Review of Financial Performance

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

MARCH 24, 2017

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

FORWARD-LOOKING STATEMENTS › Certain statements in this document, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's current expectations, or with respect to disclosure regarding the Corporation's public subsidiaries, reflect such subsidiaries' disclosed current expectations. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Corporation's and its subsidiaries' control, affect the operations, performance and results of the Corporation and its subsidiaries and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes, business competition, operational and reputational risks, technological change, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including that the list of factors in the previous paragraph, collectively, are not expected to have a material impact on the Corporation and its subsidiaries. While the Corporation considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

Other than as specifically required by applicable Canadian law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Corporation's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including its most recent Management's Discussion and Analysis and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada and available at www.sedar.com.

Readers are reminded that a list of the abbreviations used throughout can be found on the inside front cover of this Annual Report. In addition, the following abbreviations are used in the Review of Financial Performance and in the Financial Statements and Notes thereto: Audited Consolidated Financial Statements of Power Corporation and Notes thereto for the year ended December 31, 2016 (the 2016 Consolidated Financial Statements or the Financial Statements); International Financial Reporting Standards (IFRS).

Overview

Power Corporation is a diversified international management and holding company with interests in companies in the financial services, renewable energy, communications and other business sectors. Its principal asset is a controlling interest in Power Financial, which in turn controls Lifeco and IGM. Power Financial also holds jointly with the Frère Group of Belgium a controlling interest in Pargesa. Power Financial (TSX: PWF), Lifeco (TSX: GWO) and IGM (TSX: IGM) are public companies listed on the Toronto Stock Exchange. Pargesa is a public company listed on the Swiss Stock Exchange (SIX: PARG).

POWER FINANCIAL

Power Financial is a diversified management and holding company with substantial operations in the financial services sector in Canada, the United States and Europe, through its controlling interests in Lifeco and IGM. Power Financial also holds jointly with the Frère Group a controlling interest in Pargesa, a holding company which, through its subsidiary GBL, focuses on a limited number of significant holdings, as well as incubator and financial pillar investments. As of March 24, 2017, Power Corporation held 65.6% of the equity and voting interests in Power Financial.

LIFECO

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

At December 31, 2016, Power Financial and IGM held 67.9% and 4.0%, respectively, of Lifeco's common shares, representing approximately 65% of the voting rights attached to all outstanding Lifeco voting shares. The *Insurance Companies Act* limits ownership in life insurance companies to 65%.

IGM FINANCIAL

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

At December 31, 2016, Power Financial and Great-West Life, a subsidiary of Lifeco, held 61.5% and 3.8%, respectively, of IGM's common shares. Power Financial's equity interest in IGM increased by 1.1%, from 60.4% at December 31, 2015 to 61.5% at December 31, 2016, as a result of IGM's repurchases and subsequent cancellation of its common shares.

PARGESA AND GBL

Power Financial Europe B.V., a wholly owned subsidiary of Power Financial, and the Frère Group each hold a 50% interest in Parjointco. At December 31, 2016, Parjointco held a 55.5% interest in Pargesa, representing 75.4% of the voting rights.

Pargesa is a holding company, which, at December 31, 2016, held a 50% interest in GBL, which represents 51.9% of the voting rights. GBL, a Belgian holding company, is listed on the Brussels Stock Exchange (EBR: GBLB).

At December 31, 2016, GBL's portfolio was mainly comprised of investments in: Imerys – mineral-based specialty solutions for industry (EPA: NK); LafargeHolcim – cement, aggregates and concrete (SIX: HOLN and EPA: LHN); SGS – testing, inspection and certification (SIX: SGSN); adidas – design and distribution of sportswear (XETR: ADS); Pernod Ricard – wines and spirits (EPA: RI); Umicore – materials technology and recycling (EBR: UMI); and Total – oil, gas and alternative energies (EPA: FP).

In addition to these holdings, representing 88% of its portfolio based on market value, GBL invests in:

- "Incubator" investments, made up of a limited selection of smaller listed and unlisted holdings that have the potential to become strategic assets over time. GBL aims to become a core shareholder and, for mid-sized companies, to possibly hold a majority stake; and
- The "financial pillar", comprising major stakes in private equity funds, debt funds and theme-based funds.

In 2016, GBL sold 43.5 million shares of Total, representing a 1.8% interest in Total and 42.7 million shares of Engie, representing a 1.8% interest in Engie. GBL's net gain resulting from these sales was €721 million.

At December 31, 2016, Pargesa's net asset value was SF8,884 million, compared with SF7,970 million at December 31, 2015.

PORTAG3

In October 2016, Power Financial, together with Lifeco and IGM, announced the formation of a new investment fund, Portag3 Ventures Limited Partnership, dedicated primarily to backing early-stage innovative financial services companies.

In the fourth quarter of 2016, Portag3 invested in Diagram, a launchpad for technology-based ventures in insurance, financial services and healthcare. In 2016, Portag3 also invested in a number of select portfolio investments. At December 31, 2016, the fair value of the Corporation's direct investment in Portag3 was $10 million.

WEALTHSIMPLE

In 2016, Power Financial invested a further $16 million in Wealthsimple, a technology-driven investment manager, bringing its investment to $33 million at year end. In the fourth quarter of 2016, IGM made an initial investment of $20 million in Wealthsimple. At December 31, 2016, Power Financial's and IGM's equity interests in Wealthsimple were 46.5% and 22.7%, respectively. At December 31, 2016, Wealthsimple's assets under administration were $795 million.

In the first quarter of 2017, Power Financial and IGM made advances of $20 million and $15 million, respectively, to Wealthsimple.

SAGARD INVESTMENT FUNDS

The Corporation has invested in equity investment funds in three geographies: Sagard Europe, Sagard Capital (United States), and Sagard China. Each of the Sagard Investment Funds operates with their own dedicated teams. Power Corporation's investment fund activities: (i) leverage its extensive global network and business relationships; (ii) achieve long-term capital appreciation through fundamental investment analysis; and (iii) seek opportunities to acquire controlling interests in its most promising investments.

SAGARD EUROPE

Sagard Europe, headquartered in Paris, is managed by Sagard SAS, a wholly owned subsidiary of the Corporation. Sagard Europe operates: Sagard Private Equity Partners (Sagard 1), Sagard II (Sagard 2) and Sagard 3. Sagard Europe invests in mid-sized private companies based in France, Belgium, Luxembourg and Switzerland. The Corporation, Pargesa, GBL and third parties invest in Sagard Europe's funds.

The Corporation holds 18.7% and 19.8% of Sagard 1 and Sagard 2, respectively. Accordingly, the Corporation's interest in the portfolio investments of each of these two funds is accounted for as available-for-sale investments. In December 2016, Sagard 3's fund size increased from €404 million to €808 million and the Corporation increased its commitment by €101 million, from €201 million to €302 million. As a result, the Corporation's interest in Sagard 3 decreased from 49.8% to 37.4%. At December 31, 2016, the investment in Sagard 3 is accounted for as an available-for-sale investment.

Sagard Europe funds:

DECEMBER 31, 2016 [IN MILLIONS; IN CANADIAN DOLLARS EXCEPT AS OTHERWISE NOTED]	SAGARD 1	SAGARD 2	SAGARD 3
Fund size	€535	€748	€808
Corporation's commitment[1]	€100	€148	€302
Corporation's outstanding commitment at December 31, 2016	€3	€29	€188
Corporation's share of distributions to date	406	143	73
Fair value of the Corporation's investment at December 31, 2016	10	99	172

[1] Excludes commitments of Pargesa (€37 million in Sagard 2), and GBL (€50 million in Sagard 1, €113 million in Sagard 2, and €218 million in Sagard 3).

The Corporation's share of distributions received to date from the Sagard Europe funds was $622 million. At December 31, 2016, the fair value of the Corporation's investments in the Sagard Europe funds, excluding the Corporation's share of such investments held indirectly through Pargesa and GBL, was $281 million, compared with $257 million at December 31, 2015.

SAGARD CAPITAL

Sagard Capital Partners, L.P. (Sagard Capital), a wholly owned investment vehicle of the Corporation, invests in small-cap and mid-cap companies in North America and holds a 96.7% interest in IntegraMed and a 97.3% interest in Vein Clinics, both private companies (see "Other subsidiaries" below).

On October 31, 2016, an acquisition vehicle jointly controlled by Sagard Holdings Inc. (Sagard Capital's parent) and Fairfax Financial Holdings Limited entered into an asset purchase agreement with Performance Sports Group Ltd. and its U.S. and Canadian subsidiaries (collectively, "PSG"). This acquisition vehicle agreed to acquire substantially all of PSG's assets for aggregate consideration based on a purchase price of US$575 million. The acquisition vehicle also had prior to the closing US$361 million of debtor-in-possession financing to support PSG's restructuring. The transaction was completed on February 27, 2017. All borrowings by PSG were credited against the asset purchase price at the closing date. The Corporation had $201 million (US$150 million) invested in this corporation at December 31, 2016.

At December 31, 2016, the fair value of Sagard Capital's investments, including cash, was $888 million, compared with $951 million at December 31, 2015.

SAGARD CHINA

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

DECEMBER 31	2016	2015
Fair value		
Investments		
Money market funds	41	350
A, B and H equities	275	148
Cash	331	168
Total portfolio	647	666

OTHER SUBSIDIARIES

Other subsidiaries are comprised of Power Energy, SVCG and controlled portfolio investments.

POWER ENERGY

Power Energy, a wholly owned subsidiary of the Corporation, actively manages investments in the clean and renewable energy sector. Currently, investments are in companies that develop, own and operate solar, hydro, and wind generating facilities located in North America.

At December 31, 2016, Potentia owns and operates roof solar generation facilities in Ontario, Canada and manages a pipeline of wind development projects in Western Canada. Eagle Creek owns and operates 58 hydroelectric facilities that produce over 680 million kilowatt-hours of electricity annually in the United States.

Power Energy invested $154 million in the twelve-month period ended December 31, 2016, of which $122 million was used to increase its interest in Potentia to 100%. Power Energy has invested $332 million to date in Potentia and Eagle Creek.

SQUARE VICTORIA COMMUNICATIONS GROUP

Square Victoria Communications Group, through its subsidiary La Presse, publishes LaPresse+, a digital edition for iPad and Android tablets, and *La Presse*, a newspaper. It also operates the related website LaPresse.ca. On January 1, 2016, La Presse completed a significant component of its digital transition by ceasing to publish its paper edition from Monday to Friday. The Saturday paper edition continues to be available.

CONTROLLED PORTFOLIO INVESTMENTS

At December 31, 2016, Sagard Capital held a controlling interest in IntegraMed (96.7%) and in Vein Clinics (97.3%), private healthcare services companies.

