REVIEW OF FINANCIAL PERFORMANCE

All tabular amounts are in millions of Canadian dollars, unless otherwise noted.

MARCH 18, 2015

This Annual Report is intended to provide interested shareholders and others with selected information concerning Power Financial Corporation. For further information concerning the Corporation, shareholders and other interested persons should consult the Corporation's disclosure documents, such as its Annual Information Form and Management's Discussion and Analysis (MD&A). Copies of the Corporation's continuous disclosure documents can be obtained on the Corporation's website at www.powerfinancial.com, at www.sedar.com, or from the office of the Secretary at the addresses shown at the end of this report.

FORWARD-LOOKING STATEMENTS › Certain statements in this document, 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's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future 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 its most recent MD&A and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada and available at www.sedar.com.

Readers are reminded that a list of the abbreviations used throughout can be found on the inside front cover of this report. In addition, the following abbreviations are used in the Review of Financial Performance and in the Financial Statements and Notes thereto: Audited Consolidated Financial Statements of Power Financial and Notes thereto for the year ended December 31, 2014 (the 2014 Consolidated Financial Statements or the Financial Statements); International Financial Reporting Standards (IFRS).

OVERVIEW

Power Financial, a subsidiary of Power Corporation, is a diversified management and holding company with substantial interests in the financial services sector in Canada, the United States, Europe and Asia, through its controlling interests in Lifeco and IGM. Power Financial also holds, together with the Frère Group of Belgium, a controlling interest in Pargesa, a holding company which focuses on a limited number of significant and strategic core holdings, held through its subsidiary, GBL. Lifeco (TSX: GWO) and IGM (TSX: IGM) are public companies listed on the Toronto Stock Exchange. Pargesa is a public company listed on the Swiss Stock Exchange (SIX: PARG).

LIFECO

Lifeco is an international financial services holding company with subsidiaries offering life insurance, health insurance, retirement and investment services and engaged in the asset management and reinsurance businesses.

As at December 31, 2014, Power Financial and IGM held 67.2% and 4.0%, respectively, of Lifeco's common shares, representing approximately 65.0% of the voting rights attached to all outstanding Lifeco voting shares.

On August 29, 2014, Great-West Financial announced it had completed the acquisition of J.P. Morgan Retirement Plan Services (RPS) large-market recordkeeping business, expanding the Great-West Financial footprint in the U.S. retirement services business. As part of this acquisition, a new combined brand – Empower Retirement – was launched to consolidate and support the retirement services businesses of Great-West Financial, RPS and Putnam.

Total assets under administration of Lifeco grew to approximately $1.1 trillion as at December 31, 2014, up 40.2% from December 31, 2013. This includes $207 billion of assets under administration related to the RPS acquisition and strong organic growth in all geographies.

Lifeco continued the integration of Irish Life through 2014. While focused on integration, Irish Life exceeded sales targets and increased its market share. In 2014, Irish Life contributed $261 million, excluding restructuring costs, to Lifeco's net earnings. Since the acquisition of Irish Life, Lifeco has disclosed it has achieved €40.8 million in annualized synergies.

IGM FINANCIAL

IGM is a financial services company which serves the financial needs of Canadians through its principal subsidiaries, each operating distinctly within the advice segment of the financial services market.

As at December 31, 2014, Power Financial and Great-West Life, a subsidiary of Lifeco, held 58.8% and 3.7%, respectively, of IGM's common shares.

PARGESA AND GBL

Power Financial Europe B.V., a wholly owned subsidiary of Power Financial, and the Frère Group of Belgium each hold a 50% interest in Parjointco, which, as at December 31, 2014, held a 55.5% interest in Pargesa, representing 75.4% of the voting rights in that company.

Pargesa is a holding company, which at December 31, 2014, held a 50% interest in GBL, representing 52% of the voting rights in that company. GBL, a Belgian holding company, is listed on the Brussels Stock Exchange (EBR: GBLB).

As at December 31, 2014, GBL's portfolio was comprised of investments in: Imerys—mineral-based specialties for industry (EPA: NK); Lafarge—cement, aggregates and concrete (EPA: LG); Total—oil, gas and alternative energies (EPA: FP); SGS—testing, inspection and certification (SIX:SGSN); Pernod Ricard—wines and spirits (EPA: RI); GDF Suez—electricity, natural gas, and energy and environmental services (EPA: GSZ); and Suez Environnement—water and waste management services (EPA: SEV).

On April 7, 2014, Holcim and Lafarge announced their intention to combine their companies through a merger of equals, unanimously approved by their respective boards of directors and which could create the most advanced group in the building materials industry. This operation could lead to enhanced performance through incremental synergies totalling more than €1.4 billion on a full run-rate basis phased in over three years with one third in year one. As Lafarge's largest shareholder, GBL, with a 21.1% shareholding, supports this merger and has committed to contribute all its Lafarge shares to the public exchange offer, which will be initiated by Holcim after the regulatory authorizations have been received. GBL would hold 10% in the new entity.

Lafarge announced on March 16, 2015 that the board of Holcim has decided not to pursue the execution of the Combination Agreement under the terms approved by the boards of directors of Lafarge and Holcim and concluded on July 7, 2014 and challenged the financial terms and governance structure of the proposed merger of equals. Lafarge also announced that its board of directors remains committed to the project and that it intends to see it implemented. The board of Lafarge said it is willing to explore the possibility of a revision of the parity, in line with recent market conditions, but it will not accept any other modification of the terms of the existing agreements.

Additional information on GBL is also available on GBL's website (www.gbl.be).

BASIS OF PRESENTATION

The 2014 Consolidated Financial Statements of the Corporation have been prepared in accordance with IFRS and are presented in Canadian dollars.

Lifeco and IGM are controlled by Power Financial and their financial statements are consolidated with those of Power Financial. Consolidated financial statements present, as a single economic entity, the assets, liabilities, revenues, expenses and cash flows of the parent company and its operating subsidiaries (consolidated financial statements represent the financial results of Power Financial (parent) and Lifeco and IGM (its operating subsidiaries) and the elimination of intercompany balances and transactions).

Power Financial's investment in Pargesa is held through Parjointco. Parjointco's only investment is its joint controlling interest in Pargesa. The investment in Parjointco is accounted for by Power Financial in accordance with the equity method. The equity method is a method of accounting whereby:

> The investment is initially recognized at cost and adjusted thereafter for post-acquisition changes in Power Financial's share of Pargesa's net assets (shareholders' equity);

> Power Financial's profit or loss includes its share of Pargesa's profit or loss; and

> Power Financial's other comprehensive income includes its share of Pargesa's other comprehensive income.

Pargesa consolidates its subsidiary GBL. GBL's portfolio consists primarily of investments in Imerys, Lafarge, Total, SGS, Pernod Ricard, GDF Suez, and Suez Environnement. GBL's financial statements are consolidated with Pargesa's financial statements.

> GBL holds a 56.5% controlling interest in Imerys and consolidates the financial statements of Imerys.

> Lafarge, over which GBL has significant influence (holding a 21.1% equity interest), is accounted for using the equity method.

> Portfolio investments in which GBL holds less than a 20% equity interest (consisting of: Total, SGS, Pernod Ricard, GDF Suez and Suez Environnement), are classified for accounting purposes as available-for-sale investments.

The following table summarizes the accounting presentation for the Corporation's holdings:

DEGREE OF CONTROL	BASIS OF ACCOUNTING	EARNINGS AND OTHER COMPREHENSIVE INCOME	IMPAIRMENT TESTING	IMPAIRMENT REVERSAL
The Corporation has a controlling interest in the entity (a subsidiary)	> Consolidation	> Consolidated with non-controlling interests	> Goodwill and indefinite life intangible assets are tested annually for impairment	> Impairment of goodwill cannot be reversed > Impairment of intangible assets is reversed if there is evidence of recovery of value
Holdings over which the Corporation exercises significant influence or joint control	> Equity method of accounting	> Corporation's share of earnings and other comprehensive income	> Entire investment is tested for impairment	> Reversed if there is evidence the investment has recovered its value
Portfolio investments	> Available for sale (AFS)	> Earnings consist of dividends received and gains or losses on disposals > The investments are marked to market through other comprehensive income > Earnings are reduced by impairment charges, if any	> Impairment testing is done at the individual investment level > A significant or prolonged decline in the value of the investment results in an impairment charge	> Cannot be reversed even if there is a subsequent recovery of value > A stock price decrease subsequent to an impairment leads to a further impairment

This summary of accounting should be read in conjunction with the following notes to the Corporation's 2014 Consolidated Financial Statements: Basis of presentation and summary of significant accounting policies, Investments, Investments in jointly controlled corporations and associates, Goodwill and intangible assets, and Non-controlling interests.

