

## POWER CORPORATION OF CANADA

## Condensed Consolidated Balance Sheets

(unaudited) [in millions of Canadian dollars]	September 30, 2019	December 31, 2018
<b>Assets</b>		
Cash and cash equivalents	6,083	6,441
Investments [Note 5]		
Bonds	116,238	125,250
Mortgage and other loans	31,956	32,897
Shares	11,106	10,362
Investment properties	5,542	5,218
Loans to policyholders	8,717	8,929
	173,559	182,656
Assets held for sale [Note 4]	876	897
Funds held by ceding insurers	8,791	9,251
Reinsurance assets [Note 8]	21,195	6,126
Derivative financial instruments	717	434
Investments in jointly controlled corporations and associates [Note 6]	5,576	5,087
Owner-occupied properties and capital assets	2,834	1,867
Other assets	9,708	9,390
Deferred tax assets	974	1,098
Intangible assets	5,786	5,787
Goodwill	10,329	10,423
Investments on account of segregated fund policyholders [Note 7]	222,604	209,527
Investments on account of segregated fund policyholders held for sale [Note 4]	3,172	3,319
<b>Total assets</b>	<b>472,204</b>	<b>452,303</b>
<b>Liabilities</b>		
Insurance contract liabilities [Note 8]	174,433	166,720
Investment contract liabilities [Note 8]	1,721	1,711
Liabilities held for sale [Note 4]	876	897
Obligations to securitization entities	7,186	7,370
Debentures and other debt instruments [Note 9]	10,120	9,977
Derivative financial instruments	1,525	1,597
Other liabilities	13,098	11,544
Deferred tax liabilities	1,501	1,595
Insurance and investment contracts on account of segregated fund policyholders [Note 7]	222,604	209,527
Insurance and investment contracts on account of segregated fund policyholders held for sale [Note 4]	3,172	3,319
<b>Total liabilities</b>	<b>436,236</b>	<b>414,257</b>
<b>Equity</b>		
Stated capital [Note 10]		
Non-participating shares	961	962
Participating shares	718	766
Retained earnings	10,948	11,726
Reserves	1,266	1,664
Total shareholders' equity	13,893	15,118
Non-controlling interests	22,075	22,928
<b>Total equity</b>	<b>35,968</b>	<b>38,046</b>
<b>Total liabilities and equity</b>	<b>472,204</b>	<b>452,303</b>

**Condensed Consolidated Statements of Earnings**

(unaudited) [in millions of Canadian dollars, except per share amounts]	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Revenues</b>				
Premium income				
Gross premiums written	10,655	11,403	32,496	29,697
Ceded premiums	(1,336)	(1,071)	(17,479)	(3,297)
Total net premiums	9,319	10,332	15,017	26,400
Net investment income				
Regular net investment income	1,519	1,574	4,936	5,023
Change in fair value through profit or loss	2,110	(1,375)	8,731	(3,209)
Net investment income	3,629	199	13,667	1,814
Fee income	2,252	2,238	7,796	6,630
Other revenues	222	203	632	593
Total revenues	15,422	12,972	37,112	35,437
<b>Expenses</b>				
Policyholder benefits				
Insurance and investment contracts				
Gross	8,878	7,882	27,256	23,620
Ceded	(762)	(625)	(2,051)	(1,846)
Total net policyholder benefits	8,116	7,257	25,205	21,774
Policyholder dividends and experience refunds	352	396	1,207	1,296
Changes in insurance and investment contract liabilities	2,972	1,393	(1,090)	312
Total paid or credited to policyholders	11,440	9,046	25,322	23,382
Commissions	830	865	2,562	2,580
Operating and administrative expenses	1,994	2,094	6,152	6,000
Financing charges	139	143	411	340
Total expenses	14,403	12,148	34,447	32,302
Earnings before investments in jointly controlled corporations and associates, and income taxes	1,019	824	2,665	3,135
Share of earnings of investments in jointly controlled corporations and associates [Note 6]	30	31	178	100
Earnings before income taxes	1,049	855	2,843	3,235
Income taxes [Note 15]	78	167	370	510
<b>Net earnings</b>	971	688	2,473	2,725
<b>Attributable to</b>				
Non-controlling interests	599	489	1,505	1,628
Non-participating shareholders	13	13	39	39
Participating shareholders	359	186	929	1,058
	971	688	2,473	2,725
<b>Earnings per participating share</b> [Note 17]				
Net earnings attributable to participating shareholders				
- Basic	0.84	0.40	2.11	2.28
- Diluted	0.84	0.40	2.10	2.27

## Condensed Consolidated Statements of Comprehensive Income

(unaudited) [in millions of Canadian dollars]	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Net earnings</b>	971	688	2,473	2,725
<b>Other comprehensive income (loss)</b>				
<b>Items that may be reclassified subsequently to net earnings</b>				
Net unrealized gains (losses) on available-for-sale investments				
Unrealized gains (losses)	90	(129)	511	(178)
Income tax (expense) benefit	(8)	12	(64)	33
Realized (gains) losses transferred to net earnings	(36)	41	(168)	(195)
Income tax expense (benefit)	1	-	7	1
	47	(76)	286	(339)
Net unrealized gains (losses) on cash flow hedges				
Unrealized gains (losses)	(1)	(2)	(5)	18
Income tax (expense) benefit	(1)	-	(2)	(3)
Realized (gains) losses transferred to net earnings	-	-	-	(69)
Income tax expense (benefit)	-	1	-	18
	(2)	(1)	(7)	(36)
Net unrealized foreign exchange gains (losses) on translation of foreign operations				
Unrealized gains (losses) on translation	(197)	(383)	(924)	85
Realized (gains) losses on translation transferred to net earnings	(4)	-	(13)	-
Unrealized gains (losses) on euro debt designated as hedge of net investments in foreign operations	50	30	120	10
Income tax (expense) benefit	(7)	(4)	(16)	(1)
	(158)	(357)	(833)	94
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	(22)	(67)	178	183
Income tax (expense) benefit	4	7	11	5
	(18)	(60)	189	188
<b>Total - items that may be reclassified</b>	<b>(131)</b>	<b>(494)</b>	<b>(365)</b>	<b>(93)</b>
<b>Items that will not be reclassified subsequently to net earnings</b>				
Actuarial gains (losses) on defined benefit plans [Note 14]	(125)	121	(548)	356
Income tax (expense) benefit	27	(23)	107	(70)
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	-	-	(4)	6
<b>Total - items that will not be reclassified</b>	<b>(98)</b>	<b>98</b>	<b>(445)</b>	<b>292</b>
<b>Other comprehensive income (loss)</b>	<b>(229)</b>	<b>(396)</b>	<b>(810)</b>	<b>199</b>
<b>Comprehensive income</b>	<b>742</b>	<b>292</b>	<b>1,663</b>	<b>2,924</b>
<b>Attributable to</b>				
Non-controlling interests	483	314	1,076	1,782
Non-participating shareholders	13	13	39	39
Participating shareholders	246	(35)	548	1,103
	742	292	1,663	2,924

## Condensed Consolidated Statements of Changes in Equity

Nine months ended September 30, 2019 (unaudited) [in millions of Canadian dollars]	Stated capital				Reserves			Total equity
	Non- participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 16]		Non- controlling interests	
<b>Balance, beginning of year</b>	962	766	11,726	184	1,480	1,664	22,928	38,046
As previously reported								
Change in accounting policies [Note 2]								
Impact of IFRS 16	-	-	(2)	-	-	-	(4)	(6)
Impact of IFRIC 23	-	-	(50)	-	-	-	(59)	(109)
<b>Restated balance, beginning of year</b>	<b>962</b>	<b>766</b>	<b>11,674</b>	<b>184</b>	<b>1,480</b>	<b>1,664</b>	<b>22,865</b>	<b>37,931</b>
Net earnings	-	-	968	-	-	-	1,505	2,473
Other comprehensive loss	-	-	-	-	(381)	(381)	(429)	(810)
Comprehensive income (loss)	-	-	968	-	(381)	(381)	1,076	1,663
Substantial issuer bid on subordinate voting shares [Note 10]	-	(73)	(1,277)	-	-	-	-	(1,350)
Dividends to shareholders								
Non-participating	-	-	(39)	-	-	-	-	(39)
Participating	-	-	(523)	-	-	-	-	(523)
Dividends to non-controlling interests	-	-	-	-	-	-	(1,013)	(1,013)
Share-based compensation [Note 11]	-	-	-	19	-	19	18	37
Stock options exercised	-	25	-	(17)	-	(17)	14	22
Repurchase of shares of the Corporation for cancellation	(1)	-	-	-	-	-	-	(1)
Effects of changes in capital and ownership of subsidiaries, and other <sup>[1]</sup>	-	-	145	14	(33)	(19)	(885)	(759)
<b>Balance, end of period</b>	<b>961</b>	<b>718</b>	<b>10,948</b>	<b>200</b>	<b>1,066</b>	<b>1,266</b>	<b>22,075</b>	<b>35,968</b>

[1] Effects of changes in capital and ownership of subsidiaries relate to the impact of the purchase for cancellation of common shares by Lifeco and Power Financial under their substantial issuer bids and the issuance and the repurchase of common and preferred shares by subsidiaries.