Prior to December 15, 2016, the Corporation had a controlling interest in Sagard 3. Accordingly, until that date, the Corporation consolidated Sagard 3 which itself held controlling interests in two companies (Alvest and Les Délices des 7 Vallées).

CHINA AMC

The Corporation holds a 10% interest in China AMC, a company established in 1998 and one of the first asset management companies approved by the China Securities Regulatory Commission. China AMC is recognized as a leader in the Chinese asset management sector. At December 31, 2016, the fair value of this private investment was estimated to be $463 million, compared with $310 million at December 31, 2015.

On January 5, 2017, the Corporation entered into an agreement to acquire an additional 3.9% interest in China AMC for $179 million (RMB¥936 million). On December 28, 2016, the Corporation made a deposit of $54 million (RMB¥280 million) in accordance with the terms of the share purchase agreement. Mackenzie Investments, a subsidiary of IGM, also entered into an agreement to acquire, in two separate transactions, a 13.9% interest in China AMC for an aggregate consideration of approximately $647 million (RMB¥3.3 billion). The transactions are expected to close during the first half of 2017, and are subject to customary closing conditions, including Chinese regulatory approvals. Upon closing, Power Corporation and Mackenzie Investments will hold a combined 27.8% interest in the company.

Basis of Presentation

The 2016 Consolidated Financial Statements of the Corporation have been prepared in accordance with IFRS and are presented in Canadian dollars.

Consolidated financial statements present, as a single economic entity, the assets, liabilities, revenues, expenses and cash flows of the parent company and its subsidiaries. The consolidated financial statements present the financial results of Power Corporation (parent), its subsidiaries, and other controlled entities after the elimination of intercompany balances and transactions.

The financial statements of Power Financial are consolidated with those of the Corporation. Lifeco and IGM are controlled by Power Financial and their financial statements are consolidated with those of Power Financial.

Power Financial's investment in Pargesa is held through Parjointco. Parjointco is a holding company jointly controlled by Power Financial and the Frère Group. Parjointco's only investment is its interest in Pargesa. Power Financial's investment in Parjointco is accounted for using the equity method, in which:

- The investment is initially recognized at cost and adjusted thereafter for changes in Power Financial's share of Pargesa's net assets (shareholders' equity);
- Power Financial's net earnings or loss includes its share of Pargesa's net earnings or loss; and
- Power Financial's other comprehensive income includes its share of Pargesa's other comprehensive income.

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

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

At December 31, 2016, the Corporation's holdings were as follows:

HOLDINGS	% ECONOMIC INTEREST	NATURE OF INVESTMENT	ACCOUNTING METHOD
Power Financial	65.6	Controlling interest	Consolidation
Lifeco[1]	67.9	Controlling interest	Consolidation
IGM[2]	61.5	Controlling interest	Consolidation
Pargesa[3]	27.8	Joint control	Equity method
Wealthsimple[4]	46.5	Joint control	Equity method
Power Energy	100.0	Controlling interest	Consolidation
Potentia	100.0	Controlling interest	Consolidation
Power Energy Eagle Creek	60.0	Controlling interest	Consolidation
Eagle Creek	52.0	Joint control	Equity method
Square Victoria Communications Group	100.0	Controlling interest	Consolidation

[1] IGM also holds a 4.0% interest in Lifeco.

[2] Great-West Life also holds a 3.8% interest in IGM.

[3] Held through Parjointco, a jointly controlled corporation (50%).

[4] IGM also holds a 22.7% interest in Wealthsimple.

At December 31, 2016, Pargesa's holdings were as follows:

HOLDINGS	% ECONOMIC INTEREST	NATURE OF INVESTMENT	ACCOUNTING METHOD
GBL	50.0	Controlling interest	Consolidation
Imerys	53.9	Controlling interest	Consolidation
LafargeHolcim	9.4	Portfolio investment	Available for sale
SGS	16.2	Portfolio investment	Available for sale
adidas	7.5	Portfolio investment	Available for sale
Pernod Ricard	7.5	Portfolio investment	Available for sale
Umicore	17.0	Portfolio investment	Available for sale
Total	0.7	Portfolio investment	Available for sale

At December 31, 2016, the holdings of the Sagard Investment Funds were as follows:

SAGARD INVESTMENT FUNDS	% ECONOMIC INTEREST	NATURE OF INVESTMENT	ACCOUNTING METHOD
Sagard Europe			
Sagard 1	18.7	Portfolio investment	Available for sale
Sagard 2	19.8	Portfolio investment	Available for sale
Sagard 3	37.4	Portfolio investment	Available for sale
Sagard Capital	100.0		
IntegraMed	96.7	Controlling interest	Consolidation
Vein Clinics	97.3	Controlling interest	Consolidation
9938982 Canada Inc. [1]	50.0	Joint control	Equity method
Investments	>20.0 and < 50.0	Significant influence or portfolio investments	Equity method or available for sale
Sagard China	100.0		
Investments	< 5.0	Portfolio investments	Available for sale

[1] The acquisition vehicle that acquired PSG's assets on February 27, 2017.

This summary of accounting presentation should be read in conjunction with the following notes to the Corporation's 2016 Consolidated Financial Statements:

- Basis of presentation and summary of significant accounting policies (Note 2);
- Investments (Note 5);
- Investments in jointly controlled corporations and associates (Note 7);
- Goodwill and intangible assets (Note 10); and
- Non-controlling interests (Note 19).

NON-IFRS FINANCIAL MEASURES AND PRESENTATION

Net earnings attributable to participating shareholders are comprised of:

- **adjusted net earnings** attributable to participating shareholders; and
- **other items**, which include the after-tax impact of any item that in management's judgment would make the period-over-period comparison of results from operations less meaningful. Other items include the Corporation's share of items presented as other items by a subsidiary or a jointly controlled corporation. Other items are listed and described in a separate section below in this review of financial performance.

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

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

In this review of financial performance, a non-consolidated basis of presentation is also used by the Corporation to present and analyze its results, financial position and cash flows. In this basis of presentation, Power Corporation's interests in Power Financial and other subsidiaries are accounted for using the equity method. Presentation on a non-consolidated basis is a non-IFRS presentation. However, it is useful to the reader as it presents the holding company's (parent) results separately from the results of its operating subsidiaries. Reconciliations of the non-IFRS basis of presentation with the presentation in accordance with IFRS are included elsewhere in this review of financial performance.

Results of Power Corporation of Canada

EARNINGS SUMMARY – CONDENSED SUPPLEMENTARY NON-CONSOLIDATED STATEMENTS OF EARNINGS

The following table is a reconciliation of non-IFRS financial measures: adjusted net earnings, other items, adjusted net earnings per share and other items per share with financial measures presented in accordance with IFRS: net earnings and net earnings per share. In this section, the contributions from Power Financial and other subsidiaries to the net earnings attributable to participating shareholders of Power Corporation are accounted for using the equity method.

TWELVE MONTHS ENDED DECEMBER 31	2016	2015
Adjusted net earnings [1]		
Power Financial		
Lifeco	1,174	1,221
IGM	297	311
Pargesa	78	73
Corporate	(169)	(135)
	1,380	1,470
Other subsidiaries [2]	(65)	(66)
	1,315	1,404
Corporate operations		
Income – Sagard Investment Funds and other [3]	74	355
Operating and other expenses	(134)	(134)
Dividends on non-participating shares	(52)	(52)
Adjusted net earnings [4]	1,203	1,573
Other items [5]		
Power Financial		
IGM	14	(10)
Pargesa	(135)	61
	(121)	51
Other subsidiaries [2]	–	(21)
Corporate activities	–	183
	(121)	213
Net earnings [4]	1,082	1,786
Earnings per share – basic [4]		
Adjusted net earnings	2.59	3.40
Other items	(0.26)	0.46
Net earnings	2.33	3.86

[1] Previously described as "Operating earnings". For a reconciliation of each component's non-IFRS adjusted net earnings to their net earnings, refer to the "Contribution to adjusted net earnings" section below.

[2] Other subsidiaries include controlled portfolio investments.

[3] Includes income from the Sagard Investment Funds (excluding income from controlled portfolio investments) and from Other Investments.

[4] Attributable to participating shareholders.

[5] See "Other items" below.

NET EARNINGS

(attributable to participating shareholders)

Net earnings attributable to participating shareholders for the twelve-month period ended December 31, 2016 were $1,082 million or $2.33 per share, compared with $1,786 million or $3.86 per share in the corresponding period in 2015, a decrease of 39.6% on a per share basis.

A discussion of the results of the Corporation is provided in the sections "Contribution to adjusted net earnings", "Corporate operations of Power Corporation", and "Other items" below.

ADJUSTED NET EARNINGS

(attributable to participating shareholders)

Adjusted net earnings attributable to participating shareholders for the twelve-month period ended December 31, 2016 were $1,203 million or $2.59 per share, compared with $1,573 million or $3.40 per share in the corresponding period in 2015, a decrease of 23.8% on a per share basis.

CONTRIBUTION TO ADJUSTED NET EARNINGS

Power Corporation's share of adjusted net earnings from Power Financial and other subsidiaries decreased by 6.3% for the twelve-month period ended December 31, 2016, compared with the same period in 2015, from $1,404 million to $1,315 million.

POWER FINANCIAL

Power Financial's adjusted net earnings attributable to common shareholders were $2,105 million or $2.95 per share for the twelve-month period ended December 31, 2016, compared with $2,241 million or $3.14 per share for the corresponding period in 2015.

Power Financial's adjusted and net earnings attributable to common shareholders are summarized below:

TWELVE MONTHS ENDED DECEMBER 31	2016	2015
Adjusted net earnings [1]		
Lifeco	1,790	1,862
IGM	452	474
Pargesa	119	112
	2,361	2,448
Corporate operations of Power Financial	(132)	(77)
Dividends on perpetual preferred shares	(124)	(130)
Adjusted net earnings [2]	2,105	2,241
Other items		
IGM	21	(15)
Pargesa	(207)	93
	(186)	78
Net earnings [2]	1,919	2,319

[1] Previously described as "Operating earnings".

[2] Attributable to Power Financial common shareholders.

Power Financial's contribution to Power Corporation:

TWELVE MONTHS ENDED DECEMBER 31	2016	2015
Average direct ownership [%]	65.6	65.6
Contribution to Power Corporation's:		
Adjusted net earnings	1,380	1,470
Other items	(121)	51
	1,259	1,521

Power Financial's contribution to Power Corporation's adjusted net earnings was $1,380 million for the twelve-month period ended December 31, 2016, compared with $1,470 million in the corresponding period in 2015 due to decreased contributions from Lifeco and IGM and from corporate operations of Power Financial.

The reportable operating segments of Power Financial and Power Corporation are Lifeco, IGM and Pargesa.