NON-IFRS FINANCIAL MEASURES AND PRESENTATION

In analyzing the financial results of the Corporation and consistent with the presentation in previous years, net earnings attributable to common shareholders are presented in the section "Results of Power Financial Corporation" and are comprised of:

> **operating earnings** attributable to common shareholders; and

> **other items** or non-operating earnings, which include the after-tax impact of any item that in management's judgment would make the period-over-period comparison of results from operations less meaningful. Other items also include the Corporation's share of any such item presented in a comparable manner by a subsidiary or a jointly controlled corporation or associate.

Management uses these financial measures in its presentation and analysis of the financial performance of Power Financial, and believes that they provide additional meaningful information to readers in their analysis of the results of the Corporation. Operating earnings, as defined by the Corporation, assist the reader in comparing the current period's results to those of previous periods as items that are not part of ongoing activities are excluded from this non-IFRS measure.

Operating earnings attributable to common shareholders and operating earnings per share are non-IFRS financial measures that do not have a standard meaning and may not be comparable to similar measures used by other entities. For a reconciliation of these non-IFRS measures to results reported in accordance with IFRS, see the "Results of Power Financial Corporation – Earnings Summary – Condensed Supplementary Statements of Earnings" section below.

In this review of financial performance, a non-consolidated basis of presentation is also used by the Corporation to present and analyze its results, financial position and cash flows. In this basis of presentation, Power Financial's interests in Lifeco and IGM are accounted for using the equity method. Presentation on a non-consolidated basis is a non-IFRS presentation. However it is useful to the reader as it presents the parent's corporate operations apart from those of its operating subsidiaries, thereby reflecting the individual respective contributions to the consolidated results. Reconciliations of the non-IFRS basis of presentation with the presentation in accordance with IFRS are included elsewhere in this review of financial performance as appropriate.

RESULTS OF POWER FINANCIAL CORPORATION

EARNINGS SUMMARY — CONDENSED SUPPLEMENTARY STATEMENTS OF EARNINGS

The following table is a reconciliation of non-IFRS financial measures: operating earnings, non-operating earnings, operating earnings per share and non-operating earnings per share with financial measures presented in accordance with IFRS: net earnings and net earnings per share. In this section, the contributions from Lifeco and IGM, which represent most of the earnings of Power Financial, are accounted for using the equity method.

NON-CONSOLIDATED BASIS

TWELVE MONTHS ENDED DECEMBER 31	2014	2013
Contribution to operating earnings from:		
Lifeco	1,710	1,391
IGM	488	446
Pargesa	112	76
	2,310	1,913
Results from corporate operations	(73)	(74)
Dividends on perpetual preferred shares	(132)	(131)
Operating earnings (attributable to common shareholders)	2,105	1,708
Other items (non-operating) [1]		
Lifeco	(1)	151
IGM	(43)	(1)
Pargesa	75	38
	31	188
Net earnings (attributable to common shareholders)	2,136	1,896
Earnings per share (attributable to common shareholders)		
Operating earnings	2.96	2.40
Non-operating earnings	0.04	0.27
Net earnings	3.00	2.67

[1] See "Other Items" below

NET EARNINGS (ATTRIBUTABLE TO COMMON SHAREHOLDERS)

Net earnings attributable to common shareholders for the twelve-month period ended December 31, 2014 were $2,136 million or $3.00 per share, compared with $1,896 million or $2.67 per share in the corresponding period in 2013, an increase of 12.4% on a per share basis.

OPERATING EARNINGS (ATTRIBUTABLE TO COMMON SHAREHOLDERS)

Operating earnings attributable to common shareholders for the twelve-month period ended December 31, 2014 were $2,105 million or $2.96 per share, compared with $1,708 million or $2.40 per share in the corresponding period in 2013, an increase of 23.3% on a per share basis.

CONTRIBUTION TO OPERATING EARNINGS — LIFECO, IGM AND PARGESA

Power Financial's share of operating earnings from Lifeco, IGM and Pargesa increased by 20.8% for the year ended December 31, 2014, compared with the same period in 2013, from $1,913 million to $2,310 million.

Lifeco

Lifeco's contribution to Power Financial's operating earnings for the twelve-month period ended December 31, 2014, was $1,710 million, compared with $1,391 million for the corresponding period in 2013.

> Lifeco reported operating earnings attributable to common shareholders of $2,546 million or $2.549 per share for the twelve-month period ended December 31, 2014, compared with $2,052 million or $2.108 per share in the corresponding period in 2013, an increase of 20.9% on a per share basis. The year ended December 31, 2014 includes twelve months of Irish Life results while the comparative period includes Irish Life results from the date of acquisition by Lifeco, being, July 18, 2013.

> Summary of Lifeco's operating segment results:

TWELVE MONTHS ENDED DECEMBER 31	2014	2013
Operating earnings (attributable to Lifeco common shareholders)		
Canada	1,228	1,148
Europe	1,038	701
United States	306	276
Lifeco Corporate	(26)	(73)
	2,546	2,052

> Operating earnings for the twelve-month period ended December 31, 2014 include $30 million (after tax) of acquisition and restructuring costs related to the integration of Irish Life and RPS. For the twelve-month period ended December 31, 2013, operating earnings include costs related to the Irish Life acquisition and restructuring of $97 million (after tax).

> The acquisition of Irish Life in the third quarter of 2013 resulted in significant growth in the Europe segment. For the twelve-month period ended December 31, 2014, Irish Life contributed $261 million (excluding restructuring costs) to Lifeco's earnings, compared with $85 million in the corresponding period in 2013.

> During the quarter ended December 31, 2014, the average currency translation rates of the U.S. dollar and British pound increased, while the average currency translation rates of the euro declined as compared to the fourth quarter of 2013. The overall impact of currency movement on Lifeco's net earnings was an increase of $114 million for the twelve-month period ended December 31, 2014 compared to translation rates a year ago.

IGM Financial

IGM's contribution to Power Financial's operating earnings was $488 million for the twelve-month period ended December 31, 2014, compared with $446 million for the corresponding period in 2013.

> IGM reported operating earnings available to common shareholders of $826 million or $3.27 per share for the twelve-month period ended December 31, 2014, compared with $764 million or $3.02 per share in the same period in 2013, an increase of 8.3% on a per share basis.

> Operating earnings before interest and taxes (a non-IFRS measure) of IGM's segments and operating earnings available to IGM common shareholders were as follows:

TWELVE MONTHS ENDED DECEMBER 31	2014	2013
Investors Group	777	718
Mackenzie	246	251
Corporate and other	133	110
Operating earnings (before interest and taxes)	1,156	1,079
Interest expense, income taxes, preferred share dividends and other	(330)	(315)
Operating earnings (available to IGM common shareholders)	826	764

> Total assets under management were $141.9 billion as at December 31, 2014, compared with $131.8 billion as at December 31, 2013. The average daily mutual fund assets under management were as follows:

	2014				2013			
IN BILLIONS OF DOLLARS	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Average daily mutual fund assets	124.6	126.2	123.6	119.7	114.6	110.2	108.4	106.9

Pargesa

Pargesa's contribution to Power Financial's operating earnings was $112 million for the twelve-month period ended December 31, 2014, compared with $76 million in the corresponding period in 2013.

The components of Pargesa's operating earnings were:

TWELVE MONTHS ENDED DECEMBER 31 IN MILLIONS OF SWISS FRANCS	2014	2013
Contribution from principal holdings		
Consolidated		
Imerys	113	110
Equity method		
Lafarge	55	72
Non-consolidated		
Total	97	121
SGS	40	–
Pernod Ricard	20	21
GDF Suez	35	75
Suez Environnement	2	15
	362	414
Other holdings and operating earnings (loss) from holding companies	(23)	(163)
Operating earnings	339	251
Power Financial's share (in millions of Canadian dollars)	112	76

A significant portion of Pargesa's earnings consists of dividends received from Total (approved for payment in the second, third and fourth quarters), SGS (approved for payment in the first quarter), Pernod Ricard (approved for payment in the second and fourth quarters), and GDF Suez (approved for payment in the second and third quarters). Pargesa records dividends as earnings in the period they are approved.

