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

MARCH 18, 2015

This Annual Report is designed to provide interested shareholders and others with selected information concerning Power Corporation of Canada. 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.powercorporation.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 Corporation 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 Corporation is a diversified international management and holding company with interests in companies in the financial services, communications and other business sectors. Its principal asset is a controlling interest in Power Financial, which in turn controls Lifeco and IGM. Power Financial also holds, together with the Frère Group of Belgium, a controlling interest in Pargesa. Power Financial (TSX: PWF), 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). As of the date hereof, Power Corporation holds 65.7% of the equity and voting interests in Power Financial.

POWER FINANCIAL

Power Financial 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

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).

SQUARE VICTORIA COMMUNICATIONS GROUP

Square Victoria Communications Group is a wholly owned subsidiary of Power Corporation which participates in the communications and media industry, through its wholly owned subsidiaries Gesca and Square Victoria Digital Properties.

Gesca publishes *La Presse*, a daily newspaper, and operates the related website LaPresse.ca, and *LaPresse+*, its digital edition for the iPad and Android tablets. In 2013, Gesca's subsidiary, La Presse, ltée, launched a digital version of its print newspaper. Currently, La Presse produces a digital version, *La Presse+*, as well as *La Presse* in the traditional printed format. La Presse does not expect that the print version will continue indefinitely. However, a date for the termination of the print version of the paper has not yet been determined. As part of the process to transition to a digital platform, La Presse renegotiated its printing contract in the first quarter of 2014 and continued its restructuring initiatives begun in 2013.

In November 2014, *The Toronto Star* and *La Presse* announced an agreement in principle to develop a new tablet edition for *The Toronto Star* based on the *La Presse+* news platform technology, expected to be launched in the fall of 2015.

On March 18, 2015, it was announced that Gesca reached an agreement for the sale of its subsidiary which publishes six daily regional newspapers in the Province of Québec.

Square Victoria Digital Properties invests in new media ventures and start-up digital projects. Square Victoria Digital Properties holds a 50% interest in Workopolis, an Internet-based career and recruitment business, and also holds, through subsidiaries, a controlling interest in the Canadian real estate Internet advertising business Bytheowner Inc.

POWER ENERGY

Power Energy, a wholly owned subsidiary of Power Corporation, holds two investments in renewable energy companies:

> An interest of 62.8% in Potentia Solar, a rooftop solar power producer in Ontario;

> An interest of 14.4% in Eagle Creek, a U.S.-based owner and operator of hydropower facilities.

As at December 31, 2014, Power Energy's investment in these two companies was $118 million.

INVESTMENT FUNDS

The Corporation operates equity investment funds in three geographies: Sagard Europe, Sagard Capital in the United States, and Sagard China. Power Corporation conducts its investment fund activities to: (i) achieve long-term capital appreciation through fundamental investment analysis; (ii) seek opportunities to increase its ownership in successful investments and; (iii) leverage its extensive global network and business relationships. Each of the Sagard investment funds operate with separate dedicated teams in their particular geography.

SAGARD EUROPE

The Corporation has invested in three funds in Europe: Sagard Private Equity Partners (Sagard 1), Sagard II (Sagard 2) and Sagard 3, which together are operated as Sagard Europe. Sagard Europe is managed by Sagard SAS, based in France, a wholly owned subsidiary of the Corporation. Pargesa and GBL have also invested in Sagard Europe. Sagard Europe invests, seeking to have significant influence, in mid-sized private companies based in France, Belgium, Luxembourg and Switzerland.

Sagard 1 and Sagard 2 are classified as available-for-sale investments whereas Sagard 3's financial statements are consolidated by Power Corporation as it controls the fund.

Summarized key figures related to Sagard Europe are as follows:

[IN MILLIONS OF EUROS]	SAGARD 1 2002	SAGARD 2 2006	SAGARD 3 2013
Fund size at launch	535	748	404
Corporation's commitment at launch[1]	100	148	200
Corporation's share of distributions to date	405	70	–
Fair value of the Corporation's share at December 31, 2014	10	104	39
Corporation's outstanding commitment at December 31, 2014[1]	4	27	162

[1] Excluding commitments of Pargesa and GBL.

In October 2014, Sagard 2 disposed of its investment in Corialis, a manufacturer of insulating and lacquered profiles in aluminium for doors, windows and verandas. The Corporation received a cash distribution of €47 million (C$67 million), representing a gain of $47 million. At December 31, 2014, the fair value of the Corporation's share of the remaining investments of Sagard Europe was $153 million, excluding the Corporation's share of such investments held indirectly through Pargesa and GBL.

