINGS

The external auditor shall be entitled to receive notice of every meeting of the Committee and, at the expense of the Corporation, to attend and be heard at any meeting of the Committee. If so requested by a member of the Committee, the external auditor shall attend every meeting of the Committee held during the term of office of the external auditor.

5.0 ACCESS TO INFORMATION

The Committee shall have access to any information, documents and records that are necessary in the performance of its duties and the discharge of its responsibilities under this Charter.

6.0 REVIEW OF CHARTER

The Committee shall periodically review this Charter and recommend any changes to the Board as it may deem appropriate.

7.0 REPORTING

The Chairman of the Committee shall report to the Board, at such times and in such manner, as the Board may from time to time require and shall promptly inform the Chairman of the Board of any significant issues raised during the performance of the functions as set out herein, by the external auditor or any Committee member, and shall provide the Chairman of the Board copies of any written reports or letters provided by the external auditor to the Committee.