The changes in dividends from non-consolidated holdings reflect decreases in Pargesa's ownership of Total (from 3.6% in 2013 to 3.0% in 2014), GDF Suez (from 5.1% in 2013 to 2.4% in 2014) and Suez Environnement (from 7.2% in 2013 to 1.1% in 2014) and the acquisition of an interest in SGS in June 2013.

Operating earnings for the twelve-month period ended December 31, 2014 include Pargesa's share of a charge recorded by GBL in the amount of SF61 million, compared with SF83 million in the corresponding period in 2013.

- These amounts relate to call options embedded in bonds exchangeable for Suez Environnement shares (issued in 2012) and GDF Suez shares (issued in 2013) and in bonds issued by GBL in 2013 which are convertible for GBL shares.
- The charge is the result of the rise in the price of the respective shares underlying the bonds. This rise in the share price of Suez Environnement and GDF Suez is reflected in other comprehensive income and will be recorded in earnings at the time the shares are exchanged.

Operating earnings for the twelve-month period ended December 31, 2014, also included Pargesa's share of contribution from private equity and other investment funds, primarily held by GBL, for an amount of SF51 million.

In 2014, holders of the Suez Environnement bonds exercised their right to exchange approximately 85% of the bonds for shares of Suez Environnement. Pargesa's share of the gain recorded by GBL on this exchange was SF129 million (including a positive foreign currency impact of SF40 million). A portion of this gain, SF55 million, representing the reversal of the cumulative negative marked to market adjustment on the call options mentioned above, was recorded in operating earnings. The remaining portion, SF74 million, which represents the economic gain measured at the exchange price set at the time of the issuance of the exchangeable bonds in 2012, has been recognized as non-operating earnings.

RESULTS FROM CORPORATE OPERATIONS OF POWER FINANCIAL

Results from corporate operations include interest on cash and cash equivalents, operating expenses, financing charges, depreciation and income taxes.

Corporate operations represented a net charge of $73 million in the twelve-month period ended December 31, 2014, compared with a net charge of $74 million in the corresponding period in 2013. Results from corporate operations in 2013 include a charge of $18 million related to the six-month equity put options on the S&P 500 purchased by the Corporation.

OTHER ITEMS (NON-OPERATING)

The following table presents the Corporation's share of Lifeco, IGM and Pargesa's Other Items:

TWELVE MONTHS ENDED DECEMBER 31	2014	2013
Lifeco		
Litigation provision	–	156
IGM		
Restructuring and other charges	(8)	(6)
Distribution to clients	(36)	–
Pargesa		
Gain on partial disposal of Total	70	38
Gain on partial exchange of Suez Environnement	17	–
Impairment charges on GDF Suez	–	(13)
Gain on partial disposal of GDF Suez	–	15
Other (charge) income	(12)	(2)
	31	188

Other items in 2014 are comprised of the Corporation's share of:

IGM Financial

- Restructuring and other charges: recorded by IGM in the second quarter primarily reflecting severance and other costs associated with Mackenzie's cost rationalization activities as well as senior management changes announced and implemented during the second quarter, for an amount of $8 million. These costs represent the continuation of efforts undertaken in the fourth quarter of 2013.
- Distribution to clients: reported by IGM in the fourth quarter of $36 million. In the third quarter of 2012, Investors Group introduced investment solutions for clients with household account balances in excess of $500,000. At December 31, 2014, an accrual was recorded related to these lower fee investment solutions. This amount primarily reflects distributions to clients who did not transfer to these lower priced solutions when eligible.

Pargesa

- Gain on partial disposal of Total: in the first, second, third and fourth quarters of 2014, GBL disposed of 0.6% of its interest for gains of $26 million, $17 million, $2 million and $25 million, respectively.
- Gain on partial exchange of Suez Environnement: a gain recorded by GBL in the second quarter resulting from the delivery of Suez Environnement shares pursuant to the exercise of exchange rights by certain holders of Suez Environnement's exchangeable bonds of $17 million, as discussed above.

Other items in 2013 are comprised of the Corporation's share of:

Lifeco

- A recovery recorded by Lifeco in the fourth quarter relating to a decision of the Court of Appeal for Ontario on February 3, 2014 in regards to the involvement of the participating accounts of Lifeco subsidiaries London Life and Great-West Life in the financing of the London Insurance Group acquisition in 1997, for an amount of $156 million.

IGM Financial

- After-tax restructuring and other charges recorded by IGM in the fourth quarter of $6 million.

Pargesa

- An impairment charge of $13 million recorded by GBL in the first quarter on its investment in GDF Suez.
- A gain of $15 million recorded by GBL in the second quarter on the disposal of 2.7% of its interest in GDF Suez.
- A gain of $38 million recorded by GBL in the fourth quarter on the disposal of 0.4% of its interest in Total.

FINANCIAL POSITION

CONSOLIDATED BALANCE SHEETS (CONDENSED)

The condensed balance sheet of Lifeco and IGM, and Power Financial's non-consolidated balance sheet are presented below:

					POWER FINANCIAL CONSOLIDATED BALANCE SHEETS	
	POWER FINANCIAL	LIFECO	IGM	CONSOLIDATION ELIMINATIONS AND RECLASSIFICATIONS	DECEMBER 31, 2014	DECEMBER 31, 2013 [1]
ASSETS						
Cash and cash equivalents	786	2,498	1,216	(511)	3,989	4,344
Investments	31	143,265	7,108	438	150,842	134,910
Investments in Lifeco and IGM	14,342	356	794	(15,492)	–	–
Investment in Parjointco	2,440	–	–	–	2,440	2,437
Investments in jointly controlled corporations and associates	–	237	–	–	237	227
Funds held by ceding insurers	–	12,154	–	–	12,154	10,832
Reinsurance assets	–	5,151	–	–	5,151	5,070
Other assets	135	8,602	770	(89)	9,418	8,697
Intangible assets	–	3,625	1,872	–	5,497	5,281
Goodwill	–	5,855	2,657	637	9,149	9,105
Interest on account of segregated fund policyholders	–	174,966	–	–	174,966	160,779
Total assets	17,734	356,709	14,417	(15,017)	373,843	341,682
LIABILITIES						
Insurance and investment contract liabilities	–	146,055	–	–	146,055	132,063
Obligations to securitization entities	–	–	6,754	–	6,754	5,572
Debentures and debt instruments	250	5,355	1,325	(43)	6,887	7,275
Other liabilities	465	8,436	1,497	(119)	10,279	9,059
Insurance and investment contracts on account of segregated fund policyholders	–	174,966	–	–	174,966	160,779
Total liabilities	715	334,812	9,576	(162)	344,941	314,748
EQUITY						
Perpetual preferred shares	2,580	2,514	150	(2,664)	2,580	2,755
Common shareholders' equity	14,439	16,740	4,691	(21,431)	14,439	13,238
Non-controlling interests	–	2,643	–	9,240	11,883	10,941
Total equity	17,019	21,897	4,841	(14,855)	28,902	26,934
Total liabilities and equity	17,734	356,709	14,417	(15,017)	373,843	341,682

[1] Comparative figures have been restated as described in Note 33 to the Corporation's 2014 Consolidated Financial Statements.

Total assets of the Corporation increased to $373.8 billion at December 31, 2014, compared with $341.7 billion at December 31, 2013.

> Investments at December 31, 2014 were $150.8 billion, a $15.9 billion increase from December 31, 2013, primarily related to Lifeco.

> Interest on account of segregated fund policyholders increased by $14.2 billion, primarily as a result of market value gains and investment income as well as positive currency movements. See also the discussion on liabilities below.

Liabilities increased to $344.9 billion at December 31, 2014, compared with $314.7 billion at December 31, 2013, mainly due to the following, as disclosed by Lifeco:

> Insurance and investment contract liabilities increased by $14.0 billion, primarily due to the impact of new business, an increase in fair value adjustments driven by declining interest rates and currency movements as a result of a strengthening of the U.S. dollar and British pound against the Canadian dollar.

> Insurance and investment contract liabilities on account of segregated fund policyholders increased by $14.2 billion, primarily due to the combined impact of market value gains and investment income of $14.0 billion as well as the impact of currency movements of $0.8 billion, partially offset by net withdrawals of $0.1 billion.

NON-CONSOLIDATED BALANCE SHEETS

In the non-consolidated basis of presentation, Lifeco and IGM are presented by the Corporation using the equity method. These non-consolidated balance sheets, which are not in accordance with IFRS, enhance the review of financial performance and assist the reader by identifying changes in Power Financial's non-consolidated balance sheets, which include its investments in Lifeco and IGM at equity.