SAGARD CAPITAL

Sagard Capital Partners, L.P. (Sagard Capital), a U.S. limited partnership owned by the Corporation, mainly invests in mid-cap public companies in the United States. Sagard Capital also holds a 96.9% interest in IntegraMed, a private healthcare services company acquired in 2012. At December 31, 2014, the fair value of Sagard Capital's investments, including cash and IntegraMed at fair value, was $650 million.

SAGARD CHINA

Power Corporation operates as a Qualified Foreign Institutional Investor (QFII) in the Chinese "A" shares market. In addition, the Corporation has invested in Chinese companies listed on the Hong Kong Stock Exchange ("H" shares) and the Shenzhen or Shanghai Stock Exchange ("B" shares). Together, the Chinese "A", "B" and "H" share investment activities operate as Sagard China.

DECEMBER 31, 2014	"A" SHARES	"B" AND "H" SHARES	TOTAL SAGARD CHINA
Fair value			
Investments	288	29	317
Cash	83	3	86
Total portfolio	371	32	403

INVESTMENTS IN CHINA AMC AND CITIC LIMITED

The Corporation holds a 10% interest in China AMC; at December 31, 2014, the fair value of this investment was $310 million. China AMC was established in 1998 and was one of the first asset management companies approved by the China Securities Regulatory Commission. It is recognized as a leading company in the Chinese asset management sector.

The Corporation also holds, at December 31, 2014, a 0.6% equity interest in CITIC, a public corporation whose shares are listed on the Hong Kong Stock Exchange. Formerly known as CITIC Pacific Limited, the company changed its name to CITIC Limited when it acquired substantially all of the assets of CITIC Group in August 2014. CITIC's businesses include financial services, resources and energy, manufacturing, real estate and infrastructure, engineering contracting and other businesses operating in China and globally. At December 31, 2014, the fair value of the Corporation's investment in CITIC Limited was $311 million.

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 (itself controlled by the Corporation) and their financial statements are consolidated with those of Power Financial, whose financial statements are consolidated with those of the Corporation. Consolidated financial statements present, as a single economic entity, the assets, liabilities, revenues, expenses and cash flows of the parent company and its subsidiaries (consolidated financial statements represent the financial results of Power Corporation (parent) and Power Financial, SVCG, Power Energy and IntegraMed (its 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 participating shareholders are presented in the section "Results of Power Corporation of Canada" and are comprised of:

> **operating earnings** attributable to participating 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 Corporation, 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 participating 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 Corporation of Canada – 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 Corporation's interests in Power Financial and other subsidiaries 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 elswhere in this review of financial performance as appropriate.

RESULTS OF POWER CORPORATION OF CANADA

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 Power Financial and other subsidiaries, which represent most of the earnings of Power Corporation, are accounted for using the equity method.

NON-CONSOLIDATED BASIS

TWELVE MONTHS ENDED DECEMBER 31	2014	2013
Contribution to operating earnings from:		
Power Financial	1,385	1,124
Other subsidiaries	(79)	(83)
	1,306	1,041
Results from corporate operations		
Income from investments	115	95
Operating and other expenses	(131)	(125)
Dividends on non-participating shares	(52)	(52)
Operating earnings (attributable to participating shareholders)	1,238	959
Other items (non-operating)[1]		
Power Financial	20	123
Other subsidiaries	17	(84)
Corporate operations of Power Corporation	–	(21)
	37	18
Net earnings (attributable to participating shareholders)	1,275	977
Earnings per share (attributable to participating shareholders)		
Operating earnings	2.69	2.08
Non-operating earnings	0.08	0.04
Net earnings	2.77	2.12

[1] See "Other Items" below.

NET EARNINGS (ATTRIBUTABLE TO PARTICIPATING SHAREHOLDERS)

Net earnings attributable to participating shareholders for the twelve-month period ended December 31, 2014 were $1,275 million or $2.77 per share, compared with $977 million or $2.12 per share in the corresponding period in 2013, an increase of 30.7% on a per share basis.

OPERATING EARNINGS (ATTRIBUTABLE TO PARTICIPATING SHAREHOLDERS)

Operating earnings attributable to participating shareholders for the twelve-month period ended December 31, 2014 were $1,238 million or $2.69 per share, compared with $959 million or $2.08 per share in the corresponding period in 2013, an increase of 29.3% on a per share basis.