Nine months ended September 30, 2018 (unaudited) [in millions of Canadian dollars]	Stated capital				Reserves			Total equity
	Non- participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 16]	Total	Non- controlling interests	
<b>Balance, beginning of year</b>	<b>965</b>	<b>717</b>	<b>11,191</b>	<b>185</b>	<b>1,321</b>	<b>1,506</b>	<b>21,880</b>	<b>36,259</b>
Net earnings	-	-	1,097	-	-	-	1,628	2,725
Other comprehensive income	-	-	-	-	45	45	154	199
Comprehensive income	-	-	1,097	-	45	45	1,782	2,924
Dividends to shareholders								
Non-participating	-	-	(39)	-	-	-	-	(39)
Participating	-	-	(522)	-	-	-	-	(522)
Dividends to non-controlling interests	-	-	-	-	-	-	(998)	(998)
Share-based compensation [Note 11]	-	-	-	22	-	22	21	43
Stock options exercised	-	47	-	(26)	-	(26)	20	41
Repurchase of shares of the Corporation for cancellation	(2)	-	-	-	-	-	-	(2)
Effects of changes in capital and ownership of subsidiaries, and other	-	-	(46)	-	11	11	(92)	(127)
<b>Balance, end of period</b>	<b>963</b>	<b>764</b>	<b>11,681</b>	<b>181</b>	<b>1,377</b>	<b>1,558</b>	<b>22,613</b>	<b>37,579</b>

## Condensed Consolidated Statements of Cash Flows

(unaudited) [in millions of Canadian dollars]	Nine months ended September 30,	
	2019	2018
<b>Operating activities</b>		
Earnings before income taxes	2,843	3,235
Income tax paid, net of refunds	(391)	(466)
Adjusting items		
Change in insurance and investment contract liabilities	12,201	(512)
Change in funds held by ceding insurers	292	481
Change in reinsurance assets	(1,279)	58
Change in fair value through profit or loss	(8,731)	3,209
Other	345	(730)
	5,280	5,275
<b>Financing activities</b>		
Dividends paid		
By subsidiaries to non-controlling interests	(1,034)	(992)
Non-participating shares	(39)	(39)
Participating shares	(523)	(522)
	(1,596)	(1,553)
Issue of subordinate voting shares by the Corporation [Note 10]	22	41
Issue of equity instruments by subsidiaries	284	51
Repurchase of subordinate voting shares for cancellation under substantial issuer bid [Note 10]	(1,350)	-
Repurchase of non-participating shares by the Corporation	(1)	(2)
Repurchase of common shares by subsidiaries	(618)	(48)
Redemption of preferred shares by subsidiaries	(150)	-
Issue of debentures [Note 9]	250	1,962
Redemption of debentures	-	(1,871)
Increase in other debt instruments	249	86
Decrease in other debt instruments	(198)	(183)
Repayment of lease liabilities	(89)	-
Increase in obligations to securitization entities	1,186	1,238
Repayments of obligations to securitization entities and other	(1,520)	(1,442)
	(3,531)	(1,721)
<b>Investment activities</b>		
Bond sales and maturities	18,919	19,544
Mortgage and other loan repayments	3,170	3,598
Sale of shares	3,035	3,422
Sale of investment properties	8	20
Change in loans to policyholders	(17)	(118)
Business acquisitions, net of cash and cash equivalents acquired	(45)	(279)
Investment in bonds	(19,240)	(21,214)
Investment in mortgage and other loans	(4,474)	(4,721)
Investment in shares	(2,596)	(3,584)
Investments in jointly controlled corporations and associates [Note 6]	(82)	(58)
Proceeds from assets held for sale	-	169
Change in cash and cash equivalents classified as held for sale [Note 4]	39	-
Investment in investment properties and other	(639)	(268)
	(1,922)	(3,489)
Effect of changes in exchange rates on cash and cash equivalents	(185)	17
Increase (decrease) in cash and cash equivalents	(358)	82
Cash and cash equivalents, beginning of year	6,441	5,903
<b>Cash and cash equivalents, end of period</b>	<b>6,083</b>	<b>5,985</b>
<b>Net cash from operating activities includes</b>		
Interest and dividends received	4,366	4,387
Interest paid	487	493

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

(ALL TABULAR AMOUNTS ARE IN MILLIONS OF CANADIAN DOLLARS, UNLESS OTHERWISE NOTED.)

Note 1	Corporate Information	61	Note 10	Stated Capital	71
Note 2	Basis of Presentation and Summary of Significant Accounting Policies	62	Note 11	Share-Based Compensation	72
Note 3	Business Acquisition and Disposal	65	Note 12	Capital Management	73
Note 4	Assets Held for Sale	66	Note 13	Risk Management	75
Note 5	Investments	67	Note 14	Pension Plans and Other Post-Employment Benefits	79
Note 6	Investments in Jointly Controlled Corporations and Associates	68	Note 15	Income Taxes	79
Note 7	Segregated Funds	68	Note 16	Other Comprehensive Income	80
Note 8	Insurance and Investment Contract Liabilities	70	Note 17	Earnings Per Share	80
Note 9	Debentures and Other Debt Instruments	70	Note 18	Fair Value Measurement	81
			Note 19	Segmented Information	85

The following abbreviations are used in these Consolidated Financial Statements:

CALM	Canadian Asset Liability Method	Lumenpulse	Lumenpulse Group Inc.
Canada Life	The Canada Life Assurance Company	Mackenzie or Mackenzie Investments	Mackenzie Financial Corporation
China AMC	China Asset Management Co., Ltd.	Pargesa	Pargesa Holding SA
Great-West Life	The Great-West Life Assurance Company	Parjointco	Parjointco N.V.
Great-West Life & Annuity	Great-West Life & Annuity Insurance Company	Portag3	Portag3 Ventures LP
IFRS	International Financial Reporting Standards	Portag3 II	Portag3 Ventures II LP
IGM or IGM Financial	IGM Financial Inc.	Power Corporation or the Corporation	Power Corporation of Canada
IG Wealth Management	Investors Group Inc.	Power Energy	Power Energy Corporation
IntegraMed	IntegraMed America, Inc.	Power Financial	Power Financial Corporation
Irish Life	Irish Life Group Limited	Putnam	Putnam Investments, LLC
Lifeco	Great-West Lifeco Inc.	Square Victoria Communications Group	Square Victoria Communications Group Inc.
London Life	London Life Insurance Company	Wealthsimple	Wealthsimple Financial Corp.

### NOTE 1 Corporate Information

Power Corporation of Canada is a publicly listed company (TSX: POW) incorporated and domiciled in Canada and located at 751 Victoria Square, Montréal, Québec, Canada, H2Y 2J3.

Power Corporation is a diversified international management and holding company with interests in companies in the financial services, asset management, sustainable and renewable energy and other business sectors.

The unaudited Interim Condensed Consolidated Financial Statements (financial statements) of Power Corporation as at and for the three and nine months ended September 30, 2019 were approved by its Board of Directors on November 7, 2019.

## NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies

### BASIS OF PRESENTATION

The financial statements of Power Corporation as at September 30, 2019 have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (IAS 34) using the same accounting policies, which are consistent with IFRS, as set out in Note 2 to the consolidated financial statements of the Corporation for the year ended December 31, 2018 except as described in the section Change in Accounting Policies below.

The financial statements include the accounts of Power Corporation and its subsidiaries on a consolidated basis after elimination of intercompany transactions and balances, and certain consolidation adjustments.

### SUBSIDIARIES

Subsidiaries are entities the Corporation controls when: (i) the Corporation has power over the entity; (ii) it is exposed or has rights to variable returns from its involvement; and (iii) it has the ability to affect those returns through its use of power over the entity. Subsidiaries of the Corporation are consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continue to be consolidated until the date such control ceases. The Corporation reassesses whether or not it controls an entity if facts and circumstances indicate there are changes to one or more of the elements of control listed above.

The principal operating subsidiaries of the Corporation are:

Corporations	Primary business operation	% equity interest	
		September 30, 2019	December 31, 2018
Power Financial Corporation	Financial services holding company	64.1	65.5
Great-West Lifeco Inc. <sup>[1][2]</sup>	Financial services holding company with interests in insurance and wealth management companies	70.8	71.8
IGM Financial Inc. <sup>[3][4]</sup>	Wealth and asset management	66.0	65.2
Portag3 Ventures LP <sup>[5]</sup>	Backing of innovative financial services companies	100.0	100.0
Portag3 Ventures II LP <sup>[6]</sup>	Focusing on early stage investments in the global technology sector	33.7	47.0
Wealthsimple Financial Corp. <sup>[7]</sup>	Technology-driven investment manager	84.8	81.7
Power Energy Corporation	Holding company with interests in sustainable and renewable energy	100.0	100.0

[1] Power Financial holds a 66.8% equity interest and IGM Financial holds a 4.0% equity interest in Lifeco (67.8% and 4.0%, respectively, at December 31, 2018).

[2] Lifeco's principal operating subsidiary companies are Great-West Life, Great-West Life & Annuity, London Life, Canada Life, Irish Life and Putnam.

[3] Power Financial holds a 62.1% equity interest and Great-West Life holds a 3.9% equity interest in IGM Financial (61.4% and 3.8%, respectively, at December 31, 2018).

[4] IGM's principal operating subsidiary companies are IC Wealth Management and Mackenzie.

[5] Power Financial holds a 63.0% equity interest and Lifeco and IGM Financial each hold an equity interest of 18.5% in Portag3 (same at December 31, 2018).

[6] Power Financial, Lifeco and IGM Financial each hold an equal equity interest of 9.3% (15.7% at December 31, 2018) and Sagard Holdings ULC, a wholly owned subsidiary of the Corporation, holds a 5.7% equity interest (nil at December 31, 2018) in Portag3 II.

[7] Power Financial, Portag3 and IGM Financial hold an equity interest of 20.9%, 17.1% and 46.8%, respectively, in Wealthsimple (16.0%, 21.9% and 43.8%, respectively, at December 31, 2018).

On April 17, 2019, Lifeco completed a substantial issuer bid (the Lifeco SIB) and purchased for cancellation 59,700,974 of its common shares at a purchase price of \$33.50 per common share. Power Financial participated in the Lifeco SIB by tendering its Lifeco common shares on a proportionate basis and on a non-proportionate basis. IGM Financial also participated on a proportionate basis in the Lifeco SIB.