DECEMBER 31	2014	2013[2]
ASSETS		
Cash and cash equivalents[1]	786	925
Investments	31	27
Investments in subsidiaries at equity	14,342	13,165
Investment in Parjointco at equity	2,440	2,437
Other assets	135	120
Total assets	17,734	16,674
LIABILITIES		
Debentures	250	250
Other liabilities	465	431
Total liabilities	715	681
EQUITY		
Perpetual preferred shares	2,580	2,755
Common shareholders' equity	14,439	13,238
Total equity	17,019	15,993
Total liabilities and equity	17,734	16,674

[1] In these non-consolidated balance sheets, cash equivalents include $511 million ($454 million at December 31, 2013) of fixed income securities with maturities of more than 90 days. In the 2014 Consolidated Financial Statements, this amount is classified in investments.

[2] Comparative figures have been restated as described in Note 33 to the Corporation's 2014 Consolidated Financial Statements.

Cash and cash equivalents held by Power Financial amounted to $786 million at December 31, 2014, compared with $925 million at the end of December 2013. This decrease in cash and cash equivalents is mainly due to the redemption of the First Preferred Shares, Series M, for an amount of $175 million in the first quarter of 2014 (see also the "Non-consolidated Statements of Cash Flows" section below for details). The fourth quarter dividend declared by the Corporation and paid on January 30, 2015, amounted to $282 million. Dividends declared in the fourth quarter by IGM and received on January 30, 2015 by the Corporation amounted to $83 million.

The carrying value of Power Financial's investments in Lifeco, IGM and Parjointco, at equity, increased to $16,782 million at December 31, 2014, compared with $15,602 million at December 31, 2013:

	LIFECO	IGM	PARJOINTCO	TOTAL
Carrying value, at the beginning of the year	10,452	2,713	2,437	15,602
Share of operating earnings	1,710	488	112	2,310
Share of other items	(1)	(43)	75	31
Share of other comprehensive income	196	(27)	(97)	72
Dividends	(824)	(322)	(75)	(1,221)
Other, including effect of change in ownership	15	(15)	(12)	(12)
Carrying value, at December 31, 2014	11,548	2,794	2,440	16,782

SHAREHOLDERS' EQUITY

PERPETUAL PREFERRED SHARES

On January 31, 2014, the Corporation redeemed all of its $175 million 6.00% Non-cumulative 5-year Rate Reset First Preferred Shares, Series M.

COMMON SHAREHOLDERS' EQUITY

Common shareholders' equity was $14,439 million at December 31, 2014, compared with $13,238 million at December 31, 2013. This $1,201 million increase was primarily due to:

> A $1,079 million increase in retained earnings, reflecting mainly net earnings of $2,268 million, less dividends declared of $1,128 million and other decreases of $61 million mainly due to changes in the level of ownership of their subsidiaries.

> An increase in reserves (other comprehensive income and amounts related to share-based compensation) of $100 million, consisting of:

  > Positive foreign currency translation adjustments of $403 million.

  > An increase of $61 million related to the Corporation and its subsidiaries' available-for-sale investments and cash flow hedges.

  > A net increase of $47 million related to share-based compensation of the Corporation and its subsidiaries.

  > A decrease of $300 million due to actuarial losses related to pension plans of the Corporation and of its subsidiaries.

  > A decrease of $111 million mainly related to the Corporation's share of other comprehensive income of investments in Pargesa and other associates.

> In the twelve-month period ended December 31, 2014, 550,000 common shares were issued by the Corporation (2,069,600 common shares in the corresponding period of 2013) pursuant to the Corporation's Employee Stock Option Plan.

As a result of the above, the book value per common share of the Corporation was $20.29 at December 31, 2014, compared with $18.61 at the end of 2013.

OUTSTANDING NUMBER OF COMMON SHARES

As of the date hereof, there were 713,238,680 common shares of the Corporation outstanding, compared with 711,173,680 as at December 31, 2013. As of the date hereof, options were outstanding to purchase up to an aggregate of 7,418,589 common shares of the Corporation under the Corporation's Employee Stock Option Plan.

The Corporation filed a short-form base shelf prospectus dated November 24, 2014, pursuant to which, for a period of 25 months thereafter, the Corporation may issue up to an aggregate of $3 billion of First Preferred Shares, common shares, subscription receipts and unsecured debt securities, or any combination thereof. This filing provides the Corporation with the flexibility to access debt and equity markets on a timely basis.

CASH FLOWS

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED)

The condensed cash flow of Lifeco and IGM, and Power Financial's non-consolidated cash flow are presented below:

					POWER FINANCIAL CONSOLIDATED CASH FLOWS	
TWELVE MONTHS ENDED DECEMBER 31	POWER FINANCIAL	LIFECO	IGM	CONSOLIDATION ELIMINATIONS AND RECLASSIFICATIONS	2014	2013
Cash flow from:						
Operating activities	1,162	5,443	741	(1,210)	6,136	5,651
Financing activities	(1,286)	(1,685)	625	1,210	(1,136)	618
Investing activities	(15)	(4,129)	(1,232)	(57)	(5,433)	(5,428)
Effect of changes in exchange rates on cash and cash equivalents	–	78	–	–	78	190
Increase (decrease) in cash and cash equivalents	(139)	(293)	134	(57)	(355)	1,031
Cash and cash equivalents, at the beginning of the year	925	2,791	1,082	(454)	4,344	3,313
Cash and cash equivalents, at December 31	786	2,498	1,216	(511)	3,989	4,344

On a consolidated basis, cash and cash equivalents decreased by $355 million in the twelve-month period ended December 31, 2014, compared with an increase of $1,031 million in the corresponding period of 2013.

Operating activities produced a net inflow of $6,136 million in the twelve-month period ended December 31, 2014, compared with a net inflow of $5,651 million in the corresponding period of 2013.

Cash flows from financing activities, which include dividends paid on the common and preferred shares of the Corporation, as well as dividends paid by subsidiaries to non-controlling interests, represented a net outflow of $1,136 million in the twelve-month period ended December 31, 2014, compared with a net inflow of $618 million in the corresponding period of 2013.

Cash flows from investing activities resulted in a net outflow of $5,433 million in the twelve-month period ended December 31, 2014, compared with a net outflow of $5,428 million in the corresponding period of 2013.

The Corporation increased its level of fixed income securities with maturities of more than 90 days, resulting in a net outflow of $57 million, compared with a net inflow of $171 million in the corresponding period of 2013.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

As Power Financial is a holding company, corporate cash flows from operating activities, before payment of preferred and common share dividends, are primarily comprised of dividends received from Lifeco, IGM and Parjointco and income from investments, less operating expenses, financing charges, and income taxes.

The following non-consolidated cash flows statement of the Corporation, which is not presented in accordance with IFRS, has been prepared to assist the reader in isolating the cash flows of Power Financial, the parent company.

TWELVE MONTHS ENDED DECEMBER 31	2014	2013
OPERATING ACTIVITIES		
Net earnings before dividends on perpetual preferred shares	2,268	2,027
Earnings from Lifeco, IGM and Parjointco not received in cash	(1,123)	(910)
Other	17	(11)
	1,162	1,106
FINANCING ACTIVITIES		
Dividends paid on preferred shares	(132)	(128)
Dividends paid on common shares	(996)	(995)
Issuance of preferred shares	–	500
Repurchase of preferred shares	(175)	–
Issuance of common shares	17	45
Share issue costs	–	(14)
	(1,286)	(592)
INVESTING ACTIVITIES		
Acquisition of Lifeco common shares	–	(545)
Purchase of investment	–	(26)
Other	(15)	(2)
	(15)	(573)
Decrease in cash and cash equivalents	(139)	(59)
Cash and cash equivalents, at the beginning of the year	925	984
Cash and cash equivalents, at December 31	786	925

On a non-consolidated basis, cash and cash equivalents decreased by $139 million in the twelve-month period ended December 31, 2014, compared with a decrease of $59 million in the corresponding period in 2013.

Operating activities produced net inflow of $1,162 million in the twelve-month period ended December 31, 2014, compared with a net inflow of $1,106 million in the corresponding period in 2013.