LIFECO

Lifeco's contribution to Power Financial's adjusted net earnings for the twelve-month period ended December 31, 2016 was $1,790 million, compared with $1,862 million for the corresponding period in 2015.

- Lifeco's net earnings attributable to Lifeco common shareholders were $2,641 million or $2.668 per share for the twelve-month period ended December 31, 2016, compared with $2,762 million or $2.774 per share in the corresponding period in 2015, a decrease of 3.8% on a per share basis. While net earnings in Canada and Europe operations finished the year up from 2015, earnings were negatively impacted by currency movement, particularly the weakening of the British pound, and lower earnings in the U.S. segment.
- Summary of Lifeco's net earnings by segment:

TWELVE MONTHS ENDED DECEMBER 31	2016	2015
CANADA		
Individual Insurance	345	307
Wealth Management	436	479
Group Insurance	400	432
Canada Corporate	37	(23)
	1,218	1,195
UNITED STATES		
Financial Services	333	384
Asset Management	(52)	32
U.S. Corporate	(32)	(7)
	249	409
EUROPE		
Insurance and Annuities	927	886
Reinsurance	277	313
Europe Corporate	(4)	(25)
	1,200	1,174
LIFECO CORPORATE	(26)	(16)
Net earnings [1]	2,641	2,762

[1] Attributable to Lifeco common shareholders.

Lifeco's contribution to Power Financial and Power Corporation:

TWELVE MONTHS ENDED DECEMBER 31	2016	2015
Average Power Financial ownership [%]	67.6	67.3
Contribution to Power Financial's adjusted net earnings and net earnings	1,790	1,862
Average Power Corporation ownership of Power Financial [%]	65.6	65.6
Contribution to Power Corporation's adjusted net earnings and net earnings	1,174	1,221

Canada

Net earnings for the twelve-month period ended December 31, 2016 were $1,218 million, compared with $1,195 million for the corresponding period in 2015. The increase was primarily due to higher contributions from investment experience and lower income taxes, partially offset by lower contributions from insurance contract liability basis changes and less favourable morbidity experience.

United States

Net earnings for the twelve-month period ended December 31, 2016 were US$188 million (C$249 million), compared with US$318 million (C$409 million) for the corresponding period in 2015. Included in net earnings in the fourth quarter of 2016 were restructuring costs of US$15 million (C$20 million) relating to the Asset Management business unit. Excluding these restructuring costs, net earnings decreased US$115 million (C$140 million). The decrease was primarily due to lower contributions from investment experience and lower net fee income in Lifeco's Asset Management business unit. These items were partially offset by higher contributions from contract liability basis changes and lower income taxes, driven by a management election to claim foreign tax credits.

Europe

Net earnings for the twelve-month period ended December 31, 2016 were $1,200 million, compared with $1,174 million for the corresponding period in 2015. The increase was primarily due to higher contributions from insurance contract liability basis changes and investment experience, partially offset by less favourable morbidity experience and the impact of currency movement.

IGM FINANCIAL

IGM's contribution to Power Financial's adjusted net earnings was $452 million for the twelve-month period ended December 31, 2016, compared with $474 million for the corresponding period in 2015.

- IGM's adjusted net earnings available to IGM common shareholders were $737 million or $3.05 per share for the twelve-month period ended December 31, 2016, compared with $796 million or $3.21 per share in the corresponding period in 2015, a decrease of 5.0% on a per share basis due to a decrease in contributions from each of IGM's segments.
- Adjusted net earnings before interest and taxes of IGM's segments and adjusted net earnings (non-IFRS measures described by IGM as "Earnings before interest and taxes" and "Operating earnings", respectively), and net earnings available to IGM common shareholders were as follows:

TWELVE MONTHS ENDED DECEMBER 31	2016	2015
Investors Group	736	761
Mackenzie	171	216
Corporate and other	132	140
Adjusted net earnings (before interest, income taxes, preferred share dividends and other)	1,039	1,117
Interest expense, income taxes, preferred share dividends and other	(302)	(321)
Adjusted net earnings[1]	737	796
Other items	34	(24)
Net earnings[1]	771	772

[1] Available to IGM common shareholders.

IGM's contribution to Power Financial and Power Corporation:

TWELVE MONTHS ENDED DECEMBER 31	2016	2015
Average Power Financial ownership [%]	61.3	59.6
Contribution to Power Financial's:		
Adjusted net earnings	452	474
Other items	21	(15)
	473	459
Average Power Corporation ownership of Power Financial [%]	65.6	65.6
Contribution to Power Corporation's:		
Adjusted net earnings	297	311
Other items	14	(10)
	311	301

Investors Group

Adjusted net earnings decreased in the twelve-month period ended December 31, 2016, compared to the same period in 2015, due to:

- An increase in non-commission expenses, resulting largely from Consultant network support and other business development efforts, and an increase in commission expenses;
- Partially offset by an increase in fee revenue primarily reflecting the increase in average daily mutual fund assets of 1.5% and the increase in fee revenue from insurance products.

Mackenzie

Adjusted net earnings decreased in the twelve-month period ended December 31, 2016, compared to the same period in 2015, due to:

- A decrease in management fee revenues, primarily resulting from the decrease in average assets under management of 8.3% when compared with the corresponding period in 2015, offset, in part, by an increase in the average management fee rate, and an increase in non-commission expenses;
- Partially offset by a decrease in commission expenses, primarily due to the decrease in average mutual fund assets for the period and the lower amount of deferred sales commissions paid in recent years.

Total assets under management were as follows:

DECEMBER 31 [IN BILLIONS OF DOLLARS]	2016	2015
Investors Group	81.2	74.9
Mackenzie	64.0	61.7
Corporate and other[1]	(3.4)	(3.0)
Total	141.8	133.6

[1] Includes Investment Planning Counsel's assets under management less an adjustment for assets sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel.

Total average daily mutual fund assets under management were as follows:

[IN BILLIONS OF DOLLARS]	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Investors Group	79.7	78.1	75.8	73.5	75.3	75.4	76.8	75.5
Mackenzie	50.5	49.6	47.8	46.7	48.5	49.2	50.6	50.5
Corporate and other[1]	4.5	4.5	4.3	4.2	4.0	4.0	4.0	3.9
Total	134.7	132.2	127.9	124.4	127.8	128.6	131.4	129.9

[1] Includes Investment Planning Counsel's assets under management less an adjustment for assets sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel.

PARGESA

Pargesa's contribution to Power Financial's adjusted net earnings was $119 million for the twelve-month period ended December 31, 2016, compared with $112 million in the corresponding period in 2015.

The components of Pargesa's adjusted net earnings (described by Pargesa as "operating earnings") and net earnings were:

TWELVE MONTHS ENDED DECEMBER 31 [IN MILLIONS OF SWISS FRANCS]	2016	2015
Contribution from principal holdings		
Share of earnings of:		
Imerys	112	102
Lafarge[1]	–	13
Dividends from:		
LafargeHolcim[1]	45	–
SGS	41	37
Total	28	85
Engie	26	26
Pernod Ricard	21	20
Umicore	14	8
adidas	11	2
	298	293
Contribution from private equity activities and other investment funds	38	14
Net financing charges	8	34
Other operating income from holding company activities	6	–
General expenses and taxes	(29)	(33)
Adjusted net earnings	321	308
Other items	(353)	330
Net earnings (loss)	(32)	638

[1] Lafarge contributed to Pargesa's earnings until June 30, 2015. LafargeHolcim started contributing to Pargesa's earnings in the second quarter of 2016.

Pargesa's contribution to Power Financial and Power Corporation:

TWELVE MONTHS ENDED DECEMBER 31 [IN MILLIONS OF CANADIAN DOLLARS]	2016	2015
Average Power Financial ownership [%]	27.8	27.8
Contribution to Power Financial's:		
Adjusted net earnings	119	112
Other items	(207)	93
	(88)	205
Average Power Corporation ownership of Power Financial [%]	65.6	65.6
Contribution to Power Corporation's:		
Adjusted net earnings	78	73
Other items	(135)	61
	(57)	134

The average exchange rates for the twelve-month periods ended December 31, 2016 and 2015 were as follows:

TWELVE MONTHS ENDED DECEMBER 31	2016	2015	CHANGE %
Euro/SF	1.09	1.07	1.9
SF/CAD	1.35	1.33	1.5

A significant portion of Pargesa's earnings is composed of dividends from its investments:

- LafargeHolcim (first dividend declared in the second quarter of 2016);
- SGS (declared in the first quarter);
- Total (declared in the second, third and fourth quarters);
- Engie (declared in the second and third quarters);
- Pernod Ricard (declared in the second and fourth quarters);
- Umicore (declared in the second and third quarters); and
- adidas (declared in the second quarter).

The change in Pargesa's adjusted net earnings for the twelve-month period ended December 31, 2016 was primarily due to:

- The LafargeHolcim merger, which became effective on July 10, 2015. Starting on that date, the investment in LafargeHolcim is accounted for as available for sale. In the second quarter of 2016, Pargesa's share of a dividend from LafargeHolcim was SF45 million. In the twelve-month period of 2015, Pargesa recorded a share of earnings from Lafarge of SF13 million.
- A decrease in dividends from Total resulting from disposals of Total.
- Non-cash gains of SF31 million included in net financing charges due to the mark to market of derivative financial instruments related to convertible and exchangeable debentures issued by GBL, compared with non-cash gains of SF56 million in the corresponding period of 2015.
- An increase of SF24 million in the contribution from private equity activities and other investment funds.

OTHER SUBSIDIARIES

The contribution from other subsidiaries to the Corporation's adjusted net earnings was a loss of $65 million for the twelve-month period ended December 31, 2016, compared with a loss of $66 million in the corresponding period in 2015.

CORPORATE OPERATIONS

Corporate operations include income from Sagard Investment Funds and Other, operating expenses, financing charges, depreciation and income taxes.

INCOME FROM SAGARD INVESTMENT FUNDS AND OTHER

Summary of income from Sagard Investment Funds and Other:

TWELVE MONTHS ENDED DECEMBER 31	2016	2015
Sagard Investment Funds[1]		
Sagard Europe[2]	14	31
Sagard Capital[3, 4]	27	(29)
Sagard China	16	143
Other Investments		
Investment and hedge funds[5]	19	119
China AMC	6	6
Other[6]	(8)	85
	74	355

[1] Income from investments for the Sagard Investment Funds is presented net of expenses of their separate dedicated teams.

[2] Excludes the Corporation's share of the results of Alvest and Les Délices des 7 Vallées, presented in the section entitled "Other subsidiaries".

[3] Excludes the Corporation's share of the results of IntegraMed and Vein Clinics, presented in the section entitled "Other subsidiaries".

[4] Includes share of earnings from investments in a jointly controlled corporation and an associate.