CONTRIBUTION TO OPERATING EARNINGS

Power Corporation's share of operating earnings from Power Financial and other subsidiaries was $1,306 million for the twelve-month period ended December 31, 2014, compared with $1,041 million for the same period in 2013, an increase of 25.5%.

Power Financial

Power Financial reported operating earnings attributable to common shareholders of $2,105 million or $2.96 per share for the twelve-month period ended December 31, 2014, 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.

Power Financial's operating earnings are summarized below:

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 of Power Financial	(73)	(74)
Dividends on perpetual preferred shares	(132)	(131)
Operating earnings (attributable to common shareholders)	2,105	1,708
Power Corporation's share	1,385	1,124

Power Financial's contribution to Power Corporation's operating earnings was $1,385 million for the twelve-month period ended December 31, 2014, compared with $1,124 million in the same period in 2013.

Other subsidiaries

Other subsidiaries' contribution to the Corporation's operating earnings was a loss of $79 million for the twelve-month period ended December 31, 2014, compared with a loss of $83 million in the same period in 2013.

RESULTS FROM CORPORATE OPERATIONS OF POWER CORPORATION

Results from corporate operations include income from investments, operating expenses, financing charges, depreciation and income taxes.

Corporate operations represented a net charge of $16 million in the twelve-month period ended December 31, 2014, compared with a net charge of $30 million in the corresponding period in 2013. The variance in corporate operations is mainly explained by variations in income from investments shown in the table below.

Summary of income from investments:

TWELVE MONTHS ENDED DECEMBER 31	2014	2013
Sagard Europe	29	(11)
Sagard Capital[1]	12	30
Sagard China	7	2
China AMC	4	5
CITIC Limited	6	8
Investment and hedge funds	43	39
Other income	14	22
	115	95

[1] Excludes the Corporation's share of the results of IntegraMed, presented with the "Contribution from Other subsidiaries".

The income from investments shown above is net of impairment charges of $15 million in the twelve-month period ended December 31, 2014, compared with impairment charges of $36 million in the corresponding period in 2013.

Other income for the twelve-month period ended December 31, 2014 includes interest on cash and cash equivalents and foreign exchange gain, for a total of $14 million, which were partially offset by a charge of $2 million related to six-month equity put options on the S&P 500 purchased by the Corporation. Other income for the twelve-month period ended December 31, 2013 includes interest on cash and cash equivalents and foreign exchange gain, for a total of $15 million, and gains on the disposal of investments for an amount of $15 million, which were partially offset by a charge of $7 million related to six-month equity put options on the S&P 500.

Earnings from Sagard Europe, Sagard Capital and Sagard China, as well as from investment and hedge funds, are volatile in nature as they depend on many factors, including the timing of disposals and distributions.

Operating and other expenses were $131 million in the twelve-month period ended December 31, 2014, compared with $125 million in the corresponding period in 2013.

OTHER ITEMS (NON-OPERATING)

TWELVE MONTHS ENDED DECEMBER 31	2014	2013
Power Financial		
Lifeco		
Litigation provision	–	102
IGM		
Restructuring and other charges	(5)	(4)
Distribution to clients	(24)	–
Pargesa		
Gain on partial disposal of Total	45	25
Gain on partial exchange of Suez Environnement	11	–
Impairment charges on GDF Suez	–	(9)
Gain on partial disposal of GDF Suez	–	10
Other (charge) income	(7)	(1)
	20	123
Other subsidiaries	17	(84)
Corporate operations of Power Corporation	–	(21)
	37	18

Other items in 2014 are comprised of the following:

Power Financial

The Corporation's share of:

> 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 $5 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 $24 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.

> 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 $17 million, $11 million, $1 million and $16 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 $11 million.

Other subsidiaries

> An impairment charge of $21 million recorded by SVCG in the second quarter, on certain digital properties, and charges in connection with restructuring initiatives in the second quarter of $4 million and of $8 million in the fourth quarter.

> On December 12, 2014, Power Energy attained control with its interest of 63% in Potentia Solar. A $50 million gain was recognized as a result, reflecting the Corporation's investment in Potentia Solar at its fair value.

Other items in 2013 are comprised of the following:

Power Financial

The Corporation's share of:

> 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 $102 million.

> After-tax restructuring and other charges recorded by IGM in the fourth quarter of $4 million.

> An impairment charge of $9 million recorded by GBL in the first quarter on its investment in GDF Suez.

> A gain of $10 million recorded by GBL in the second quarter on the disposal of 2.7% of its interest in GDF Suez.

