Table of Contents

REVIEW OF FINANCIAL PERFORMANCE

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

MARCH 18, 2020

This Annual Report is intended 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 including the fintech strategy, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, the intended effects of the Reorganization (as defined herein), the NCIB (as defined herein) and the proposed redemption by the Corporation and Power Financial of certain classes of their First Preferred Shares. 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, fluctuations in interest rates, inflation and foreign exchange rates, monetary policies, business investment and the health of local and global equity and capital markets, management of market liquidity and funding risks, risks related to investments in private companies and illiquid securities, risks associated with financial instruments, changes in accounting policies and methods used to report financial condition (including uncertainties associated with significant judgments, estimates and assumptions), the effect of applying future accounting changes, business competition, operational and reputational risks, technological changes, cybersecurity risks, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, man-made disasters, terrorist attacks, wars and other conflicts, or an outbreak of a public health pandemic or other public health crises, 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 the availability of cash to complete purchases under the NCIB and to redeem First Preferred Shares of the Corporation and Power Financial and that the list of factors in the previous paragraph, collectively, are not expected to have a material impact on the Corporation and its subsidiaries. While the Corporation considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

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

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

Readers are reminded that a list of the abbreviations used throughout can be found on the inside front cover of this Annual Report. In addition, the following abbreviation is 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, 2019 (the 2019 Consolidated Financial Statements or the Financial Statements).

Overview

POWER CORPORATION OF CANADA

Incorporated in 1925, Power Corporation (TSX: POW; POW.PR.E) is an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses, including a portfolio of alternative asset investment platforms. Through its controlling interest in Power Financial, it controls Lifeco and IGM and in recent years has implemented an active fintech strategy. It also holds jointly with the Frère Group of Belgium a controlling interest in Pargesa.

Power Corporation conducts investment activities, built upon a network of deep and long-standing relationships, to provide superior returns on a diversified basis. Investment activities include investments in alternative asset managers and investment funds including Sagard Europe, Sagard Holdings, Power Pacific, Power Energy and interests in China resulting from more than 40 years of engagement.

Power Corporation adheres to four overriding investing principles to pursue its objectives of achieving sustainable long-term value creation in the best interests of the Corporation:

- Long-term perspective
- Leading franchises with attractive growth profiles
- Strong governance oversight
- Prudent approach to risk management

Power Corporation is anchored through its core investment in Power Financial, which historically has provided stable cash flows through its regular dividends. Power Corporation's value creation strategy is designed to achieve superior investment returns and stable cash flows. Significant investments have also been made in non-financial sector investment platforms. Historically many of these investments were held in funds managed by third parties. Since the early 2000s, Power Corporation has been investing and developing its own investment platforms:

- Sagard Europe funds invest with significant influence or controlling positions in mid-size European private companies that have high growth potential and superior management talent. Pargesa, GBL and third parties also invest in the Sagard Europe funds.
- Sagard Holdings, since its inception in 2005, has evolved into a multi-strategy alternative asset manager. Sagard Holdings invests across four asset classes: equity, private credit, royalties and venture capital. Sagard Holdings looks to generate attractive returns by matching investment opportunities with flexible capital solutions and pairing entrepreneurs with teams that have deep industry knowledge.
- Power Sustainable Capital manages investments in sustainable strategies with a focus on long-term profitability. Power Sustainable Capital manages the following platforms:
  - Power Pacific, formerly Sagard China, is a long-term, fundamentals-based investor in publicly listed Chinese companies. Its philosophy emphasizes rigorous research in building a portfolio of selected stocks.
  - Power Energy actively manages investments in the sustainable and renewable energy sector. Power Energy applies the Corporation's principles of collaboration and building trusted relationships in industries that benefit from the global energy transformation. It is rapidly expanding its footprint in businesses with stable long-term cash flows.

The Corporation's multi-generational relationships have been foundational in creating investment opportunities in China, such as through its investment in China AMC. China AMC, one of the largest asset managers in China, diversifies the Corporation's interests creating strategic opportunities with other asset managers within the Power group of companies.

2019 HIGHLIGHTS

Substantial Issuer Bids

On April 17, 2019, Lifeco completed a substantial issuer bid (Lifeco SIB), and purchased for cancellation 59,700,974 of its common shares, representing approximately 6.0% of the issued and outstanding common shares prior to the repurchase, at a purchase price of $33.50 per common share, for an aggregate amount of $2.0 billion. Power Financial supported Lifeco through its participation in the Lifeco SIB. As a result of the Lifeco SIB, Power Financial's equity interest in Lifeco decreased from 67.8% to 66.8% (excluding IGM's 4.0% interest) after giving effect to the cancellation of Lifeco common shares. IGM also participated in the Lifeco SIB, tendering on a proportionate basis.

Power Financial used the proceeds from its participation in the Lifeco SIB to fund its own substantial issuer bid (PFC SIB). On April 17, 2019, Power Financial completed the PFC SIB, and purchased for cancellation 49,999,973 of its common shares, representing approximately 7.0% of the issued and outstanding common shares prior to the repurchase, at a purchase price of $33.00 per common share, for an aggregate amount of $1.65 billion. Power Corporation supported Power Financial through its participation in the PFC SIB. As a result of the PFC SIB, the Corporation's equity interest in Power Financial decreased from 65.5% to 64.1% after giving effect to the cancellation of Power Financial common shares.

On April 17, 2019, the Corporation completed its substantial issuer bid (PCC SIB), and purchased for cancellation 40,909,041 of its subordinate voting shares, representing approximately 9.8% of the issued and outstanding subordinate voting shares prior to the repurchase, at a purchase price of $33.00 per subordinate voting share, for an aggregate amount of $1.35 billion. Power Corporation used the proceeds from its participation in the PFC SIB to fund its own substantial issuer bid. The PCC SIB allowed the Corporation to return capital to shareholders, while maintaining a strong capital position to fund future growth opportunities.

Reorganization

On December 13, 2019, the Corporation and Power Financial announced the execution of a definitive agreement to effect a reorganization transaction (Reorganization) pursuant to which each common share of Power Financial held by holders of common shares of Power Financial other than the Corporation and certain of its affiliates (PFC Minority Shareholders), would be exchanged for 1.05 subordinate voting shares of the Corporation and $0.01 in cash. At December 31, 2019, Power Financial incurred $9 million of costs related to this transaction, primarily related to legal and financial advisor fees, which have been included in Other items.

On February 13, 2020, subsequent to year-end, the Corporation successfully completed the Reorganization. The Corporation acquired 238,693,580 common shares of Power Financial and issued 250,628,173 of its subordinate voting shares to PFC Minority Shareholders. The Corporation now holds 100% of the issued and outstanding common shares of Power Financial, which were delisted from the TSX. Power Financial remains a reporting issuer in all of the provinces and territories of Canada, as Power Financial's First Preferred Shares and its 6.9% debentures due March 11, 2033 remain outstanding.

The Reorganization is expected to benefit shareholders of the Corporation by serving as the foundation and catalyst for a broader set of strategic initiatives expected to create long-term value:

- Simplified Corporate Structure – The Reorganization has effectively eliminated the current dual-holding company structure and consolidated ownership of the group's industry-leading financial services operating companies, while concurrently reducing organizational complexity.
- Focus on Financial Services – the Corporation's strategy now emphasizes financial services, including the businesses of Power Financial and the investment platform businesses of the Corporation.
  - Power Financial's Operating Companies – Commitment to value creation at each of Lifeco, IGM Financial and Pargesa, Power Financial's leading insurance, retirement, wealth management and investment franchises.
  - The Corporation's Investment Platforms – The Corporation has built investment platforms that manage portfolios on behalf of the Corporation and third-party investors in several alternative asset classes where the Corporation has a competitive advantage. The Corporation will continue to prioritize the development of these investment platforms. The Corporation also owns majority control of several standalone businesses, which will be managed to realize value over time.
- Operating Expense Reduction – The Corporation anticipates significant near-term cost reductions of approximately $50 million per year within two years by eliminating duplicative public company related expenses and rationalizing other general and administrative expenses.
- Financing Expense Reduction – The Corporation and Power Financial intend to redeem an aggregate of $350 million of their First Preferred Shares with available cash, resulting in reduced annual financing costs of approximately $15 million per year.
- Increase in the Corporation's Quarterly Dividend – The Corporation intends to increase its quarterly dividend by 10% to 44.75 cents per share, commencing in the second quarter of 2020.

As part of the Reorganization, Paul Desmarais, Jr. and André Desmarais retired as Co-Chief Executive Officers of Power Corporation after 24 years in their roles; they continue to serve as Chairman and Deputy Chairman, respectively, of Power Corporation's Board of Directors. R. Jeffrey Orr, President and Chief Executive Officer of Power Financial, became President and Chief Executive Officer of Power Corporation.

On February 12, 2020, in connection with the Reorganization, and in accordance with the pre-emptive right (Pre-Emptive Right) in favour of holders of participating preferred shares included in the Corporation's Articles, the Corporation issued 6,006,094 participating preferred shares to holders who duly exercised the Pre-Emptive Right. There were no further exercises of the Pre-Emptive Right on or prior to the subsequent deadline of March 12, 2020. The Pre-Emptive Right entitled holders of participating preferred shares to acquire from the Corporation, pro rata to their respective holdings in participating preferred shares, an aggregate number of participating preferred shares that is equal to 12.0% of the number of subordinate voting shares issued pursuant to the Reorganization. Pansolo Holding Inc. (Pansolo), a corporation controlled by the Desmarais Family Residuary Trust, purchased 6 million participating preferred shares under the Pre-Emptive Right on February 12, 2020, resulting in a direct and indirect ownership by Pansolo of voting shares of the Corporation to which are attached an aggregate 50.6% of the total votes of all the Corporation's shares outstanding.

POWER FINANCIAL

Power Financial is an international management and holding company with interests in financial services and asset management businesses in Canada, the United States and Europe, through its controlling interests in Lifeco, IGM, Wealthsimple and Koho. It also has significant holdings in a portfolio of global companies based in Europe through its investment in Pargesa. At March 18, 2020, subsequent to the Reorganization, Power Corporation held 100% of the equity and voting interests in Power Financial.

Lifeco

Great-West Lifeco Inc., TSX: GWO; market capitalization of $30.8 billion at December 31, 2019, is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses. Lifeco operates in Canada, the United States and Europe under the brands Canada Life, Empower Retirement, Putnam Investments and Irish Life. For reporting purposes, Lifeco has four reportable segments: Canada, the United States, Europe and Corporate, which reflect geographic lines as well as the management and corporate structure of the companies.

In Canada, through the Individual Customer and Group Customer business units, Lifeco offers a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations, including life, disability and critical illness insurance products as well as wealth savings and income and other speciality products. On April 3, 2019, Lifeco announced that its three Canadian life insurance companies, The Great-West Life Assurance Company, London Life Insurance Company and The Canada Life Assurance Company, would be moving to one brand in Canada: Canada Life. Canada Life has become the brand under which the organization creates, delivers and communicates products and services in Canada across all of its lines of business. On January 1, 2020, Great-West Life, London Life and Canada Life amalgamated into a single life insurance company: The Canada Life Assurance Company.

The United States segment operates two primary business units, Financial Services and Asset Management. Empower Retirement, the Financial Services unit, is a leading provider of employer-sponsored defined contribution plans, administrative and record-keeping services, individual retirement accounts, fund management as well as investment and advisory services. The Asset Management unit, Putnam, provides investment management, certain administrative functions, and distribution services as well as offers a broad range of investment products, including equity, fixed income, absolute return and alternative strategies. PanAgora, a Putnam affiliate, offers a broad range of investment solutions using sophisticated quantitative techniques.

On June 1, 2019, Great-West Life & Annuity, a U.S. subsidiary of Lifeco, completed the sale, via indemnity reinsurance, of substantially all of its individual life insurance and annuity business to Protective Life Insurance Company (Protective Life) which now assumes the economics and risks associated with the reinsured business. The transaction resulted in an after-tax transaction value to Lifeco of approximately $1.6 billion (US$1.2 billion), excluding one-time expenses. The transaction value included a ceding commission of $1,080 million (US$806 million) and a capital release of approximately $530 million (US$400 million). The business transferred included bank-owned and corporate-owned life insurance, single-premium life insurance, individual annuities as well as closed-block life insurance and annuities. The transaction was structured as a reinsurance agreement, consequently, Lifeco will hold both the liability and offsetting reinsurance asset on its balance sheet.

In the second quarter of 2019, Lifeco recognized a loss related to this transaction of $199 million (US$148 million), which included transaction costs of $63 million (US$47 million) and $36 million (US$27 million) due to updated expense assumptions primarily related to stranded overhead. The liabilities transferred and ceding commission received at the closing of this transaction are subject to future adjustments. In October 2019, Protective Life provided Lifeco with its listing of proposed adjustments with respect to the liabilities transferred. In December 2019, Lifeco formally objected to these proposed adjustments. Lifeco continues to resolve these differences according to the Master Transaction Agreement. Based on the information presently known by Lifeco, it is difficult to predict the outcome of this matter with certainty, but this matter is not expected to materially impact the consolidated financial position of Lifeco. Great-West Life & Annuity has retained a block of life insurance, predominately participating policies, which are now administered by Protective Life, as well as a closed retrocession block of life insurance.

The Reinsured Insurance & Annuity Business unit reflects substantially all of the individual life insurance and annuity business sold, through indemnity reinsurance, to Protective Life effective June 1, 2019. These products include life insurance, annuity and executive benefits, which are no longer offered by the U.S. segment.

The European segment is comprised of two distinct business units, Insurance & Annuities and Reinsurance, which offer protection and wealth management products, including payout annuity products and reinsurance products.

At December 31, 2019, Power Financial and IGM held interests of 66.9% and 4.0%, respectively, in Lifeco's common shares, representing approximately 65% of the voting rights attached to all outstanding Lifeco voting shares. The *Insurance Companies Act* limits voting rights in life insurance companies to 65%.

IGM Financial

IGM Financial Inc., TSX: IGM; market capitalization of $8.9 billion at December 31, 2019, is a leading wealth and asset management 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. Its activities are carried out through its subsidiaries IG Wealth Management, Mackenzie Investments and Investment Planning Counsel.