[5] Includes gains on the disposal of two funds in 2015.

[6] Consisting mainly of foreign exchange gains or losses and interest on cash and cash equivalents, and a gain of $46 million on a portfolio investment in China in 2015.

During the fourth quarter of 2016, an investment held by Sagard Capital previously accounted for as available for sale was classified as an associate, as Sagard Capital had increased its ownership to 21.8%, resulting in a gain of $52 million.

Earnings from Sagard Investment Funds, as well as from Other Investments, are volatile in nature as they depend on many factors, including the timing of disposals and distributions.

Investments in China contributed significantly to income from investments in 2015. As many of Sagard China's portfolio investments reached historically high valuations, investment gains were realized on certain holdings. Other income from investments in 2015 included a gain of $46 million on the disposal of a portfolio investment in China.

Impairment charges included in income from Sagard Investment Funds and Other were as follows:

TWELVE MONTHS ENDED DECEMBER 31	2016	2015
Sagard Capital	65	6
Sagard China	21	9
Investment and hedge funds	4	–
	90	15

OPERATING AND OTHER EXPENSES

TWELVE MONTHS ENDED DECEMBER 31	2016	2015
Operating expenses	90	92
Financing charges	33	32
Depreciation	10	10
Income taxes	1	–
Operating and other expenses	134	134

OTHER ITEMS

TWELVE MONTHS ENDED DECEMBER 31	2016	2015
Power Financial		
IGM		
Reduction of income tax estimates	14	–
Restructuring charges	–	(10)
	14	(10)
Pargesa		
Total – Gains on partial disposal	115	38
LafargeHolcim – Impairment charges	(237)	–
Lafarge – Reversal of impairment charges	–	58
Lafarge – Impairment and restructuring charges	–	(15)
Imerys – Impairment and restructuring charges	–	(17)
Engie – Impairment charges and loss on partial disposal	(9)	–
Other (charge) income	(4)	(3)
	(135)	61
Other subsidiaries	–	(21)
Corporate operations	–	183
	(121)	213

Other items in 2016 were mainly comprised of the following:

POWER FINANCIAL

The Corporation's share of:

FIRST QUARTER

- Total – Gain on partial disposal of $67 million: GBL disposed of a 1.1% equity interest in Total.
- LafargeHolcim – Impairment charge of $203 million: a non-cash charge of €1,443 million at GBL due to the significant decrease of the share price of LafargeHolcim.
- Engie – Impairment charge of $6 million: a non-cash charge at GBL.

SECOND QUARTER

- LafargeHolcim – Impairment charge of $34 million: a non-cash charge of €239 million at GBL as a result of a further decline in the share price of LafargeHolcim, from €41.28 at March 31, 2016 to €37.10 at June 30, 2016.

FOURTH QUARTER

- IGM – Reduction of income tax estimates of $14 million: consisting of a reduction in income tax estimates related to certain tax filings.
- Total – Gain on partial disposal of $48 million: GBL disposed of an additional 0.7% equity interest in Total.
- Engie – Impairment charge and loss on partial disposal of $3 million: net impact recorded by GBL of a non-cash charge and a loss on partial disposal of a 1.8% equity interest in Engie.

Other items in 2015 were mainly comprised of the following:

POWER FINANCIAL

The Corporation's share of:

FIRST QUARTER

- Total – Gain on partial disposal of $6 million: GBL disposed of a 0.1% equity interest in Total.

SECOND QUARTER

- Lafarge – Reversal of impairment charges of $53 million: representing the partial reversal of previous impairment charges recorded by GBL on its investment in Lafarge, in connection with the merger with Holcim.
- Lafarge – Impairment and restructuring charges of $15 million: representing other items recorded by Lafarge, comprised of impairment charges and charges recorded in connection with the merger with Holcim.

THIRD QUARTER

- Lafarge – Reversal of impairment charges of $5 million: as described above for the second quarter.

FOURTH QUARTER

- IGM – Restructuring charges of $10 million: reflecting severance and payments to third parties related to exiting certain investment management activities and third-party back office relationships associated with Mackenzie and Investors Group.
- Total – Gain on partial disposal of $32 million: GBL disposed of an additional 0.4% equity interest in Total.
- Imerys – Impairment and restructuring charges of $17 million: a charge representing other items recorded by Imerys, comprised of the impairment charge on its Oilfield Solutions division and restructuring charges relating to the integration of S&B's activities (S&B is a global provider of mineral-based specialties).

OTHER SUBSIDIARIES

SECOND QUARTER

- SVCG – Impairment charges of $28 million, primarily on goodwill and deferred tax assets.

THIRD QUARTER

- SVCG – A net gain of $20 million on the disposals of its controlling interest in Bytheowner Inc. and interests in two other companies, net of restructuring charges recorded in connection with a workforce reduction.

FOURTH QUARTER

- SVCG – Impairment charge of $13 million on an investment in a jointly controlled corporation.

CORPORATE OPERATIONS

SECOND QUARTER

- CITIC – A partial recovery of prior-period impairment charges of $183 million on the disposal of the Corporation's interest in CITIC Limited.

Financial Position

CONSOLIDATED BALANCE SHEETS (condensed)

The condensed balance sheet of Lifeco, IGM and other subsidiaries, as well as Power Corporation's and Power Financial's non-consolidated balance sheets are presented below. This table reconciles the non-consolidated balance sheet, which is not in accordance with IFRS, with the condensed consolidated balance sheet of the Corporation at December 31, 2016.

							POWER CORPORATION CONSOLIDATED BALANCE SHEETS	
	POWER CORPORATION	POWER FINANCIAL	LIFECO	IGM	OTHER SUBSIDIARIES	CONSOLIDATION ADJUSTMENTS AND OTHER [1]	DECEMBER 31, 2016	DECEMBER 31, 2015 [2]
ASSETS								
Cash and cash equivalents	827	842	3,259	611	162	(519)	5,182	5,085
Investments	1,900	76	159,276	8,208	–	67	169,527	168,236
Investments in Power Financial, Lifeco and IGM	11,085	16,402	361	889	–	(28,737)	–	–
Investments in Other subsidiaries	325	–	–	–	–	(325)	–	–
Investment in Parjointco	–	2,811	–	–	–	–	2,811	2,610
Investments in other jointly controlled corporations and associates	–	–	259	–	130	353	742	437
Funds held by ceding insurers	–	–	10,781	–	–	–	10,781	15,512
Reinsurance assets	–	–	5,627	–	–	–	5,627	5,131
Other assets	442	122	9,997	1,263	532	(283)	12,073	11,684
Intangible assets	–	–	3,972	1,994	292	–	6,258	6,301
Goodwill	–	–	5,977	2,660	225	637	9,499	9,669
Interest on account of segregated fund policyholders	–	–	200,403	–	–	–	200,403	198,194
Total assets	14,579	20,253	399,912	15,625	1,341	(28,807)	422,903	422,859
LIABILITIES								
Insurance and investment contract liabilities	–	–	157,949	–	–	–	157,949	160,745
Obligations to securitization entities	–	–	–	7,721	–	–	7,721	7,092
Debentures and other debt instruments	455	250	5,980	1,325	450	(42)	8,418	8,035
Other liabilities	260	522	10,572	1,832	494	(329)	13,351	13,408
Insurance and investment contracts on account of segregated fund policyholders	–	–	200,403	–	–	–	200,403	198,194
Total liabilities	715	772	374,904	10,878	944	(371)	387,842	387,474
EQUITY								
Non-participating shares	966	2,580	2,514	150	–	(5,244)	966	970
Participating shareholders' equity	12,898	16,901	19,488	4,597	335	(41,321)	12,898	13,008
Non-controlling interests [3, 4]	–	–	3,006	–	62	18,129	21,197	21,407
Total equity	13,864	19,481	25,008	4,747	397	(28,436)	35,061	35,385
Total liabilities and equity	14,579	20,253	399,912	15,625	1,341	(28,807)	422,903	422,859

[1] Consolidation adjustments and other include eliminations and reclassifications.

[2] Comparative figures have been retrospectively adjusted as described in Note 16 to the Corporation's 2016 Consolidated Financial Statements.

[3] Non-controlling interests for Lifeco includes the Participating Account surplus in subsidiaries.

[4] Non-controlling interests for consolidation adjustments represents non-controlling interests in the equity of Power Financial and Other subsidiaries.

Total assets of the Corporation were $422.9 billion at December 31, 2016, comparable to December 31, 2015.

Liabilities increased to $387.8 billion at December 31, 2016, compared with $387.5 billion at December 31, 2015, mainly due to the following:

- Debentures and other debt instruments increased by $0.4 billion, to $8,418 million, primarily due to the issuance of a €500 million 10-year senior bond by Lifeco, partially offset by the effect of the deconsolidation of the Sagard 3 fund ($325 million at December 31, 2015).
- Insurance and investment contract liabilities decreased by $2.8 billion, primarily due to the strengthening of the Canadian dollar against the British pound, euro and U.S. dollar, partially offset by the impact of new business and fair value adjustments.
- Insurance and investment contract liabilities on account of segregated fund policyholders increased by $2.2 billion, primarily due to the combined impact of market value gains and investment income of $13.0 billion, mostly offset by the impact of currency movement of $10.6 billion, and net withdrawals of $0.5 billion.

NON-CONSOLIDATED BALANCE SHEETS

In the non-consolidated basis of presentation shown below, investments in subsidiaries are presented by the Corporation using the equity method. These non-consolidated balance sheets, which are not in accordance with IFRS, enhance the information provided in this review of financial performance and assist the reader by identifying changes in Power Corporation's non-consolidated balance sheets, which include its investments in subsidiaries accounted for using the equity method.

DECEMBER 31	2016	2015[1]
ASSETS		
Cash and cash equivalents[2]	827	831
Investments[3]	1,900	1,966
Investment in Power Financial	11,085	11,081
Investments in Other subsidiaries[4]	325	304
Other assets	442	486
Total assets	14,579	14,668
LIABILITIES		
Debentures and other debt instruments	455	400
Other liabilities	260	290
Total liabilities	715	690
EQUITY		
Non-participating shares	966	970
Participating shareholders' equity	12,898	13,008
Total equity	13,864	13,978
Total liabilities and equity	14,579	14,668

[1] Comparative figures have been retrospectively adjusted as described in Note 16 to the Corporation's 2016 Consolidated Financial Statements.

[2] In these non-consolidated balance sheets, cash equivalents include $204 million ($191 million at December 31, 2015) of fixed income securities with maturities of more than three months. In accordance with IFRS, these are classified in investments in the 2016 Consolidated Financial Statements.

[3] Includes Sagard Capital's investments in a jointly controlled corporation and an associate.