> A gain of $25 million recorded by GBL in the fourth quarter on the disposal of 0.4% of its interest in Total.

Other subsidiaries

> Charges of $13 million recorded by SVCG in connection with restructuring initiatives in the first quarter.

> An impairment charge recorded by SVCG in the third quarter on goodwill ($11 million) and intangible assets ($17 million) of Gesca due to a weakened market environment.

> Net charges of $12 million recorded in the fourth quarter by SVCG representing impairment charges on certain investments net of a gain on a disposal of an interest in a subsidiary.

> A charge of $31 million related to the restructuring of the terms and conditions of a contract to print the *La Presse* newspaper, recorded in the fourth quarter.

Corporate operations of Power Corporation

> An impairment charge of $21 million on CITIC Limited recorded in the second quarter.

FINANCIAL POSITION

CONSOLIDATED BALANCE SHEETS (CONDENSED)

The condensed balance sheet of Lifeco, IGM and other subsidiaries, as well as Power Corporation's and Power Financial's non-consolidated balance sheets are presented below:

							POWER CORPORATION CONSOLIDATED BALANCE SHEETS	
	POWER CORPORATION	POWER FINANCIAL	LIFECO	IGM	OTHER SUBSIDIARIES	CONSOLIDATION ADJUSTMENTS [1]	DECEMBER 31, 2014	DECEMBER 31, 2013 [2]
ASSETS								
Cash and cash equivalents	571	786	2,498	1,216	174	(814)	4,431	4,767
Investments	2,085	31	143,265	7,108	1	702	153,192	136,953
Investments in subsidiaries at equity	9,634	14,342	356	794	–	(25,126)	–	–
Investment in Parjointco	–	2,440	–	–	–	–	2,440	2,437
Investments in jointly controlled corporations and associates	–	–	237	–	141	–	378	513
Funds held by ceding insurers	–	–	12,154	–	–	–	12,154	10,832
Reinsurance assets	–	–	5,151	–	–	–	5,151	5,070
Other assets	346	135	8,602	770	400	(254)	9,999	9,024
Intangible assets	–	–	3,625	1,872	256	–	5,753	5,404
Goodwill	–	–	5,855	2,657	168	637	9,317	9,197
Interest on account of segregated fund policyholders	–	–	174,966	–	–		174,966	160,779
Total assets	12,636	17,734	356,709	14,417	1,140	(24,855)	377,781	344,976
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	400	250	5,355	1,325	271	(43)	7,558	7,767
Other liabilities	255	465	8,436	1,497	550	(240)	10,963	9,578
Insurance and investment contracts on account of segregated fund policyholders	–	–	174,966	–	–	–	174,966	160,779
Total liabilities	655	715	334,812	9,576	821	(283)	346,296	315,759
EQUITY								
Non-participating shares	973	2,580	2,514	150	–	(5,244)	973	977
Participating shareholders' equity	11,008	14,439	16,740	4,691	229	(36,099)	11,008	9,997
Non-controlling interests	–	–	2,643	–	90	16,771	19,504	18,243
Total equity	11,981	17,019	21,897	4,841	319	(24,572)	31,485	29,217
Total liabilities and equity	12,636	17,734	356,709	14,417	1,140	(24,855)	377,781	344,976

[1] Consolidation adjustments include eliminations and reclassifications.

[2] 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 $377.8 billion at December 31, 2014, compared with $345.0 billion at December 31, 2013.

> Investments at December 31, 2014 were $153.2 billion, a $16.2 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 $346.3 billion at December 31, 2014, compared with $315.8 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, Power Financial, SVCG, Power Energy and IntegraMed 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 Corporation's non-consolidated balance sheets, which include its investments in subsidiaries at equity.

DECEMBER 31	2014	2013[2]
ASSETS		
Cash and cash equivalents[1]	571	644
Investments	2,085	1,708
Investments in subsidiaries at equity	9,634	8,894
Other assets	346	344
Total assets	12,636	11,590
LIABILITIES		
Debentures	400	400
Other liabilities	255	216
Total liabilities	655	616
EQUITY		
Non-participating shares	973	977
Participating shareholders' equity	11,008	9,997
Total equity	11,981	10,974
Total liabilities and equity	12,636	11,590

[1] In these non-consolidated balance sheets, cash equivalents include $303 million ($384 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 Corporation amounted to $571 million at December 31, 2014, compared with $644 million at the end of December 2013 (see the "Non-consolidated Statements of Cash Flows" section below for details).