On April 17, 2019, Power Financial completed a substantial issuer bid (the PFC SIB) and purchased for cancellation 49,999,973 of its common shares at a purchase price of \$33.00 per common share. The Corporation participated in the PFC SIB by tendering its Power Financial common shares on a proportionate basis and a non-proportionate basis.

The decrease in ownership in Lifeco and Power Financial resulted in dilution gains of \$71 million and \$66 million, respectively, recorded in retained earnings and other comprehensive income reserve with a corresponding decrease in non-controlling interests in the statements of changes in equity.

**NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies** (continued)

The financial statements of Power Corporation include, on a consolidated basis, the results of Power Financial, Lifeco and IGM Financial, which are public companies. The amounts shown on the consolidated balance sheets, consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows are mainly derived from the publicly disclosed consolidated financial statements of Power Financial, Lifeco and IGM Financial, all as at and for the three and nine months ended September 30, 2019. Certain notes to Power Corporation's financial statements are derived from the notes to the financial statements of Power Financial.

**JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES**

Jointly controlled corporations are entities in which unanimous consent is required for decisions relating to relevant activities. Associates are entities in which the Corporation exercises significant influence over the entity's operating and financial policies, without having control or joint control. Investments in jointly controlled corporations and associates are accounted for using the equity method. Under the equity method, the Corporation recognizes its share of net earnings (losses), other comprehensive income (loss), the changes in equity of the jointly controlled corporations and associates, and dividends received.

The principal jointly controlled corporations and associates of the Corporation are:

Corporations	Classification	Primary business operation	% equity interest	
			September 30, 2019	December 31, 2018
Parjointco N.V. <sup>[1][2]</sup>	Joint control	Holding company	50.0	50.0
China Asset Management Co., Ltd. <sup>[3]</sup>	Associate	Asset management company	27.8	27.8

[1] Held by Power Financial.

[2] Parjointco N.V. holds a 55.5% (same at December 31, 2018) equity interest in Pargesa Holding SA.

[3] Power Corporation and IGM Financial each hold an equity interest of 13.9% in China AMC (same at December 31, 2018).

**CHANGE IN ACCOUNTING POLICIES****IFRS 16 - LEASES (IFRS 16)**

Effective January 1, 2019, the Corporation adopted IFRS 16, which replaces IAS 17, *Leases* (IAS 17) and related interpretations. The standard prescribes new guidance for identifying a lease as well as the recognition, measurement, presentation and disclosure of leases. IFRS 16 requires a lessee to recognize a right-of-use asset representing its right to use the leased asset and a corresponding lease liability representing its obligation to make lease payments for all leases. The distinction between operating and financing leases no longer applies, however an optional exemption exists for short-term and low-value leases.

**Accounting policies**

At inception of a contract, the Corporation and its subsidiaries assess whether a contract is or contains a lease. The Corporation and its subsidiaries recognize a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method and is included within owner-occupied properties and capital assets. Depreciation expense on right-of-use assets is included within operating and administrative expenses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's or its subsidiaries' incremental borrowing rate. Generally, the incremental borrowing rate is used. The lease liability is measured at amortized cost using the effective interest method and is included within other liabilities. Interest expense on lease liabilities is included within financing charges.

**NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies** (continued)

The Corporation and its subsidiaries do not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the term within operating and administrative expenses.

**Impact of transition to IFRS 16**

The Corporation has elected to adopt IFRS 16 using a modified retrospective approach and accordingly the information presented for 2018 remains as previously reported under IAS 17 and related interpretations.

On initial application, the Corporation elected to measure right-of-use assets on a lease-by-lease basis at either i) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized on the balance sheets immediately before the date of initial application; or ii) at its carrying amount as if IFRS 16 had been applied since the commencement date but discounted using the Corporation's incremental borrowing rate at January 1, 2019. When measuring lease liabilities, the Corporation and its subsidiaries discounted lease payments using their respective incremental borrowing rates at January 1, 2019. The weighted-average incremental borrowing rate was 4.29% at January 1, 2019.

On transition, the Corporation and its subsidiaries elected to apply practical expedients including: i) to not recognize right-of-use assets and lease liabilities for leases for which the remaining lease terms end within twelve months of the date of transition; and ii) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

Impact on the balance sheet as at January 1, 2019:

	December 31, 2018 (as previously reported)	Impact of IFRS 16	January 1, 2019 (restated)
<b>Assets</b>			
Investment properties	5,218	29	5,247
Owner-occupied properties and capital assets	1,867	854	2,721
Other assets	9,390	(40)	9,350
		843	
<b>Liabilities and shareholders' equity</b>			
Other liabilities <sup>(1)</sup>	11,544	851	12,395
Deferred tax liabilities	1,595	(2)	1,593
Retained earnings	11,726	(2)	11,724
Non-controlling interests	22,928	(4)	22,924
		843	

[1] Accrued lease payments of \$100 million within other liabilities on the balance sheet at December 31, 2018 were reclassified to decrease right-of-use assets.

The following table reconciles the Corporation and its subsidiaries' operating lease obligations at December 31, 2018, as previously disclosed in the Corporation's consolidated financial statements, to the lease liabilities recognized on initial application of IFRS 16 at January 1, 2019:

Operating lease commitments at December 31, 2018	1,359
Discounting using the incremental borrowing rate at January 1, 2019	(227)
Non-lease components included in operating lease commitments	(137)
Leases not yet commenced at January 1, 2019 included in operating lease commitments	(59)
Short-term leases included in operating lease commitments	(6)
Low-value leases included in operating lease commitments	(6)
Renewal options not included in operating lease commitments	27
Lease liabilities recognized at January 1, 2019	951

The application of IFRS 16 did not have a material impact on the statement of earnings or the statement of cash flows for the three-month and nine-month periods ended September 30, 2019, except for the classification of lease payments as financing activities instead of operating activities. The adoption of IFRS 16 did not have an impact on net cash flows.

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**NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies** (continued)
 

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**IFRIC 23 - UNCERTAINTY OVER INCOME TAX TREATMENTS (IFRIC 23)**

Effective January 1, 2019, the Corporation adopted IFRIC 23 which clarifies the application of the recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. Under IFRIC 23, a provision for tax uncertainties which meets the probable threshold for recognition is measured based on the amount most likely to occur. The provision for tax uncertainties is classified as current or deferred based on how a disallowance of the underlying uncertain tax treatment would impact the tax provision accrual as of the balance sheet date. The application of the interpretation of the standard resulted in a decrease of \$109 million to Lifeco's retained earnings. The Corporation's share of this impact is \$50 million.

**USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

In the preparation of the financial statements, management of the Corporation and management of its subsidiaries are required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings, comprehensive income and related disclosures. Key sources of estimation uncertainty and areas where significant judgments have been made by the management of the Corporation and the management of its subsidiaries are further described in the relevant accounting policies as described in the Corporation's financial statements and notes thereto for the year ended December 31, 2018.

**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. There have been no significant changes to future accounting policies that could impact the Corporation from what was disclosed in the December 31, 2018 consolidated annual financial statements.

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**NOTE 3 Business Acquisition and Disposal**


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**LIFECO****U.S. individual life insurance and annuity business reinsurance agreement**

On January 24, 2019, Great-West Life & Annuity, a wholly owned subsidiary of Lifeco, announced that it had entered into an agreement with Protective Life Insurance Company (Protective Life) to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business in the United States. The transaction was completed on June 1, 2019. As a result of the transaction, the balance sheets were impacted by the transfer of \$15,595 million of investments to Protective Life (Note 5), recognition of \$15,230 million of reinsurance assets (Note 8) and \$1,069 million of cash received. Within the statements of earnings, Lifeco recognized increases of \$13,889 million to ceded premiums, \$1,080 million to fee income, \$219 million to net investment income and \$116 million to operating and administrative expenses, as well as a decrease of \$12,463 million to total paid or credited to policyholders. The net loss for Lifeco resulting from the transaction was \$247 million (\$199 million after tax).

**Invesco Ltd. (Ireland)**

On August 1, 2018, Lifeco, through its indirect wholly owned subsidiary Irish Life Group Limited, completed its agreement to acquire a controlling interest in Invesco Ltd. (Ireland), an independent financial consultancy firm in Ireland specializing in employee benefit consultancy and private wealth management that manages and administers assets on behalf of clients.

During the second quarter of 2019, Lifeco completed its comprehensive evaluation of the fair value of the net assets acquired, including intangible assets and completion of the final purchase price allocation, with no significant adjustment to goodwill. Revenue and net earnings of Invesco Ltd. (Ireland) were not significant to the results of the Corporation.

**NOTE 4 Assets Held for Sale****Sale of policies to Scottish Friendly Assurance Society Limited**

In 2018, Canada Life Limited, an indirect wholly owned subsidiary of Lifeco, announced an agreement to sell a heritage block of individual policies, composed of unit-linked policies and non-unit-linked policies, to Scottish Friendly Assurance Society Limited.

The composition of the assets and liabilities of the disposal group classified as assets held for sale are as follows:

	September 30, 2019	December 31, 2018
<b>Assets</b>		
Cash and cash equivalents	68	112
Investments		
Bonds	758	731
Shares	22	22
Investment properties	25	29
Loans to policyholders	3	3
Assets held for sale	876	897
Investments on account of segregated fund policyholders	3,172	3,319
<b>Total assets included in disposal group classified as held for sale</b>	<b>4,048</b>	<b>4,216</b>
<b>Liabilities</b>		
Insurance contract liabilities	856	870
Investment contract liabilities	20	27
Liabilities held for sale	876	897
Insurance and investment contracts on account of segregated fund policyholders	3,172	3,319
<b>Total liabilities included in disposal group classified as held for sale</b>	<b>4,048</b>	<b>4,216</b>

*Subsequent event*

On October 22, 2019, the required court approval for the transfer of these policies was received and the transfer occurred with effect from November 1, 2019.