[4] Includes controlled portfolio investments.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to $827 million at December 31, 2016, compared with $831 million at the end of December 2015 (see "Non-consolidated Statements of Cash Flows" below for details). Of this amount, $456 million ($189 million at December 31, 2015) is held by the Sagard Investment Funds.

INVESTMENTS

Non-controlled portfolio investments amounted to $1,900 million at December 31, 2016, compared with $1,966 million at December 31, 2015. These include investments classified as available for sale and investments in a jointly controlled corporation and an associate. Including cash, the fair value of controlled portfolio investments, and the adjustment for the fair value of investments in a jointly controlled corporation and an associate, the total fair value of the Corporation's other investments amounted to $2,690 million at December 31, 2016, compared with $2,678 million at December 31, 2015.

DECEMBER 31, 2016	COST	UNREALIZED GAIN (LOSS)	FAIR VALUE OF NON-CONTROLLED PORTFOLIO INVESTMENTS [1]	CASH	FAIR VALUE OF CONTROLLED PORTFOLIO INVESTMENTS AND OTHER	TOTAL FAIR VALUE
Sagard Investment Funds						
Sagard Europe	211	70	281	–	–	281
Sagard Capital	388	41	429	125	334	888
Sagard China	306	10	316	331	–	647
	905	121	1,026	456	334	1,816
Other Investments						
China AMC	282	181	463	–	–	463
Investment and hedge funds and other	270	141	411	–	–	411
Total [2]	1,457	443	1,900	456	334	2,690

DECEMBER 31, 2015	COST	UNREALIZED GAIN (LOSS)	FAIR VALUE OF NON-CONTROLLED PORTFOLIO INVESTMENTS [1]	CASH	FAIR VALUE OF CONTROLLED PORTFOLIO INVESTMENTS	TOTAL FAIR VALUE
Sagard Investment Funds						
Sagard Europe	154	40	194	–	63	257
Sagard Capital	268	202	470	21	460	951
Sagard China	462	36	498	168	–	666
	884	278	1,162	189	523	1,874
Other Investments						
China AMC	282	28	310	–	–	310
Investment and hedge funds and other	281	213	494	–	–	494
Total [2]	1,447	519	1,966	189	523	2,678

[1] As reported in the Corporation's non-consolidated balance sheets.

[2] Fair value of non-controlled portfolio investments includes $428 million of investments at December 31, 2016 ($972 million at December 31, 2015) valued using quoted prices in active markets.

At December 31, 2016, the fair value of investments in private investment funds (excluding Sagard Investment Funds) was $351 million and the Corporation had outstanding commitments to make future capital contributions to these funds for an aggregate amount of $161 million. The Corporation expects that future distributions from these funds will be sufficient to meet outstanding commitments. The Corporation has also invested in a select number of hedge funds and other investments. At December 31, 2016, the fair value of these investments in hedge funds and other investments was $60 million.

INVESTMENTS IN POWER FINANCIAL AND OTHER SUBSIDIARIES

The carrying value of Power Corporation's investments in Power Financial and in Other subsidiaries (including controlled portfolio investments), accounted for using the equity method, increased to $11,410 million at December 31, 2016, compared with $11,385 million at December 31, 2015:

	POWER FINANCIAL	OTHER SUBSIDIARIES	TOTAL
Carrying value, at the beginning of the year	11,081	304	11,385
Investments in subsidiaries	–	211	211
Share of adjusted net earnings (losses)	1,380	(65)	1,315
Share of other items	(121)	–	(121)
Share of other comprehensive income (loss)	(427)	(17)	(444)
Dividends	(735)	–	(735)
Disposals [1]	–	(68)	(68)
Other, mainly related to effects of changes in ownership	(93)	(40)	(133)
Carrying value, at December 31, 2016	11,085	325	11,410

[1] Represents the effect of the deconsolidation of controlled portfolio investments held by Sagard 3.

EQUITY

NON-PARTICIPATING SHARES

Non-participating (preferred) shares of the Corporation consist of six series of First Preferred Shares with an aggregate stated capital of $966 million at December 31, 2016 ($970 million at December 31, 2015), of which $950 million are non-cumulative (same as at December 31, 2015). All series are perpetual preferred shares and are redeemable in whole or in part solely at the Corporation's option from specified dates. The First Preferred Shares, 1986 Series, have a stated value of $16 million ($20 million at December 31, 2015).

PARTICIPATING SHAREHOLDERS' EQUITY

Participating shareholders' equity was $12,898 million at December 31, 2016, compared with $13,008 million at December 31, 2015:

TWELVE MONTHS ENDED DECEMBER 31	2016	2015
Participating shareholders' equity, at the beginning of the year	13,008	10,958
Changes in retained earnings		
Net earnings before dividends on non-participating shares	1,134	1,838
Dividends declared	(662)	(618)
Effects of changes in ownership in subsidiaries and other	(141)	(119)
	331	1,101
Changes in reserves		
Other comprehensive income (loss)		
Foreign currency translation adjustments	(757)	1,062
Investment revaluation and cash flow hedges	149	(358)
Actuarial gains (losses) on defined benefit plans	(94)	138
Share of Pargesa's and other jointly controlled corporations and associates	242	50
Share-based compensation	16	(6)
	(444)	886
Issuance of subordinate voting shares (95,223 shares in 2016 and 1,728,522 shares in 2015) under the Corporation's Executive Stock Option Plan[1]	3	63
Participating shareholders' equity at December 31	12,898	13,008

[1] Issued for $51 million in 2015 and including an amount of $12 million representing the cumulative expenses related to these options.

The book value per participating share of the Corporation was $27.84 at December 31, 2016, compared with $28.08 at the end of 2015.

OUTSTANDING NUMBER OF PARTICIPATING SHARES

As of the date hereof, there were 48,854,772 Participating Preferred Shares of the Corporation outstanding, the same as at December 31, 2015, and 414,944,574 Subordinate Voting Shares of the Corporation outstanding, compared with 414,366,313 at December 31, 2015. As of the date hereof, options were outstanding to purchase up to an aggregate of 18,285,602 Subordinate Voting Shares of the Corporation under the Corporation's Executive Stock Option Plan.

The Corporation filed a short-form base shelf prospectus dated December 7, 2016, pursuant to which, for a period of 25 months thereafter, the Corporation may issue up to an aggregate of $2 billion of First Preferred Shares, Subordinate Voting Shares, subscription receipts and unsecured debt securities, or any combination thereof. This filing provides the Corporation with the flexibility to access debt and equity markets on a timely basis.

Cash Flows

CONSOLIDATED STATEMENTS OF CASH FLOWS (condensed)

The condensed cash flows of Lifeco, IGM and other subsidiaries, as well as Power Corporation's and Power Financial's non-consolidated cash flows, are presented below. This table reconciles the non-consolidated statement of cash flows, which is not in accordance with IFRS, to the condensed consolidated statement of cash flows of the Corporation for the twelve-month period ended December 31, 2016.

	POWER FINANCIAL								POWER CORPORATION CONSOLIDATED CASH FLOWS	
TWELVE MONTHS ENDED DECEMBER 31	POWER FINANCIAL	LIFECO	IGM	CONSOLIDATION ADJUSTMENTS AND OTHER	SUB-TOTAL	POWER CORPORATION	OTHER SUBSIDIARIES	CONSOLIDATION ADJUSTMENTS	2016	2015
Cash flows from:										
Operating activities	1,245	6,254	737	(1,336)	6,900	535	86	(779)	6,742	5,713
Financing activities	(1,230)	(1,045)	(75)	1,335	(1,015)	(606)	147	514	(960)	(1,554)
Investing activities	(43)	(4,565)	(1,034)	163	(5,479)	76	(334)	253	(5,484)	(3,841)
Effect of changes in exchange rates on cash and cash equivalents	–	(198)	–	–	(198)	(9)	6	–	(201)	336
Increase (decrease) in cash and cash equivalents	(28)	446	(372)	162	208	(4)	(95)	(12)	97	654
Cash and cash equivalents, at the beginning of the year	870	2,813	983	(478)	4,188	831	257	(191)	5,085	4,431
Cash and cash equivalents, at December 31	842	3,259	611	(316)	4,396	827	162	(203)	5,182	5,085

Consolidated cash and cash equivalents increased by $97 million in the twelve-month period ended December 31, 2016, compared with an increase of $654 million in the corresponding period of 2015.

Operating activities produced a net inflow of $6,742 million in the twelve-month period ended December 31, 2016, compared with a net inflow of $5,713 million in the corresponding period of 2015.

Cash flows from financing activities, which include dividends paid on the participating and non-participating shares of the Corporation and dividends paid by subsidiaries to non-controlling interests, represented a net outflow of $960 million in the twelve-month period ended December 31, 2016, compared with a net outflow of $1,554 million in the corresponding period of 2015.

Cash flows from investing activities resulted in a net outflow of $5,484 million in the twelve-month period ended December 31, 2016, compared with a net outflow of $3,841 million in the corresponding period of 2015.

The Corporation increased its level of fixed income securities with maturities of more than three months, resulting in a net outflow of $13 million in the twelve-month period ended December 31, 2016, compared with a net inflow of $112 million in the corresponding period of 2015.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

TWELVE MONTHS ENDED DECEMBER 31	2016	2015
OPERATING ACTIVITIES		
Net earnings before dividends on non-participating shares	1,134	1,838
Adjusting items		
Earnings from subsidiaries not received in cash	(469)	(747)
Impairment charges	90	15
Net gains on disposal of investments	(196)	(531)
Other	(24)	23
	535	598
FINANCING ACTIVITIES		
Dividends paid on non-participating shares	(52)	(52)
Dividends paid on participating shares	(610)	(566)
Issuance of subordinate voting shares	3	51
Repurchase of non-participating shares	(2)	(2)
Changes in other debt instruments	55	–
	(606)	(569)
INVESTING ACTIVITIES		
Proceeds from disposal of investments	1,063	1,103
Purchase of investments	(702)	(692)
Deposit for investment in China AMC	(54)	–
Investment in other subsidiaries	(211)	(193)
Other (including acquisition of capital assets)	(20)	(15)
	76	203
Effect of changes in exchange rates on cash and cash equivalents	(9)	28
Increase (decrease) in cash and cash equivalents	(4)	260
Cash and cash equivalents, at the beginning of the year	831	571
Cash and cash equivalents, at December 31	827	831

On a non-consolidated basis, cash and cash equivalents decreased by $4 million in the twelve-month period ended December 31, 2016, compared with an increase of $260 million in the corresponding period in 2015.

Operating activities produced a net inflow of $535 million in the twelve-month period ended December 31, 2016, compared with a net inflow of $598 million in the corresponding period in 2015.

