DIRECTORS' REPORT TO SHAREHOLDERS

Power Financial and its subsidiaries experienced positive momentum across many parts of their business in 2013, contributing to an elevated sense of optimism for the future. Increased earnings from financial services were driven by higher product sales and strong financial market conditions. Sales of investment and insurance products increased through most distribution channels, driven by company strategies and actions, as well as increased consumer and business confidence in the geographies where we operate.

For the first time since the financial crisis began, the Power Financial group made a significant acquisition in the financial services industry, with Great-West Lifeco's €1.3 billion purchase of Irish Life in July 2013. The acquisition establishes the group as the leading insurance company in Ireland and is expected to be accretive to Power Financial and Great-West Lifeco.

Senior leadership transition occurred at each of the Corporation's principal subsidiaries during 2013. Mr. Paul Mahon was appointed President and Chief Executive Officer of Great-West Lifeco Inc. and Mr. Jeffrey Carney was appointed Co-President and Chief Executive Officer of IGM Financial Inc. and President and Chief Executive Officer of Mackenzie Financial Corporation. The management teams across the group are fully engaged in developing and implementing strategies to meet the needs of their clients and distribution partners well into the future, through innovation, product and service excellence and value to customers.

Core to the businesses of our companies is the ability to honour the promises they make to clients over the long term, which itself is a function of financial strength and responsible governance. This is why our group companies have maintained their prudent approach to balance sheet management and a strong risk-management culture over many years. This is evident in the maintenance of solid credit ratings across our group.

Our governance is rooted in a long-term perspective, and focuses upon key factors such as strategy, people, capital and risk. We oversee our principal investments through boards of directors comprising a mix of experienced individuals both from within our group and from the outside.

Our companies also have a long and proud history of contributing to the well-being of the communities in which they operate. The principles underlying our approach in this area are outlined later in this report under "Responsible Management."

FINANCIAL RESULTS

Power Financial's operating earnings attributable to common shareholders for the year ended December 31, 2013 were $1,708 million or $2.40 per share, compared with $1,678 million or $2.37 per share in 2012.

Other items represented a contribution of $188 million in 2013, compared with a charge of $60 million in 2012.

Net earnings attributable to common shareholders, including other items, were $1,896 million or $2.67 per share, compared with $1,618 million or $2.29 per share in 2012.

Dividends declared by Power Financial totalled $1.40 per common share in 2013, unchanged from 2012.

RESULTS OF GROUP COMPANIES

GREAT-WEST LIFECO

Great-West Lifeco's operating earnings attributable to common shareholders, a non-IFRS financial measure, were $2.1 billion or $2.108 per share in 2013, compared with $1.9 billion or $2.049 per share in 2012.

Great-West Lifeco's return on equity (ROE) of 15.0 per cent on operating earnings and 16.6 per cent on net earnings for the twelve months ended December 31, 2013 continued to rank among the strongest in the financial services sector.

Other measures of Great-West Lifeco's performance in 2013 include:

> Premiums and deposits of $74.8 billion, compared with $60.2 billion in 2012.

> An increase in general fund and segregated fund assets from $253.9 billion in 2012 to $325.9 billion in 2013.

> Total assets under administration at December 31, 2013 of $758 billion, compared with $546 billion twelve months ago.

Dividends declared on Great-West Lifeco's common shares were $1.23 in 2013, unchanged from the prior year.

Great-West Lifeco's companies benefit from prudent and conservative investment policies and practices with respect to the management of their consolidated assets. Its conservative product underwriting standards and disciplined approach to introducing new products have proved beneficial for the company and its subsidiaries over the long term. Also, Great-West Lifeco's approach to asset and liability management has minimized exposure to interest rate movements. The company continues to offer segregated fund guarantees in a prudent and disciplined manner, thereby limiting its risk exposure. As a result, Great-West Lifeco's balance sheet is one of the strongest in the industry.

The Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio for Great-West Life was 223 per cent on a consolidated basis at December 31, 2013. This measure of capital strength is slightly higher than the upper end of Great-West Life's target operating range of 175–215 per cent.

In Canada, Great-West Lifeco's companies maintained leading market positions in 2013 in their individual and group businesses, and experienced strong organic growth. This was achieved by focusing on three broad goals: improving products and services for clients and advisors, maintaining strong financial discipline, and improving tools, information and processes to enable greater productivity and effectiveness.

The group retirement services business recorded strong growth, the group insurance business had strong sales in all segments while continuing to experience excellent persistency, and individual segregated fund and mutual fund businesses maintained positive net cash flows. Individual insurance sales in Canada remained constant and sales of proprietary retail investment funds increased 4.9 per cent year over year.

The Canadian operations offer group retirement and savings plans that are tailored to the unique needs of small, medium and large businesses and organizations. Group capital accumulation plans are a core business for Great-West Life. Providing an engaging experience for its plan members continues to be a top priority for this business.

Together, Great-West Lifeco's subsidiaries Great-West Life, London Life and Canada Life remain Canada's number one provider of individual insurance solutions. From term, universal and participating life insurance to individual disability and critical illness insurance, their broad range of products gives advisors choice and flexibility in meeting clients' diverse individual needs.

In the United States, Great-West Life & Annuity's new Great-West Financial® brand and the various initiatives of the company's five-year strategic plan contributed to solid growth in 2013.

In a survey conducted by *Plan Adviser* magazine, 401(k) plan advisors voted Great-West Financial No. 1 in best value for price and best wholesalers.

Improved name recognition combined with strategic initiatives contributed to a 39 per cent increase in sales in 2013 over the previous year. The company experienced strong momentum in its deferred contribution retirement business, its Individual Retirement Account business and in its annuity sales through institutional partners.

Putnam's assets under management ended 2013 at US$150 billion, reflecting strong market conditions and sales momentum from several key product offerings.

In 2013, Putnam continued its focus on investment performance and innovation, highlighted by the introduction of six new funds to pursue new drivers of return, innovative income solutions, and lower volatility. Putnam's "New Ways of Thinking" campaign is designed to help investors address the dynamic set of ongoing market challenges, and is supported by the firm's awareness-building efforts.

For the third time in five years, *Barron's* ranked Putnam among the top fund families based on total return across asset classes. Putnam also ranked second among all fund families assessed over the past five years.

In Europe, Great-West Lifeco, through its Canada Life and Irish Life subsidiaries, has operations in the United Kingdom, Isle of Man, Germany and Ireland.

In July 2013, Great-West Lifeco completed the acquisition of Irish Life. The closing of this transaction marked a significant milestone for its companies in Ireland. Combining the businesses of Irish Life and Canada Life in Ireland under the Irish Life brand name will help ensure that the new Irish Life maintains and builds on its leading positions in the life, pensions and investment management sectors in Ireland. Integration is well underway and on target for completion in mid-2015.

With a continued focus on delivering outstanding service, Irish Life business continued to grow in 2013. Life and pension sales and asset management inflows outperformed the market and the company gained market share. All business units continue to perform well.

IGM FINANCIAL

IGM Financial and its operating companies experienced an increase in operating earnings and assets under management in 2013.

Investors Group and Mackenzie Investments, the company's principal businesses, continued to generate business growth through product innovation, improved sales, pricing enhancements, additional investment management resources and overall resource management throughout the year.

IGM Financial is well diversified through its multiple distribution channels, product types, investment management units and fund brands. Assets under management are diversified by country of investment, industry sector, security type and management style.

Operating earnings available to common shareholders, excluding other items, were $764 million or $3.02 per share in 2013, compared with $746 million or $2.92 per share in 2012.

Net earnings available to common shareholders were $762 million or $3.02 per share in 2013, compared with $759 million or $2.97 per share in 2012.