Other investments amounted to $2,085 million at December 31, 2014, compared with $1,708 million at December 31, 2013. These investments, which are shown in the table below, are accounted for as available-for-sale investments.

			2014			2013
DECEMBER 31	COST	UNREALIZED GAIN (LOSS)	FAIR VALUE	COST	UNREALIZED GAIN (LOSS)	FAIR VALUE
Sagard Europe	127	26	153	161	23	184
Sagard Capital[1]	264	182	446	188	152	340
Sagard China[2]	195	122	317	168	55	223
China AMC	282	28	310	282	13	295
CITIC Limited	180	131	311	180	76	256
Investment and hedge funds and other	343	205	548	310	100	410
	1,391	694	2,085	1,289	419	1,708

[1] Including cash and Sagard Capital's investment in IntegraMed at fair value (which is presented in "Investments in subsidiaries" below), the value of Sagard Capital's portfolio at December 31, 2014 was $650 million ($527 million at December 31, 2013).

[2] Including cash, the value of Sagard China's portfolio at December 31, 2014 was $403 million ($321 million at December 31, 2013).

Power Corporation invests in private equity funds. At December 31, 2014, the fair value of these investments was $459 million and the Corporation had outstanding commitments to make future capital contributions to private equity funds for an aggregate amount of $258 million. The Corporation expects that future distributions from these funds will be sufficient to meet these outstanding commitments. The Corporation has also invested in a number of selected hedge funds and other investments. At December 31, 2014, the fair value of these investments in hedge funds and other investments was $89 million.

The carrying value of Power Corporation's investments in its subsidiaries (Power Financial, SVCG, Power Energy and IntegraMed), at equity, increased to $9,634 million at December 31, 2014, compared with $8,894 million at December 31, 2013:

Carrying value, at the beginning of the year	8,894
Investments in subsidiaries	100
Share of operating earnings	1,306
Share of other items	37
Share of other comprehensive income	(45)
Dividends	(655)
Other, including effect of change in ownership	(3)
Carrying value, at December 31, 2014	9,634

SHAREHOLDERS' EQUITY

NON-PARTICIPATING SHARES

Non-participating (preferred) shares of the Corporation consist of six series of First Preferred Shares with an aggregate stated capital amount of $973 million as at December 31, 2014 ($977 million as at December 31, 2013), of which $950 million are non-cumulative. All of these series are perpetual preferred shares and are redeemable in whole or in part at the option of the Corporation from specific dates. The First Preferred Shares, 1986 Series, have a stated value of $23 million ($27 million as at December 31, 2013).

PARTICIPATING SHAREHOLDERS' EQUITY

Participating (common) shareholders' equity was $11,008 million at December 31, 2014, compared with $9,997 million at December 31, 2013. This $1,011 million increase was primarily due to:

- A $708 million increase in retained earnings, reflecting mainly net earnings of $1,327 million, less dividends declared of $587 million and a decrease of $32 million representing the Corporation's share of retained earnings of subsidiaries, mainly due to changes in their ownership of their subsidiaries.
- An increase in reserves (other comprehensive income and amounts related to share-based compensation) of $263 million, consisting of:
  - Positive foreign currency translation adjustments of $358 million.
  - An increase of $255 million related to the Corporation and its subsidiaries' available-for-sale investments and cash flow hedges.
  - A net increase of $30 million related to share-based compensation of the Corporation and its subsidiaries.
  - A decrease of $305 million due to actuarial losses related to pension plans of the Corporation and of its subsidiaries.
  - A decrease of $75 million related to the Corporation's share of other comprehensive income of investments in Pargesa and other associates.
- Issuance of a total of 1,238,070 Subordinate Voting Shares during the twelve-month period ended December 31, 2014 under the Corporation's Executive Stock Option Plan, for an amount of $40 million, including an amount of $8 million representing the cumulative expenses related to these options.

As a result of the above, the book value per participating share of the Corporation was $23.85 at December 31, 2014, compared with $21.72 at the end of 2013.