- Dividends declared by Power Financial on its common shares during the twelve-month period ended December 31, 2016 were $1.57 per share, compared with $1.49 per share in the corresponding period of 2015. Power Corporation received dividends of $725 million from Power Financial in the twelve-month period ended December 31, 2016, compared with $687 million in the corresponding period of 2015. On March 24, 2017, Power Financial announced a 5.1% increase in the quarterly dividend on its common shares, from $0.3925 to $0.4125 per common share, payable on May 1, 2017.

The Corporation's financing activities during the twelve-month period ended December 31, 2016 were a net outflow of $606 million, compared with a net outflow of $569 million in the corresponding period in 2015, and included:

- Dividends paid on non-participating and participating shares by the Corporation of $662 million, compared with $618 million in the corresponding period of 2015. In the twelve-month period ended December 31, 2016, dividends declared on the Corporation's participating shares were $1.3163 per share, compared with $1.2238 per share in the corresponding period of 2015.
- Issuance of Subordinate Voting Shares of the Corporation for $3 million pursuant to the Corporation's Executive Stock Option Plan in 2016, compared with issuance for an amount of $51 million in the corresponding period of 2015.
- Borrowings of $55 million under a revolving credit facility.

The Corporation's investing activities during the twelve-month period ended December 31, 2016 represented a net inflow of $76 million, compared with a net inflow of $203 million in the corresponding period of 2015. The investments in other subsidiaries include the acquisition of the non-controlling interest in Potentia for $122 million.

Proceeds from disposal of investments and purchase of investments are comprised of investment activities of the Sagard Investment Funds and Other Investments.

Capital Management

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

- provide attractive long-term returns to shareholders of the Corporation;
- provide sufficient financial flexibility to pursue its growth strategy to invest on a timely basis in its operating companies and other investments as opportunities present; and
- maintain an appropriate credit rating to ensure stable access to capital markets.

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

The Board of Directors of the Corporation is responsible for capital management. Management of the Corporation is responsible for establishing capital management procedures and for implementing and monitoring its capital plans. The Board of Directors of the Corporation reviews and approves capital transactions such as the issuance, redemption and repurchase of participating shares, non-participating shares and debentures. The boards of directors of the Corporation's subsidiaries, as well as those of Pargesa and GBL, are responsible for their respective company's capital management.

The Corporation has positions in long-term investments as well as cash and fixed income securities for liquidity purposes. With the exception of debentures and other debt instruments, the Corporation's capital is permanent, matching the long-term nature of its investments. The capital structure of the Corporation consists of non-participating shares, debentures, participating shareholders' equity, and non-controlling interests. The Corporation views non-participating shares as a permanent and cost-effective source of capital consistent with its strategy of maintaining a relatively low level of debt.

In the following table, consolidated capitalization reflects the consolidation of the Corporation's subsidiaries. The Corporation's consolidated capitalization includes the debentures and other debt instruments of its consolidated subsidiaries, including those of its controlled portfolio investments. Debentures and other debt instruments issued by Power Financial, Lifeco, IGM and Other subsidiaries are non-recourse to the Corporation. Non-participating shares and total equity accounted for 81% of consolidated capitalization at December 31, 2016.

DECEMBER 31	2016	2015
DEBENTURES AND OTHER DEBT INSTRUMENTS		
Power Corporation	455	400
Power Financial	250	250
Lifeco	5,980	5,395
IGM	1,325	1,325
Other subsidiaries[1]	450	708
Consolidation adjustments	(42)	(43)
	8,418	8,035
NON-PARTICIPATING SHARES		
Power Corporation	966	970
Power Financial	2,580	2,580
Lifeco	2,514	2,514
IGM	150	150
	6,210	6,214
EQUITY		
Participating shareholders' equity	12,898	13,008
Non-controlling interests[2]	15,953	16,163
	28,851	29,171
	43,479	43,420

[1] Other subsidiaries include controlled portfolio investments.

[2] Represents the non-controlling equity interests of the Corporation's subsidiaries excluding Power Financial, Lifeco, and IGM's preferred shares, which are shown in this table as non-participating shares.

In January 2017, the Corporation issued $250 million of 30-year 4.81% debentures. The net proceeds will be used by the Corporation to finance the acquisition of an additional 3.9% interest in China AMC and for general corporate purposes.

IGM also issued, in January 2017, $400 million of 10-year 3.44% debentures and $200 million of 30-year 4.56% debentures. The net proceeds will be used by IGM to assist its subsidiary, Mackenzie Investments, in financing a substantial portion of the acquisitions of a 13.9% interest in China AMC and for general corporate purposes.

On February 8, 2017, Irish Life Assurance, a subsidiary of Lifeco, redeemed its 5.25% €200 million subordinated debenture notes at their principal amount together with accrued interest.

The Corporation is not subject to externally imposed regulatory capital requirements; however, Lifeco and certain of its main subsidiaries and IGM's subsidiaries are subject to regulatory capital requirements.

RATINGS

The current rating by Standard & Poor's (S&P) of the Corporation's debentures is "A" with a stable outlook. Dominion Bond Rating Service's (DBRS) current rating on the Corporation's debentures is "A" with a stable rating trend.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites. These ratings are not a recommendation to buy, sell or hold the securities of the Corporation and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

The "A" rating assigned to the Corporation's debentures by S&P is the sixth highest of the 22 ratings used for long-term debt. A long-term debenture rated "A" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories; however, the obligor's capacity to meet its financial commitment on the obligation is still strong.

The "A" rating assigned to the Corporation's debentures by DBRS is the sixth highest of the 26 ratings used for long-term debt. A long-term debenture rated "A" implies that the capacity for the repayment is substantial, but of lesser credit quality than AA, and may be vulnerable to future events, although qualifying negative factors are considered manageable.

Risk Management

Power Corporation is a holding company whose principal asset is its controlling interest in Power Financial. Power Financial holds substantial interests in the financial services sector through its controlling interest in each of Lifeco and IGM. As a result, the Corporation bears the risks associated with being a significant shareholder of these operating companies. The respective boards of directors of Power Financial, Lifeco, IGM, Pargesa and GBL are responsible for the risk oversight function at their respective companies. The risk committee of the board of directors of Lifeco is responsible for its risk oversight, and the board of directors of IGM provides oversight and carries out its risk management mandate through various committees. Certain officers of the Corporation are members of these boards and committees of these boards and, consequently, in their role as directors, they participate in the risk oversight function at the operating companies.

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

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

- The Audit Committee addresses risks related to financial reporting and cybersecurity.
- The Compensation Committee considers risks associated with the Corporation's compensation policies and practices.
- The Governance and Nominating Committee oversees the Corporation's approach to appropriately address potential risks related to governance matters.
- The Related Party and Conduct Review Committee considers the risks related to transactions with related parties of the Corporation.

There are certain risks inherent in an investment in the securities of the Corporation and in the activities of the Corporation, including the following risks and others discussed elsewhere in this review of financial performance, which investors should carefully consider before investing in securities of the Corporation. The following is a review of certain risks that could impact the financial condition and financial performance, and the value of the equity of the Corporation. This description of risks does not include all possible risks, and there may be other risks of which the Corporation is not currently aware.

OWNERSHIP OF COMMON AND PREFERRED SHARES

The share price of Power Corporation, Power Financial and its subsidiaries may be volatile and subject to fluctuations in response to numerous factors beyond Power Corporation's and such subsidiaries' control. Economic conditions may adversely affect Power Corporation and its subsidiaries, including fluctuations in foreign exchange, inflation and interest rates, as well as monetary policies, business investment and the health of capital markets in Canada, the United States, Europe and Asia. In recent years, financial markets have experienced significant price and volume fluctuations that have affected the market prices of equity securities held by the Corporation and its subsidiaries and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. These factors may cause decreases in asset values that are deemed to be significant or prolonged, which may result in impairment charges. In periods of increased levels of volatility and related market turmoil, Power Corporation subsidiaries' operations could be adversely impacted and the trading price of Power Corporation's securities may be adversely affected.

LAWS, RULES AND REGULATIONS

There are many laws, governmental rules and regulations, and stock exchange rules that apply to the Corporation. Changes in these laws, rules and regulations, or their interpretation by governmental agencies or the courts, could have a significant effect on the business and the financial condition of the Corporation. The Corporation, in addition to complying with these laws, rules and regulations, must also monitor them closely so that changes therein are taken into account in the management of its activities.

CYBERSECURITY

The Corporation is exposed to risks relating to cybersecurity, in particular cyber threats, which include cyber-attacks such as, but not limited to, hacking, computer viruses, unauthorized access to confidential, proprietary or sensitive information or other breaches of network or Information Technology ("IT") security, which are constantly evolving. The Corporation continues to monitor and enhance its defences and procedures to prevent, detect, respond to and manage cybersecurity threats. Consequently, the Corporation's IT defences are continuously monitored and adapted to both prevent and detect cyber-attacks, and then recover and remediate. Unavailability or breaches could result in a negative impact on the Corporation's financial results or result in reputational damage.

PRIVATE COMPANIES AND ILLIQUID SECURITIES

The Corporation makes certain investments through funds in the securities of private companies and illiquid securities. Such investments may offer relatively high potential returns, but may also be subject to a relatively higher degree of risk. From time to time, it may be in the best interests of the Corporation to exit such investments. However, securities of private companies and illiquid securities may not have a ready market and the Corporation may be unable to sell such securities at acceptable prices on a timely basis or at all. Such illiquidity may limit the Corporation's ability to realize a return or to vary components of its investment portfolio promptly in response to changing conditions. In some cases, the Corporation may also be restricted by contract or by applicable laws from selling such securities for a period of time. The valuation of private companies is inherently difficult because there is a certain level of uncertainty in the assumptions used to determine the fair value of these investments.

FINANCIAL INSTRUMENTS RISK

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

- Liquidity risk is the risk that the Corporation will not be able to meet all cash outflow obligations as they come due.
- Credit risk is the potential for financial loss to the Corporation if a counterparty in a transaction fails to meet its obligations.
- Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: currency risk, interest rate risk and equity price risk.
  - Currency risk relates to the Corporation operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.
  - Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.
  - Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets.

LIQUIDITY RISK

As a holding company, Power Corporation's ability to meet its obligations, including payment of interest, other operating expenses and dividends, and to complete current or desirable future enhancement opportunities or acquisitions generally depends upon dividends from its principal subsidiaries and other investments, and its ability to raise additional capital. Dividends to shareholders of Power Corporation will be dependent on the operating performance, profitability, financial position and creditworthiness of the subsidiaries of Power Corporation and on their ability to pay dividends to Power Corporation. The ability of Power Financial to meet its obligations and pay dividends is dependent upon receipt of dividends from its subsidiaries. The payment of interest and dividends by Power Financial's principal subsidiaries is subject to restrictions set out in relevant corporate and insurance laws and regulations, which require that solvency and capital ratios be maintained.