IG Wealth Management offers an exclusive family of mutual funds and other investment vehicles, and a wide range of insurance, securities, mortgage products and other financial services. IG Wealth Management offers IG Living Plan™, a holistic, client-centric approach to financial planning that reflects the evolving needs, goals and aspirations of Canadian families and individuals. The IG Living Plan™ provides a single, integrated view of all aspects of a client's finances, including retirement and estate planning, investments, and tax strategies, creating a truly synchronized and comprehensive plan. IG Wealth Management provides its services through its exclusive network of consultants across Canada. It strives to distinguish itself from its competition by offering comprehensive planning to its clients within the context of long-term relationships.

Mackenzie Investments is an investment management firm providing investment advisory and related services through multiple distribution channels: Retail, Strategic Alliances and Institutional. Mackenzie distributes its products and services primarily through a diversified distribution network of third-party financial advisors. Mackenzie seeks to be Canada's preferred global asset management solutions provider and business partner.

Investment Planning Counsel is an independent distributor of financial products, services and advice in Canada.

IGM previously announced a five-year transformation to modernize its digital platforms and technology infrastructure to enable it to enhance operations, achieve efficiencies and further improve the service experience for its clients. As part of this transformation effort, IGM announced two initiatives during 2019:

- IGM has selected CIBC Mellon to assume most of its fund services functions. This will add fund administration servicing solutions to the custody and related services that CIBC Mellon already performs for IGM.
- IGM has chosen Google Cloud to manage its data platform. IGM is among the first major Canadian financial services companies to move SAP applications and data to the Google Cloud Platform. The migration of the firm's data to a cloud-based environment is expected to enhance operational efficiencies through greater productivity and business agility, and enhanced service levels.

At December 31, 2019, Power Financial and Great-West Life, a subsidiary of Lifeco, held interests of 62.1% and 3.9%, respectively, in IGM's 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, 2019, Parjointco held a 55.5% interest in Pargesa, representing 75.4% of the voting rights.

Pargesa, SIX: PARG; market capitalization of SF6.8 billion at December 31, 2019, is a holding company, which held a 50% interest in GBL, representing 51.7% of the voting rights at December 31, 2019. GBL, a Belgian holding company, is listed on the Brussels Stock Exchange.

GBL, EBR: GBLB; market capitalization of €15.2 billion at December 31, 2019, is one of the largest listed holding companies in Europe. As a holding company focused on long-term value creation, GBL relies on a stable and supportive family shareholder base. Its portfolio is comprised of global industrial and services companies, leaders in their markets, in which GBL plays its role of professional shareholder.

At December 31, 2019, GBL's portfolio was mainly comprised of investments in the following:

PUBLICLY LISTED

- Imerys (EPA: NK) – mineral-based specialty solutions for industry
- adidas (XETR: ADS) – design and distribution of sportswear
- Pernod Ricard (EPA: RI) – wines and spirits
- SGS (SIX: SGSN) – testing, inspection and certification
- LafargeHolcim (SIX: HOLN and EPA: LHN) – cement, aggregates and concrete
- Umicore (EBR: UMI) – materials technology and recycling of precious metals
- Total (EPA: FP) – oil, gas and chemical industries
- GEA (XETR: G1A) – supplier of equipment and project management for a wide range of processing industries primarily in the food and beverage sectors
- Ontex (EBR: ONTEX) – disposable hygiene products

PRIVATELY HELD

- Webhelp – provider of customer experience and business process outsourcing
- Parques – operation of regional leisure parks

In addition, through its subsidiary Sienna Capital, GBL is developing a portfolio of private equity, debt and thematic funds.

During the second quarter of 2019, GBL sold its 0.6% interest in Total through forward sales contracts maturing in January 2020. GBL expects to realize a gain of €411 million in the first quarter of 2020.

On August 2, 2019, GBL announced the signing of an agreement to acquire Webhelp, through an investment vehicle controlled by GBL. Webhelp is one of the world's leading providers of customer experience and business process outsourcing. On November 19, 2019, GBL completed the acquisition of Webhelp. GBL invested €0.9 billion for an ownership of 64.7% of the capital of the investment vehicle, on the basis of a total enterprise value of €2.4 billion for Webhelp.

On March 11, 2020 Parjointco and Pargesa announced an agreement for a proposed transaction that would simplify the group structure. As per the agreement, a public exchange offer will be initiated by Parjointco for all Pargesa shares not already owned by Parjointco under which Pargesa shareholders will be entitled to receive 0.93 shares of GBL for each Pargesa bearer share they hold. Following the proposed transaction, it is anticipated that Pargesa will be delisted from the SIX and Parjointco is expected to retain de facto control and maintain approximately the same economic equity interest in GBL of 28%. The proposed transaction will be subject to Parjointco holding or having received shareholder acceptances with respect to at least 90% of Pargesa's total voting rights and is conditional upon GBL shareholders approving the implementation of double-voting rights at GBL's Extraordinary Shareholders Meeting to be held on April 28, 2020. The proposed reorganization of Pargesa will further simplify Power Corporation's corporate structure as part of its ongoing strategy of value creation.

At December 31, 2019, Pargesa's net asset value was SF10,946 million, compared with SF8,973 million at December 31, 2018. GBL's net asset value at December 31, 2019 was €20,349 million, compared with €16,193 million at December 31, 2018.

Fintech Investments

Portag3

Power Financial, together with IGM and Lifeco (the group), are anchor investors in funds managed by an affiliate, Portag3 Ventures, which operates investment funds dedicated to backing innovative financial services companies that have the potential for change and global impact. To date, Portag3 Ventures has invested in more than 45 fintech companies and investment funds. Portag3 Ventures is managed by Sagard Holdings, a subsidiary of Power Corporation.

Portag3 Ventures' first fintech fund (Portag3) held investments of $64 million at December 31, 2019 ($56 million at December 31, 2018), excluding the investments in consolidated subsidiaries Wealthsimple and Koho discussed below.

Portag3 II, Portag3 Ventures' second fintech fund, is focused on early stage investments in specific verticals within the global financial technology sector. During the fourth quarter of 2019, additional closings increased the total capital commitments by $74 million to $427 million ($211 million at December 31, 2018). Power Financial, Lifeco and IGM have each committed $33 million for a total of $99 million. At December 31, 2019, the fair value and cost of Portag3 II's investment portfolio, excluding the investment in the consolidated subsidiary Koho, was $143 million ($62 million at December 31, 2018) and $110 million ($55 million at December 31, 2018), respectively.

Wealthsimple

At December 31, 2019, Portag3, Power Financial and IGM held, through a limited partnership controlled by Power Financial, an undiluted equity interest in Wealthsimple of 84.9%, representing a voting interest of 85.3% and a fully diluted equity interest of 71.3%. Wealthsimple is one of Canada's leading financial technology companies, and operates one of the country's largest and fastest-growing digital investing service. In May 2019, Wealthsimple announced the closing of a $100 million Series B investment round, led by a third party, Allianz X, the digital investment unit of Germany-based insurer and asset manager Allianz Group.

Wealthsimple continues to expand its presence in the marketplace and diversify its offering to a suite of investment and save products, which include Wealthsimple Invest, Wealthsimple Save, Wealthsimple Trade, Wealthsimple for Advisors (W4A) and Wealthsimple for Work (W4W). At December 31, 2019, Wealthsimple has over 250,000 clients across the Canadian, United States and United Kingdom markets with assets under administration of over $6.3 billion. On September 24, 2019, Wealthsimple announced that it had acquired SimpleTax, a Canadian web-based tax preparation service. On January 23, 2020, Wealthsimple announced that Purpose Advisor Solutions acquired Wealthsimple for Advisors.

During the fourth quarter of 2019, Power Financial and IGM invested $4 million and $5 million, respectively, in Wealthsimple. In 2019, Power Financial and IGM invested a total of $107 million in Wealthsimple, which includes the conversion of $20 million of previously issued promissory notes. At December 31, 2019, the cost of the group's investment was $315 million.

Koho

At December 31, 2019, Portag3 II and Portag3, Power Financial, Lifeco and IGM, through a limited partnership controlled by Power Financial, held a 54.4% equity interest in Koho. Koho is a Canada-based digital platform offering a suite of financial services to provide consumers an experience that is an alternative to a traditional bank. During the fourth quarter of 2019, Koho announced that it closed an extension of its latest Series B round for $25 million of new capital led by Drive Capital. At December 31, 2019, the cost of the group's investment in Koho was $32 million.

INVESTMENT PLATFORMS AND OTHER

Since the launch of the first Sagard fund in 2002, Power Corporation has continued to build investment platforms that manage portfolios on behalf of the Corporation and third-party investors in several alternative asset classes in three principal geographies: Europe, North America, and China. The investment platforms, Sagard Europe, Sagard Holdings, Power Pacific and Power Energy, are managed locally by experienced investment professionals who have an in-depth knowledge of the local public and/or private markets and benefit from collaboration within the Power group of companies. Power Corporation's investment platforms: (i) leverage its extensive global network and business relationships; (ii) seek to achieve long-term capital appreciation through fundamental investment analysis; and (iii) seek opportunities to acquire controlling interests in its most promising investments, where appropriate. Each of the investment platforms adheres to Power Corporation's investment philosophy and governance model.

The investment platforms manage and operate investment funds in which third-party investors, the Corporation and associated companies can participate. The Corporation controls a fund when it is exposed, or has rights, to variable returns from its involvement with the fund and has the ability to affect those returns through its power to direct the relevant activities of the fund.

The following table summarizes Power Corporation's interests in each of the funds managed by its investment platforms:

	Sagard Europe[1]		Sagard Holdings[2]				Power Pacific	Power Energy
December 31, 2019 (in millions; except as otherwise noted)	Sagard II	Sagard 3	Sagard Capital Partners LP	Sagard Credit Partners LP	Sagard Healthcare Royalty Partners[3]	Portag3 Ventures II LP	A, H and ADR equities	Investments in sustainable and renewable energy entities
	€	€	US$	US$	US$	C$	C$	C$
Original commitment								
Power Corporation	154	302	485	100	75	20	238	814
Power Financial	–	–	–	–	–	33	–	–
Third parties and associated companies[4]	594	506	–	457	400	374	–	–
Fund size	748	808	485	557	475	427	238	814
Unfunded commitment								
Power Corporation	4	88	–	64	44	14	–	–
Power Financial	–	–	–	–	–	22	–	–
Third parties and associated companies	26	159	–	292	400	251	–	–
Total unfunded commitment	30	247	–	356	444	287	–	–
Interest (%)								
Power Corporation	22.0	37.3	100.0	18.0	15.8	4.7	100.0	100.0
Power Financial	–	–	–	–	–	7.7	–	–
Third parties and associated companies	78.0	62.7	–	82.0	84.2	87.6	–	–
Base management fees[5]	1.75	2.00	–	1.50	1.75	2.00	n.a.	n.a.
Assets under management of fund[6]	410	736	152	230	33	174	739	1,075
Nature of the fund	Portfolio investment	Portfolio investment	Controlling interest	Controlling interest	Controlling interest	Controlling interest	Controlling interest	Controlling interest
Accounting method	Available for sale	Available for sale	Consolidation	Consolidation	Consolidation	Consolidation	Consolidation	Consolidation

[1] Subsequent to December 31, 2019, the management and operations of the Sagard Europe funds, Sagard SAS, was transferred under Sagard Holdings.

[2] Sagard Holdings also manages Portag3, a fund held by Power Financial, Lifeco and IGM.

[3] On January 9, 2020, Sagard Holdings announced the first closing of Sagard Healthcare Royalty Partners.

[4] Included in third parties and associated companies are commitments of Pargesa (€37 million in Sagard II), and GBL (€113 million in Sagard II and €218 million in Sagard 3). Lifeco and IGM have each committed $33 million to Portag3 Ventures II LP. Also includes commitments from management.

[5] Management fees are based on committed or invested capital.

[6] Includes fair value of controlled and consolidated investments held through investment funds.

Sagard Europe

Sagard Europe comprises (i) Sagard SAS, a French management company headquartered in Paris, a wholly owned subsidiary of the Corporation and (ii) Sagard II and Sagard 3 funds that are managed by Sagard SAS. These funds invest in mid-sized private companies based in France, Belgium, Luxembourg and Switzerland.

The Corporation's interests in these two active funds are classified as available-for-sale investments.

Sagard Europe funds:

December 31, 2019	Sagard II	Sagard 3
Corporation's investment to date	220	470
Corporation's share of distributions to date	215	301
Fair value of the Corporation's investment at December 31, 2019	105	373

The Corporation has invested $864 million to date in the Sagard Europe funds (including Sagard I) and has received distributions of $936 million. At December 31, 2019, the fair value of the Corporation's investments in the Sagard Europe funds, excluding the Corporation's share of investments held indirectly through Pargesa and GBL, was $478 million (includes unrealized gains of $125 million), compared with $391 million at December 31, 2018.

Subsequent to December 31, 2019 the Corporation committed an amount of €150 million, which may be increased to €200 million under certain circumstances, to Sagard 4, a new fund launched by Sagard SAS.

Sagard Holdings

Sagard Holdings, a wholly owned subsidiary of the Corporation, was founded in 2005 as a complement to the Corporation's global investment holdings. Today, Sagard Holdings is a multi-strategy alternative asset manager with professionals located in Montréal, Toronto, New York, Paris and Singapore. Sagard Holdings looks to generate attractive returns by matching investment opportunities with flexible capital solutions and pairing entrepreneurs with teams that have deep industry knowledge. Sagard Holdings develops long-term partnerships and empowers the growth of its investments through a unique global network of portfolio companies, limited partners, advisors and other valued relationships.

Sagard Holdings manages US$2.0 billion of assets including unfunded commitments across four asset classes: equity, private credit, royalties and venture capital.