Total assets under management at December 31, 2013 totalled $131.8 billion. This compared with total assets under management of $120.7 billion at December 31, 2012, an increase of 9.2 per cent.

Dividends were $2.15 per share for the year, unchanged from the prior year.

Investors Group continued to expand the number of its region offices in 2013, for a total of 109 across Canada. Its consultant network grew by 155 during the same period. As at December 31, 2013, there were 4,673 consultants working with clients to help them understand the benefits of long-term financial planning.

Investors Group continued to respond to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice. In July, it introduced a new series of funds for households with financial assets in excess of $500,000, which provides separate pricing for fund management and an advisory fee charged to client accounts.

Investors Group mutual fund assets under management were $68.3 billion at the end of 2013, compared with $60.6 billion at the end of 2012. Mutual fund sales were $6.7 billion, compared with $5.8 billion in 2012, an increase of more than 15 per cent. The company's redemption rate on long-term mutual funds was 9.4 per cent during 2013, compared with 10 per cent during 2012. Net sales of mutual funds in 2013 were $159 million.

Mackenzie undertook several important initiatives in 2013. The company simplified and restructured its product lineup to be more relevant and launched in-demand funds to meet the evolving needs of investors and advisors. It also introduced a new series of funds, offering a channel-appropriate fee structure to "do-it-yourself" investors. Mackenzie maintained its focus on delivering consistent long-term investment performance by attracting key investment management talent and analytical personnel as it continued to support advisors in all aspects of their business.

Mackenzie's total assets under management were $65.3 billion at the end of 2013, compared with $61.5 billion at December 31, 2012. Mutual fund assets under management were $46.0 billion, compared with $40.4 billion at December 31, 2012. Mutual fund gross sales were $6.7 billion, compared with $5.5 billion in 2012, an increase of 22 per cent, and reflects Mackenzie's best result in the last five years. Mutual fund net redemptions were $0.5 billion in 2013, compared with net redemptions of $2.0 billion during 2012.

IGM Financial continues to build its business through its extensive network of distribution opportunities delivering high-quality advice and innovative, flexible solutions for investors. Its investment in technology and operations continue to help the company manage its resources effectively and develop long-term growth in the business. The strength of IGM's businesses, combined with its association with the Power Financial Corporation group of companies, gives IGM Financial a strong foundation to build upon.

PARGESA

Through Belgian holding company Groupe Bruxelles Lambert (GBL), the Pargesa group holds significant positions in major companies based in Europe: Imerys, a producer of mineral-based specialities for industry; Lafarge, which produces cement, aggregates and concrete; Total, in the oil, gas and alternative energy industry; GDF Suez, a provider of electricity, natural gas, and energy and environmental services; Suez Environnement, active in water and waste management services; Pernod Ricard, a leader in wines and spirits; and SGS, engaged in testing, inspection and certification.

In addition to its strategic holdings, which will still form most of the portfolio, GBL undertook in 2012 to develop over time: an incubator portfolio comprising interests in a reduced number of listed and unlisted companies — these investments would be smaller commitments than the strategic holdings — and investments in private equity and other funds where GBL acts as an anchor investor.

Pargesa's operating earnings were SF251 million in 2013, compared with SF346 million in 2012. This decrease is mainly attributable to non-cash charges from: the increase in value of call options on shares embedded in the exchangeable and convertible bonds issued by GBL in 2012 and 2013, a lower contribution from Lafarge, and a decrease in the contribution of GDF Suez following GBL's partial disposal of that holding.

Including non-operating income consisting primarily of gains on the partial disposals by GBL of its interest in Total and in GDF Suez, and of an impairment charge recorded by GBL on its investment in GDF Suez, Pargesa's net income in 2013 was SF394 million, compared with SF405 million in 2012.

At the end of December 2013, Pargesa's adjusted net asset value was SF8.8 billion. This represents a value of SF104.2 per Pargesa share, compared with SF90.4 at the end of 2012, an increase of 15.3 per cent.