Power Corporation regularly reviews its liquidity requirements and seeks to maintain a sufficient level of liquidity to meet its operating expenses, financing charges and payment of preferred share dividends for a reasonable period of time. The ability of Power Corporation to arrange additional financing in the future will depend in part upon prevailing market conditions as well as the business performance of Power Corporation and its subsidiaries. Although the Corporation has been able to access capital on financial markets in the past, there can be no assurance this will be possible in the future. The inability of Power Corporation to access sufficient capital on acceptable terms could have a material adverse effect on Power Corporation's business, prospects, dividend paying capability and financial condition, and further enhancement opportunities or acquisitions.

Liquidity is also available through the Corporation's lines of credit with Canadian banks. On January 9, 2017, the Corporation established a committed line of credit of $250 million. The Corporation also maintains an uncommitted line of credit of $100 million, and any advances are at the bank's sole discretion.

Power Corporation's management of liquidity risk has not changed materially since December 31, 2015.

CREDIT RISK

Fixed income securities and derivatives are subject to credit risk. Power Corporation mitigates credit risk on its fixed income securities by adhering to an investment policy that establishes guidelines which provide exposure limits by defining admissible securities, minimum rating and concentration limits.

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

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

Power Corporation's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and derivatives have not changed materially since December 31, 2015.

MARKET RISK

Power Corporation's financial instruments are comprised of cash and cash equivalents, fixed income securities, other investments (consisting of equity securities, investment funds and hedge funds), derivatives and debentures.

CURRENCY RISK

In managing its own cash and cash equivalents and fixed income securities, Power Corporation may hold cash balances denominated in foreign currencies and thus be exposed to fluctuations in exchange rates. In order to protect against such fluctuations, Power Corporation may from time to time enter into currency-hedging transactions with highly rated financial institutions. As at December 31, 2016, approximately 25% of the $827 million of Power Corporation's cash and cash equivalents and fixed income securities were denominated in Canadian dollars.

Most of Power Corporation's other investments are classified as available for sale. As such, unrealized gains and losses on these investments, resulting from foreign exchange rate variations, are recorded in other comprehensive income until realized. As at December 31, 2016, the impact of a 5% strengthening of the Canadian dollar against foreign currencies would have resulted in an unrealized loss recorded in other comprehensive income of approximately $98 million.

Power Corporation's debentures do not have exposure to currency risk.

INTEREST RATE RISK

Power Corporation's financial instruments do not have significant exposure to interest rate risk.

EQUITY PRICE RISK

Most of Power Corporation's other investments are classified as available for sale. As such, unrealized gains and losses on these investments are recorded in other comprehensive income until realized. Other investments are reviewed periodically to determine whether there is objective evidence of an impairment in value. At December 31, 2016, the impact of a 5% decrease in the value of other investments would have been a $77 million unrealized loss recorded in other comprehensive income.

Power Corporation's management of financial instruments risk has not changed materially since December 31, 2015. Power Financial's, Lifeco's and IGM's management of financial instruments risk has also not changed materially since December 31, 2015. For a further discussion of Power Corporation's, Power Financial's, Lifeco's and IGM's financial instruments risk management, refer to Note 21 to the Corporation's 2016 Consolidated Financial Statements.

Financial Instruments and Other Instruments

FAIR VALUE MEASUREMENT

Fair value represents the amount that would be exchanged in an arm's-length transaction between willing parties and is best evidenced by a quoted market price, if one exists. Fair values represent management's estimates and are generally calculated using market information and at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and matters of significant judgment.

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

- Level 1 inputs utilize observable, unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.
- Level 2 inputs utilize other-than-quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs 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.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement falls has been determined based on the lowest level input that is significant to the fair value measurement. The Corporation and its subsidiaries' assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the asset or liability.

The following table presents the carrying amounts and fair value of the Corporation and its subsidiaries' assets and liabilities recorded or disclosed at fair value. The table distinguishes between assets and liabilities recorded at fair value on a recurring basis and those for which fair value is disclosed. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value. Items excluded are: cash and cash equivalents, dividends, interest and accounts receivable, loans to policyholders, certain other financial assets, accounts payable, dividends and interest payable and certain other financial liabilities.

	2016		2015	
AT DECEMBER 31	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
ASSETS				
Assets recorded at fair value				
Bonds				
Fair value through profit or loss	88,283	88,283	86,460	86,460
Available for sale	12,023	12,023	12,205	12,205
Mortgage loans				
Fair value through profit or loss	339	339	384	384
Shares				
Fair value through profit or loss	7,673	7,673	6,692	6,692
Available for sale	1,761	1,761	2,096	2,096
Investment properties	4,340	4,340	5,237	5,237
Funds held by ceding insurers	8,605	8,605	13,652	13,652
Derivative instruments	573	573	520	520
Other assets	516	516	599	599
	124,113	124,113	127,845	127,845
Assets disclosed at fair value				
Bonds				
Loans and receivables	16,970	18,484	16,905	18,253
Mortgage loans				
Loans and receivables	29,295	30,418	29,029	30,712
Shares				
Available for sale [1]	376	376	534	534
	46,641	49,278	46,468	49,499
Total assets recorded or disclosed at fair value	170,754	173,391	174,313	177,344
LIABILITIES				
Liabilities recorded at fair value				
Investment contract liabilities	2,009	2,009	2,253	2,253
Derivative instruments	2,052	2,052	2,689	2,689
Other liabilities	10	10	4	4
	4,071	4,071	4,946	4,946
Liabilities disclosed at fair value				
Obligations to securitization entities	7,721	7,873	7,092	7,272
Debentures and other debt instruments	8,418	9,351	8,035	9,222
Capital trust debentures	161	212	161	215
Deposits and certificates	471	472	310	312
	16,771	17,908	15,598	17,021
Total liabilities recorded or disclosed at fair value	20,842	21,979	20,544	21,967

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

See Note 26 to the Corporation's 2016 Consolidated Financial Statements for additional disclosure of the Corporation's fair value measurement at December 31, 2016.

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

There were no major changes to the Corporation and its subsidiaries' policies and procedures with respect to the use of derivative instruments in the twelve-month period ended December 31, 2016. The following table provides a summary of the Corporation and its subsidiaries' derivatives portfolio:

	2016			2015		
DECEMBER 31	NOTIONAL	MAXIMUM CREDIT RISK	TOTAL FAIR VALUE	NOTIONAL	MAXIMUM CREDIT RISK	TOTAL FAIR VALUE
Power Corporation	39	1	–	43	–	(5)
Power Financial	14	1	1	11	1	1
Lifeco	17,229	528	(1,484)	16,712	461	(2,163)
IGM	4,094	43	5	2,702	58	–
Other subsidiaries	50	–	(1)	138	–	(2)
	21,426	573	(1,479)	19,606	520	(2,169)

In 2016, there was an increase of $1.8 billion in the notional amount outstanding and an increase in the maximum credit risk (this represents the market value of instruments in a gain position), primarily as a result of regular hedging activities, partially offset by the impact of currency movement for foreign-denominated derivatives as the Canadian dollar strengthened against the British pound, euro and U.S. dollar.

See Note 25 to the Corporation's 2016 Consolidated Financial Statements for additional information.

Off-Balance Sheet Arrangements

GUARANTEES

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

LETTERS OF CREDIT

In the normal course of its reinsurance business, Lifeco provides letters of credit to other parties or beneficiaries. A beneficiary will typically hold a letter of credit as collateral in order to secure statutory credit for insurance and investment contract liabilities ceded to or amounts due from Lifeco. Lifeco may be required to seek collateral alternatives if it is unable to renew existing letters of credit on maturity. See Note 31 to the Corporation's 2016 Consolidated Financial Statements.

Contingent Liabilities

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

Commitments and Contractual Obligations

PAYMENTS DUE BY PERIOD	LESS THAN 1 YEAR	1–5 YEARS	MORE THAN 5 YEARS	TOTAL
Debentures and other debt instruments [1]	801	1,689	5,973	8,463
Obligations to securitization entities	1,340	6,311	70	7,721
Capital trust debentures	–	–	150	150
Deposits and certificates	462	7	2	471
Operating leases [2]	192	530	472	1,194
Purchase obligations [3]	108	172	3	283
Pension contributions [4]	336	–	–	336
Contractual commitments [5, 6]				1,666
Total				20,284
Power Corporation [6, 7]	58	249	151	952
Power Financial	7	6	251	264
Lifeco	2,292	1,252	5,028	8,572
IGM [8]	1,878	6,928	872	9,678
Other subsidiaries	88	362	368	818
Total				20,284

[1] Please refer to Note 14 to the Corporation's 2016 Consolidated Financial Statements for further information.

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

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

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

[5] Includes $1,172 million of commitments by Lifeco, of which $1,084 million is due in less than 1 year. These contractual commitments are essentially commitments to investment transactions made in the normal course of operations, in accordance with its policies and guidelines, which are to be disbursed upon fulfilment of certain contract conditions.

[6] Includes $494 million of outstanding commitments from the Corporation to make future capital contributions to investment funds; the exact amount and timing of each capital contribution cannot be determined.

[7] Includes debentures of the Corporation of $400 million. Subsequent to year-end the Corporation issued $250 million of 30-year 4.81% debentures.

[8] Subsequent to year-end, IGM issued $400 million of 10-year 3.44% debentures and $200 million of 30-year 4.56% debentures.

Income Taxes (Non-Consolidated Basis)

The Corporation had, at December 31, 2016, non-capital losses of $241 million available to reduce future taxable income (including capital gains). These losses expire from 2026 to 2036.

Transactions with Related Parties

Power Corporation has a Related Party and Conduct Review Committee composed entirely of Directors who are independent of management and independent of the Corporation's controlling shareholder. The mandate of this Committee is to review proposed transactions with related parties of the Corporation, including its controlling shareholder, and to approve only those transactions that it deems appropriate and that are done at market terms and conditions.

In the normal course of business, Great-West Life and Putnam enter into various transactions with related companies which include providing group insurance benefits and sub-advisory services to other companies within the Power Corporation group of companies. Such transactions are at market terms and conditions. These transactions are reviewed by the appropriate related party and conduct review committee.

Lifeco provides asset management and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of Power Corporation, Power Financial, and Lifeco and its subsidiaries. These transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

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

See Note 29 to the Corporation's 2016 Consolidated Financial Statements for more information.

Summary of Critical Accounting Estimates and Judgments

In the preparation of the financial statements, management of the Corporation and the managements 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 are made by the management of the Corporation and the managements of its subsidiaries include: the entities to be consolidated, insurance and investment contract liabilities, fair value measurements, investment impairment, goodwill and intangible assets, income taxes and employee future benefits. These are described in the Notes to the Corporation's 2016 Consolidated Financial Statements.