- Equity
  - Sagard Holdings holds a 91.6% interest in IntegraMed, a private healthcare services company operating a network of fertility clinics in North America. The Corporation controls IntegraMed and consolidates its interest.
  - Sagard Holdings holds a 42.6% equity interest and 50% of the voting rights in Peak. Peak designs and markets sports equipment and apparel for ice hockey, baseball, softball and lacrosse under iconic brands including Bauer and Easton. The Corporation's investment is accounted for using the equity method.
  - Sagard Holdings holds a 21.4% equity interest in GP Strategies Corporation, a global performance improvement company offering sales and technical training, eLearning solutions, management consulting and engineering services. The Corporation accounts for its investment using the equity method.
- Private Credit
  - Sagard Credit Partners LP, a fund launched and managed by Sagard Holdings, provides credit capital directly to public and private middle-market companies across the U.S. and Canada. Sagard Credit Partners LP has total commitments of US$557 million, of which Sagard Holdings has committed US$100 million, and has funded US$36 million at December 31, 2019. Sagard Credit Partners LP held investments of $288 million (US$222 million) at December 31, 2019.
- Royalties
  - In January 2019, Sagard Holdings announced the launch of Sagard Healthcare Royalty Partners (SHRP), which will invest in the life sciences sector with a focus on investments protected by strong intellectual property. SHRP will invest in various structures including traditional healthcare royalties, royalty securitizations and credit. At December 31, 2019, SHRP held one investment of US$32 million, in a cancer drug marketed as Rubraca.

    During the fourth quarter of 2019, Sagard Holdings completed the first closing of SHRP, with commitments totalling US$475 million at December 31, 2019, of which Sagard Holdings has committed US$75 million.
- Venture Capital
  - Portag3 Ventures, an investment manager within Sagard Holdings, manages investment funds dedicated to backing innovative financial services companies that have the potential for change and global impact. Through its funds, Portag3 and Portag3 II, Portag3 Ventures has invested in more than 45 fintech companies and investment funds. Portag3 II has total commitments of $427 million, of which Sagard Holdings has committed $20 million and has funded $6 million at December 31, 2019. The combined fair value of the investment portfolios managed by Portag3 Ventures, excluding investments in consolidated subsidiaries Wealthsimple and Koho, was $207 million at December 31, 2019.

At December 31, 2019, the Corporation had invested $616 million in Sagard Holdings and has received distributions of $64 million. At December 31, 2019, the fair value of Sagard Holdings' investments, including cash, was $536 million (includes unrealized gains of $70 million), compared with $579 million at December 31, 2018.

Power Pacific

Power Pacific (formerly Sagard China) invests in the mainland China A-shares ("A" shares) market through a Qualified Foreign Institutional Investor (QFII) licence as well as through Hong Kong Stock Connect. Power Pacific has a long-term, fundamentals-based investment philosophy, and benefits from ongoing growth across multiple attractive sectors in China.

Since its inception in 2005, the Corporation has invested $316 million in Power Pacific and has received distributions of $120 million, including a distribution of US$75 million (C$101 million) in the second quarter of 2019. At December 31, 2019, the fair value of the Corporation's investment in Power Pacific, including cash, was $739 million (includes unrealized gains of $84 million), compared with $669 million at December 31, 2018.

December 31	2019	2018
Investments		
Money market funds	–	167
A, H, and ADR equities [1]	717	340
Cash	22	162
Total portfolio, at fair value	739	669

[1] In 2018, the portfolio included shares held on the Hong Kong stock exchange ("H" shares) and American Depository Receipts ("ADR").

Subsequent to December 31, 2019 Power Pacific distributed a further amount of $50 million.

Power Energy

Power Energy actively manages investments in the sustainable and renewable energy sector with the goal of building and owning, over the long term, companies that can generate growing and stable cash flows. Power Energy invests in companies that benefit from the global energy transformation and currently has invested in companies that develop, own and operate solar and wind generating assets in North America as well as companies in the sustainable sector:

- Renewable Energy Infrastructure
  - Potentia Renewables: Potentia, a renewable energy generation company, is a fully integrated developer, owner and operator of solar and wind energy assets, active in North America and the Caribbean.
  - Nautilus: On July 30, 2019, Power Energy acquired a 100% equity interest in Nautilus Solar Energy, LLC, a company headquartered in New Jersey, U.S. that acquires, develops, finances and manages distributed solar projects across community, municipal/utility-scale, commercial and industrial markets.

Total assets of the renewable energy infrastructure portfolio were $1,294 million at December 31, 2019. The portfolio has a combined 910 megawatts (MW) of solar and wind operating assets, which includes 260 MW of assets under construction, and 371 MW of assets in advanced development projects.

During 2019, Power Energy invested $231 million in the renewable energy infrastructure portfolio. A further $37 million was invested in the portfolio subsequent to December 31, 2019.

- Sustainable sector
  - Lumenpulse: Power Energy holds a controlling interest of 60.5% in Lumenpulse, a leading manufacturer of high-performance, specification-grade LED lighting solutions.
  - Lion Electric: Power Energy holds a 44.2% interest in Lion Electric, an innovative company manufacturing zero-emission vehicles sold throughout North America. During 2019, Power Energy invested a further $5 million in Lion Electric.

At December 31, 2019, Power Energy had invested a total of $843 million in these four companies.

CHINA AMC

Founded in 1998 as one of the first fund management companies in China, China AMC has developed and maintained its position among the market leaders in China's asset management industry. China AMC's assets under management, excluding subsidiary assets under management, were RMB¥1,032 billion (C$192 billion) at December 31, 2019.

The Corporation and IGM each hold interests of 13.9% in China AMC, representing a combined 27.8% interest. Together they have significant influence and account for their respective interests as an associate using the equity method.

The investment in China AMC provides the potential to leverage the group's global experience in wealth management and distribution. The Power group of companies benefit from the strategic relationship with China AMC which provides opportunities to work together on developing products and subadvisory relationships.

Basis of Presentation

IFRS FINANCIAL MEASURES AND PRESENTATION

The 2019 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) and its subsidiaries after the elimination of intercompany balances and transactions.

The financial statements of the Corporation are consolidated with those of Power Financial which include the results of Lifeco, IGM, Wealthsimple, Koho and the Portag3 funds, which are controlled and consolidated by 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, and is accounted for using the equity method.

Under the equity method, the investment is initially recognized at cost and adjusted thereafter for changes in the share of net earnings (loss), other comprehensive income (loss) and changes in equity. The investment is reduced by the amount of dividends received.

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 at least 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
Investment	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, 2019, the Corporation's holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
Power Financial	64.1	Controlling interest	Consolidation
Lifeco[1]	66.9	Controlling interest	Consolidation
IGM[2]	62.1	Controlling interest	Consolidation
Pargesa[3]	27.8	Joint control	Equity method
Portag3[4]	63.0	Controlling interest	Consolidation
Portag3 II[5]	7.7	Controlling interest	Consolidation
Wealthsimple[6]	21.2	Controlling interest	Consolidation
Koho[7]	6.5	Controlling interest	Consolidation
Investment Platforms and Other			
Sagard Europe			
Sagard II	22.0	Investment	Available for sale
Sagard 3	37.3	Investment	Available for sale
Sagard Holdings	100.0		
IntegraMed	91.6	Controlling interest	Consolidation
Peak	42.6	Joint control	Equity method
Sagard Credit Partners LP	18.0	Controlling interest	Consolidation
Investments	< 50.0	Significant influence or Investment	Equity method or available for sale
Power Pacific	100.0		
Investments	< 5.0	Investment	Available for sale
Power Energy	100.0		
Potentia	100.0	Controlling interest	Consolidation
Nautilus	100.0	Controlling interest	Consolidation
Lumenpulse	60.5	Controlling interest	Consolidation
Lion	44.2	Significant influence	Equity method
China AMC[8]	13.9	Significant influence	Equity method

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

[2] Great-West Life also holds a 3.9% interest in IGM.

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

[4] Lifeco and IGM also hold equal interests of 18.5% in Portag3.

[5] Lifeco and IGM also hold equal interests of 7.7% in Portag3 II, and Sagard Holdings holds a 4.7% interest.

[6] Portag3 and IGM also hold interests of 16.8% and 46.9%, respectively, in Wealthsimple.

[7] Lifeco and IGM also hold equal interests of 6.5% and Portag3 and Portag3 II hold interests of 2.7% and 32.1%, respectively, in Koho.

[8] IGM, through Mackenzie, also holds an interest of 13.9% in China AMC.

At December 31, 2019, Pargesa's main holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
GBL	50.0	Controlling interest	Consolidation
Publicly listed			
Imerys	54.0	Controlling interest	Consolidation
adidas	6.8	Investment	Available for sale
Pernod Ricard	7.5	Investment	Available for sale
SGS	16.7	Investment	Available for sale
LafargeHolcim	7.6	Investment	Available for sale
Umicore	18.0	Investment	Available for sale
Total	0.6	Investment	Available for sale
GEA	8.5	Investment	Available for sale
Ontex	20.0	Investment	Available for sale
Other investments	< 5.0	Investment	Available for sale
Privately held			
Sienna Capital[1]	100.0	Controlling interest	Consolidation
Webhelp	64.7	Controlling interest	Consolidation
Parques	23.0	Significant influence	Equity method

[1] Sienna Capital holds a portfolio of investments in alternative investment funds.

This summary of accounting presentation should be read in conjunction with the following notes to the Corporation's 2019 Consolidated Financial Statements:

- Basis of presentation and summary of significant accounting policies (Note 2);
- Investments (Note 6);
- Investments in jointly controlled corporations and associates (Note 8);
- Goodwill and intangible assets (Note 11); and
- Non-controlling interests (Note 20).

NON-IFRS FINANCIAL MEASURES AND PRESENTATION

This review of financial performance presents and discusses financial measures which are not in accordance with IFRS. 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. The non-IFRS financial measures used herein are defined as follows:

Non-IFRS financial measure	Definition	Purpose
Non-consolidated basis of presentation	Power Corporation's interests in Power Financial and its controlling interests in Lifeco, IGM, Portag3, Portag3 II, Wealthsimple and Koho as well as other subsidiaries consolidated by Power Corporation are accounted for using the equity method.	Used by the Corporation to present and analyze its results, financial position and cash flows. Presents the holding company's (parent) results separately from the results of its consolidated operating companies. As a holding company, management reviews and assesses the performance of each operating company's contribution to net earnings and adjusted net earnings. This presentation is useful to the reader to assess the impact of the contribution to earnings for each subsidiary.
Adjusted net earnings	Net earnings excluding the impact of Other items.	Assists in the comparison of the current period's results to those of previous periods as items that are not considered to be a part of ongoing operations are excluded.
Other items	After-tax impact of any item that in management's judgment would make the period-over-period comparison of results from operations less meaningful. Includes the Corporation's share of items presented as other items by a subsidiary or a jointly controlled corporation.	Identifies items that are not considered part of ongoing operations. The exclusion of these items assists management and the reader in assessing current results as these items are not reflective of ongoing operations.
Adjusted net earnings per share	Earnings per share calculated using adjusted net earnings. Adjusted net earnings divided by the weighted average number of participating shares outstanding.	Assists in comparing adjusted net earnings on a per share basis.
Net asset value	Net asset value is the fair value of Power Corporation's non-consolidated assets less its net debt and preferred shares. The investments held in public entities (including Power Financial) are measured at their market value and investments in private entities and investment funds are measured at management's estimate of fair value.	Presents the fair value of the net assets of the holding company and is used to assist in assessing value. This measure may be used by investors and analysts in determining or comparing the fair value of investments held by the company or its overall fair value.
Net asset value per share	Net asset value calculated on a per share basis. Net asset value divided by the number of participating shares outstanding.	Assists the reader in comparing net asset value on a per share basis.

These non-IFRS financial measures do not have a standard meaning and may not be comparable to similar measures used by other entities. Reconciliations of the net asset value and the non-IFRS basis of presentation with the presentation in accordance with IFRS are included throughout this review of financial performance.

RECONCILIATION OF IFRS AND NON-IFRS FINANCIAL MEASURES

The following tables present a reconciliation of net earnings reported in accordance with IFRS to non-IFRS financial measures: adjusted net earnings, other items and related per share amounts. Adjusted net earnings and adjusted net earnings per share are presented in the section "Non-Consolidated Statements of Earnings":

Twelve months ended December 31	2019	2018
Net earnings – IFRS financial measure [1]	1,108	1,287
Share of Other items [2], net of tax		
Power Financial		
Lifeco	183	25
IGM	7	11
Pargesa	24	(12)
Corporate operations	6	–
Investment platforms and other	16	66
Corporate operations		
Operating and other expenses	(31)	61
	205	151
Adjusted net earnings – Non-IFRS financial measure [1]	1,313	1,438

[1] Attributable to participating shareholders of Power Corporation.

[2] Refer to the section "Other items" for more details on Other items from Lifeco, IGM, Pargesa, Investment platforms and other and corporate operations.

Twelve months ended December 31	2019	2018
Net earnings per share – IFRS financial measure [1]	2.53	2.77
Share of Other items [2], net of tax		
Power Financial		
Lifeco	0.42	0.06
IGM	0.02	0.02
Pargesa	0.05	(0.03)
Corporate operations	0.01	–
Investment platforms and other	0.04	0.14
Corporate operations		
Operating and other expenses	(0.07)	0.13
	0.47	0.32
Adjusted net earnings per share – Non-IFRS financial measure [1]	3.00	3.09

[1] Attributable to participating shareholders of Power Corporation.

[2] Refer to the section "Other items" for more details on Other items from Lifeco, IGM, Pargesa, Investment platforms and other and corporate operations.

Results of Power Corporation

This section presents:

- the "Consolidated Statements of Earnings in accordance with IFRS"; and
- the "Non-Consolidated Statements of Earnings", which present the contributions of Power Financial, its operating subsidiaries and Pargesa, and the contribution of the Corporation's investment platforms and other and China AMC to the net earnings and adjusted net earnings of Power Corporation.

Refer to the section "Non-IFRS Financial Measures and Presentation" for a description of the non-consolidated basis of presentation and a reconciliation of IFRS and non-IFRS financial measures.

DEFERRAL OF IFRS 9, *FINANCIAL INSTRUMENTS* (IFRS 9)

In May 2017, the IASB issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts* and will be applied retrospectively. In June 2019, the IASB issued an Exposure draft, which provided targeted amendments to IFRS 17 including a deferral of one year of the effective date of the standard to January 1, 2022. Due to the responses received from stakeholders during the comment period on the exposure draft, on March 17, 2020, the IASB approved the deferral of the effective date of the standard to January 1, 2023. In addition, the IASB extended to January 1, 2023 the exemption for insurers to apply the financial instruments standard, IFRS 9, *Financial Instruments*, so that both IFRS 9 and IFRS 17 will have the same effective date.