> Dividends declared by Lifeco during the twelve-month period ended December 31, 2014 on its common shares were $1.23 per share, same as in the corresponding period of 2013. In the twelve-month period ended December 31, 2014, the Corporation recorded dividends from Lifeco of $824 million, compared with $810 million in the corresponding period of 2013. On February 12, 2015, Lifeco announced an increase of its quarterly dividend from $0.3075 to $0.3260 per share, payable March 31, 2015.

> Dividends declared by IGM during the twelve-month period ended December 31, 2014 on its common shares were $2.175 per share, compared with $2.15 per share in the corresponding period of 2013. In the twelve-month period ended December 31, 2014, the Corporation recorded dividends from IGM of $322 million, compared with $318 million in the corresponding period of 2013. On February 13, 2015, IGM declared a quarterly dividend of $0.5625 per share on its common share, payable April 30, 2015.

> Pargesa declares and pays an annual dividend in the second quarter ending June 30. The dividend paid by Pargesa to Parjointco in 2014 was SF2.64 per bearer share, compared with SF2.57 in 2013. The Corporation received dividends of SF62 million from Parjointco in 2014 (SF59 million in 2013). At its upcoming annual meeting in May, the board of directors of Pargesa will propose a 2014 dividend of SF2.27 per bearer share, to be paid on May 11, 2015.

The Corporation's financing activities during the twelve-month period ended December 31, 2014 were a net outflow of $1,286 million, compared with a net outflow of $592 million in the corresponding period in 2013, and included:

> Dividends paid on common and preferred shares by the Corporation of $1,128 million, compared with $1,123 million in the corresponding period of 2013. In the twelve-month period ended December 31, 2014, dividends declared on the Corporation's common shares were $1.40 per share, the same as in the corresponding period of 2013.

> Issuance of common shares of the Corporation for $17 million pursuant to the Corporation's Employee Stock Option Plan, compared with an issuance for $45 million in the corresponding period of 2013.

> The Corporation repurchased the Series M preferred shares for $175 million, compared with an issuance of $500 million in the corresponding period of 2013.

The Corporation's investing activities during the twelve-month period ended December 31, 2014 represented a net outflow of $15 million, compared with a net outflow of $573 million in the corresponding period of 2013.

CAPITAL MANAGEMENT

As a holding company, Power Financial's objectives in managing its capital are to:

> provide attractive long-term returns to shareholders of the Corporation;
> provide sufficient financial flexibility to pursue its growth strategy and invest in its group companies as it determines to be appropriate; and
> maintain an appropriate credit rating to ensure stable access to the capital markets.

The Corporation manages its capital taking into consideration the risk characteristics and liquidity of its holdings. In order to maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue capital.

The Board of Directors of the Corporation is responsible for capital management. Management of the Corporation is responsible for establishing capital management procedures and for implementing and monitoring its capital plans. The Board of Directors of the Corporation reviews and approves capital transactions such as the issuance, redemption and repurchase of common shares, perpetual preferred shares and debentures. The boards of directors of public subsidiaries are responsible for their respective company's capital management.

The Corporation is a long-term investor. The majority of the Corporation's capital is permanent, matching the long-term nature of its investments. The capital structure of the Corporation consists of preferred shares, debentures, common shareholders' equity, and non-controlling interests. The Corporation views perpetual preferred shares as a permanent and cost-effective source of capital consistent with its strategy of maintaining a relatively low level of debt.

In the following table, consolidated capitalization reflects the consolidation of the Corporation's majority owned subsidiaries. The Corporation's consolidated capitalization includes the debentures and debt instruments of its consolidated subsidiaries. Debentures and debt instruments issued by Lifeco and IGM are non-recourse to the Corporation. Perpetual preferred shares and total equity account for 81% of consolidated capitalization at December 31, 2014.

	2014	2013
DEBENTURES AND DEBT INSTRUMENTS		
Power Financial	250	250
Lifeco	5,355	5,740
IGM	1,325	1,325
Consolidating eliminations	(43)	(40)
	6,887	7,275
PREFERRED SHARES		
Power Financial	2,580	2,755
Lifeco	2,514	2,314
IGM	150	150
	5,244	5,219
EQUITY		
Common shareholders' equity	14,439	13,238
Non-controlling interests[1]	9,219	8,477
	23,658	21,715
	35,789	34,209

[1] Represents the equity non-controlling interests of the Corporation's subsidiaries and excludes Lifeco and IGM preferred shares which are shown as preferred shares.

The Corporation is not subject to externally imposed regulatory capital requirements. Certain of the Corporation's major operating subsidiaries (Lifeco and IGM) are subject to regulatory capital requirements.

RATINGS

The current rating by Standard & Poor's (S&P) of the Corporation's debenture is "A+" with a stable outlook. Dominion Bond Rating Service's (DBRS) current rating on the Corporation's debenture is "AA (Low)" with a stable rating trend. Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites. These ratings are not a recommendation to buy, sell or hold the securities of the Corporation and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

The "A+" rating assigned to the Corporation's debenture by S&P is the fifth highest of the 22 ratings used for long-term debt. 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 "AA (Low)" rating assigned to Power Financial's debenture by DBRS is the fourth highest of the 26 ratings used 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.

RISK MANAGEMENT

There are certain risks inherent in an investment in the securities of the Corporation and in the activities of the Corporation, including the following risks and others discussed elsewhere in this review of financial performance, 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. As a result, the Corporation bears the risks associated with being a significant shareholder of these holdings and operating companies. The respective boards of directors of Lifeco and IGM are responsible for the risk oversight function. The risk committee of the board directors of Lifeco is responsible for risk oversight, and the board of directors of IGM provides oversight and carries out its risk management mandate through various committes. Officers of the Corporation are members of these boards and committees of these boards and consequently in their role as directors they participate in the risk oversight function at the operating companies. Pargesa, a holding company, is also subject to risk due to the nature of its activities and also those of its direct subsidiary GBL. These risks relate to credit, liquidity and market risk as described in Pargesa's consolidated financial statements for the year ended December 31, 2014.

The Corporation believes that a prudent approach to risk is achieved through a governance model that focuses on the active oversight of its investments. The Board of Directors of the Corporation has overall responsibility for monitoring management's implementation and maintenance of policies and controls to manage the risks associated with the Corporation's business as a holding company.

The Board of Directors provides oversight and carries out its risk management mandate primarily through the following committees:

> The Audit Committee addresses risks related to financial reporting.

> The Compensation Committee considers risk associated with the Corporation's compensation policies and practices.

> The Governance and Nominating Committee oversees the Corporation's approach to appropriately address potential risks related to governance matters.

> The Related Party and Conduct Review Committee oversees the risks related to transactions with related parties of the Corporation.

The share price of Power Financial and its subsidiaries (Lifeco and IGM) may be volatile and subject to fluctuations in response to numerous factors beyond Power Financial's control. Economic conditions may adversely affect Power Financial and its subsidiaries, 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, Europe and Asia. 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. These factors may cause decreases in asset values that are deemed to be significant or prolonged, which may result in impairment charges. In periods of increased levels of volatility and related market turmoil, Power Financial subsidiaries' operations could be adversely impacted and the trading price of Power Financial's securities may be adversely affected.

FINANCIAL INSTRUMENTS RISK

Power Financial has established policies, guidelines or procedures designed to identify, measure, monitor and mitigate material risks associated with financial instruments. The key risks related to financial instruments are liquidity risk, credit risk and market risk.

> Liquidity risk is the risk that the Corporation will not be able to meet all cash outflow obligations as they come due.

> Credit risk is the potential for financial loss to the Corporation if a counterparty in a transaction fails to meet its obligations.

> Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: currency risk, interest rate risk and equity price risk.

> > Currency risk relates to the Corporation operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

> > Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

> > Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets.

LIQUIDITY RISK

As a holding company, Power Financial's ability to meet its obligations, including payment of interest, other operating expenses and dividends, and to complete current or desirable future enhancement opportunities or acquisitions generally depends upon dividends from its principal subsidiaries (Lifeco and IGM) and Pargesa, and its ability to raise additional capital. Dividends to shareholders of Power Financial will be dependent on the operating performance, profitability, financial position and creditworthiness of the subsidiaries of Power Financial and on their ability to pay dividends to Power Financial. The ability of Lifeco and IGM, which are also holding companies, to meet their obligations and pay dividends is dependent upon receipt of dividends from their subsidiaries. The payment of interest and dividends by Lifeco's principal subsidiaries is subject to restrictions set out in relevant corporate and insurance laws and regulations, which require that solvency and capital ratios be maintained. The payment of dividends by IGM's principal subsidiaries is subject to corporate laws and regulations which require that solvency standards be maintained. In addition, certain subsidiaries of IGM must also comply with capital and liquidity requirements established by regulatory authorities.