The composition of assets and liabilities of the disposal group will be finalized after a comprehensive evaluation of the fair value of the assets and liabilities transferred has been completed.

Net earnings from the disposal of these policies are not expected to be material to the financial statements.

**NOTE 5 Investments****CARRYING VALUES AND FAIR VALUES**

Carrying values and estimated fair values of investments are as follows:

	September 30, 2019 <sup>[1]</sup>		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
<b>Bonds</b>				
Designated as fair value through profit or loss	84,780	84,780	89,929	89,929
Classified as fair value through profit or loss	1,906	1,906	1,886	1,886
Available for sale	12,493	12,493	13,713	13,713
Loans and receivables	17,059	19,278	19,722	20,619
	116,238	118,457	125,250	126,147
<b>Mortgage and other loans</b>				
Loans and receivables	30,784	32,098	32,080	32,524
Designated as fair value through profit or loss	1,160	1,160	813	813
Classified as fair value through profit or loss	12	12	4	4
	31,956	33,270	32,897	33,341
<b>Shares</b>				
Designated as fair value through profit or loss	9,489	9,489	8,658	8,658
Classified as fair value through profit or loss	167	167	136	136
Available for sale <sup>[2]</sup>	1,450	1,450	1,568	1,568
	11,106	11,106	10,362	10,362
Investment properties	5,542	5,542	5,218	5,218
Loans to policyholders	8,717	8,717	8,929	8,929
	173,559	177,092	182,656	183,997

[1] As a result of the reinsurance transaction with Protective Life (Note 3), investments were derecognized and reinsurance assets were recognized (Note 8).

[2] Fair value of certain shares available for sale cannot be reliably measured, therefore these investments are held at cost.

**NOTE 6 Investments in Jointly Controlled Corporations and Associates**

The carrying values of the investments in jointly controlled corporations and associates are as follows:

September 30, 2019	Jointly controlled corporations		Associates		Total
	Parjointco	Other	China AMC	Other	
Carrying value, beginning of year	3,291	262	1,362	172	5,087
Acquisition	-	-	-	217	217
Investments	-	4	-	11	15
Share of earnings (losses)	161	5	46	(34)	178
Share of other comprehensive income (loss)	275	(5)	(90)	(6)	174
Dividends and distributions	(80)	(2)	(20)	-	(102)
Effects of changes in ownership and other	5	2	-	-	7
Carrying value, end of period	3,652	266	1,298	360	5,576

September 30, 2018	Jointly controlled corporations		Associates		Total
	Parjointco	Other	China AMC	Other	
Carrying value, beginning of year	3,354	312	1,290	198	5,154
Investments	-	44	-	20	64
Share of earnings (losses)	92	(29)	43	(6)	100
Share of other comprehensive income (loss)	211	6	(30)	2	189
Dividends	(75)	(1)	(24)	-	(100)
Effects of changes in ownership and other	(8)	(107)	-	(3)	(118)
Carrying value, end of period	3,574	225	1,279	211	5,289

**PERSONAL CAPITAL CORPORATION**

In January 2019, IGM invested an additional \$67 million (US\$50 million) in Personal Capital Corporation (Personal Capital) which increased its voting interest to 22.7%. IGM has determined that it has significant influence and therefore accounts for its interest as an associate using the equity method. Significant influence arises from its voting interest and board representation. The interest in Personal Capital was previously accounted for as an available-for-sale investment. The carrying value at the time of the acquisition of significant influence was \$217 million. The reclassification of the investment from available for sale to an associate resulted in a gain recorded in net investment income.

As at September 30, 2019, IGM held a 24.8% equity interest in Personal Capital.

**NOTE 7 Segregated Funds**

The following presents details of the investments, determined in accordance with the relevant statutory reporting requirements of each region of Lifeco's operations, on account of segregated fund policyholders:

**INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS**

	September 30, 2019	December 31, 2018
Cash and cash equivalents	12,429	13,458
Bonds	44,960	42,142
Mortgage loans	2,724	2,746
Shares and units in unit trusts	97,652	89,853
Mutual funds	54,576	50,956
Investment properties	12,871	12,319
	225,212	211,474
Accrued income	403	380
Other liabilities	(4,115)	(3,191)
Non-controlling mutual fund interest	1,104	864
	222,604	209,527

**NOTE 7 Segregated Funds** (continued)**INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS**

	Nine months ended September 30,	
	2019	2018
Balance, beginning of year	209,527	217,357
Additions (deductions):		
Policyholder deposits	17,326	18,129
Net investment income	1,521	1,434
Net realized capital gains on investments	2,082	3,428
Net unrealized capital gains (losses) on investments	18,632	(476)
Unrealized gains (losses) due to changes in foreign exchange rates	(9,021)	68
Policyholder withdrawals	(17,985)	(19,950)
Business acquisition	-	950
Segregated fund investment in General Fund	(10)	21
General Fund investment in segregated fund	126	(16)
Net transfer from General Fund	19	19
Non-controlling mutual fund interest	240	(757)
Assets held for sale [Note 4]	147	-
	13,077	2,850
Balance, end of period	222,604	220,207

**INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS** (by fair value hierarchy level)

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders <sup>[1]</sup>	142,426	69,443	13,881	225,750
Investments on account of segregated fund policyholders held for sale <sup>[2]</sup>	3,153	3	8	3,164
Total investments on account of segregated fund policyholders measured at fair value	145,579	69,446	13,889	228,914

[1] Excludes other liabilities, net of other assets, of \$3,146 million.

[2] Excludes other assets, net of other liabilities, of \$8 million.

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders <sup>[1]</sup>	131,603	67,199	13,235	212,037
Investments on account of segregated fund policyholders held for sale <sup>[2]</sup>	3,297	5	9	3,311
Total investments on account of segregated fund policyholders measured at fair value	134,900	67,204	13,244	215,348

[1] Excludes other liabilities, net of other assets, of \$2,510 million.

[2] Excludes other assets, net of other liabilities, of \$8 million.

During the nine months ended September 30, 2019, certain foreign share holdings valued at \$1,318 million were transferred from Level 2 to Level 1 (\$1,842 million were transferred from Level 2 to Level 1 at December 31, 2018), primarily based on Lifeco's change in use of inputs in addition to quoted prices in active markets for certain foreign share holdings. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where Lifeco does not have visibility through to the underlying assets.

**NOTE 7 Segregated Funds** (continued)

The following presents additional information about Lifeco's investments on account of segregated fund policyholders for which Lifeco has utilized Level 3 inputs to determine fair value:

	September 30, 2019			December 31, 2018		
	Investments on account of segregated fund policyholders	Investments on account of segregated fund policyholders held for sale	Total	Investments on account of segregated fund policyholders	Investments on account of segregated fund policyholders held for sale	Total
Balance, beginning of year						
As previously reported	13,235	9	13,244	12,572	-	12,572
Change in accounting policy <sup>[1]</sup>	136	-	136	-	-	-
Restated balance, beginning of year	13,371	9	13,380	12,572	-	12,572
Total gains (losses) included in segregated fund investment income	(5)	(1)	(6)	404	-	404
Purchases	631	-	631	651	-	651
Sales	(116)	-	(116)	(425)	-	(425)
Transfers into Level 3	-	-	-	51	-	51
Transfers out of Level 3	-	-	-	(9)	-	(9)
Transfers to assets held for sale	-	-	-	(9)	9	-
Balance, end of period	13,881	8	13,889	13,235	9	13,244

[1] The segregated funds adopted IFRS 16, which resulted in equal and offsetting right-of-use assets and lease liabilities of \$136 million being recorded in investment properties and other liabilities within investments on account of segregated fund policyholders as of January 1, 2019. The adoption of IFRS 16 had no net impact on investments on account of segregated fund policyholders as of January 1, 2019.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors. There were no transfers into or out of Level 3 during the period ended September 30, 2019.

**NOTE 8 Insurance and Investment Contract Liabilities****INSURANCE AND INVESTMENT CONTRACT LIABILITIES**

	September 30, 2019			December 31, 2018		
	Gross liability	Reinsurance assets <sup>[1]</sup>	Net	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	174,433	21,062	153,371	166,720	6,126	160,594
Investment contract liabilities	1,721	133	1,588	1,711	-	1,711
	176,154	21,195	154,959	168,431	6,126	162,305

[1] Includes reinsurance assets recognized upon the completion of the reinsurance transaction with Protective Life (Note 3).

**NOTE 9 Debentures and Other Debt Instruments****IGM FINANCIAL**

On March 20, 2019, IGM issued \$250 million of 4.206% debentures maturing March 21, 2050. The net proceeds were used by IGM to fund the redemption, on April 30, 2019, of its issued and outstanding 5.90% Non-Cumulative First Preferred Shares, Series B for \$150 million, and for general corporate purposes.

**NOTE 10 Stated Capital****AUTHORIZED**

The authorized capital of Power Corporation consists of an unlimited number of First Preferred Shares, issuable in series; an unlimited number of Participating Preferred Shares; and an unlimited number of Subordinate Voting Shares.