IGM, a subsidiary, and Pargesa, held through Parjointco, a jointly controlled corporation, do not qualify for the exemption and adopted IFRS 9 on January 1, 2018. The Corporation, in accordance with the amendment of IFRS 4 to defer the adoption of IFRS 9, is permitted but not required to retain the accounting policies applied by an associate or a jointly controlled corporation which is accounted for using the equity method. The Corporation decided to continue applying accounting policies in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, to Pargesa's results. On consolidation, the Corporation has adjusted the results of both IGM and Pargesa to be in accordance with IAS 39. Refer to the specific discussion included in the IGM and Pargesa sections "Contribution to net earnings and adjusted net earnings".

CONSOLIDATED STATEMENTS OF EARNINGS IN ACCORDANCE WITH IFRS

Power Corporation's consolidated statements of earnings for the twelve months ended December 31, 2019 are presented below. The Corporation's operating segments are Lifeco, IGM and Pargesa. This table reflects the contributions from Power Financial and the Corporation's investment platforms and other, which include controlled and consolidated investments, to the net earnings attributable to Power Corporation's participating shareholders.

Consolidated net earnings

	Power Financial					Other[4]	Power Corporation Consolidated net earnings	
Twelve months ended December 31	Lifeco	IGM[1]	Pargesa[2]	Corporate[3]	Sub-total		2019	2018
REVENUES								
Total net premiums[5]	24,510	–	–	(21)	24,489	–	24,489	35,440
Net investment income	13,107	169	–	(29)	13,247	195	13,442	3,069
Fee income[5]	7,081	3,051	–	(66)	10,066	15	10,081	8,776
Other revenues	–	–	–	–	–	829	829	813
Total revenues	44,698	3,220	–	(116)	47,802	1,039	48,841	48,098
EXPENSES								
Total paid or credited to policyholders	33,091	–	–	–	33,091	–	33,091	32,068
Commissions	2,429	1,101	–	(50)	3,480	–	3,480	3,512
Operating and administrative expenses	6,013	1,055	–	169	7,237	1,104	8,341	8,175
Financing charges	285	108	–	42	435	109	544	462
Total expenses	41,818	2,264	–	161	44,243	1,213	45,456	44,217
Earnings before investments in jointly controlled corporations and associates, and income taxes	2,880	956	–	(277)	3,559	(174)	3,385	3,881
Share of earnings of investments in jointly controlled corporations and associates	–	13	193	5	211	1	212	164
Earnings before income taxes	2,880	969	193	(272)	3,770	(173)	3,597	4,045
Income taxes	373	220	–	8	601	(47)	554	578
Net earnings	2,507	749	193	(280)	3,169	(126)	3,043	3,467
ATTRIBUTABLE TO								
Non-controlling interests	1,489	458	68	(111)	1,904	(21)	1,883	2,128
Non-participating shareholders	–	–	–	–	–	52	52	52
Participating shareholders of Power Corporation	1,018	291	125	(169)	1,265	(157)	1,108	1,287
	2,507	749	193	(280)	3,169	(126)	3,043	3,467

[1] Results reported by IGM are in accordance with IFRS 9. As the Corporation has not adopted IFRS 9, adjustments in accordance with IAS 39 have been recognized on consolidation by Power Financial and included in "Corporate".

[2] Results reported by Pargesa are in accordance with IFRS 9. Power Financial's share of earnings of Pargesa includes adjustments in accordance with IAS 39, including Power Financial's share of gains realized on the sale of investments classified as fair value through other comprehensive income (FVOCI) by Pargesa and an impairment charge.

[3] "Corporate" is comprised of the results of Portag3, Portag3 II, Wealthsimple and Koho, Power Financial's investment activities, corporate operations and consolidation entries.

[4] "Other" is comprised of the Corporation's investment platforms, which include consolidated investment funds, Power Energy and IntegraMed, as well as corporate operations and consolidation entries.

[5] As a result of Lifeco's sale, via indemnity insurance, of its U.S. individual life insurance and annuity business to Protective Life effective June 1, 2019, total net premiums include $13.9 billion of premiums ceded to Protective Life and fee income includes $1.1 billion of ceding commission received from Protective Life.

As a holding company, the Corporation evaluates the performance of each segment based on its contribution to net earnings and adjusted net earnings. A discussion of the results of Power Financial, including Lifeco, IGM and Pargesa, is provided in the "Contribution to net earnings and adjusted net earnings" section below.

NON-CONSOLIDATED STATEMENTS OF EARNINGS

In this section, the contributions from Power Financial, including the contributions from Lifeco, IGM and Pargesa, and the Corporation's investment platforms and other, which include controlled and consolidated investments, and China AMC, to the net earnings and adjusted net earnings attributable to Power Corporation's participating shareholders are accounted for using the equity method.

Contribution to adjusted and net earnings

Twelve months ended December 31	2019	2018
Adjusted net earnings[1]		
Power Financial		
Lifeco[2]	1,201	1,337
IGM[2]	298	306
Pargesa[2]	149	25
Corporate operations of Power Financial		
Income (loss) from investments	(5)	(10)
Operating and other expenses	(68)	(69)
Dividends on perpetual preferred shares	(90)	(91)
	1,485	1,498
Investment platforms and other[3]	(10)	88
China AMC	30	29
Corporate operations		
Operating and other expenses	(140)	(125)
Dividends on non-participating shares	(52)	(52)
Adjusted net earnings[4]	1,313	1,438
Other items[5]		
Power Financial		
Lifeco	(183)	(25)
IGM	(7)	(11)
Pargesa	(24)	12
Corporate operations	(6)	–
	(220)	(24)
Investment platforms and other	(16)	(66)
Corporate operations	31	(61)
	(205)	(151)
Net earnings[4]	1,108	1,287

[1] For a reconciliation of Power Financial including Lifeco, IGM and Pargesa's non-IFRS adjusted net earnings to their net earnings, refer to the "Contribution to net earnings and adjusted net earnings" section below.

[2] The contributions from Lifeco and IGM include an allocation of the results of Wealthsimple, Koho, Portag3 and Portag3 II, based on their respective interest. Contributions from IGM and Pargesa reflect adjustments in accordance with IAS 39.

[3] Investment platforms and other includes earnings (losses) from Power Energy, IntegraMed and Square Victoria Communications Group Inc. (up to the date of disposal in July 2018).

[4] Attributable to participating shareholders.

[5] See "Other items" section below.

Contribution to adjusted and net earnings per share

Twelve months ended December 31	2019	2018
Adjusted net earnings per share – basic		
Power Financial [1]	3.39	3.22
Investment platforms and other [2]	(0.02)	0.19
China AMC	0.07	0.06
Operating and other expenses, and dividends on non-participating shares	(0.44)	(0.38)
Adjusted net earnings per share [3]	3.00	3.09
Other items [4]		
Power Financial		
Lifeco	(0.42)	(0.06)
IGM	(0.02)	(0.02)
Pargesa	(0.05)	0.03
Corporate operations	(0.01)	–
	(0.50)	(0.05)
Investment platforms and other	(0.04)	(0.14)
Corporate operations	0.07	(0.13)
	(0.47)	(0.32)
Net earnings per share [3]	2.53	2.77

[1] Contributions from IGM and Pargesa reflect adjustments in accordance with IAS 39. For a reconciliation of Power Financial's adjusted net earnings per share to their net earnings per share, refer to the "Contribution to net earnings and adjusted net earnings" section below.

[2] Investment platforms and other includes earnings (losses) from Power Energy, IntegraMed and Square Victoria Communications Group Inc. (up to the date of disposal in July 2018).

[3] Attributable to participating shareholders.

[4] See "Other items" section below.

2019 vs. 2018	
Net earnings	$1,108 million or $2.53 per share, compared with $1,287 million or $2.77 per share in the corresponding period in 2018, a decrease of 8.7% on a per share basis.
Adjusted net earnings	$1,313 million or $3.00 per share, compared with $1,438 million or $3.09 per share in the corresponding period in 2018, a decrease of 2.9% on a per share basis.
Contribution to net earnings and adjusted net earnings from Power Financial	Contribution to net earnings of $1,265 million, compared with $1,474 million in the corresponding period in 2018, a decrease of 14.2%. Contribution to adjusted net earnings of $1,485 million, compared with $1,498 million in the corresponding period in 2018, a decrease of 0.9%.

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

CONTRIBUTION TO NET EARNINGS AND ADJUSTED NET EARNINGS

POWER FINANCIAL

Contribution to Power Corporation

Twelve months ended December 31	2019	2018
Contribution to Power Corporation's[1]:		
Adjusted net earnings	1,485	1,498
Other items	(220)	(24)
Net earnings	1,265	1,474

[1] Power Corporation's average direct ownership in Power Financial was 64.5% for the year ended December 31, 2019 (65.5% in the corresponding period in 2018).

Adjusted and net earnings per share as reported by Power Financial

Twelve months ended December 31	2019	2018
Adjusted net earnings per share[1]	3.40	3.20
Other items	(0.51)	(0.05)
Net earnings per share[1]	2.89	3.15

Adjusted and net earnings as reported by Power Financial

Twelve months ended December 31	2019	2018
Adjusted net earnings		
Lifeco	1,864	2,040
IGM	465	462
Pargesa	230	39
	2,559	2,541
Corporate operations of Power Financial		
Income (loss) from investments	(8)	(15)
Operating and other expenses	(106)	(106)
Dividends on perpetual preferred shares	(139)	(138)
Adjusted net earnings[1]	2,306	2,282
Other items		
Lifeco	(285)	(39)
IGM	(11)	(16)
Pargesa	(37)	18
Corporate operations	(9)	–
	(342)	(37)
Net earnings[1]	1,964	2,245

[1] Attributable to Power Financial common shareholders.

2019 vs. 2018	
Net earnings	$1,964 million or $2.89 per share, compared with $2,245 million or $3.15 per share in the corresponding period in 2018, a decrease of 8.3% on a per share basis.
Adjusted net earnings	$2,306 million or $3.40 per share, compared with $2,282 million or $3.20 per share in the corresponding period in 2018, an increase of 6.3% on a per share basis.

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

LIFECO

Contribution to Power Corporation

Twelve months ended December 31	2019	2018
Contribution to Power Corporation's[1]:		
Adjusted net earnings		
As reported by Lifeco	1,204	1,339
Consolidation entries	(3)	(2)
	1,201	1,337
Other items	(183)	(25)
Net earnings	1,018	1,312

[1] Power Financial's average direct ownership in Lifeco and Power Corporation's average direct ownership in Power Financial were 67.1% and 64.5%, respectively, for the year ended December 31, 2019 (67.7% and 65.5%, respectively, in the corresponding period in 2018).

Adjusted and net earnings per share as reported by Lifeco

Twelve months ended December 31	2019	2018
Adjusted net earnings per share[1]	2.944	3.052
Other items[2]	(0.450)	(0.056)
Net earnings per share[1]	2.494	2.996

[1] Attributable to Lifeco common shareholders.

[2] See "Other items" section below.

Adjusted and net earnings by segment as reported by Lifeco

Twelve months ended December 31	2019	2018
CANADA		
Individual Customer	431	685
Group Customer	632	630
Canada Corporate	(12)	(40)
	1,051	1,275
UNITED STATES		
Financial Services[1]	278	240
Asset Management	33	(61)
U.S. Corporate[2][3]	(1)	52
Reinsured Insurance & Annuity Business[1][3]	63	157
	373	388
EUROPE		
Insurance and Annuities	1,050	1,036
Reinsurance	353	377
Europe Corporate[3]	(21)	(46)
	1,382	1,367
Lifeco Corporate	(21)	(13)
Adjusted net earnings[4]	2,785	3,017
Other items[3]	(426)	(56)
Net earnings[4]	2,359	2,961

[1] The Reinsured Insurance & Annuity Business unit reflects business transferred to Protective Life under an indemnity reinsurance agreement effective on June 1, 2019. Comparative figures have been adjusted to reflect the current presentation.

[2] U.S. Corporate net earnings for the second quarter of 2018 included a net positive impact of $60 million arising from refinancing in the U.S. segment.

[3] Other items represent amounts which have been excluded from the Reinsured Insurance & Annuity Business unit of the U.S. segment and from the corporate business units of the U.S. and Europe segments. Refer to the "Other items" section.

[4] Attributable to Lifeco common shareholders.

2019 vs. 2018	
Net earnings	$2,359 million or $2.494 per share, compared with $2,961 million or $2.996 per share in the corresponding period in 2018, a decrease of 16.8% on a per share basis. In the second quarter of 2019, Lifeco sold its U.S. individual life insurance and annuity business. Lifeco's net earnings for 2019 include a contribution of $63 million, compared with $157 million in the corresponding period in 2018.
Adjusted net earnings	$2,785 million or $2.944 per share, compared with $3,017 million or $3.052 per share in the corresponding period in 2018, a decrease of 3.5% on a per share basis.

Canada

Net earnings for the twelve-month period ended December 31, 2019 decreased by $224 million to $1,051 million, compared with the corresponding period in 2018.

There were no Other items in the twelve-month period ended December 31, 2019 and in the corresponding period in 2018.

INDIVIDUAL CUSTOMER

Net earnings for the twelve-month period ended December 31, 2019 decreased by $254 million to $431 million, compared with the same period last year. The decrease was primarily due to:

- Unfavourable contributions from insurance contract liability basis changes; and
- Lower net fee income and less favourable policyholder behaviour experience;
- Partially offset by higher contributions from investment experience.

Insurance contract liability basis changes in the fourth quarter of 2019 include the strengthening of actuarial reserves driven by impact of updates to policyholder behaviour assumptions, updates to morbidity assumptions and refinements to certain investment-related assumptions.

GROUP CUSTOMER

Net earnings for the twelve-month period ended December 31, 2019 increased by $2 million to $632 million, compared with the same period last year. The increase was primarily due to:

- Higher contributions from investment experience;
- Partially offset by lower contributions from insurance contract liability basis changes.

Insurance contract liability basis changes in the fourth quarter of 2019 include the impact of updates to mortality assumptions and refinements to certain investment-related assumptions.