OUTSTANDING NUMBER OF PARTICIPATING SHARES

As of the date hereof, there were 48,854,772 Participating Preferred Shares of the Corporation outstanding, the same as at December 31, 2013, and 413,568,562 Subordinate Voting Shares of the Corporation outstanding, compared with 411,399,721 as at December 31, 2013. The increase in the number of outstanding Subordinate Voting Shares reflects the exercise of options under the Corporation's Executive Stock Option Plan. As of the date hereof, options were outstanding to purchase up to an aggregate of 18,307,916 Subordinate Voting Shares of the Corporation under the Corporation's Executive 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 $2 billion of First Preferred Shares, Subordinate Voting 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, IGM and other subsidiaries, as well as Power Corporation's and Power Financial's non-consolidated cash flow are presented below:

	POWER FINANCIAL								POWER CORPORATION CONSOLIDATED CASH FLOWS	
TWELVE MONTHS ENDED DECEMBER 31	POWER FINANCIAL	LIFECO	IGM	ELIMINATIONS	SUB-TOTAL	POWER CORPORATION	OTHER SUBSIDIARIES	CONSOLIDATION ADJUSTMENTS	2014	2013
Cash flow from:										
Operating activities	1,162	5,443	741	(1,210)	6,136	580	(72)	(648)	5,996	5,561
Financing activities	(1,286)	(1,685)	625	1,210	(1,136)	(558)	121	550	(1,023)	758
Investing activities	(15)	(4,129)	(1,232)	(57)	(5,433)	(95)	(39)	179	(5,388)	(5,286)
Effect of changes in exchange rates on cash and cash equivalents	–	78	–	–	78	–	1	–	79	194
Increase (decrease) in cash and cash equivalents	(139)	(293)	134	(57)	(355)	(73)	11	81	(336)	1,227
Cash and cash equivalents, at the beginning of the year	925	2,791	1,082	(454)	4,344	644	163	(384)	4,767	3,540
Cash and cash equivalents, at December 31	786	2,498	1,216	(511)	3,989	571	174	(303)	4,431	4,767

On a consolidated basis, cash and cash equivalents decreased by $336 million in the twelve-month period ended December 31, 2014, compared with an increase of $1,227 million in the corresponding period of 2013.

Operating activities produced a net inflow of $5,996 million in the twelve-month period ended December 31, 2014, compared with a net inflow of $5,561 million in the corresponding period of 2013.

Cash flows from financing activities, which include dividends paid on the participating and non-participating shares of the Corporation, as well as dividends paid by subsidiaries to non-controlling interests, represented a net outflow of $1,023 million in the twelve-month period ended December 31, 2014, compared with a net inflow of $758 million in the corresponding period of 2013.

Cash flows from investing activities resulted in a net outflow of $5,388 million in the twelve-month period ended December 31, 2014, compared with a net outflow of $5,286 million in the corresponding period of 2013.

The Corporation decreased its level of fixed income securities with maturities of more than 90 days, resulting in a net inflow of $81 million in 2014.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

As Power Corporation is a holding company, corporate cash flows from operating activities, before payment of non-participating and participating share dividends, are primarily comprised of dividends received and income from investments, less operating expenses, financing charges, and income taxes. Dividends received from Power Financial, which is also a holding company, represent a significant component of the Corporation's corporate cash flows.

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 Corporation, the parent company.

TWELVE MONTHS ENDED DECEMBER 31	2014	2013
OPERATING ACTIVITIES		
Net earnings before dividends on non-participating shares	1,327	1,029
Earnings from subsidiaries not received in cash	(688)	(425)
Impairment charges	15	57
Net gains on disposal of investments	(125)	(129)
Other	51	48
	580	580
FINANCING ACTIVITIES		
Dividends paid on non-participating shares	(52)	(52)
Dividends paid on participating shares	(535)	(534)
Issuance of subordinate voting shares	32	5
Other	(3)	–
	(558)	(581)
INVESTING ACTIVITIES		
Proceeds from disposal of investments	421	432
Purchase of investments	(394)	(289)
Investment in subsidiaries	(100)	(114)
Other	(22)	(31)
	(95)	(2)
Decrease in cash and cash equivalents	(73)	(3)
Cash and cash equivalents, at the beginning of the year	644	647
Cash and cash equivalents, at December 31	571	644

On a non-consolidated basis, cash and cash equivalents decreased by $73 million in the twelve-month period ended December 31, 2014, compared with a decrease of $3 million in the corresponding period in 2013.

Operating activities produced a net inflow of $580 million in the twelve-month period ended December 31, 2014, the same as in the corresponding period in 2013.

> Dividends declared by Power Financial during the twelve-month period ended December 31, 2014 on its common shares were $1.40 per share, the same as in the corresponding period of 2013. Power Corporation received dividends of $655 million from Power Financial in the twelve-month period ended December 31, 2014, the same as in the corresponding period of 2013.