**ISSUED AND OUTSTANDING**

	September 30, 2019		December 31, 2018	
	Number of shares	Stated capital	Number of shares	Stated capital
		\$		\$
<b>Non-Participating Shares</b>				
First Preferred Shares				
Cumulative Redeemable				
1986 Series	215,200	11	247,200	12
Non-cumulative Redeemable, fixed rate				
Series A	6,000,000	150	6,000,000	150
Series B	8,000,000	200	8,000,000	200
Series C	6,000,000	150	6,000,000	150
Series D	10,000,000	250	10,000,000	250
Series G	8,000,000	200	8,000,000	200
		961		962
<b>Participating Shares</b>				
Participating Preferred Shares	48,854,772	27	48,854,772	27
Subordinate Voting Shares				
Balance, beginning of year	417,101,146	739	415,443,579	690
Issued under Stock Option Plan	1,165,203	25	1,657,567	49
Purchase for cancellation under substantial issuer bid	(40,909,041)	(73)	-	-
Balance, end of period	377,357,308	691	417,101,146	739
<b>Total Participating Shares</b>		718		766

**Non-Participating Shares**

During the nine months ended September 30, 2019, 32,000 cumulative redeemable First Preferred Shares, 1986 Series were purchased for cancellation (37,400 shares for the nine months ended September 30, 2018).

**Participating Shares**

During the nine months ended September 30, 2019, 1,165,203 Subordinate Voting Shares were issued under the Corporation's Executive Stock Option Plan for a consideration of \$22 million (1,573,416 Subordinate Voting Shares issued in the nine months ended September 30, 2018 for a consideration of \$41 million).

During the nine months ended September 30, 2019, dividends declared on the Corporation's participating shares amounted to \$1.192 per share (\$1.1225 per share in 2018).

**Substantial Issuer Bid**

On April 17, 2019, the Corporation completed its substantial issuer bid (the PCC SIB) and purchased for cancellation 40,909,041 of its Subordinate Voting Shares at a purchase price of \$33.00 per Subordinate Voting Share for an aggregate amount of \$1.35 billion. The excess paid under the PCC SIB over the stated capital of \$1.28 billion was recognized as a reduction to retained earnings. Transaction costs incurred in connection with the PCC SIB of \$5 million were recorded in retained earnings.

**NOTE 11 Share-Based Compensation****STOCK OPTION PLAN**

Under Power Corporation's Executive Stock Option Plan, 22,165,655 Subordinate Voting Shares are reserved for issuance.

A summary of the status of Power Corporation's Executive Stock Option Plan as at September 30, 2019 and 2018, and changes during the respective periods ended is as follows:

	September 30, 2019		September 30, 2018	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
		\$		\$
Outstanding, beginning of year	16,453,341	28.43	17,630,666	28.38
Granted	1,325,223	31.84	1,350,172	28.51
Exercised	(1,165,203)	19.26	(1,573,416)	26.13
Forfeited and expired	-	-	(869,930)	32.65
Outstanding, end of period	16,613,361	29.35	16,537,492	28.38
Options exercisable, end of period	12,106,478	28.96	12,078,801	27.68

The exercise price of the 16,613,361 outstanding options ranges from \$23.54 to \$33.82.

**Compensation expense**

During the nine months ended September 30, 2019, Power Corporation granted 1,325,223 options (1,350,172 options in 2018) under its Executive Stock Option Plan. The fair value of these options was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	September 30, 2019	September 30, 2018
Dividend yield	4.9%	4.5%
Expected volatility	15.6%	16.5%
Risk-free interest rate	1.8%	2.1%
Expected life (years)	8.6	8.3
Fair value per stock option (\$/option)	1.87	2.29
Weighted-average exercise price (\$/option)	31.84	28.51

Expected volatility has been estimated based on the historical volatility of the Corporation's share price over the expected option life.

Power Financial, Lifeco and IGM have also established stock option plans pursuant to which options may be granted to certain officers and employees. In addition, other subsidiaries of the Corporation have established share-based compensation plans. Compensation expense is recorded based on the fair value of the options or the fair value of the equity instruments at the grant date, amortized over the vesting period. For the three months ended September 30, 2019, total compensation expense relating to the stock options granted by the Corporation and its subsidiaries amounted to \$11 million (\$11 million in 2018), and \$37 million for the nine months ended September 30, 2019 (\$43 million in 2018), and is recorded in operating and administrative expenses in the statements of earnings.

## NOTE 12 Capital Management

### POWER CORPORATION

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 to invest on a timely basis in its operating companies and other investments as opportunities present;
- maintain a capital structure that matches the long-term nature of its investments by maximizing the use of permanent capital; 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 capital structure of the Corporation consists of debentures, non-participating shares, participating shareholders' equity and non-controlling interests. The Corporation views non-participating shares as a cost-effective source of permanent capital. The Corporation is a long-term investor and as such holds positions in long-term investments as well as cash and fixed income securities for liquidity purposes.

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 the Corporation's subsidiaries, as well as those of Pargesa and Groupe Bruxelles Lambert, oversee and have the responsibility for their respective company's capital management.

On April 17, 2019, the Corporation completed the PCC SIB and repurchased for cancellation \$1.35 billion of its subordinate voting shares. The PCC SIB facilitated the repurchase of subordinate voting shares at attractive market valuations and returned capital to shareholders while maintaining the financial resources to pursue its strategy for long-term value creation across its well-diversified portfolio of investments.

The Corporation itself is not subject to externally imposed regulatory capital requirements. However, Lifeco and certain of its main subsidiaries, IGM's subsidiaries and certain of the Corporation's other subsidiaries are subject to regulatory capital requirements and they manage their capital as described below.

### LIFECO

Lifeco manages its capital on both a consolidated basis as well as at the individual operating subsidiary level. The primary objectives of Lifeco's capital management strategy are:

- to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate;
- to maintain strong credit and financial strength ratings of Lifeco ensuring stable access to capital markets; and
- to provide an efficient capital structure to maximize shareholder value in the context of Lifeco's operational risks and strategic plans.

Lifeco has established policies and procedures designed to identify, measure and report all material risks. Management of Lifeco is responsible for establishing capital management procedures for implementing and monitoring the capital plan.

The target level of capitalization for Lifeco and its subsidiaries is assessed by considering various factors such as the probability of falling below the minimum regulatory capital requirements in the relevant operating jurisdiction, the views expressed by various credit rating agencies that provide financial strength and other ratings to Lifeco, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of Lifeco with a high degree of confidence.

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**NOTE 12 Capital Management** (continued)

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In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has established a regulatory capital adequacy measurement for life insurance companies incorporated under the *Insurance Companies Act* (Canada) and their subsidiaries known as the Life Insurance Capital Adequacy Test (LICAT). The LICAT ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The Base Solvency Buffer, defined by OSFI, is the aggregate of all defined capital requirements multiplied by a scalar of 1.05. The total capital resources are provided by the sum of available capital, surplus allowance and eligible deposits. OSFI has established a supervisory target total ratio of 100%, and a supervisory minimum total ratio of 90%. Great-West Life's consolidated LICAT ratio at September 30, 2019 was 139% (140% at December 31, 2018).

Other foreign operations and foreign subsidiaries of Lifeco are required to comply with local capital or solvency requirements in their respective jurisdictions.

**IGM FINANCIAL**

IGM's capital management objective is to maximize shareholder returns while ensuring that IGM is capitalized in a manner which appropriately supports regulatory capital requirements, working capital needs and business expansion. IGM's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. IGM regularly assesses its capital management practices in response to changing economic conditions.

IGM's capital is primarily used in its ongoing business operations to support working capital requirements, long-term investments made by IGM, business expansion and other strategic objectives.

The IGM subsidiaries that are subject to regulatory capital requirements include investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. These IGM subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. At September 30, 2019 IGM subsidiaries have complied with all regulatory capital requirements.

**OTHER SUBSIDIARIES**

Certain other subsidiaries are subject to regulatory capital requirements, including a mutual fund dealer, portfolio managers, and an order-execution-only broker. These other subsidiaries are required to maintain levels of capital based on their working capital, liquidity or shareholders' equity. At September 30, 2019, these other subsidiaries have complied with all regulatory capital requirements.

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**NOTE 13 Risk Management**

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The Corporation and its subsidiaries have established policies, guidelines and procedures designed to identify, measure, monitor and mitigate 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 and its subsidiaries would not be able to meet all cash outflow obligations as they come due or be able to, in a timely manner, raise capital or monetize assets at normal market conditions.
- Credit risk is the potential for financial loss to the Corporation and its subsidiaries if a counterparty in a transaction fails to meet its payment obligations. Credit risk can be related to the default of a single debt issuer, the variation of credit spreads on tradable fixed income securities and also to counterparty risk relating to derivative products.
- Market risk is the risk that the market 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: foreign exchange risk, interest rate risk and equity risk.
  - Foreign exchange risk relates to the Corporation, its subsidiaries and its jointly controlled corporations and associates operating in different currencies and converting non-Canadian investments and 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 a financial instrument will fluctuate following changes in the interest rates.
  - Equity risk is the potential loss associated with the sensitivity of the market price of a financial instrument arising from volatility in equity markets.

This note to the financial statements includes estimates of sensitivities and risk exposure measures for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons, including:

- assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered;
- changes in actuarial, investment return and future investment activity assumptions;
- actual experience differing from the assumptions;
- changes in business mix, effective tax rates and other market factors;
- interactions among these factors and assumptions when more than one changes; and
- the general limitations of internal models.

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined above. Given the nature of these calculations, the Corporation cannot provide assurance that the actual impact on net earnings will be as indicated.

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**NOTE 13 Risk Management** (continued)

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**POWER CORPORATION, POWER FINANCIAL AND OTHER SUBSIDIARIES**

The risk management policies and procedures of Power Corporation, Power Financial and other subsidiaries are discussed in Note 22 to the Corporation's Consolidated Financial Statements for the year ended December 31, 2018 and have not changed significantly in the nine-month period ended September 30, 2019.