United States

Net earnings for the twelve-month period ended December 31, 2019 were a net loss of $61 million, compared with net earnings of $388 million in the corresponding period in 2018. Adjusted net earnings were $373 million in the twelve-month period ended December 31, 2019, and excluded Other items of $434 million as discussed below. There were no Other items in the corresponding period in 2018.

FINANCIAL SERVICES

For the twelve-month period ended December 31, 2019, net earnings were US$211 million (C$278 million), compared with US$184 million (C$240 million) in the corresponding period in 2018. The increase of US$27 million was primarily due to:

- The impact of a valuation adjustment on an employee pension plan; and
- Higher contributions from investment experience and net business growth;
- Partially offset by lower contributions from insurance contract liability basis changes and higher operating expenses.

ASSET MANAGEMENT

For the twelve-month period ended December 31, 2019, net earnings were US$24 million (C$33 million), compared with a net loss of US$47 million (C$61 million) in the corresponding period in 2018. The increase in net earnings of US$71 million was primarily due to:

- Higher net investment income on seed capital; and
- Lower operating expenses, which included the impact of expense reduction initiatives;
- Partially offset by lower net fee income.

Net earnings also include financing and other expenses after tax of US$35 million (C$45 million). Financing and other expenses decreased by US$4 million from the corresponding period in 2018 primarily due to lower net financing costs as a result of debt refinancing during the prior year.

REINSURED INSURANCE & ANNUITY BUSINESS

For the twelve-month period ended December 31, 2019, the net loss was US$101 million (C$136 million) compared with net earnings of US$122 million (C$157 million) for the same period last year. Excluding other items which comprise a net charge of US$148 million (C$199 million) relating to the sale, via indemnity insurance, on June 1, 2019 to Protective Life (refer to the overview section "Lifeco"), adjusted net earnings were US$47 million (C$63 million), a decrease of US$75 million compared with the same period last year, reflecting the timing of the reinsurance transaction with Protective Life during the second quarter.

Europe

Net earnings for the twelve-month period ended December 31, 2019 increased by $79 million to $1,390 million, compared with the corresponding period in 2018. Adjusted net earnings in the twelve-month period ended December 31, 2019 were $1,382 million, and excluded Other items, discussed below, of a positive earnings impact of $8 million. Adjusted net earnings in the twelve-month period ended December 31, 2018 were $1,367 million, and excluded Other items, discussed below, of $56 million.

INSURANCE AND ANNUITIES

Net earnings for the twelve-month period ended December 31, 2019 increased by $14 million to $1,050 million, compared with the same period last year. The increase was primarily due to:

- Higher contributions from investment experience, which included the impact of bond and mortgage upgrades in 2019, and higher realized gains on surplus assets; and
- Favourable impact of new business, favourable mortality experience in the U.K. and the impact of changes to certain tax estimates, including the resolution of an outstanding issue with a foreign tax authority;
- Partially offset by the impact of impairment charges on mortgage loans and reductions in expected property cash flows primarily associated with a U.K. retail tenant entering a prepackaged administration, lower contributions from insurance contract liability basis changes and adverse morbidity experience in Ireland.

To address the evidence of an adverse trend in claims in Ireland, pricing action has been taken during 2019, which will take effect in 2020, and Lifeco will continue to monitor its progress.

REINSURANCE

Net earnings for the twelve-month period ended December 31, 2019 decreased by $24 million to $353 million, compared with the same period last year. The decrease was primarily due to:

- Less favourable claims experience in the life and annuity business; and
- Lower contributions from insurance contract liability basis changes;
- Partially offset by higher business volumes and favourable initial impacts of new business.

Other Items

Adjusted net earnings in 2019 exclude a net charge of $426 million after tax consisting of:

- Net charge of $199 million (US$148 million) relating to the sale of the U.S. individual life insurance and annuity business recorded in the Reinsured Insurance and Annuity Business unit of the U.S. segment:
  - In 2019, Lifeco recognized a net loss on the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business to Protective Life on June 1, 2019. The net charge included transaction costs of $63 million and $36 million related to updated expense assumptions related to stranded overhead on the retained business.
- Revaluation of a deferred tax asset resulted in a charge of $199 million (US$151 million) recorded in the Corporate business unit of the U.S. segment:
  - During 2019, Lifeco's management determined that a $199 million revaluation of a deferred income tax asset pertaining to Putnam was appropriate due to timing uncertainty in projected taxable income available to utilize certain restricted net operating losses generated in the earliest loss years.
- Restructuring charges of $36 million (US$28 million) recorded in the Corporate business unit of the U.S. segment:
  - During 2019, Putnam undertook actions to realign its resources to better position itself for current and future opportunities. These actions included technology modernization, product consolidation, a reduction in staff and facilities reorganization and resulted in restructuring charges which reduced net earnings by $36 million. Lifeco expects to realize US$33 million in pre-tax annual operating expense savings as a result of the restructuring activities by the end of the fourth quarter of 2020. As of December 31, 2019, approximately US$24 million in pre-tax annual operating expense savings have been achieved.
- Net gain of $8 million on the Scottish Friendly transaction recorded in the Corporate business unit of the Europe segment:
  - In 2018, Canada Life Limited, an indirect wholly owned U.K. subsidiary of Lifeco, announced an agreement to sell a heritage block of individual policies to Scottish Friendly, comprised of unit-linked policies and non-unit-linked policies. On October 22, 2019, the required court approval for the transfer of these policies was received and this transfer occurred, effective November 1, 2019. In 2019, Lifeco recognized a gain of $8 million after tax related to this transaction.

In 2018, Other items of $56 million after tax consisted of restructuring costs related to the U.K. operations.

The information above has been derived from Lifeco's public disclosure.

IGM FINANCIAL

Contribution to Power Corporation

Twelve months ended December 31	2019	2018
Contribution to Power Corporation's[1]:		
Adjusted net earnings		
As reported by IGM	305	319
Consolidation entries[2]	(7)	(13)
	298	306
Other items	(7)	(11)
Net earnings	291	295

[1] Power Financial's average direct ownership in IGM and Power Corporation's average direct ownership in Power Financial were 61.9% and 64.5%, respectively, for the year ended December 31, 2019 (61.4% and 65.5%, respectively, in the corresponding period in 2018).

[2] Contribution to Power Corporation includes adjustments made by Power Financial in accordance with IAS 39 and the allocation of the results of Wealthsimple, Koho, Portag3 and Portag3 II.

Adjusted and net earnings per share as reported by IGM (in accordance with IFRS 9)

Twelve months ended December 31	2019	2018
Adjusted net earnings per share[1]	3.19	3.29
Other items[2]	(0.07)	(0.11)
Net earnings per share[1]	3.12	3.18

[1] Available to IGM common shareholders.

[2] See "Other items" section below.

Adjusted and net earnings by segments as reported by IGM (in accordance with IFRS 9)

Twelve months ended December 31	2019	2018
IG Wealth Management	770	766
Mackenzie	169	178
Corporate and other	155	186
Adjusted net earnings (before interest, income taxes, preferred share dividends and other)[1]	1,094	1,130
Interest expense, income taxes, preferred share dividends and other[2]	(330)	(338)
Adjusted net earnings[3]	764	792
Other items[4]	(17)	(25)
Net earnings[3]	747	767

[1] Non-IFRS financial measure as described IGM's public disclosures.

[2] Interest expense includes interest on long-term debt and also includes interest on leases of $4.1 million in the twelve-month period ended December 31, 2019, as a result of IGM's adoption of IFRS 16, *Leases*.

[3] Available to IGM common shareholders.

[4] IGM does not allocate Other items to segments.

2019 vs. 2018	
Net earnings	$747 million or $3.12 per share, compared with $767 million or $3.18 per share in the corresponding period in 2018, a decrease of 1.9% on a per share basis.
Adjusted net earnings	$764 million or $3.19 per share, compared with $792 million or $3.29 per share in the corresponding period in 2018, a decrease of 3.0% on a per share basis.

On January 1, 2018, IGM adopted IFRS 9, *Financial Instruments*. Power Corporation has deferred the adoption of IFRS 9 and continues to apply IAS 39. The contribution to Power Corporation includes adjustments to reverse the impact of the application of IFRS 9 by IGM.

In January 2019, IGM invested a further $67 million (US$50 million) in Personal Capital which increased its voting interest to 22.7%. IGM has significant influence and accounts for its interest as an associate using the equity method. In accordance with IFRS 9, IGM previously classified its interest in Personal Capital as fair value through other comprehensive income (FVOCI), in which fair value changes remain permanently in equity. In accordance with

IAS 39, the Corporation accounted for IGM's investment in Personal Capital as available for sale. The reclassification of the investment in the first quarter from available for sale to an associate, under IAS 39, resulted in a gain; the contribution of IGM to Power Corporation has been adjusted accordingly.

Adjusted net earnings exclude a charge of $17 million in the twelve-month period ended December 31, 2019 and charges of $25 million in the corresponding period ended December 31, 2018. These Other items are not allocated to segments. The following is a summary of each segment's net earnings:

IG Wealth Management

Net earnings increased by $4 million to $770 million in the twelve-month period ended December 31, 2019, compared with the corresponding period in 2018, due to:

- An increase in income from management fees of $30 million to $1,488 million. The increase was primarily due to an increase in average assets under management of 2.6%. The average management fee rate decreased by 0.5 basis points to 165.9 basis points of average assets under management, reflecting pricing reductions effective March 1, 2019; and
- An increase in net investment income of $10 million to $56 million, largely due to an increase of $9 million in fair value adjustments related to the mortgage banking operations;

Partially offset by:

- An increase in expenses of $24 million to $1,245 million in the twelve-month period, mainly due to an increase in non-commission expenses of $19 million, primarily due to increased technology expenses in the first quarter relating to the migration of clients to a new dealer platform and unbundled fee arrangements, as well as continued expenses associated with IG Wealth Management's brand relaunch;
- Asset-based compensation increased by $25 million in the twelve-month period primarily due to an increase in assets under management partially offset by a decrease in commissions of $19 million, primarily due to lower mutual fund sales partially offset by higher compensation related to the distribution of insurance products; and
- A decrease in administration fees of $11 million to $300 million. The decrease resulted primarily from the movement of assets into unbundled products which are not charged certain administration fees and changes in the composition of average assets under management.

Mackenzie

Net earnings decreased by $9 million to $169 million in the twelve-month period ended December 31, 2019, compared with the corresponding period in 2018, due to:

- An increase in expenses of $17 million to $643 million, due to an increase in non-commission expenses of $15 million and an increase in trailing commissions of $6 million related to the increase in average mutual fund assets, offset by a decline in the effective trailing commission rate, partially offset by a decrease in commission expense of $4 million;
- Partially offset by an increase in net investment income and other of $6 million to $4 million. Net investment income and other includes investment returns related to Mackenzie's investments in proprietary funds; and
- An increase in management fee revenue of $2 million to $704 million, mainly due to an increase in total average assets under management of 2.9%, offset by a decline in the effective management fee rate. The average management fee rate decreased by 2.5 basis points to 104.0 basis points due to a change in the composition of assets under management.

Assets and Investment Fund Assets Under Management

Total assets under management were as follows:

December 31 [In billions of dollars]	2019	2018
IG Wealth Management	93.2	83.1
Mackenzie	70.2	62.7
Corporate and other[1]	3.4	3.3
Total	166.8	149.1

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

	2019				2018			
[In billions of dollars]	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
IG Wealth Management	91.9	90.4	90.2	87.0	85.1	89.4	88.0	87.8
Mackenzie	63.0	61.8	60.8	58.2	57.1	59.5	57.9	57.1
Corporate and other[1]	4.6	4.6	4.7	4.7	4.8	5.1	5.0	5.2
Total	159.5	156.8	155.7	149.9	147.0	154.0	150.9	150.1

[1] Includes Investment Planning Counsel's assets under management less an adjustment for assets subadvised by Mackenzie on behalf of other segments.

Other Items

Adjusted net earnings in 2019 exclude a net charge of $17 million, consisting of IGM's proportionate share of Lifeco's Other items.

Adjusted net earnings in 2018 excluded a net charge of $25 million after tax consisting of:

- Restructuring and other charges of $17 million: resulting from the re-engineering of North American equity offerings and associated personnel changes, as well as other initiatives to improve IGM's offerings and operational effectiveness.
- A premium paid of $8 million: on early redemption of the $375 million 7.35% debentures on August 10, 2018.

The information above has been derived from IGM's public disclosure.

PARGESA

Contribution to Power Corporation

Twelve months ended December 31 [In millions of Canadian dollars]	2019	2018
Contribution to Power Corporation's[1]:		
Adjusted net earnings		
As reported by Pargesa	118	76
Consolidation entries[2]	31	(51)
	149	25
Other items	(24)	12
Net earnings	125	37

[1] Power Financial's average ownership in Pargesa and Power Corporation's average direct ownership in Power Financial were 27.8% and 64.5%, respectively, for the year ended December 31, 2019 (27.8% and 65.5%, respectively, in the corresponding period in 2018).

[2] The Corporation has not adopted IFRS 9. The contribution to the Corporation includes an adjustment to account for Pargesa under IAS 39 as described below.

Adjusted and net earnings as reported by Pargesa (in accordance with IFRS 9)

Twelve months ended December 31 [In millions of Swiss francs]	2019	2018
Contribution from the portfolio to adjusted net earnings		
Share of earnings of:		
Imerys	87	129
Parques	(9)	3
Dividends:		
LafargeHolcim	64	58
SGS	50	50
Pernod Ricard	36	28
adidas	25	21
Total	21	21
Umicore	20	18
GEA	8	6
Ontex	4	6
Other[1]	67	1
Contribution from private equity activities and other investment funds	161	31
	534	372
Net financial income (charges)	(11)	(26)
General expenses and taxes	(31)	(29)
Adjusted net earnings[2][3]	492	317
Other items	(101)	44
Net earnings[3]	391	361

[1] Other dividends in 2019 mainly consist of a reimbursement of withholding taxes by the French tax authorities related to dividends received from Total and Engie between 2013 and 2016.

[2] Described by Pargesa as "Economic operating income" in its public disclosure.

[3] Attributable to Pargesa shareholders.

2019 vs. 2018	
Net earnings	SF391 million, compared with SF361 million in the corresponding period in 2018, an increase of 8.3%.
Adjusted net earnings	SF492 million, compared with SF317 million in the corresponding period in 2018, an increase of 55.2%.