The Corporation's financing activities during the twelve-month period ended December 31, 2014 were a net outflow of $558 million, compared with a net outflow of $581 million in the corresponding period in 2013, and included:

> Dividends paid on participating and non-participating shares by the Corporation of $587 million, compared with $586 million in the corresponding period of 2013. In the twelve-month period ended December 31, 2014, dividends declared on the Corporation's participating shares were $1.16 per share, the same as in the corresponding period of 2013.

> Issuance of Subordinate Voting Shares of the Corporation for $32 million pursuant to the Corporation's Executive Stock Option Plan, compared with $5 million in the corresponding period of 2013.

The Corporation's investing activities during the twelve-month period ended December 31, 2014 were a net outflow of $95 million, compared with a net outflow of $2 million in the corresponding period of 2013. Proceeds from disposal of investments and purchase of investments represent investment activities of the Sagard funds and investment funds.

CAPITAL MANAGEMENT

As a holding company, Power Corporation'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 other investments; 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 participating shares, non-participating 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 non-participating shares, debentures, participating shareholders' equity, and non-controlling interests. The Corporation views non-participating 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 Power Financial, Lifeco, IGM and other subsidiaries are non-recourse to the Corporation. Non-participating shares and total equity account for 81% of consolidated capitalization at December 31, 2014.

	2014	2013
DEBENTURES AND DEBT INSTRUMENTS		
Power Corporation	400	400
Power Financial	250	250
Lifeco	5,355	5,740
IGM	1,325	1,325
Other subsidiaries	271	92
Consolidating eliminations	(43)	(40)
	7,558	7,767
NON-PARTICIPATING SHARES		
Power Corporation	973	977
Power Financial	2,580	2,755
Lifeco	2,514	2,314
IGM	150	150
	6,217	6,196
EQUITY		
Participating shareholders' equity	11,008	9,997
Non-controlling interests[1]	14,260	13,024
	25,268	23,021
	39,043	36,984

[1] Represents the equity non-controlling interests of the Corporation's subsidiaries and excludes Power Financial, Lifeco and IGM preferred shares which are shown as non-participating 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 debentures is "A" with a stable outlook. Dominion Bond Rating Service's (DBRS) current rating on the Corporation's debentures is "A (High)" 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 debentures by S&P is the sixth 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 "A (High)" rating assigned to Power Corporation's debentures by DBRS is the fifth highest of the 26 ratings used for long-term debt. Long-term debt rated "A" is of good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than that of "AA" rated entities. Entities in this category may be vulnerable to future events, but qualifying negative factors are considered manageable.

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 Corporation is a holding company whose principal asset is its controlling interest in Power Financial. Power Financial 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 of 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 committees. 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.

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 Corporation, Power Financial and its subsidiaries (Lifeco and IGM) may be volatile and subject to fluctuations in response to numerous factors beyond Power Corporation's control. Economic conditions may adversely affect Power Corporation 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 Corporation subsidiaries' operations could be adversely impacted and the trading price of Power Corporation's securities may be adversely affected.

FINANCIAL INSTRUMENTS RISK

Power Corporation 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 Corporation'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 and other investments, and its ability to raise additional capital. Dividends to shareholders of Power Corporation will be dependent on the operating performance, profitability, financial position and creditworthiness of the subsidiaries of Power Corporation and on their ability to pay dividends to Power Corporation. The ability of Power Financial to meet its obligations and pay dividends is dependent upon receipt of dividends from its subsidiaries. The payment of interest and dividends by Power Financial'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.

Power Corporation 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 Corporation to arrange additional financing in the future will depend in part upon prevailing market conditions as well as the business performance of Power Corporation 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 Corporation's objectives or requirements or, if the foregoing are available to Power Corporation, that they will be on terms acceptable to Power Corporation. The inability of Power Corporation to access sufficient capital on acceptable terms could have a material adverse effect on Power Corporation's business, prospects, dividend paying capability and financial condition, and further enhancement opportunities or acquisitions.

Power Corporation'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 Corporation 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 Corporation operates as well as bonds and short-term securities of, or guaranteed by, the Canadian or U.S. governments. Power Corporation 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 Corporation and are monitored by the Corporation for effectiveness as economic hedges even if specific hedge accounting requirements are not met. Power Corporation 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 Corporation'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 Corporation's financial instruments are comprised of cash and cash equivalents, fixed income securities, other investments (consisting of securities, investment funds and hedge funds) and long-term debt. In managing its own cash and cash equivalents, Power Corporation 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 Corporation may from time to time enter into currency-hedging transactions with highly rated financial institutions. As at December 31, 2014, approximately 43% of the $571 million of Power Corporation's cash and cash equivalents and fixed income securities were denominated in Canadian dollars or in foreign currencies with currency hedges in place.