Power Financial regularly reviews its liquidity requirements and seeks to maintain a sufficient level of liquidity to meet its operating expenses, financing charges and payment of preferred share dividends for a reasonable period of time. 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 the business performance of Power Financial and its subsidiaries. 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.

Power Financial's management of liquidity risk have not changed materially since December 31, 2013.

CREDIT RISK

Fixed income securities and derivatives are subject to credit risk. Power Financial mitigates credit risk on its fixed income securities by adhering to an investment policy that outlines credit risk parameters and concentration limits.

Fixed income securities, which are included in investments and in cash and cash equivalents, consist primarily of bonds, bankers' acceptances and highly liquid temporary deposits with Canadian chartered banks and banks in jurisdictions where Power Financial operates as well as bonds and short-term securities of, or guaranteed by, the Canadian and U.S. government. Power Financial regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

Derivatives continue to be utilized on a basis consistent with the risk management guidelines of Power Financial and are monitored by the Corporation for effectiveness as economic hedges even if specific hedge accounting requirements are not met. Power Financial regularly reviews the credit ratings of derivative financial instrument counterparties. Derivative contracts are over-the-counter with counterparties that are highly rated financial institutions.

Power Financial's exposure to and management of credit risk related to fixed income securities and derivatives have not changed materially since December 31, 2013.

MARKET RISK

a) Currency risk

Power Financial's financial instruments are comprised of cash and cash equivalents, fixed income securities and long-term debt. In managing its own cash and cash equivalents, Power Financial may hold cash balances denominated in foreign currencies and thus be exposed to fluctuations in exchange rates. In order to protect against such fluctuations, Power Financial may from time to time enter into currency-hedging transactions with highly rated financial institutions. As at December 31, 2014, approximately 90% of Power Financial's cash and cash equivalents and fixed income securities were denominated in Canadian dollars or in foreign currencies with currency hedges in place.

Power Financial is exposed through Parjointco to foreign exchange risk as a result of Parjointco's investment in Pargesa, a company whose functional currency is the Swiss franc. Foreign currency translation gains and losses from Pargesa are recorded in other comprehensive income.

b) Interest rate risk

Power Financial's financial instruments are cash and cash equivalents, fixed income securities and long-term debt that do not have significant exposure to interest rate risk.

c) Equity price risk

Power Financial's financial instruments are cash and cash equivalents, fixed income securities and long-term debt that do not have exposure to equity price risk.

Pargesa indirectly holds substantial investments classified as available for sale; unrealized gains and losses on these investments are recorded in other comprehensive income until realized. These investments are reviewed periodically to determine whether there is objective evidence of an impairment in value.

OFF-BALANCE SHEET ARRANGEMENTS

GUARANTEES

In the normal course of their operations, the Corporation and its subsidiaries may enter into certain agreements, the nature of which precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation or subsidiary could be required to pay third parties, as some of these agreements do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined.

LETTERS OF CREDIT

In the normal course of Lifeco's reinsurance business, Lifeco provides letters of credit to other parties or beneficiaries. A beneficiary will typically hold a letter of credit as collateral in order to secure statutory credit for insurance and investment contract liabilities ceded to or amounts due from Lifeco. Lifeco may be required to seek collateral alternatives if it is unable to renew existing letters of credit's maturity. (See also Note 31 to the Corporation's 2014 Consolidated Financial Statements.)

CONTINGENT LIABILITIES

The Corporation and its subsidiaries are from time to time subject to legal actions, including arbitrations and class actions, arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial position of the Corporation. However, based on information presently known, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Corporation.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

PAYMENTS DUE BY PERIOD	TOTAL	LESS THAN 1 YEAR	1–5 YEARS	MORE THAN 5 YEARS
Debentures and debt instruments [1]	6,887	596	1,005	5,286
Deposits and certificates	223	212	8	3
Obligations to securitization entities	6,754	1,249	5,468	37
Operating leases [2]	713	165	428	120
Purchase obligations [3]	180	71	93	16
Pension contributions [4]	204	204	–	–
Contractual commitments [5]	591	591	–	–
Total	15,552	3,088	7,002	5,462
Power Financial [6]	267	8	6	253
Lifeco	6,750	1,540	848	4,362
IGM	8,535	1,540	6,148	847
Total	15,552	3,088	7,002	5,462

[1] Please refer to Note 14 to the Corporation's 2014 Consolidated Financial Statements for further information.

[2] Includes office space and equipment used in the normal course of business. Lease payments are charged to operations over the period of use.

[3] Purchase obligations are commitments of Lifeco to acquire goods and services, essentially related to information services.

[4] Pension contributions include post-retirement benefits and are subject to change, as contribution decisions are affected by many factors including market performance, regulatory requirements and management's ability to change funding policy. Funding estimates beyond one year are excluded due to variability on the assumptions required to project the timing of future contributions.

[5] Represents commitments by Lifeco. These contractual commitments are essentially commitments to investment transactions made in the normal course of operations, in accordance with its policies and guidelines, which are to be disbursed upon fulfilment of certain contract conditions.

[6] Includes debenture of the Corporation of $250 million.

Lifeco uses letters of credit in the normal course of business; refer to Note 31 to the Corporation's 2014 Consolidated Financial Statements.

TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, Great-West Life enters into various transactions with related companies which include providing insurance benefits to other companies within the Power Financial group of companies. Such transactions are at market terms and conditions and are reviewed by the appropriate Related Party and Conduct Review Committee.

Lifeco provides reinsurance, asset management and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of Power Financial, and Lifeco and its subsidiaries. Such transactions are at market terms and conditions and are reviewed by the appropriate Related Party and Conduct Review Committee.

IGM also enters into transactions with subsidiaries of Lifeco. These transactions are in the normal course of operations and include (i) providing certain administrative services, (ii) distributing insurance products and (iii) the sale of residential mortgages to Great-West Life and London Life. These transactions are at market terms and conditions.

On November 14, 2013, the Board of Directors approved a loss consolidation program with IGM. This program allows Power Financial to generate sufficient taxable income to use its non-capital losses. At the same time, IGM incurs tax deductions, which are used to reduce its taxable income. On January 6, 2015, the Corporation increased its loss consolidation transactions with IGM. The increase was put in place to ensure that non-capital losses of Power Financial, which would otherwise expire in 2015, will be utilized. The Corporation acquired $330 million of 4.50% secured debentures of IGM. As sole consideration for the debentures, a wholly owned subsidiary of Power Financial issued $330 million of 4.51% preferred shares to IGM. The Corporation has legally enforceable rights to settle these financial instruments on a net basis and the Corporation intends to exercise these rights.

FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair value of the Corporation's financial assets and financial liabilities. The table distinguishes between those financial instruments recorded at fair value and those recorded at amortized cost. The table excludes fair value information for financial assets and financial liabilities not measured at the fair value if the carrying amount is a reasonable approximation of fair value.

The excluded items are cash and cash equivalents, dividends, interest and accounts receivable, income tax receivable, loans to policyholders, certain other financial assets, accounts payable, repurchase agreements, dividends payable, interest payable, income tax payable and certain other financial liabilities. Fair value represents the amount that would be exchanged in an arm's-length transaction between willing parties and is best evidenced by a quoted market price, if one exists. Fair values represent management's estimates and are generally calculated using market information and at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and matters of significant judgment (please refer to Note 26 to the Corporation's 2014 Consolidated Financial Statements).

	2014		2013	
AS AT DECEMBER 31	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
FINANCIAL ASSETS				
Financial assets recorded at fair value				
Bonds				
Fair value through profit or loss	79,957	79,957	70,104	70,104
Available for sale	10,501	10,501	8,370	8,370
Mortgage loans				
Fair value through profit or loss	366	366	324	324
Shares				
Fair value through profit or loss	6,697	6,697	7,297	7,297
Available for sale	60	60	117	117
Investment properties	4,613	4,613	4,288	4,288
Derivative instruments	693	693	654	654
Other assets	421	421	396	396
	103,308	103,308	91,550	91,550
Financial assets recorded at amortized cost				
Bonds				
Loans and receivables	13,178	14,659	11,855	12,672
Mortgage loans				
Loans and receivables	27,199	29,016	24,591	25,212
Shares				
Available for sale[1]	560	560	632	632
	40,937	44,235	37,078	38,516
Total financial assets	144,245	147,543	128,628	130,066
FINANCIAL LIABILITIES				
Financial liabilities recorded at fair value				
Investment contract liabilities	857	857	889	889
Derivative instruments	1,225	1,225	779	779
Other liabilities	16	16	20	20
	2,098	2,098	1,688	1,688
Financial liabilities recorded at amortized cost				
Obligation to securitization entities	6,754	6,859	5,572	5,671
Debentures and debt instruments	6,887	8,065	7,275	8,066
Capital trust debentures	162	220	163	205
Deposits and certificates	223	225	187	188
	14,026	15,369	13,197	14,130
Total financial liabilities	16,124	17,467	14,885	15,818

[1] Fair value of some investments cannot be reliably measured, therefore the investments are held at cost.