Adjustments to the contribution of Pargesa

On January 1, 2018, Pargesa adopted IFRS 9, *Financial Instruments*. The majority of its investments in public entities are classified as FVOCI, an elective classification for equity instruments in which all fair value changes remain permanently in OCI.

The investments in private equity and other investment funds are classified as fair value through profit or loss (FVPL). The transition requirements of IFRS 9 required that all unrealized gains and losses at January 1, 2018 on investments previously classified as available for sale remain permanently in equity. Starting January 1, 2018, subsequent changes in fair value are recorded in earnings.

Power Corporation has deferred the adoption of IFRS 9 and continues to apply IAS 39. The following table presents adjustments to the contribution of Pargesa to Power Corporation's earnings in accordance with IAS 39:

Twelve months ended December 31 [In millions of dollars]	2019	2018
Partial disposal of interest in adidas[1]	46	–
Partial disposal of interest in LafargeHolcim[2]	15	–
Impairment charges[3]	(8)	(74)
Disposal of private equity funds[4]	–	17
Disposal of Burberry[5]	–	12
Reversal of unrealized (gains) losses on private equity funds and other[6]	(22)	(6)
Total	31	(51)

[1] During the first and second quarters of 2019, a portion of the investment in adidas was disposed of, resulting in gains of SF49 million and SF144 million, respectively. These gains were not reflected in Pargesa's earnings as the investment is classified as FVOCI. Power Corporation's share of the realized gain was $12 million in the first quarter and $34 million in the second quarter.

[2] During the fourth quarter of 2019, a portion of the investment in LafargeHolcim was disposed of, resulting in a gain from the reversal of previous impairments of SF65 million. This gain was not reflected in Pargesa's earnings as the investment is classified as FVOCI. Power Corporation's share was $15 million.

[3] Under IFRS 9, Pargesa classifies the majority of its investments in public entities as FVOCI, and as a result impairment charges are not recognized in earnings. Power Financial recognized impairment charges on the following investments:

- Ontex – During the second quarter of 2018, the share price of Ontex decreased to €18.81 per share from a cost of €27.62 per share. Power Corporation recognized its share of the impairment charge of $22 million in the second quarter of 2018;

  During the remainder of 2018, the share price of Ontex decreased to €17.90 per share which resulted in further impairment charges, Power Corporation's share was $2 million;

  During the second quarter of 2019, the share price of Ontex decreased to €14.18 per share. An impairment charge of $8 million was recognized by Power Corporation, relating to its share of the impairment;
- GEA – During the fourth quarter of 2018, the share price declined to €22.50 per share from a cost of €35.63 per share, resulting in an impairment charge of SF118 million. Power Corporation's share was $28 million;
- LafargeHolcim – The investment in LafargeHolcim has been previously impaired, resulting in an adjusted cost of €37.10 per share. During the fourth quarter of 2018, the share price decreased to €35.83 per share, resulting in an impairment charge of SF59 million including a foreign exchange loss. Power Corporation's share was $15 million;
- Other investments – During the fourth quarter of 2018, Power Corporation's share of impairment charges on other investments was $7 million.

[4] During the first and fourth quarters of 2018, three investments held through private equity funds, classified as FVPL in accordance with IFRS 9, were disposed of, which resulted in realized gains of SF57 million and SF11 million, respectively. These realized gains have not been recognized in Pargesa's earnings as the investments were reclassified from available for sale to FVPL on transition to IFRS 9 on January 1, 2018. On transition, the related unrealized gains recorded in other comprehensive income were transferred permanently to retained earnings. Power Corporation's share of the realized gain was $17 million.

[5] During the second quarter of 2018, the investment in Burberry was disposed of, resulting in a gain of SF39 million. This gain was not reflected in Pargesa's earnings as it was classified as FVOCI. Power Corporation's share of the realized gain was $12 million.

[6] Pargesa classifies private equity investments at FVPL in accordance with IFRS 9, and recognizes unrealized changes in fair value in earnings. Power Corporation does not recognize these unrealized fair value changes in earnings as it continues to classify these private equity funds as available for sale in accordance with IAS 39.

Other than the share of earnings of Imerys and Parques, a significant portion of Pargesa's net earnings is composed of dividends from its non-consolidated investments, which are usually declared as follows:

- LafargeHolcim (second quarter)
- SGS (first quarter)
- adidas (second quarter)
- Umicore (second and third quarters)
- Total (second, third and fourth quarters)
- Pernod Ricard (second and fourth quarters)
- GEA (second quarter)
- Ontex (second quarter)

RESULTS

Net earnings in the twelve-month period ended December 31, 2019 increased by SF30 million to SF391 million, compared with the corresponding period in 2018. Adjusted net earnings in the twelve-month period ended December 31, 2019 were SF492 million, compared with SF317 million in the corresponding period in 2018. Other items, discussed below, were a charge of SF101 million in the twelve-month period ended December 31, 2019, compared with a positive earnings impact of SF44 million in 2018. The increase in net earnings is mainly due to:

- An increase in dividends of SF86 million to SF295 million, compared with SF209 million in the corresponding period in 2018. Dividends from its principal holdings increased by SF20 million, primarily due to the increase in dividends per share paid by certain portfolio companies, impact of additional investments made in Umicore and GEA, as well as the monetization of a stock dividend received from LafargeHolcim. Other dividends include SF62 million related to reimbursements by the French tax authorities for withholding taxes which had been applied to dividends received from Total and Engie between 2013 and 2016;
- An increase in the contribution from private equity activities and other investment funds of SF130 million, mainly due to fair value increases of the non-consolidated funds and realized gains of SF70 million on the sale of investments in Looping and opseo; and
- A decrease in net financial charges of SF15 million from the corresponding period in 2018 to SF11 million mainly due to income from default interest on the withholding taxes which have been applied to the dividend reimbursements discussed above, offset by the net impact of fair value adjustments to derivative instruments.

Partially offset by:

- A decrease in the contribution from Imerys to adjusted net earnings, excluding other items of SF49 million as discussed below, from SF129 million to SF87 million at December 31, 2019, primarily due to a decrease in revenue from a market slowdown, especially in the manufacturing sector which deteriorated throughout the year, the deconsolidation of the North American talc subsidiaries and to the temporary shutdown of a U.S. plant in the first half of 2019. The decline was partially offset by a positive effect of pricing and cost saving measures; and
- A decrease in the contribution from Parques of SF12 million to a loss of SF9 million at December 31, 2019.

OTHER ITEMS

Other items in 2019 were SF101 million and mainly consisted of:

- Pargesa's share of Imerys' charges of SF49 million:
  - Charges of SF21 million relating to the implementation of a transformation program and charges related to the temporary shutdown of a U.S. plant, primarily recognized in the second quarter;
  - Charges of SF28 million relating to costs incurred by Imerys as part of its transformation program and depreciation of non-core assets due to the deconsolidation of the North American talc subsidiaries, recognized in the fourth quarter;
- Pargesa's share of Parques' charges of SF38 million: non-recurring expenses recorded by Parques; and
- Pargesa's share of SF11 million related to the contribution recognized by GBL following the acquisition of Webhelp, which primarily consists of GBL's share of transaction costs to complete the acquisition.

Other items in 2018 were a positive earnings impact of SF44 million mainly consisting of:

- Imerys' disposal of its roofing division, Imerys Toiture. Pargesa's share of the gain amounted to SF235 million;
- Restructuring and other charges recognized by Imerys relating to its North American talc subsidiaries, ceramic proppants and graphite and carbon divisions. Pargesa's share of the restructuring and other charges recognized by Imerys were SF186 million, and also include other acquisition costs and provisions for rehabilitation and restructuring costs.

AVERAGE EXCHANGE RATES

The average exchange rates for the twelve-month periods ended December 31, 2019 and 2018 were as follows:

Twelve months ended December 31	2019	2018	Change %
Euro/SF	1.113	1.155	(3.6)
SF/CAD	1.335	1.325	0.8

The information above has been derived from Pargesa's public disclosure.

INVESTMENT PLATFORMS AND OTHER

Investment platforms and other includes income earned from management fees net of investment platform expenses, income earned on the capital invested by the Corporation (proprietary capital) in each platform and the share of earnings (losses) of controlled and consolidated subsidiaries, associates and jointly controlled investments.

Summary of income (loss) from the Corporation's investment platforms and other:

Twelve months ended December 31	2019	2018
Investment platforms		
Sagard Europe		
Management fees [1]	22	21
Investment platform expenses	(33)	(26)
Income earned on proprietary capital [2]	(7)	205
	(18)	200
Sagard Holdings		
Management fees and carried interest	22	2
Investment platform expenses	(42)	(23)
Income earned on proprietary capital	18	9
Share of earnings (losses) [3]	(70)	(79)
	(72)	(91)
Power Pacific		
Investment platform expenses	(20)	(12)
Income earned on proprietary capital [4]	121	(17)
	101	(29)
Power Energy		
Investment platform expenses	(7)	(6)
Income earned on proprietary capital [5]	(1)	54
Share of earnings (losses)	(38)	(42)
	(46)	6
Investment platforms	(35)	86
Other		
Investment and hedge funds	24	6
Other [6]	1	(4)
Other	25	2
	(10)	88

[1] Includes management fees charged by the investment platform on proprietary capital. Management fees paid by the Corporation are included in income earned on proprietary capital.

[2] Income in 2018 includes gains distributed by the funds in the first and fourth quarters on the sale of investments.

[3] Includes the Corporation's share of earnings (losses) of IntegraMed, a controlled investment, and share of earnings (losses) of investments in a jointly controlled corporation and associates.

[4] Mainly comprised of gains (losses) realized on the disposal of investments and dividends received. The 2018 results include realized losses of $46 million recognized in the third and fourth quarters.

[5] The 2018 results include a gain of $62 million ($54 million net of tax) recognized on the sale of Eagle Creek.

[6] Consists mainly of foreign exchange gains or losses and interest on cash and cash equivalents and includes the results of Square Victoria Communications Group (up to date of disposal in July 2018).

Income earned from proprietary capital and earnings from Other Investments are volatile in nature as they depend on many factors, including and primarily related to the timing of realizations.

Impairment charges included in income (loss) from investment platforms and other were as follows:

Twelve months ended December 31	2019	2018
Sagard Holdings	33	37
Power Pacific	1	43
Investment and hedge funds	4	1
	38	81

Sagard Holdings

For the twelve-month period ended December 31, 2019, impairment charges were $33 million compared with $37 million for the same period in 2018. Impairment charges in 2019 mainly relate to an equity-accounted investment in the third quarter. In 2018, impairment charges were related to an equity-accounted investment and available-for-sale investments due to decline in equity values in December 2018. The impairment charges in 2019 and 2018 exclude Sagard Holdings' share of an impairment charge recognized by IntegraMed for an amount of $16 million (US$13 million) and $66 million (US$50 million), respectively, which was included in Other Items.

Power Pacific

For the twelve-month period ended December 31, 2019, impairment charges were $1 million compared with $43 million for the same period in 2018. Impairment charges in 2018 were due to a significant decline in the Chinese equity markets in the third and fourth quarters of 2018.

CHINA AMC

For the twelve-month period ended December 31, 2019, income from China AMC was $30 million compared with $29 million for the same period in 2018.

CORPORATE OPERATIONS

Corporate operations include operating expenses, financing charges, depreciation and income taxes.

Operating and other expenses

Summary of corporate operating and other expenses of the Corporation and its share of operating and other expenses of Power Financial:

Twelve months ended December 31	2019	2018
Power Financial[1]		
Operating expenses	53	55
Financing charges	12	12
Depreciation	2	1
Income taxes	1	1
	68	69
Power Corporation		
Operating expenses	102	88
Financing charges	37	43
Depreciation	13	12
Income taxes[2]	(12)	(18)
	140	125
	208	194

[1] Power Corporation's share of operating and other expenses of Power Financial. For the twelve-month period ended December 31, 2019, Power Financial's gross operating expenses were $83 million ($85 million in the corresponding period in 2018).

[2] Includes a gain on the sale of tax losses on December 31, 2019 and 2018. Refer to the "Transactions with Related Parties" section for more details.

OTHER ITEMS (not included in adjusted net earnings)

The following table presents the Corporation's share of Other items:

Twelve months ended December 31	2019	2018
Power Financial		
Lifeco		
Net charge on the sale of U.S. individual life insurance and annuity business	(86)	–
Net charge on the revaluation of a deferred tax asset	(85)	–
Restructuring charges	(15)	(25)
Net gain on the Scottish Friendly transaction	3	–
	(183)	(25)
IGM		
Restructuring and other charges	–	(7)
Premium paid on early redemption of debentures	–	(3)
Share of Lifeco's other items	(7)	(1)
	(7)	(11)
Pargesa		
Imerys – Disposal of roofing activity	–	56
Imerys – Impairments, restructuring charges and other	(12)	(44)
Parques and other charges	(12)	–
	(24)	12
Corporate operations – Reorganization charges	(6)	–
	(220)	(24)
Investment platforms and other		
Sagard Holdings – Share of IntegraMed's goodwill impairment charge	(16)	(66)
Corporate operations		
Operating and other expenses		
Reduction of income tax estimates	31	–
Divestiture of La Presse operations	–	(54)
Premium paid on early redemption of debentures	–	(7)
	15	(127)
	(205)	(151)

For additional information, refer to the Lifeco, IGM and Pargesa "Other items" sections or "Investment Platforms and Other" section above.

Power Financial corporate other items

During 2019, Power Financial incurred $9 million of costs related to the Reorganization, primarily related to legal and financial advisor fees. The Corporation's share was $6 million.

Investment Platforms and Other

In 2019, the Corporation's share of a goodwill impairment charge by IntegraMed was $16 million (US$13 million). In 2018, the Corporation's share of a goodwill impairment charge by IntegraMed was $66 million (US$50 million).

Corporate other items

In 2019, Other items of $31 million relate to a favourable change to income tax provision estimates.

In 2018, the Corporation transferred net assets of La Presse to a new not-for-profit structure and realized a loss of $54 million on the divestiture, which included a financial contribution to the not-for-profit structure of $50 million.

On September 6, 2018, the Corporation redeemed all of its $250 million 7.57% debentures due April 22, 2019. A premium of $7 million was paid on the early redemption.