Most of Power Corporation's other investments are classified as available for sale. Therefore unrealized gains and losses on these investments, resulting from foreign exchange rate variations, are recorded in other comprehensive income until realized. As at December 31, 2014, the impact of a 5% decrease in foreign exchange rates would have been a $103 million unrealized loss recorded in other comprehensive income. All long-term debt is denominated in Canadian dollars.

b) Interest rate risk

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

c) Equity price risk

Power Corporation's financial instruments are cash and cash equivalents, fixed income securities, other investments and long-term debt. Power Corporation's other investments are classified as available for sale and therefore unrealized gains and losses on these investments are recorded in other comprehensive income until realized. Other investments are reviewed periodically to determine whether there is objective evidence of an impairment in value.

As at December 31, 2014, the impact of a 5% decrease in the value of other investments would have been a $101 million unrealized loss recorded in other comprehensive income.

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]	7,558	607	1,399	5,552
Deposits and certificates	223	212	8	3
Obligations to securitization entities	6,754	1,249	5,468	37
Operating leases[2]	970	197	526	247
Purchase obligations[3]	180	71	93	16
Pension contributions[4]	225	225		
Contractual commitments[5, 6]	1,144			
Total	17,054			
Power Corporation[6, 7]	970	6	257	154
Power Financial	267	8	6	253
Lifeco	6,750	1,540	848	4,362
IGM	8,535	1,540	6,148	847
Other subsidiaries	532	58	235	239
Total	17,054			

[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] Includes $591 million of 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 $553 million of outstanding commitments from the Corporation to make future capital contributions to investment funds; the exact amount and timing of each capital contribution cannot be determined.

[7] Includes debentures of the Corporation of $400 million.

The Corporation's subsidiaries use 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 Corporation 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 Corporation, 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.

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	10,804	10,804	8,753	8,753
Mortgage loans				
Fair value through profit or loss	366	366	324	324
Shares				
Fair value through profit or loss	6,698	6,698	7,298	7,298
Available for sale	2,106	2,106	1,776	1,776
Investment properties	4,613	4,613	4,288	4,288
Derivative instruments	693	693	655	655
Other assets	421	421	396	396
	105,658	105,658	93,594	93,594
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	146,595	149,893	130,672	132,110
FINANCIAL LIABILITIES				
Financial liabilities recorded at fair value				
Investment contract liabilities	857	857	889	889
Derivative instruments	1,228	1,228	782	782
Other liabilities	16	16	20	20
	2,101	2,101	1,691	1,691
Financial liabilities recorded at amortized cost				
Obligation to securitization entities	6,754	6,859	5,572	5,671
Debentures and debt instruments	7,558	8,878	7,767	8,676
Capital trust debentures	162	220	163	205
Deposits and certificates	223	225	187	188
	14,697	16,182	13,689	14,740
Total financial liabilities	16,798	18,283	15,380	16,431

[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 Corporation	43	–	(2)	1,129	1	(2)
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
Other subsidiaries	29	–	(1)	–	–	–
	18,161	693	(535)	29,688	655	(127)

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, Power Financial 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 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 Co-Chief Executive Officers 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 Co-Chief Executive Officers 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 Co-Chief Executive Officers 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]	42,629	29,642	33,443
Operating earnings attributable to participating shareholders[2, 3]	1,238	959	947
per share – basic	2.69	2.08	2.06
Net earnings attributable to participating shareholders[2]	1,275	977	816
per share – basic	2.77	2.12	1.78
per share – diluted	2.75	2.08	1.76
Consolidated assets[1, 2]	377,781	344,976	271,474
Total financial liabilities[1, 2]	16,798	15,380	12,631
Debentures and debt instruments	7,558	7,767	6,310
Shareholders' equity[1]	11,981	10,974	9,525
Book value per share[1]	23.85	21.72	18.58
Number of participating shares outstanding [millions]			
Participating preferred shares	48.9	48.9	48.9
Subordinate voting shares	412.6	411.4	411.1
Dividends per share [declared]			
Participating shares	1.1600	1.1600	1.1600
First preferred shares			
1986 Series	1.0500	1.0500	1.0500
Series A	1.4000	1.4000	1.4000
Series B	1.3375	1.3375	1.3375
Series C	1.4500	1.4500	1.4500
Series D	1.2500	1.2500	1.2500
Series G[4]	1.4000	1.4000	1.2303

[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.