DERIVATIVE FINANCIAL INSTRUMENTS

In the course of their activities, the Corporation and its subsidiaries use derivative financial instruments. When using such derivatives, they only act as limited end-users and not as market-makers in such derivatives.

The use of derivatives is monitored and reviewed on a regular basis by senior management of the Corporation and by senior management of its subsidiaries. The Corporation and its subsidiaries have each established operating policies, guidelines or procedures relating to the use of derivative financial instruments, which in particular aim at:

- prohibiting the use of derivative instruments for speculative purposes;
- documenting transactions and ensuring their consistency with risk management policies;
- demonstrating the effectiveness of the hedging relationships; and
- monitoring the hedging relationship.

The Corporation and its subsidiaries have policies, guidelines or procedures relating to the identification, measurement, monitoring, mitigating and controlling of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity price risk). (See Note 21 to the Corporation's 2014 Consolidated Financial Statements and the "Risk Management" section of this Review of Financial Performance for more information.)

There were no major changes to the Corporation and its subsidiaries' policies and procedures with respect to the use of derivative instruments in the twelve-month period ended December 31, 2014. The following table provides a summary of the Corporation and its subsidiaries' derivatives portfolio at December 31:

	2014			2013		
	NOTIONAL	MAXIMUM CREDIT RISK	TOTAL FAIR VALUE	NOTIONAL	MAXIMUM CREDIT RISK	TOTAL FAIR VALUE
Power Financial	8	1	1	3,549	4	4
Lifeco	15,460	652	(543)	21,582	593	(151)
IGM	2,621	40	10	3,428	57	22
	18,089	693	(532)	28,559	654	(125)

There has been a decrease in the notional amount outstanding and an increase in the exposure to credit risk that represents the market value of those instruments, which are in a gain position. The decrease in the notional amount for the Corporation and Lifeco is mainly due to six-month equity put options on the S&P 500 outstanding as of December 31, 2013. See Note 25 to the Corporation's 2014 Consolidated Financial Statements for more information on the type of derivative financial instruments used by the Corporation and its subsidiaries.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the preparation of the financial statements, management of the Corporation and management of its subsidiaries – Lifeco and IGM – are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Significant judgments made by the management of the Corporation and the management of its subsidiaries and key sources of estimation uncertainty concern: the entities to be consolidated, insurance and investment contract liabilities, fair value measurement, investment impairment, goodwill and intangible assets, income taxes, employee future benefits and deferred selling commissions. These are described in the notes to the 2014 Consolidated Financial Statements. There were no changes in the Corporation's critical accounting estimates and judgments in the twelve-month period ended December 31, 2014.

CONSOLIDATION

Management of the Corporation consolidates all subsidiaries and entities in which it is determined that the Corporation has control. Control is evaluated according to the ability of the Corporation to direct the activities of the subsidiary or other structured entities in order to derive variable returns. Management of the Corporation and each of its subsidiaries apply judgment to determine if it has control of the investee when it has less than a majority of the voting rights.

INSURANCE AND INVESTMENT CONTRACT LIABILITIES

Insurance and investment contract liabilities represent the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all insurance and annuity policies in force with Lifeco. The Appointed Actuaries of Lifeco's subsidiary companies are responsible for determining the amount of the liabilities to make appropriate provisions for Lifeco's obligations to policyholders. The Appointed Actuaries determine the insurance and investment contract liabilities using generally accepted actuarial practices, according to the standards established by the Canadian Institute of Actuaries. The valuation of insurance contracts uses the Canadian Asset Liability Method (CALM). This method involves the projection of future events in order to determine the amount of assets that must be set aside currently to provide for all future obligations and involves a significant amount of judgment.

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality and morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. These margins are necessary to provide for possibilities of mis-estimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Additional details regarding these estimates can be found in Note 12 to the Corporation's 2014 Consolidated Financial Statements.

FAIR VALUE MEASUREMENT

Financial instrument carrying values necessarily reflect the prevailing market liquidity and the liquidity premiums embedded in the market pricing methods the Corporation and its subsidiaries rely upon. The following is a description of the methodologies used to determine fair value.

a) *Bonds at fair value through profit or loss and available for sale*

Fair values for bonds classified at fair value through profit or loss or available for sale are determined with reference to quoted market bid prices primarily provided by third-party independent pricing sources. The Corporation and its subsidiaries maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Corporation and its subsidiaries obtain quoted prices in active markets, when available, for identical assets at the balance sheet date to measure bonds at fair value in its fair value through profit or loss and available-for-sale portfolios. Where prices are not quoted in a normally active market, fair values are determined by valuation models.

The Corporation and its subsidiaries estimate the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

b) *Shares at fair value through profit or loss and available for sale*

Fair values for publicly traded shares are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values for shares for which there is no active market are determined by discounting expected future cash flows. The Corporation and its subsidiaries maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Corporation and its subsidiaries obtain quoted prices in active markets, when available, for identical assets at the balance sheets dates to measure shares at fair value in its fair value through profit or loss and available-for-sale portfolios.

c) *Mortgage loans and bonds classified as loans and receivables*

For disclosure purposes only, fair values for bonds, and mortgage loans, classified as loans and receivables, are determined by discounting expected future cash flows using current market rates. Valuation inputs typically include benchmark yields and risk-adjusted spreads based on current lending activities and market activity.

d) *Investment properties*

Fair values for investment properties are determined using independent qualified appraisal services and include Lifeco management adjustments for material changes in property cash flows, capital expenditures or general market conditions in the interim period between appraisals. The determination of the fair value of investment property requires the use of estimates including future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market conditions. Investment properties under construction are valued at fair value if such values can be reliably determined; otherwise, they are recorded at cost.

INVESTMENT IMPAIRMENT

Investments are reviewed regularly on an individual basis to determine impairment status. The Corporation and its subsidiaries consider various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults, and delinquency in payments of interest or principal.

Investments are deemed to be impaired when there is no longer reasonable assurance of collection. The fair value of an investment is not a definitive indicator of impairment, as it may be significantly influenced by other factors, including the remaining term to maturity and liquidity of the asset. However, market price is taken into consideration when evaluating impairment.

For impaired mortgage loans, and bonds classified as loans and receivables, provisions are established or impairments recorded to adjust the carrying value to the net realizable amount. Wherever possible the fair value of collateral underlying the loans or observable market price is used to establish net realizable value. For impaired available-for-sale bonds, the accumulated loss recorded in other comprehensive income is reclassified to net investment income. Impairments on available-for-sale debt instruments are reversed if there is objective evidence that a permanent recovery has occurred. All gains and losses on bonds, mortgage loans and shares classified or designated as fair value through profit or loss are already recorded in net earnings, therefore, a reduction due to impairment of these assets will be recorded in net earnings. As well, when determined to be impaired, interest is no longer accrued and previous interest accruals are reversed. Impairment losses on available-for-sale shares are recorded if the loss is significant or prolonged and subsequent losses are recorded in net earnings.

Fair value movement on the assets supporting insurance contract liabilities is a major factor in the movement of insurance contract liabilities. Changes in the fair value of bonds designated or classified as fair value through profit or loss that support insurance contract liabilities are largely offset by corresponding changes in the fair value of liabilities, except when the bond has been deemed impaired.

GOODWILL AND INTANGIBLES IMPAIRMENT TESTING

Goodwill and indefinite life intangible assets are tested for impairment annually or more frequently if events indicate that impairment may have occurred. Intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal. In the event that certain conditions have been met, the Corporation would be required to reverse the impairment charge or a portion thereof.