**LIFECO**

The risk committee of the board of directors of Lifeco is responsible for the oversight of Lifeco's key risks. Lifeco has established policies and procedures designed to identify, measure, manage, monitor and report risks associated with financial instruments. Lifeco's approach to risk management has not changed significantly since December 31, 2018. A summary of the risks is presented below. For a more detailed discussion of Lifeco's risk governance structure and risk management approach, refer to the Risk Management note in the Corporation's December 31, 2018 financial statements.

**Liquidity risk**

Lifeco has the following policies and procedures in place to manage liquidity risk:

- Lifeco closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets.
- Management of Lifeco closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. Lifeco maintains committed lines of credit with Canadian chartered banks.

**Credit risk**

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. No significant changes have occurred from the year ended December 31, 2018.

**Market risk***a) Foreign exchange risk*

If the assets backing insurance and investment contract liabilities are not matched by currency, changes in foreign exchange rates can expose Lifeco to the risk of foreign exchange losses not offset by liability decreases. Lifeco has net investments in foreign operations. Lifeco's debt obligations are denominated in Canadian dollars, euros and U.S. dollars. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts Lifeco's total equity. Correspondingly, Lifeco's book value per share and capital ratios monitored by rating agencies are also impacted.

- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount, resulting in an immaterial change to net earnings.
- A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount, resulting in an immaterial change to net earnings.

**NOTE 13 Risk Management** (continued)*b) Interest rate risk*

Projected cash flows from the current assets and liabilities are used in the CALM to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation 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.

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk. The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries-prescribed scenarios.

The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually. An immediate 1% parallel shift in the yield curve would not have a material impact on Lifeco's view of the range of interest rates to be covered by the provisions. If sustained however, the parallel shift could impact Lifeco's range of scenarios covered.

The total provision for interest rates also considers the impact of the Canadian Institute of Actuaries-prescribed scenarios:

- At September 30, 2019 and December 31, 2018, the effect of an immediate 1% parallel increase in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.
- At September 30, 2019 and December 31, 2018, the effect of an immediate 1% parallel decrease in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.

Another way of measuring the interest rate risk associated with this assumption is to determine the effect on the insurance and investment contract liabilities impacting the net earnings of a 1% change in Lifeco's view of the range of interest rates to be covered by these provisions. The following provides information on the effect of an immediate 1% increase or 1% decrease in the interest rates at both the low and high end of the range of interest rates recognized in the provisions:

	September 30, 2019		December 31, 2018	
	1% increase	1% decrease	1% increase	1% decrease
<b>Change in interest rates</b>				
Increase (decrease) in non-participating insurance and investment contract liabilities	(166)	697	(165)	639
Increase (decrease) in net earnings	109	(505)	115	(465)

**NOTE 13 Risk Management** (continued)*c) Equity risk*

Lifeco has investment policy guidelines in place that provide for prudent investment in equity markets with clearly defined limits to mitigate price risk.

The risks associated with segregated fund guarantees have been mitigated through a hedging program for lifetime Guaranteed Minimum Withdrawal Benefit guarantees using equity futures, currency forwards, and interest rate derivatives. For policies with segregated fund guarantees, Lifeco generally determines insurance contract liabilities at a conditional tail expectation of 75 (CTE75) level. In other words, Lifeco determines insurance contract liabilities at a level that covers the average loss in the worst 25% part of the loss distribution.

Some insurance and investment contract liabilities are supported by investment properties, common shares and private equities, for example, segregated fund products and products with long-tail cash flows. Generally these liabilities will fluctuate in line with equity values. However, there may be additional market and liability impacts as a result of changes in the equity values that will cause the liabilities to fluctuate differently than the equity values. The following provides information on the expected impacts of a 10% increase or 10% decrease in equity values:

	September 30, 2019		December 31, 2018	
	10% increase	10% decrease	10% increase	10% decrease
<b>Change in equity values</b>				
Increase (decrease) in non-participating insurance and investment contract liabilities	(108)	145	(87)	338
Increase (decrease) in net earnings	88	(115)	73	(266)

The best estimate return assumptions for equities are primarily based on long-term historical averages. Changes in the current market could result in changes to these assumptions and will impact both asset and liability cash flows. The following provides information on the expected impacts of a 1% increase or 1% decrease in the best estimate assumptions:

	September 30, 2019		December 31, 2018	
	1% increase	1% decrease	1% increase	1% decrease
<b>Change in best estimate return assumptions for equities</b>				
Increase (decrease) in non-participating insurance contract liabilities	(624)	719	(591)	680
Increase (decrease) in net earnings	492	(559)	476	(539)

**IGM FINANCIAL**

The risk management policies and procedures of IGM are discussed in the IGM section of the Corporation's Management's Discussion and Analysis (Part D) for the nine months ended September 30, 2019 and in Note 22 to the Corporation's Consolidated Financial Statements for the year ended December 31, 2018 and have not changed significantly in the nine-month period ended September 30, 2019.

**NOTE 14 Pension Plans and Other Post-Employment Benefits**

The pension plan and other post-employment benefits expense included in net earnings and other comprehensive income are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Pension plans				
Service costs	58	65	178	197
Curtailment	(1)	-	(2)	(1)
Net interest cost	12	10	36	32
	69	75	212	228
Post-employment benefits				
Service costs	1	1	3	4
Net interest cost	3	4	11	13
	4	5	14	17
Expense recognized in net earnings	73	80	226	245
Remeasurements				
Pension plans				
Actuarial (gains) losses <sup>[1]</sup>	267	(150)	1,277	(382)
Return on assets less (greater) than discount rate	(158)	29	(756)	15
Change in the asset ceiling	13	9	(16)	32
Post-employment benefits				
Actuarial (gains) losses <sup>[1]</sup>	3	(9)	43	(21)
Expense (recovery) recognized in other comprehensive income (loss)	125	(121)	548	(356)
Total expense (income)	198	(41)	774	(111)

[1] Actuarial losses related to pension plans and other post-employment benefits for the three and nine months ended September 30, 2019 are due to a decrease in discount rates since December 31, 2018.

**NOTE 15 Income Taxes****INCOME TAX EXPENSE**

The components of income tax expense recognized in net earnings are:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Current taxes	53	137	292	411
Deferred taxes	25	30	78	99
	78	167	370	510

**EFFECTIVE INCOME TAX RATE**

The overall effective income tax rate for the Corporation for the nine months ended September 30, 2019 was 13.0%, compared to 14.3% for the full year 2018 and 15.8% for the nine months ended September 30, 2018.

The overall effective income tax rate for the three months ended September 30, 2019 was 7.4% due to a higher percentage of income subject to lower rates in foreign jurisdictions as well as changes in certain tax estimates.

The effective income tax rates are generally lower than the Corporation's statutory income tax rate of 26.6% due to non-taxable investment income, lower tax in certain foreign jurisdictions and results from the jointly controlled corporations and associates that are not taxable.

**NOTE 16 Other Comprehensive Income**

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		Total
	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gains (losses) on defined benefit pension plans	Share of jointly controlled corporations and associates	
Nine months ended September 30, 2019						
Balance, beginning of year	201	1,015	763	(488)	(11)	1,480
Other comprehensive income (loss)	143	(417)	113	(218)	(2)	(381)
Other	-	(28)	(16)	11	-	(33)
Balance, end of period	344	570	860	(695)	(13)	1,066

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		Total
	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gains (losses) on defined benefit pension plans	Share of jointly controlled corporations and associates	
Nine months ended September 30, 2018						
Balance, beginning of year	483	617	742	(509)	(12)	1,321
Other comprehensive income (loss)	(276)	40	127	150	4	45
Other	-	-	-	11	-	11
Balance, end of period	207	657	869	(348)	(8)	1,377

**NOTE 17 Earnings Per Share**

The following is a reconciliation of the numerators and the denominators used in the computations of earnings per share:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Earnings</b>				
Net earnings attributable to shareholders	372	199	968	1,097
Dividends on non-participating shares	(13)	(13)	(39)	(39)
Net earnings attributable to participating shareholders	359	186	929	1,058
Dilutive effect of subsidiaries' outstanding stock options	-	-	-	(1)
Net earnings adjusted for dilutive effect	359	186	929	1,057
<b>Number of participating shares [millions]</b>				
Weighted average number of participating shares outstanding - Basic	425.6	465.9	441.3	465.2
Potential exercise of outstanding stock options	0.2	0.7	0.2	1.0
Weighted average number of participating shares outstanding - Diluted	425.8	466.6	441.5	466.2
<b>Net earnings per participating share</b>				
Basic	0.84	0.40	2.11	2.28
Diluted	0.84	0.40	2.10	2.27

For the nine months ended September 30, 2019, 9.4 million stock options (6.1 million in 2018) have been excluded from the computation of diluted earnings per share as they were anti-dilutive.