Financial Position

CONSOLIDATED BALANCE SHEETS (condensed)

The condensed balance sheets 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, 2019.

						Power Corporation Consolidated balance sheets	
December 31	Power Corporation	Power Financial	Lifeco	IGM	Other Subsidiaries and Consolidation adjustments[1]	2019	2018
ASSETS							
Cash and cash equivalents	564	1,021	4,628	720	(128)	6,805	6,441
Investments[2]	2,976	203	163,756	7,555	(1,433)	173,057	182,656
Investment in:							
Power Financial, Lifeco and IGM	11,530	16,374	350	897	(29,151)	–	–
Parjointco	–	3,954	–	–	–	3,954	3,291
Other[3]	–	–	53	857	1,029	1,939	1,796
Assets held for sale	–	–	–	–	–	–	897
Funds held by ceding insurers	–	–	8,714	–	–	8,714	9,251
Reinsurance assets[2]	–	–	20,707	–	–	20,707	6,126
Other assets	450	137	11,553	1,472	1,273	14,885	12,789
Intangible assets	1	1	3,879	1,230	732	5,843	5,787
Goodwill	–	–	6,505	2,660	1,159	10,324	10,423
Investments on account of segregated fund policyholders	–	–	231,022	–	–	231,022	209,527
Investments on account of segregated fund policyholders held for sale	–	–	–	–	–	–	3,319
Total assets	15,521	21,690	451,167	15,391	(26,519)	477,250	452,303
LIABILITIES							
Insurance and investment contract liabilities	–	–	176,177	–	–	176,177	168,431
Liabilities held for sale	–	–	–	–	–	–	897
Obligations to securitization entities	–	–	–	6,914	–	6,914	7,370
Debentures and other debt instruments[4]	683	250	5,993	2,100	912	9,938	9,977
Other liabilities	664	625	12,432	1,878	1,015	16,614	14,736
Insurance and investment contracts on account of segregated fund policyholders	–	–	231,022	–	–	231,022	209,527
Insurance and investment contracts on account of segregated fund policyholders held for sale	–	–	–	–	–	–	3,319
Total liabilities	1,347	875	425,624	10,892	1,927	440,665	414,257
EQUITY							
Non-participating shares	960	2,830	2,714	–	(5,544)	960	962
Participating shareholders' equity[5]	13,214	17,985	19,963	4,499	(42,447)	13,214	14,156
Non-controlling interests[6][7]	–	–	2,866	–	19,545	22,411	22,928
Total equity	14,174	20,815	25,543	4,499	(28,446)	36,585	38,046
Total liabilities and equity	15,521	21,690	451,167	15,391	(26,519)	477,250	452,303

[1] Other Subsidiaries and Consolidation adjustments includes Portag3, Portag3 II, Wealthsimple, Koho, investment platforms including consolidated investment funds, Power Energy and IntegraMed, as well as consolidation entries.

[2] As a result of Lifeco's indemnity reinsurance agreement with Protective Life on June 1, 2019, investments of $15.5 billion were derecognized and reinsurance assets of $15.2 billion were recognized.

[3] Includes investments in jointly controlled corporations and associates.

[4] The debentures and other debt instruments of controlled and consolidated investments are secured by their assets which are non-recourse to the Corporation.

[5] Opening retained earnings were decreased by $52 million as a result of the adoption of IFRS 16, *Leases* and the application of IFRIC 23, *Uncertainty over Income Tax Treatments;* refer to the "Changes in Accounting Policies" section for more details.

[6] Lifeco's non-controlling interests include the Participating Account surplus in subsidiaries.

[7] Non-controlling interests in consolidation adjustments represent non-controlling interests in the equity of Power Financial, Lifeco, IGM and controlled and consolidated investments.

Total assets of the Corporation increased to $477.3 billion at December 31, 2019, compared with $452.3 billion at December 31, 2018, primarily due to the impact of market movement and new business growth, partially offset by the impact of currency movement.

In June 2018, a subsidiary of Lifeco announced its agreement to sell a heritage block of policies to Scottish Friendly Assurance Society Limited (Scottish Friendly) and the amounts related to the unit-linked and non-unit-linked policies were classified as assets held for sale. On October 22, 2019, the required court approval for the transfer of these policies was received and the transfer occurred with effect from November 1, 2019. See Note 4 to the Corporation's 2019 Consolidated Financial Statements.

Liabilities increased to $440.7 billion at December 31, 2019, compared with $414.3 billion at December 31, 2018, mainly due to the following, as disclosed by Lifeco:

- Insurance and investment contracts on account of segregated fund policyholders increased by $21.5 billion, primarily due to the combined impact of market value gains and investment income of $27.3 billion, partially offset by the impact of currency movement of $6.5 billion.
- Insurance and investment contract liabilities increased by $7.7 billion, primarily due to fair value adjustments and the impact of new business, partially offset by the weakening of the euro, British pound, and U.S. dollar against the Canadian dollar.
- The transfer of a heritage block of policies to Scottish Friendly occurred with effect from November 1, 2019. See Note 4 to the Corporation's 2019 Consolidated Financial Statements.

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.

December 31	2019	2018
ASSETS		
Cash and cash equivalents[1]	564	750
Investment in Power Financial	11,530	12,295
Investment platforms and other		
Sagard Europe	478	391
Sagard Holdings[2]	306	395
Power Pacific	730	510
Power Energy	655	561
Other Investments[3]	149	171
Investment in China AMC	658	679
Other assets	451	471
Total assets	15,521	16,223
LIABILITIES		
Debentures and other debt instruments	683	646
Other liabilities	664	459
Total liabilities	1,347	1,105
EQUITY		
Non-participating shares	960	962
Participating shareholders' equity	13,214	14,156
Total equity	14,174	15,118
Total liabilities and equity	15,521	16,223

[1] Cash equivalents include $116 million ($181 million at December 31, 2018) of fixed income securities with maturities of more than three months. In accordance with IFRS, these are classified as investments in the Consolidated Financial Statements. Cash and cash equivalents also include cash held within Sagard Holdings and Power Pacific (see below).

[2] Includes investment in IntegraMed, accounted for using the equity method and investment in associates and a jointly controlled corporation.

[3] Other investments include portfolio investments in private investment funds and a select number of hedge funds. These investments are classified as available for sale and are carried at fair value. The Corporation had outstanding commitments to make future capital contributions to these funds for an aggregate amount of $48 million.

Cash and cash equivalents

Cash and cash equivalents held by the Corporation amounted to $564 million at December 31, 2019, compared with $750 million at the end of December 2018 (see “Non-consolidated Statements of Cash Flows” below for details). Of this amount, $178 million ($347 million at December 31, 2018) was held by Sagard Holdings and Power Pacific.

Investments

The tables below reconcile the investment in Power Financial and Power Energy, which are presented using the equity method for the purposes of the non-consolidated presentation; this presentation is not in accordance with IFRS.

Investment in Power Financial (at equity)

The carrying value of Power Corporation’s investment in Power Financial, accounted for using the equity method, decreased to $11,530 million at December 31, 2019, compared with $12,295 million at December 31, 2018:

Carrying value, at the beginning of the year	12,295
Change in accounting policies [1]	(52)
Restated carrying value, at the beginning of the year	12,243
Participation in the PFC SIB	(1,400)
Share of adjusted net earnings	1,485
Share of other items	(220)
Share of other comprehensive income	35
Dividends	(794)
Other [2]	181
Carrying value, at December 31, 2019	11,530

[1] Refer to the “Changes in Accounting Policies” section for more details.

[2] Mainly related to a dilution gain as a result of the PFC SIB and the Lifeco SIB, and the effect of the share repurchase program as part of a normal course issuer bid by Lifeco and IGM.

Investment in Power Energy (at equity)

The carrying value of Power Corporation’s investment in Power Energy, accounted for using the equity method, was $655 million at December 31, 2019, compared with $561 million at December 31, 2018.

Carrying value, at the beginning of the year	561
Investments	155
Share of net losses	(46)
Share of other comprehensive loss	(14)
Other	(1)
Carrying value, at December 31, 2019	655

Investment in China AMC

The carrying value of Power Corporation’s investment in China AMC was $658 million at December 31, 2019, compared with $679 million at December 31, 2018.

Carrying value, at the beginning of the year	679
Dividends	(10)
Share of net earnings	30
Share of other comprehensive loss	(41)
Carrying value, at December 31, 2019	658

China AMC’s assets under management, excluding subsidiary assets under management, were RMB¥1,032 billion (C$192 billion) at December 31, 2019, compared with RMB¥880 billion (C$175 billion) at December 31, 2018.

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 $960 million at December 31, 2019 ($962 million at December 31, 2018), of which $950 million are non-cumulative. All series are perpetual preferred shares and are redeemable in whole or in part solely at the Corporation's option from specified dates.

The terms and conditions of the outstanding First Preferred Shares are described in Note 18 to the Corporation's 2019 Consolidated Financial Statements.

Participating shareholders' equity

Participating shareholders' equity was $13,214 million at December 31, 2019, compared with $14,156 million at December 31, 2018:

Twelve months ended December 31	2019	2018
Participating shareholders' equity, at the beginning of the year	14,156	13,414
Change in accounting policies [1]	(52)	–
Restated participating shareholders' equity, at the beginning of the year	14,104	13,414
Changes in retained earnings		
Net earnings before dividends on non-participating shares	1,160	1,339
Dividends declared	(920)	(752)
Repurchase of subordinate voting shares under PCC SIB	(1,350)	–
Effects of changes in capital and ownership of subsidiaries, and other	143	(52)
	(967)	535
Changes in reserves		
Other comprehensive income (loss)		
Foreign currency translation adjustments	(321)	398
Investment revaluation and cash flow hedges	160	(282)
Actuarial gains (losses) on defined benefit plans	(87)	21
Share of Pargesa and other jointly controlled corporations and associates	264	22
Share-based compensation, including the effect of subsidiaries	28	(1)
	44	158
Issuance of subordinate voting shares (1,422,502 shares in 2019 and 1,657,567 shares in 2018) under the Corporation's Executive Stock Option Plan	33	49
Participating shareholders' equity, at December 31	13,214	14,156

[1] Refer to the "Changes in Accounting Policies" section for more details.

The book value per participating share of the Corporation was $30.98 at December 31, 2019, compared with $30.38 at the end of 2018.

Outstanding number of participating shares

At the date hereof, there were 54,860,866 participating preferred shares of the Corporation outstanding, compared with 48,854,772 at December 31, 2018, and 624,323,591 subordinate voting shares of the Corporation outstanding, compared with 417,101,146 at December 31, 2018. As part of the Reorganization, the Corporation issued 6,006,094 participating preferred shares on February 12, 2020 and 250,628,173 subordinate voting shares on February 13, 2020.

As part of the Reorganization, the Corporation assumed the Power Financial Employee Stock Option Plan. The 13,079,888 options outstanding at February 13, 2020 under Power Financial's Employee Stock Option Plan were exchanged for options to acquire subordinate voting shares of the Corporation (Replacement Options). The Replacement Options each entitle the option holders to receive 1.05 subordinate voting shares of the Corporation. At the date hereof, options were outstanding to purchase up to an aggregate of 33,537,760 subordinate voting shares of the Corporation, which includes 13,709,449 subordinate voting shares issuable pursuant to Replacement Options, under the Corporation's Executive Stock Option Plan and the Power Financial Employee Stock Option Plan.

Substantial issuer bids

On April 17, 2019, Lifeco completed a substantial issuer bid and purchased for cancellation 59,700,974 of its common shares at a purchase price of $33.50 per common share. Power Financial participated in the Lifeco SIB and as a result its equity interest in Lifeco decreased from 67.8% to 66.8%.

On April 17, 2019, Power Financial completed a substantial issuer bid and purchased for cancellation 49,999,973 of its common shares at a purchase price of $33.00 per common share. The Corporation participated in the PFC SIB and as a result its equity interest in Power Financial decreased from 65.5% to 64.1%.

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

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

Net Asset Value

Net asset value is presented for Power Financial and Power Corporation. Net asset value represents management's estimate of the fair value of the common shareholders' equity of Power Financial and the participating shareholders' equity of the Corporation. Net asset value is the fair value of the assets of Power Financial and Power Corporation's non-consolidated balance sheet less their net debt and preferred shares. In determining the fair value of assets, investments in subsidiaries, jointly controlled corporations and associates are adjusted to fair value as follows:

- Investments in publicly traded companies are valued at their market value, measured as the closing share price on the reporting date;
- Investments in private entities are valued at fair value based on management's estimate using consistently applied valuation models either based on a valuation multiple or discounted cash flows. Certain valuations are prepared by external valuators or subject to review by external valuators. Market-comparable transactions are generally used to corroborate the estimated fair value. The value of investments in private entities is presented net of any management incentives;
- Investments in investment funds are valued at the fair value reported by the fund which is net of carried interest or other incentives.

The presentation of the investments in subsidiaries, jointly controlled corporations and associates at fair value is not in accordance with IFRS; net asset value is a non-IFRS financial measure.

POWER FINANCIAL

Power Financial's net asset value per share was $39.86 at December 31, 2019, compared with $32.96 at December 31, 2018, representing an increase of 20.9%.

			2019			2018
December 31	Non-consolidated balance sheet	Fair value adjustment	Net asset value	Non-consolidated balance sheet	Fair value adjustment	Net asset value
ASSETS						
Investments						
Lifeco[1]	13,654	6,976	20,630	15,088	3,780	18,868
IGM	2,720	2,795	5,515	2,688	1,902	4,590
Parjointco	3,954	(1,413)	2,541	3,291	(983)	2,308
Other[2]	203	127	330	184	90	274
Cash and cash equivalents	1,021	–	1,021	1,025	–	1,025
Other assets[3]	138	–	138	115	–	115
Total assets	21,690	8,485	30,175	22,391	4,789	27,180
LIABILITIES AND PREFERRED SHARES						
Debentures	250	–	250	250	–	250
Other liabilities[4]	625	–	625	561	–	561
Perpetual preferred shares	2,830	–	2,830	2,830	–	2,830
Total liabilities and preferred shares	3,705	–	3,705	3,641	–	3,641
NET VALUE						
Common shareholders' equity/Net asset value	17,985	8,485	26,470	18,750	4,789	23,539
Per share	27.08		39.86	26.26		32.96

[1] As a result of Power Financial's participation in Lifeco's SIB in the second quarter of 2019, the number of shares held by the Corporation decreased by 7.4% or 49,318,032 from 669,568,064 to 620,250,032 (equity interest decreased from 67.8% to 66.8%).