Goodwill and indefinite life intangible assets have been allocated to groups of cash generating units (CGU), representing the lowest level that the assets are monitored for internal reporting purposes. Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of the groups of CGU to the recoverable amount to which the goodwill has been allocated. Intangible assets are tested for impairment by comparing the asset's carrying value to its recoverable amount.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the asset's fair value less cost of disposal or value in use, which is calculated using the present value of estimated future cash flows expected to be generated.

INCOME TAXES

The income tax expense for the period represents the sum of current income tax and deferred income tax. Income tax is recognized as an expense or income in the statements of earnings except to the extent that it relates to items that are not recognized in the statements of earnings (whether in other comprehensive income or directly in equity), in which case the income tax is also recognized in other comprehensive income or directly in equity.

CURRENT INCOME TAX

Current income tax is based on taxable income for the year. Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities using the rates that have been enacted or substantively enacted at the balance sheet date. Current tax assets and current tax liabilities are offset, if a legally enforceable right exists to offset the recognized amounts and the entity intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

A provision for tax uncertainties which meets the probable threshold for recognition is measured based on the probability weighted average approach.

DEFERRED INCOME TAX

Deferred income tax is the tax expected to be payable or recoverable on differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income and on unused tax attributes and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and unused tax attributes can be utilized.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to net current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in the subsidiaries, jointly controlled corporations and associates, except where the group controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The Corporation and its subsidiaries maintain funded defined benefit pension plans for certain employees and advisors, unfunded supplementary employee retirement plans for certain employees, and unfunded post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependants. The Corporation's subsidiaries also maintain defined contribution pension plans for eligible employees and advisors. The defined benefit pension plans provide pensions based on length of service and final average earnings.

The cost of the defined benefit plans earned by eligible employees and advisors is actuarially determined using the projected unit credit method prorated on service based upon management of the Corporation and its subsidiaries' assumptions about discount rates, compensation increases, retirement ages of employees, mortality and expected health care costs. Any changes in these assumptions will impact the carrying amount of defined benefits obligations. The Corporation and its subsidiaries' accrued benefit liability in respect of defined benefit plans is calculated separately for each plan by discounting the amount of the benefit that employees have earned in return for their service in current and prior periods and deducting the fair value of any plan assets. The Corporation and its subsidiaries determine the net interest component of the pension expense for the period by applying the discount rate used to measure the accrued benefit liability at the beginning of the annual period to the net accrued benefit liability. The discount rate used to value liabilities is determined using a yield curve of AA-rated corporate debt securities.

If the plan benefits are changed, or a plan is curtailed, any past service costs or curtailment gains or losses are recognized immediately in net earnings. Net interest costs, current service costs, past service costs and curtailment gains or losses are included in operating and administrative expenses.

Remeasurements arising from defined benefit plans represent actuarial gains and losses, and the actual return on plan assets, less interest calculated at the discount rate and changes in the asset ceiling. Remeasurements are recognized immediately through other comprehensive income and are not reclassified to net earnings.

The accrued benefit asset (liability) represents the plan surplus (deficit).

Payments to the defined contribution plans are expensed as incurred.

DEFERRED SELLING COMMISSIONS

Commissions paid by IGM on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. IGM regularly reviews the carrying value of deferred selling commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by IGM to assess recoverability is the comparison of the future economic benefits derived from the deferred selling commission asset in relation to its carrying value. At December 31, 2014, there were no indications of impairment to deferred selling commissions.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2014, the Corporation and its subsidiaries adopted the following amendments and interpretation: IAS 32, *Financial Instruments: Presentation*, IAS 36, *Impairment of Assets*, IAS 39, *Financial Instruments: Recognition and Measurement* and IFRIC 21, *Levies*. The adoption of these amendments and interpretation did not have a significant impact on the Corporation's financial statements.

FUTURE ACCOUNTING CHANGES

The Corporation and its subsidiaries continuously monitor the potential changes proposed by the International Accounting Standards Board (IASB) and analyze the effect that changes in the standards may have on their consolidated financial statements when they become effective.

IFRS 4 — INSURANCE CONTRACTS

In June 2013, the IASB issued a revised IFRS 4, *Insurance Contracts* exposure draft proposing changes to the accounting standard for insurance contracts. The IASB continues to deliberate the proposals in this exposure draft. The proposed standard differs significantly from Lifeco's current accounting and actuarial practices under the Canadian Asset Liability Method (CALM) and is expected to produce more volatile financial results.

Lifeco is actively monitoring developments in this area; it will continue to measure insurance contract liabilities under current accounting and actuarial policies, including CALM, until a new IFRS for insurance contract measurement is issued and effective.

IFRS 9 — FINANCIAL INSTRUMENTS

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*, the current standard for accounting for financial instruments. The standard was completed in three separate phases:

> Classification and measurement: this phase requires that financial assets be classified at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

> Impairment methodology: this phase replaces the current incurred loss model for impairment of financial assets with an expected loss model.

> Hedge accounting: this phase replaces the current rule-based hedge accounting requirements in IAS 39 with guidance that more closely aligns the accounting with an entity's risk management activities.

The standard will be effective January 1, 2018. The Corporation and its subsidiaries are evaluating the impact of the adoption of this standard.

IFRS 15 — REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers*, which provides a single model for entities to use in accounting for revenue arising from contracts with customers. The model requires an entity to recognize revenue as the goods or services are transferred to customers in an amount that reflects the expected consideration. The revenue recognition requirements in IFRS 15 do not apply to the revenue arising from insurance contracts, leases and financial instruments.

The standard will be effective January 1, 2017. The Corporation and its subsidiaries are evaluating the impact of the adoption of this standard.

DISCLOSURE CONTROLS AND PROCEDURES

Based on their evaluations as of December 31, 2014, the Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures were effective as at December 31, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Corporation's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with IFRS. The Corporation's management is responsible for establishing and maintaining effective internal control over financial reporting. All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Corporation's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Corporation's internal control over financial reporting as at December 31, 2014, based on the Internal Control – Integrated Framework (COSO 2013 Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission. The Corporation transitioned to the COSO 2013 Framework during 2014. Based on such evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Corporation's internal control over financial reporting was effective as at December 31, 2014.

There have been no changes in the Corporation's internal control over financial reporting during the three-month period ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

SELECTED ANNUAL INFORMATION

FOR THE YEARS ENDED DECEMBER 31	2014	2013	2012
Total revenue[1]	41,775	28,830	32,934
Operating earnings attributable to common shareholders[2, 3]	2,105	1,708	1,678
per share – basic	2.96	2.40	2.37
Net earnings attributable to common shareholders[2]	2,136	1,896	1,618
per share – basic	3.00	2.67	2.29
per share – diluted	3.00	2.63	2.27
Consolidated assets[1, 2]	373,843	341,682	268,428
Total financial liabilities[1, 2]	16,124	14,885	12,138
Debentures and debt instruments	6,887	7,275	5,817
Shareholders' equity[1]	17,019	15,993	13,451
Book value per share[1]	20.29	18.61	15.79
Number of common shares outstanding [millions]	711.7	711.2	709.1
Dividends per share [declared]			
Common shares	1.4000	1.4000	1.4000
First preferred shares			
Series A	0.5250	0.5250	0.5250
Series D	1.3750	1.3750	1.3750
Series E	1.3125	1.3125	1.3125
Series F	1.4750	1.4750	1.4750
Series H	1.4375	1.4375	1.4375
Series I	1.5000	1.5000	1.5000
Series K	1.2375	1.2375	1.2375
Series L	1.2750	1.2750	1.2750
Series O	1.4500	1.4500	1.4500
Series P	1.1000	1.1000	1.1000
Series R[4]	1.3750	1.3750	1.2837
Series S[5]	1.2000	1.1006	
Series T[6]	1.1902		

[1] Comparative figures have been restated as described in Note 33 to the Corporation's 2014 Consolidated Financial Statements.

[2] The 2012 figures have been restated for the retroactive impact of new and revised IFRS standards during 2013, most notably IAS 19R, *Employee Benefits* and IFRS 10, *Consolidated Financial Statements*.

[3] Operating earnings and operating earnings per share are non-IFRS financial measures. For a definition of these non-IFRS financial measures, please refer to the "Basis of Presentation – Non-IFRS Financial Measures and Presentation" section of this Review of Financial Performance.

[4] Issued in February 2012.

[5] Issued in February 2013. The first dividend payment was made in April 30, 2013, in the amount of $0.2006 per share.

[6] Issued in December 2013. The first dividend payment was made on April 30, 2014 in the amount of $0.4027 per share. Regular annual dividend is $1.0500 per share.