## NOTE 18 Fair Value Measurement

The Corporation's assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

Level	Definition	Financial assets and liabilities
Level 1	Utilize observable, unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.	<ul style="list-style-type: none"> <li>▪ actively exchange-traded equity securities;</li> <li>▪ exchange-traded futures;</li> <li>▪ mutual and segregated funds which have available prices in an active market with no redemption restrictions;</li> <li>▪ open-end investment fund units and other liabilities in instances where there are quoted prices available from active markets.</li> </ul>
Level 2	<p>Utilize other-than-quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.</p> <p>Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other-than-quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.</p> <p>The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data.</p>	<ul style="list-style-type: none"> <li>▪ assets and liabilities priced using a matrix which is based on credit quality and average life;</li> <li>▪ government and agency securities;</li> <li>▪ restricted shares;</li> <li>▪ certain private bonds and equities;</li> <li>▪ most investment-grade and high-yield corporate bonds;</li> <li>▪ most asset-backed securities;</li> <li>▪ most over-the-counter derivatives;</li> <li>▪ most mortgage and other loans;</li> <li>▪ deposits and certificates;</li> <li>▪ most debentures and other debt instruments;</li> <li>▪ most of the investment contracts that are measured at fair value through profit or loss.</li> </ul>
Level 3	<p>Utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability.</p> <p>The values of the majority of Level 3 securities were obtained from single-broker quotes, internal pricing models, external appraisers or by discounting projected cash flows.</p>	<ul style="list-style-type: none"> <li>▪ certain bonds;</li> <li>▪ certain asset-backed securities;</li> <li>▪ certain private equities;</li> <li>▪ certain mortgage and other loans, including equity-release mortgages;</li> <li>▪ investments in mutual and segregated funds where there are redemption restrictions;</li> <li>▪ certain over-the-counter derivatives;</li> <li>▪ investment properties;</li> <li>▪ obligations to securitization entities;</li> <li>▪ certain other debt instruments.</li> </ul>

**NOTE 18 Fair Value Measurement** (continued)

The following tables present the Corporation's assets and liabilities recorded at fair value, including their levels in the fair value hierarchy using the valuation methods and assumptions described in the summary of significant accounting policies of the Corporation's December 31, 2018 financial statements and above. Fair values represent management's estimates and are generally calculated using market information at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, and involve uncertainties and matters of significant judgment.

September 30, 2019	Level 1	Level 2	Level 3	Total fair value
<b>Assets</b>				
Bonds				
Fair value through profit or loss	-	86,619	67	86,686
Available for sale	-	12,493	-	12,493
Mortgage and other loans				
Fair value through profit or loss	-	12	1,160	1,172
Shares				
Fair value through profit or loss	9,038	-	618	9,656
Available for sale	614	44	621	1,279
Investment properties	-	-	5,542	5,542
Funds held by ceding insurers	114	6,451	-	6,565
Derivative instruments	2	711	4	717
Reinsurance assets	-	133	-	133
Assets held for sale	22	758	25	805
Other assets	327	697	-	1,024
	10,117	107,918	8,037	126,072
<b>Liabilities</b>				
Investment contract liabilities	-	1,721	-	1,721
Investment contract liabilities held for sale	-	-	20	20
Derivative instruments	2	1,512	11	1,525
Other liabilities	-	172	36	208
	2	3,405	67	3,474
<b>December 31, 2018</b>				
	Level 1	Level 2	Level 3	Total fair value
<b>Assets</b>				
Bonds				
Fair value through profit or loss	-	91,748	67	91,815
Available for sale	-	13,713	-	13,713
Mortgage and other loans				
Fair value through profit or loss	-	4	813	817
Shares				
Fair value through profit or loss	8,341	-	453	8,794
Available for sale	560	1	768	1,329
Investment properties	-	-	5,218	5,218
Funds held by ceding insurers	230	6,925	-	7,155
Derivative instruments	8	417	9	434
Assets held for sale	22	731	29	782
Other assets	597	330	-	927
	9,758	113,869	7,357	130,984
<b>Liabilities</b>				
Investment contract liabilities	-	1,711	-	1,711
Investment contract liabilities held for sale	-	1	26	27
Derivative instruments	2	1,591	4	1,597
Other liabilities	8	84	93	185
	10	3,387	123	3,520

There were no significant transfers between Level 1 and Level 2 in these periods.

**NOTE 18 Fair Value Measurement** (continued)

The following tables present additional information about assets and liabilities measured at fair value on a recurring basis for which the Corporation and its subsidiaries have utilized Level 3 inputs to determine fair value for the nine months ended September 30, 2019 and 2018.

Nine months ended September 30, 2019	Bonds	Mortgages and other loans	Shares			Derivatives, net	Assets (liabilities) held for sale and other assets (liabilities)	Investment contract liabilities	Total
	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	Available for sale	Investment properties				
Balance, beginning of year									
As previously reported	67	813	453	768	5,218	5	(90)	-	7,234
Change in accounting policy [Note 2]	-	-	-	-	29	-	-	-	29
Restated balance, beginning of year	67	813	453	768	5,247	5	(90)	-	7,263
Total gains (losses)									
In net earnings	5	133	42	43	44	(11)	(4)	-	252
In other comprehensive income <sup>[1]</sup>	(5)	(53)	-	(54)	(182)	-	-	-	(294)
Purchases	-	-	162	65	441	(1)	-	-	667
Issues	-	318	-	-	-	-	-	-	318
Sales	-	-	(39)	(51)	(8)	-	-	-	(98)
Settlements	-	(51)	-	-	-	-	45	-	(6)
Other <sup>[2]</sup>	-	-	-	(150)	-	-	18	-	(132)
Balance, end of period	67	1,160	618	621	5,542	(7)	(31)	-	7,970

[1] Other comprehensive income includes unrealized gains (losses) on foreign exchange.

[2] In January 2019, the investment in Personal Capital was reclassified from available for sale to an investment in an associate (Note 6).

Nine months ended September 30, 2018	Bonds	Mortgages and other loans	Shares			Derivatives, net	Other assets (liabilities)	Investment contract liabilities	Total
	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	Available for sale	Investment properties				
Balance, beginning of year	65	-	244	832	4,851	4	(88)	(22)	5,886
Total gains (losses)									
In net earnings	-	(41)	7	164	30	-	(3)	-	157
In other comprehensive income <sup>[1]</sup>	(1)	(3)	1	(124)	(17)	-	-	-	(144)
Business acquisition	-	799	-	-	-	-	-	-	799
Purchases	-	-	145	121	220	1	-	-	487
Issues	-	26	-	-	-	-	-	-	26
Sales	-	-	(34)	(248)	(20)	-	-	-	(302)
Settlements	-	(41)	-	-	-	11	-	-	(30)
Other	-	-	-	-	-	-	(3)	4	1
Balance, end of period	64	740	363	745	5,064	16	(94)	(18)	6,880

[1] Other comprehensive income includes unrealized gains (losses) on foreign exchange.

There were no transfers into or out of Level 3 in these periods.

**NOTE 18 Fair Value Measurement** (continued)

The following table sets out information about significant unobservable inputs used at period-end in measuring assets and liabilities categorized as Level 3 in the fair value hierarchy.

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as 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 rates.	Discount rate	Range of 2.6% – 10.3%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 4.3% – 6.8%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.7%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage and other loans (fair value through profit or loss)	The valuation approach for equity-release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no-negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long-term care of the loanholders.	Discount rate	Range of 3.7% – 4.8%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
Shares	The determination of the fair value of shares requires the use of estimates such as future cash flows, discount rates, projected earnings multiples, or recent transactions.	Discount rate	Various	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

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**NOTE 19 Segmented Information**

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The Corporation's reportable operating segments are Lifeco, IGM Financial and Pargesa. These reportable segments reflect Power Corporation's management structure and internal financial reporting. The Corporation evaluates the performance based on the operating segment's contribution to earnings. The following provides a brief description of the three reportable operating segments:

- Lifeco is a financial services holding company with interests in life insurance, health insurance, retirement and investment management services, asset management and reinsurance businesses primarily in Canada, the United States and Europe.
- IGM Financial is a leading wealth and asset management company operating in Canada primarily within the advice segment of the financial services market. IGM earns revenues from a range of sources, but primarily from management fees, which are charged to its mutual funds for investment advisory and management services. IGM also earns revenues from fees charged to its mutual funds for administrative services.
- Pargesa is held through Parjointco. Pargesa is a holding company with diversified interests in Europe-based companies active in various sectors: minerals-based specialty solutions for industry; testing, inspection and certification; cement, aggregates and concrete; wines and spirits; design and distribution of sportswear; materials technology and recycling of precious metals; oil, gas and chemical industries; disposable hygiene products; supplier of equipment and project management for a wide range of processing industries primarily in the food and beverage sectors; and operation of regional leisure parks.

The column entitled "Corporate" is comprised of corporate activities of Power Financial and the results of Wealthsimple, Portag3 and Portag3 II. This column also includes consolidation elimination entries.

The column entitled "Other" is comprised of corporate and investment activities of Power Corporation. It includes the results of Power Energy, IntegraMed and Square Victoria Communications Group (up to the date of disposal on July 14, 2018). This column also includes Power Corporation's consolidation elimination entries.

The contribution to earnings of each segment includes the share of net earnings resulting from the investments that Lifeco and IGM have in each other as well as certain consolidation adjustments.

**NOTE 19 Segmented Information** (continued)**CONSOLIDATED NET EARNINGS**

Three months ended September 30, 2019	Power Financial					Other	Total
	Lifeco	IGM <sup>[1]</sup>	Pargesa	Corporate	Sub-total		
<b>Revenues</b>							
Total net premiums	9,324	-	-	(5)	9,319	-	9,319
Net investment income	3,554	42	-	(6)	3,590	39	3,629
Fee income	1,496	770	-	(17)	2,249	3	2,252
Other revenues	-	-	-	-	-	222	222
<b>Total revenues</b>	<b>14,374</b>	<b>812</b>	<b>-</b>	<b>(28)</b>	<b>15,158</b>	<b>264</b>	<b>15,422</b>
<b>Expenses</b>							
Total paid or credited to policyholders	11,440	-	-	-	11,440	-	11,440
Commissions	571	273	-	(14)	830	-	830
Operating and administrative expenses	1,438	254	-	38	1,730	264	1,994
Financing charges	70	28	-	9	107	32	139
<b>Total expenses</b>	<b>13,519</b>	<b>555</b>	<b>-</b>	<b>33</b>	<b>14,107</b>	<b>296</b>	<b>14,403</b>
Earnings before investments in jointly controlled corporations and associates, and income taxes	855	257	-	(61)	1,051	(32)	1,019
Share of earnings (losses) of investments in jointly controlled corporations and associates	-	4	29	-	33	(3)	30
Earnings before income taxes	855	261	29	(61)	1,084	(35)	1,049
Income taxes	47	59	-	3	109	(31)	78
<b>Net earnings</b>	<b>808</b>	<b>202</b>	<b>29</b>	<b>(64)</b>	<b>975</b>	<b>(4)</b>	<b>971</b>
<b>Attributable to</b>							
Non-controlling interests	495	124	11	(28)	602	(3)	599
Non-participating shareholders	-	-	-	-	-	13	13
Participating shareholders	313	78	18	(36)	373	(14)	359
	<b>808</b>	<b>202</b>	<b>29</b>	<b>(64)</b>	<b>975</b>	<b>(4)</b>	<b>971</b>

[1] Results reported by IGM include an adjustment for the adoption of IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Corporate".

