

REVIEW OF FINANCIAL PERFORMANCE

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

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

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

NON-IFRS FINANCIAL MEASURES AND PRESENTATION

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

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

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

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

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

RESULTS OF POWER FINANCIAL CORPORATION

EARNINGS SUMMARY — CONDENSED SUPPLEMENTARY STATEMENTS OF EARNINGS

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