CONSOLIDATION

Management of the Corporation consolidates all subsidiaries and entities in which it has determined that the Corporation has control. Control is evaluated according to the ability of the Corporation to direct the relevant activities of the subsidiaries or other structured entities in order to derive variable returns. Management of the Corporation and of each of its subsidiaries exercise judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Corporation or its subsidiaries have the ability to exercise their power to affect variable returns.

INSURANCE AND INVESTMENT CONTRACT LIABILITIES

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

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality and morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. These margins are necessary to provide for possibilities of 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.

Investment contract liabilities are measured at fair value determined using discounted cash flows utilizing the yield curves of financial instruments with similar cash flow characteristics.

Additional details regarding these estimates can be found in Note 12 to the Corporation's 2016 Consolidated Financial Statements.

FAIR VALUE MEASUREMENT

The carrying values of financial assets necessarily reflect the prevailing market liquidity and the liquidity premiums embedded in the market pricing methods that the Corporation and its subsidiaries rely upon.

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

The following is a description of the methodologies used to determine fair value.

BONDS AT FAIR VALUE THROUGH PROFIT OR LOSS AND AVAILABLE FOR SALE

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

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

SHARES AT FAIR VALUE THROUGH PROFIT OR LOSS AND AVAILABLE FOR SALE

Fair values for publicly traded shares are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values for shares for which there is no active market are typically based upon alternative valuation techniques such as discounted cash flow analysis, review of price movement relative to the market and utilization of information provided by the underlying investment manager. The Corporation and its subsidiaries maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Corporation and its subsidiaries obtain quoted prices in active markets, when available, for identical assets at the balance sheet dates to measure shares at fair value in its fair value through profit or loss and available-for-sale portfolios.

MORTGAGE LOANS AND BONDS CLASSIFIED AS LOANS AND RECEIVABLES

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

INVESTMENT PROPERTIES

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

INVESTMENT IMPAIRMENT

Investments are reviewed regularly on an individual basis at the end of each reporting period to determine whether there is any objective evidence that the investment is impaired. The Corporation and its subsidiaries consider various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults, and delinquency in payments of interest or principal.

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

For impaired mortgage loans and bonds classified as loans and receivables, provisions are established or impairments recorded to adjust the carrying value to the net realizable amount. Wherever possible the fair value of collateral underlying the loans or observable market price is used to establish net realizable value. For impaired available-for-sale bonds, the accumulated loss recorded in other comprehensive income is reclassified to net investment income. Impairments on available-for-sale debt instruments are reversed if there is objective evidence that a permanent recovery has occurred. As well, when determined to be impaired, interest is no longer accrued and previous interest accruals are reversed to net investment income.

Impairment losses on available-for-sale shares are recorded to net investment income if the loss is significant or prolonged. Subsequent losses are also recorded directly in net investment income.

GOODWILL AND INDEFINITE LIFE INTANGIBLES IMPAIRMENT TESTING

Goodwill and indefinite life intangible assets are tested for impairment annually or more frequently if events indicate that impairment may have occurred. Indefinite life intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal.

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

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost of disposal or value in use, which is calculated using the present value of estimated future cash flows expected to be generated.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The Corporation and its subsidiaries maintain funded defined benefit pension plans for certain employees and advisors, unfunded supplementary employee retirement plans (SERP) for certain employees, and unfunded post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependants. The Corporation's subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average earnings. Expenses for defined benefit plans are actuarially determined using the projected unit credit method prorated on service based upon management of the Corporation and of its subsidiaries' assumptions about discount rates, compensation increases, retirement ages of employees, mortality and expected health care costs. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. The Corporation and its subsidiaries' accrued benefit liability in respect of defined benefit plans is calculated separately for each plan by discounting the amount of the benefit that employees have earned in return for their service in current and prior periods and deducting the fair value of any plan assets.

- The Corporation and its subsidiaries determine the net interest component of the pension expense for the period by applying the discount rate used to measure the accrued benefit liability at the beginning of the annual period to the net accrued benefit liability. The discount rate used to value liabilities is determined by reference to market yields on high-quality corporate bonds.
- If the plan benefits are changed, or a plan is curtailed, any past service costs or curtailment gains or losses are recognized immediately in net earnings.
- Net interest costs, current service costs, past service costs and curtailment gains or losses are included in operating and administrative expenses.
- Remeasurements arising from defined benefit plans represent actuarial gains and losses, and the actual return on plan assets, less interest calculated at the discount rate and changes in the asset ceiling. Remeasurements are recognized immediately through other comprehensive income and are not reclassified to net earnings.
- The accrued benefit asset (liability) represents the plan surplus (deficit).
- Payments to the defined contribution plans are expensed as incurred.

INCOME TAXES

CURRENT INCOME TAX

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

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

DEFERRED INCOME TAX

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

Recognition of a deferred tax asset is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred income tax asset to be utilized. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred income tax assets. The Corporation and its subsidiaries' financial planning process provides a significant basis for the measurement of deferred income tax assets.

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

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

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

Changes in Accounting Policies

There were no changes to the Corporation's accounting policies for the year ended December 31, 2016.

Future Accounting Changes

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

IFRS 17 – INSURANCE CONTRACTS (Exposure Draft)

In June 2013, the IASB issued a revised IFRS 4, *Insurance Contracts* exposure draft proposing changes to the accounting standard for insurance contracts. The intent of the revised standard is to eliminate inconsistencies by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance. The new standard will also provide requirements for presentation and disclosure items to enhance comparability between entities. IFRS 17 will replace IFRS 4 in its entirety and is expected to be issued in the first half of 2017 with a proposed effective date of January 1, 2021.

During 2016, at the request of the IASB, Lifeco participated in additional field testing of the exposure draft to address potential interpretation and operational challenges. The proposed standard differs significantly from Lifeco's current accounting and actuarial practices under the Canadian Asset Liability Method (CALM). Lifeco has disclosed that it is actively monitoring developments in this area and that it will continue to measure insurance contract liabilities under current accounting and actuarial policies, including CALM, until a new IFRS for insurance contract measurement is issued and effective.

IFRS 4 – INSURANCE CONTRACTS

In September 2016, the IASB issued an amendment to the existing IFRS 4. The amendment "Applying IFRS 9, *Financial Instruments* with IFRS 4, *Insurance Contracts*" provides qualifying insurance companies with two options to address the potential volatility associated with implementing IFRS 9 before the new proposed insurance contract standard is effective. The two options are as follows:

- Deferral Approach: provides the option to defer implementation of IFRS 9 until the year 2021 or the effective date of the new insurance contract standard, whichever is earlier; or
- Overlay Approach: provides the option to recognize the volatility that could arise when IFRS 9 is applied within other comprehensive income, rather than profit or loss.

The Corporation and Lifeco qualify for the amendment and will be applying the deferral approach to adopt both IFRS 9 and the new insurance contract standard simultaneously on January 1, 2021.

IFRS 9 – FINANCIAL INSTRUMENTS

The IASB issued IFRS 9, *Financial Instruments*, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, the current standard for accounting for financial instruments. The standard was completed in three separate phases:

- Classification and measurement: this phase requires that financial assets be classified at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.
- Impairment methodology: this phase replaces the current incurred loss model for impairment of financial assets with an expected loss model.
- Hedge accounting: this phase replaces the current rule-based hedge accounting requirements in IAS 39 with guidance that more closely aligns the accounting with an entity's risk management activities.

As the Corporation will apply the deferral approach as noted above, the standard will be effective for the Corporation on January 1, 2021.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

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

The standard will be effective January 1, 2018. The Corporation and its subsidiaries are evaluating the impact of the adoption of this standard. The Corporation and its subsidiaries do not anticipate the adoption of this standard will have a significant impact; however, it is not possible as yet to provide a reliable estimate of the impact on the Corporation's financial statements.

IFRS 16 – LEASES

The IASB issued IFRS 16, *Leases*, which requires a lessee to recognize a right-of-use asset representing its right to use the underlying leased asset and a corresponding lease liability representing its obligation to make lease payments for all leases. A lessee recognizes the related expense as depreciation on the right-of-use asset and interest on the lease liability. Short-term (less than 12 months) and low-value asset leases are exempt from these requirements.

The standard will be effective January 1, 2019. The Corporation and its subsidiaries are evaluating the impact of the adoption of this standard.

Disclosure Controls and Procedures

Based on their evaluations as at December 31, 2016, the Co-Chief Executive Officers and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures were effective as at December 31, 2016.

Internal Control Over Financial Reporting

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

The Corporation's management, under the supervision of the Co-Chief Executive Officers and the Chief Financial Officer, has evaluated the effectiveness of the Corporation's internal control over financial reporting as at December 31, 2016, based on the Internal Control – Integrated Framework (COSO 2013 Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, the Co-Chief Executive Officers and the Chief Financial Officer have concluded that the Corporation's internal control over financial reporting was effective as at December 31, 2016.

There have been no changes in the Corporation's internal control over financial reporting during the year ended December 31, 2016 which have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Selected Annual Information

FOR THE YEARS ENDED DECEMBER 31	2016	2015	2014
Total revenues	50,750	38,265	42,629
Adjusted net earnings (attributable to participating shareholders)[1]	1,203	1,573	1,238
per share – basic	2.59	3.40	2.69
Net earnings (attributable to participating shareholders)	1,082	1,786	1,275
per share – basic	2.33	3.86	2.77
per share – diluted	2.32	3.84	2.75
Consolidated assets	422,903	422,859	377,781
Total financial liabilities	24,146	23,776	19,514
Debentures and other debt instruments	8,418	8,035	7,558
Shareholders' equity[2]	13,864	13,978	11,931
Book value per participating share[2]	27.84	28.08	23.74
Number of participating shares outstanding [millions]			
Participating preferred shares	48.9	48.9	48.9
Subordinate voting shares	414.5	414.4	412.6
Dividends per share [declared]			
Participating shares	1.3163	1.2238	1.1600
First preferred shares			
1986 Series[3]	0.9452	0.9862	1.0500
Series A	1.4000	1.4000	1.4000
Series B	1.3375	1.3375	1.3375
Series C	1.4500	1.4500	1.4500
Series D	1.2500	1.2500	1.2500
Series G	1.4000	1.4000	1.4000

[1] Adjusted net earnings and adjusted net earnings per share are non-IFRS financial measures. For a definition of these non-IFRS financial measures, please refer to the "Basis of Presentation – Non-IFRS Financial Measures and Presentation" section of this review of financial performance.

[2] 2015 and 2014 figures have been retrospectively adjusted as described in Note 16 to the Corporation's 2016 Consolidated Financial Statements.

[3] The 1986 Series First Preferred Shares are entitled to a quarterly cumulative dividend at a floating rate equal to one quarter of 70% of the average prime rates quoted by two major Canadian chartered banks.