**NOTE 19 Segmented Information** (continued)**CONSOLIDATED NET EARNINGS**

Three months ended September 30, 2018	Power Financial					Other	Total
	Lifeco	IGM <sup>[1]</sup>	Pargesa	Corporate	Sub-total		
<b>Revenues</b>							
Total net premiums	10,337	-	-	(5)	10,332	-	10,332
Net investment income	207	49	-	(36)	220	(21)	199
Fee income	1,483	776	-	(24)	2,235	3	2,238
Other revenues	-	-	-	-	-	203	203
<b>Total revenues</b>	<b>12,027</b>	<b>825</b>	<b>-</b>	<b>(65)</b>	<b>12,787</b>	<b>185</b>	<b>12,972</b>
<b>Expenses</b>							
Total paid or credited to policyholders	9,046	-	-	-	9,046	-	9,046
Commissions	611	270	-	(16)	865	-	865
Operating and administrative expenses	1,487	268	-	29	1,784	310	2,094
Financing charges	69	38	-	4	111	32	143
<b>Total expenses</b>	<b>11,213</b>	<b>576</b>	<b>-</b>	<b>17</b>	<b>11,806</b>	<b>342</b>	<b>12,148</b>
Earnings before investments in jointly controlled corporations and associates, and income taxes	814	249	-	(82)	981	(157)	824
Share of earnings (losses) of investments in jointly controlled corporations and associates	-	6	12	-	18	13	31
Earnings before income taxes	814	255	12	(82)	999	(144)	855
Income taxes	107	55	-	1	163	4	167
<b>Net earnings</b>	<b>707</b>	<b>200</b>	<b>12</b>	<b>(83)</b>	<b>836</b>	<b>(148)</b>	<b>688</b>
<b>Attributable to</b>							
Non-controlling interests	403	127	5	(40)	495	(6)	489
Non-participating shareholders	-	-	-	-	-	13	13
Participating shareholders	304	73	7	(43)	341	(155)	186
	<b>707</b>	<b>200</b>	<b>12</b>	<b>(83)</b>	<b>836</b>	<b>(148)</b>	<b>688</b>

[1] Results reported by IGM include an adjustment for the adoption of IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Corporate".

**NOTE 19 Segmented Information** (continued)**CONSOLIDATED NET EARNINGS**

Nine months ended September 30, 2019	Power Financial					Other	Total
	Lifeco <sup>[1]</sup>	IGM <sup>[2]</sup>	Pargesa	Corporate	Sub-total		
<b>Revenues</b>							
Total net premiums	15,032	-	-	(15)	15,017	-	15,017
Net investment income	13,411	126	-	(23)	13,514	153	13,667
Fee income	5,566	2,272	-	(52)	7,786	10	7,796
Other revenues	-	-	-	-	-	632	632
<b>Total revenues</b>	<b>34,009</b>	<b>2,398</b>	<b>-</b>	<b>(90)</b>	<b>36,317</b>	<b>795</b>	<b>37,112</b>
<b>Expenses</b>							
Total paid or credited to policyholders	25,322	-	-	-	25,322	-	25,322
Commissions	1,779	823	-	(40)	2,562	-	2,562
Operating and administrative expenses	4,475	788	-	98	5,361	791	6,152
Financing charges	214	81	-	30	325	86	411
<b>Total expenses</b>	<b>31,790</b>	<b>1,692</b>	<b>-</b>	<b>88</b>	<b>33,570</b>	<b>877</b>	<b>34,447</b>
Earnings before investments in jointly controlled corporations and associates, and income taxes	2,219	706	-	(178)	2,747	(82)	2,665
Share of earnings (losses) of investments in jointly controlled corporations and associates	-	11	161	4	176	2	178
Earnings before income taxes	2,219	717	161	(174)	2,923	(80)	2,843
Income taxes	230	160	-	8	398	(28)	370
<b>Net earnings</b>	<b>1,989</b>	<b>557</b>	<b>161</b>	<b>(182)</b>	<b>2,525</b>	<b>(52)</b>	<b>2,473</b>
<b>Attributable to</b>							
Non-controlling interests	1,188	339	58	(66)	1,519	(14)	1,505
Non-participating shareholders	-	-	-	-	-	39	39
Participating shareholders	801	218	103	(116)	1,006	(77)	929
	<b>1,989</b>	<b>557</b>	<b>161</b>	<b>(182)</b>	<b>2,525</b>	<b>(52)</b>	<b>2,473</b>

[1] Includes the loss on the reinsurance transaction with Protective Life of \$247 million (\$199 million after tax) (Note 3).

[2] Results reported by IGM include an adjustment for the adoption of IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Corporate".

**NOTE 19 Segmented Information** (continued)**CONSOLIDATED NET EARNINGS**

Nine months ended September 30, 2018	Power Financial					Other	Total
	Lifeco	IGM <sup>[1]</sup>	Pargesa	Corporate	Sub-total		
<b>Revenues</b>							
Total net premiums	26,416	-	-	(16)	26,400	-	26,400
Net investment income	1,518	142	-	(92)	1,568	246	1,814
Fee income	4,399	2,293	-	(73)	6,619	11	6,630
Other revenues	-	-	-	-	-	593	593
<b>Total revenues</b>	<b>32,333</b>	<b>2,435</b>	<b>-</b>	<b>(181)</b>	<b>34,587</b>	<b>850</b>	<b>35,437</b>
<b>Expenses</b>							
Total paid or credited to policyholders	23,382	-	-	-	23,382	-	23,382
Commissions	1,801	826	-	(47)	2,580	-	2,580
Operating and administrative expenses	4,309	774	-	96	5,179	821	6,000
Financing charges	151	97	-	13	261	79	340
<b>Total expenses</b>	<b>29,643</b>	<b>1,697</b>	<b>-</b>	<b>62</b>	<b>31,402</b>	<b>900</b>	<b>32,302</b>
Earnings before investments in jointly controlled corporations and associates, and income taxes	2,690	738	-	(243)	3,185	(50)	3,135
Share of earnings (losses) of investments in jointly controlled corporations and associates	-	22	92	8	122	(22)	100
Earnings before income taxes	2,690	760	92	(235)	3,307	(72)	3,235
Income taxes	337	166	-	4	507	3	510
<b>Net earnings</b>	<b>2,353</b>	<b>594</b>	<b>92</b>	<b>(239)</b>	<b>2,800</b>	<b>(75)</b>	<b>2,725</b>
<b>Attributable to</b>							
Non-controlling interests	1,356	372	32	(117)	1,643	(15)	1,628
Non-participating shareholders	-	-	-	-	-	39	39
Participating shareholders	997	222	60	(122)	1,157	(99)	1,058
	<b>2,353</b>	<b>594</b>	<b>92</b>	<b>(239)</b>	<b>2,800</b>	<b>(75)</b>	<b>2,725</b>

[1] Results reported by IGM include an adjustment for the adoption of IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Corporate".

**NOTE 19 Segmented Information** (continued)**TOTAL ASSETS**

September 30, 2019	Power Financial					Other	Total
	Lifeco	IGM <sup>[2]</sup>	Pargesa	Corporate	Sub-total		
Investments and cash and cash equivalents	167,751	8,278	-	1,291	177,320	2,322	179,642
Assets held for sale	876	-	-	-	876	-	876
Investments in jointly controlled corporations and associates	7	854	3,652	41	4,554	1,022	5,576
Other assets	41,377	1,375	-	238	42,990	1,229	44,219
Goodwill and intangible assets	10,825	4,060	-	172	15,057	1,058	16,115
Investments on account of segregated fund policyholders	222,604	-	-	-	222,604	-	222,604
Investments on account of segregated fund policyholders held for sale	3,172	-	-	-	3,172	-	3,172
<b>Total assets<sup>[1]</sup></b>	<b>446,612</b>	<b>14,567</b>	<b>3,652</b>	<b>1,742</b>	<b>466,573</b>	<b>5,631</b>	<b>472,204</b>

December 31, 2018	Power Financial					Other	Total
	Lifeco	IGM <sup>[2]</sup>	Pargesa	Corporate	Sub-total		
Investments and cash and cash equivalents	177,013	8,639	-	1,151	186,803	2,294	189,097
Assets held for sale	897	-	-	-	897	-	897
Investments in jointly controlled corporations and associates	8	683	3,291	27	4,009	1,078	5,087
Other assets	25,941	1,259	-	125	27,325	841	28,166
Goodwill and intangible assets	10,984	4,028	-	163	15,175	1,035	16,210
Investments on account of segregated fund policyholders	209,527	-	-	-	209,527	-	209,527
Investments on account of segregated fund policyholders held for sale	3,319	-	-	-	3,319	-	3,319
<b>Total assets<sup>[1]</sup></b>	<b>427,689</b>	<b>14,609</b>	<b>3,291</b>	<b>1,466</b>	<b>447,055</b>	<b>5,248</b>	<b>452,303</b>

[1] Total assets of Lifeco and IGM operating segments include the allocation of goodwill and certain consolidation adjustments.

[2] Assets reported by IGM include an adjustment for the adoption of IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Corporate".