At the next annual meeting of shareholders on May 6, 2014, Pargesa's board of directors will propose paying a dividend of SF2.64 per bearer share, an increase of 2.7 per cent over last year.

PROTECTING AND IMPROVING THE LONG-TERM FINANCIAL HEALTH OF CANADIANS

Around the world, countries face the fundamental challenge of protecting and improving the long-term financial health of their citizens. The recent period of economic uncertainty and market volatility has provided a powerful reminder of the importance of careful and long-term planning, both by governments seeking to establish appropriate policies and incentives, and by individuals in their savings and investing choices.

DIRECTORS' REPORT TO SHAREHOLDERS

Achieving retirement income security requires balancing important and competing objectives, including income adequacy, intergenerational equity, responsibility and individual choice. It is also defined by the specific social, demographic, fiscal, and economic circumstances that each country faces.

In Canada, landmark research by McKinsey & Company to understand the detailed financial situation and behaviour of Canadian households continues to yield important insights. While Canadians appear well prepared for retirement overall, the level of readiness of individual households varies. A close look at each segment of society, analyzed by age and income cohorts, shows that 75 per cent of Canadian households are well prepared for retirement and that a smaller group of 25 per cent need to save more. The 25 per cent who are not ready are the middle and higher income segments.

Indeed, government programs currently provide significant income replacement for most lower and middle income populations. By contrast, higher income households are more reliant on workplace and individual savings, and thus need to save more in order to keep their standard of living upon retirement. The challenges for these segments of society are varied but revolve around their willingness to save, the incentives to do so, and the time period available to save enough for retirement.

Securing the long-term financial health of Canadians is and should continue to be an important priority for Canada. Canada's retirement system is a successful, well-balanced blend of public and private responsibility which offers a mix of government-provided, employer-sponsored and individual savings programs. As such, targeted, incremental changes to the existing system that focus on facilitating and incenting savings are a more efficient, reliable and sustainable way to address Canadians' many different retirement security challenges than one-size-fits-all solutions.

BOARD OF DIRECTORS

Mr. Robert Gratton will not be standing for re-election to the Corporation's Board of Directors at the May 14, 2014 Annual Meeting of Shareholders. Mr. Gratton is Deputy Chairman of Power Corporation. He served as President and Chief Executive Officer of Power Financial from 1990 until 2005, and then as Chairman of its Board until 2008. He was Chairman, President and Chief Executive Officer of Power Financial's subsidiary, the Montreal Trust Company, from 1982 until 1989. In recognition of his outstanding contribution to the Power group of companies over many years, Mr. Gratton will be appointed by the Board of Directors of Power Corporation as Deputy Chairman Emeritus.

DIRECTORS' REPORT TO SHAREHOLDERS

FUTURE OUTLOOK

As we enter 2014, the global economy continues to show signs of progress, anchored by solid improvement in the United States and increased stability in Europe. Interest rates have begun moving up from their historic lows and investors have become more confident in their investment choices.

More fundamental than any short-term economic outlook, however, is the strong and growing long-term need of people across the markets where we operate to achieve financial security. The companies in our group are in the business of helping millions of people meet their financial needs through the different stages of their lives. They do so by helping clients through a one-on-one relationship with a financial advisor or through savings and retirement programs at their place of employment.

Excellence and innovation in products and services and value to the customer are critical factors in clients' selections. Financial strength and the ability to honour long-term commitments will be equally important. Our companies are focused upon delivering on each of these dimensions.

Your Directors wish to express gratitude on behalf of the shareholders for the important contribution of the management and employees of our Corporation and its associated companies to the successful results achieved in 2013.

On behalf of the Board of Directors,

Signed,

R. Jeffrey Orr
President and
Chief Executive Officer

Signed,

Paul Desmarais, Jr., O.C., O.Q.
Co-Chairman of the Board

Signed,

André Desmarais, O.C., O.Q.
Co-Chairman of the Board

March 19, 2014