[2] Fair value adjustment is related to Power Financial's investments in Portag3, Portag3 II, Wealthsimple and Koho.

[3] Includes $83 million of dividends declared in the fourth quarter by IGM and received by Power Financial on January 31, 2020 (same as at December 31, 2018).

[4] Includes $337 million of dividends declared in the fourth quarter by Power Financial and paid on January 31, 2020 ($344 million at December 31, 2018).

Investments measured at market value and cash represent 98.4% of Power Financial's total assets at fair value at December 31, 2019 (98.6% at December 31, 2018).

Power Financial's net asset value per share was $28.01, based on: i) market values of publicly listed investments at March 17, 2020 and ii) fair values for non-publicly listed investments at December 31, 2019.

POWER CORPORATION

The Corporation's net asset value per share was $40.07 at December 31, 2019, compared with $30.74 at December 31, 2018, representing an increase of 30.4%.

	2019				2018			
December 31	Non-consolidated balance sheet	Reclassifications	Fair value adjustment	Net asset value	Non-consolidated balance sheet	Reclassifications	Fair value adjustment	Net asset value
ASSETS								
Investments								
Power Financial[1]	11,530	–	3,334	14,864	12,295	–	(211)	12,084
Sagard Europe[2]	478	–	–	478	391	–	–	391
Sagard Holdings[2][3]	306	156	74	536	395	181	3	579
Power Pacific[2][3]	730	9	–	739	510	159	–	669
Power Energy	655	–	420	1,075	561	–	363	924
China AMC[4]	658	–	–	658	679	–	–	679
Other investments	149	–	49	198	171	–	18	189
Cash and cash equivalents[3]	564	(178)	–	386	750	(347)	–	403
Other assets[5]	451	–	–	451	471	–	–	471
Total assets	15,521	(13)	3,877	19,385	16,223	(7)	173	16,389
LIABILITIES AND NON-PARTICIPATING SHARES								
Debentures and other debt instruments	683	–	–	683	646	–	–	646
Other liabilities[6]	664	(13)	–	651	459	(7)	–	452
Non-participating shares	960	–	–	960	962	–	–	962
Total liabilities and non-participating shares	2,307	(13)	–	2,294	2,067	(7)	–	2,060
NET VALUE								
Participating shareholders' equity/ Net asset value	13,214	–	3,877	17,091	14,156	–	173	14,329
Per share	30.98			40.07	30.38			30.74

[1] As a result of the Corporation's participation in the PFC SIB in the second quarter of 2019, the number of shares held by the Corporation decreased by 9.1% or 42,436,370 from 467,839,296 to 425,402,926 (equity interest decreased from 65.5% to 64.1%).

[2] The management companies of the investment funds are presented at their carrying value in accordance with IFRS.

[3] Cash of $178 million related to Sagard Holdings and Power Pacific has been included in the fair value ($347 million at December 31, 2018).

[4] Valued at carrying value in accordance with IFRS.

[5] Includes $194 million of dividends declared in the fourth quarter by Power Financial and received by the Corporation on January 31, 2020.

[6] Performance-related compensation payable of $13 million is presented in the fair value of Power Pacific ($3 million in Power Pacific and $4 million in Sagard Holdings at December 31, 2018).

Investments measured at market value and cash represent 83.9% of the total assets at fair value at December 31, 2019 (82.7% at December 31, 2018).

The Corporation's net asset value, presented on a look-through basis, where the investment in Power Financial is based on the Corporation's share of Power Financial's net asset value, was $19.2 billion or $44.98 per share at December 31, 2019 ($17.7 billion or $37.91 per share at December 31, 2018). The additional fair value adjustment of $2.1 billion ($3.3 billion at December 31, 2018) mainly relates to the Corporation's share of its investment in Lifeco, IGM and Pargesa at market value.

The Corporation's net asset value per share was $33.08, presented on a look-through basis, based on: i) market values of publicly listed investments at March 17, 2020 and ii) fair values for non-publicly listed investments at December 31, 2019.

Cash Flows

CONSOLIDATED STATEMENTS OF CASH FLOWS (condensed)

The condensed cash flows of Lifeco, IGM and the Corporation's investment platforms and other, 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, 2019.

	Power Financial							Power Corporation Consolidated	
Twelve months ended December 31	Power Financial	Lifeco	IGM	Consolidation adjustments and other	Power Financial Consolidated	Power Corporation	Investment platforms and Consolidation adjustments[1]	2019	2018
Cash flows from:									
Operating activities	1,414	6,110	712	(1,528)	6,708	689	(776)	6,621	7,116
Financing activities	(3,035)	(3,981)	(1,069)	3,213	(4,872)	(2,040)	2,281	(4,631)	(2,154)
Investing activities	1,617	(1,539)	427	(1,563)	(1,058)	1,182	(1,602)	(1,478)	(4,608)
Effect of changes in exchange rates on cash and cash equivalents	–	(130)	–	–	(130)	(17)	(1)	(148)	184
Increase (decrease) in cash and cash equivalents	(4)	460	70	122	648	(186)	(98)	364	538
Cash and cash equivalents, at the beginning of the year	1,025	4,168	650	(219)	5,624	750	67	6,441	5,903
Cash and cash equivalents, at December 31	1,021	4,628	720	(97)	6,272	564	(31)	6,805	6,441

[1] Investment platforms and consolidation adjustments include investment platforms, including consolidated investment funds, Power Energy and IntegraMed, as well as consolidation entries.

Consolidated cash and cash equivalents increased by $364 million in the twelve-month period ended December 31, 2019, compared with an increase of $538 million in the corresponding period in 2018.

Operating activities produced a net inflow of $6,621 million in the twelve-month period ended December 31, 2019, compared with a net inflow of $7,116 million in the corresponding period in 2018.

Cash flows from financing activities, which include the repurchase of shares pursuant to the Lifeco SIB, the PFC SIB and the PCC SIB, 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 $4,631 million in the twelve-month period ended December 31, 2019, compared with a net outflow of $2,154 million in the corresponding period in 2018.

Cash flows from investing activities resulted in a net outflow of $1,478 million in the twelve-month period ended December 31, 2019, compared with a net outflow of $4,608 million in the corresponding period in 2018.

The Corporation decreased its level of fixed income securities with maturities of more than three months, resulting in a net inflow of $65 million in the twelve-month period ended December 31, 2019, compared with a net outflow of $2 million in the corresponding period in 2018.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

As Power Corporation is a holding company, corporate cash flows are primarily comprised of dividends received, income from investments and income (loss) from cash and cash equivalents, 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 statements of cash flows of the Corporation, which are not presented in accordance with IFRS, have been prepared to assist the reader as they isolate the cash flows of Power Corporation, the parent company.

Twelve months ended December 31	2019	2018
OPERATING ACTIVITIES		
Dividends from Power Financial	803	801
Dividends from China AMC	10	12
Corporate operations, net of non-cash items	(124)	(161)
	689	652
FINANCING ACTIVITIES		
Dividends paid on non-participating shares	(52)	(52)
Dividends paid on participating shares	(695)	(700)
Issuance of subordinate voting shares	30	43
Repurchase of subordinate voting shares under PCC SIB	(1,350)	–
Repurchase of non-participating shares	(2)	(3)
Issuance of debentures	–	250
Redemption of debentures	–	(250)
Increase in other debt instruments	37	–
Share repurchase expenses and other	(8)	(2)
	(2,040)	(714)
INVESTING ACTIVITIES		
Proceeds from disposal of investments	1,085	1,127
Purchase of investments	(1,150)	(887)
Investments in controlled and consolidated investments	(155)	(90)
Proceeds from tender of Power Financial shares under PFC SIB	1,400	–
Other	2	(6)
	1,182	144
Effect of changes in exchange rates on cash and cash equivalents	(17)	22
Increase (decrease) in cash and cash equivalents	(186)	104
Cash and cash equivalents, at the beginning of the year	750	646
Cash and cash equivalents, at December 31	564	750
CASH AND CASH EQUIVALENTS:		
Corporate	386	403
Sagard Investment Funds	178	347
	564	750

On a non-consolidated basis, cash and cash equivalents decreased by $186 million in the twelve-month period ended December 31, 2019, compared with an increase of $104 million in the corresponding period in 2018.

Operating activities resulted in a net inflow of $689 million in the twelve-month period ended December 31, 2019, compared with a net inflow of $652 million in the corresponding period in 2018.

- Dividends paid by Power Financial on its common shares during the twelve-month period ended December 31, 2019 were $1.7995 per share, compared with $1.7115 per share in the corresponding period in 2018. Power Corporation received dividends of $803 million from Power Financial in the twelve-month period ended December 31, 2019, compared with $801 million in the corresponding period in 2018.

The Corporation's financing activities during the twelve-month period ended December 31, 2019 were a net outflow of $2,040 million, compared with a net outflow of $714 million in the corresponding period in 2018, and included:

- Dividends paid on non-participating and participating shares by the Corporation of $747 million, compared with $752 million in the corresponding period in 2018. In the twelve-month period ended December 31, 2019, dividends paid on the Corporation's participating shares were $1.5970 per share, compared with $1.5045 per share in the corresponding period in 2018.
- Issuance of subordinate voting shares of the Corporation for $30 million pursuant to the Corporation's Executive Stock Option Plan, compared with issuance for an amount of $43 million in the corresponding period in 2018.
- Repurchase of subordinate voting shares pursuant to the PCC SIB of $1,350 million, compared with no repurchase in the corresponding period in 2018.
- Increase in other debt instruments of $37 million, compared with nil in the corresponding period in 2018.
- Issuance of debentures of nil, compared with issuance of $250 million in the corresponding period in 2018.
- Redemption of debentures of nil, compared with a redemption of $250 million in the corresponding period in 2018.
- Repurchase of non-participating shares for cancellation of $2 million, compared with $3 million in the corresponding period in 2018.

The Corporation's investing activities during the twelve-month period ended December 31, 2019 were a net inflow of $1,182 million, primarily due to proceeds received from participation in the PFC SIB, compared with a net inflow of $144 million in the corresponding period in 2018.

Proceeds from disposal of investments and purchase of investments are comprised of investment activities of the Corporation and its investment platforms.

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;
- maintain a capital structure that matches the long-term nature of its investments by maximizing the use of permanent capital; and
- maintain an appropriate credit rating to ensure stable access to the capital markets.

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

The 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, oversee and have the responsibility for their respective company's capital management.

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: debentures, non-participating shares, participating shareholders' equity, and non-controlling interests. The Corporation views non-participating shares as a cost-effective source of permanent capital.

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

Subsequent to the Reorganization, the Corporation holds 100% of the issued and outstanding common shares of Power Financial, Power Financial's preferred shares and debt securities remain outstanding.

The Corporation's consolidated capitalization includes the debentures, preferred shares and other debt instruments issued by its consolidated subsidiaries. Debentures and other debt instruments issued by Power Financial, Lifeco, IGM and controlled investments are non-recourse to the Corporation. The Corporation does not guarantee debt issued by its subsidiaries. Non-participating shares and total equity accounted for 79% of consolidated capitalization at December 31, 2019.

December 31	2019	2018
DEBENTURES AND OTHER DEBT INSTRUMENTS		
Power Corporation	683	646
Power Financial	250	250
Lifeco	5,993	6,459
IGM	2,100	1,850
Other[1][2]	1,005	838
Consolidation adjustments	(93)	(66)
	9,255	9,331
	9,938	9,977
NON-PARTICIPATING SHARES		
Power Corporation	960	962
Power Financial	2,830	2,830
Lifeco	2,714	2,714
IGM	–	150
	5,544	5,694
	6,504	6,656
EQUITY		
Participating shareholders' equity	13,214	14,156
Non-controlling interests[3]	16,867	17,234
	30,081	31,390
	46,523	48,023

[1] Other includes IntegraMed and entities controlled by Power Energy.

[2] Secured by the assets of the controlled investments which are non-recourse to the Corporation.

[3] 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.

POWER CORPORATION

- The Corporation filed a short-form base shelf prospectus dated November 16, 2018, 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.

Subsequent event

- As part of the Reorganization, the Corporation issued 6,006,094 participating preferred shares on February 12, 2020 for consideration of $206 million and 250,628,173 subordinate voting shares on February 13, 2020. Refer to the section "Overview – 2019 Highlights" for more information.
- The Corporation commenced a Normal Course Issuer Bid (NCIB) on February 20, 2020 which is effective until the earlier of February 19, 2021 and the date on which the Corporation has purchased the maximum permitted number of subordinate voting shares. Pursuant to this bid, the Corporation may purchase up to 30 million of its subordinate voting shares outstanding at February 20, 2020 (representing approximately 5.2% of the public float of subordinate voting shares outstanding).

  In connection with its NCIB, the Corporation has entered into an automatic securities purchase plan for its subordinate voting shares. The automatic securities purchase plan provides standard instructions regarding how the Corporation's subordinate voting shares are to be purchased under its NCIB during certain predetermined trading blackout periods. Outside of these predetermined trading blackout periods, purchases under the Corporation's NCIB will be completed based upon management's discretion.

LIFECO

- On December 10, 2019, Great-West Life & Annuity Insurance Capital, LP redeemed all $232 million (US$175 million) aggregate principal amount 6.625% deferrable debentures due November 15, 2034 at a redemption price equal to 100% of the principal amount of the debentures, plus accrued and unpaid interest up to but excluding the redemption date. A portion of the $1.0 billion cash received from the indemnity reinsurance agreement with Protective Life was used for the redemption.

IGM

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

The Corporation itself is not subject to externally imposed regulatory capital requirements; however, Lifeco and certain of its main subsidiaries, IGM's subsidiaries and certain of the Corporation's other subsidiaries are subject to regulatory capital requirements. See Note 21 to the Corporation's 2019 Consolidated Financial Statements for additional information.

RATINGS

The current rating by Standard & Poor's (S&P) of the Corporation's debentures is "A+" with a stable outlook, which was increased on December 13, 2019 from a rating of "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 a 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 fifth highest of the 22 ratings used for long-term debt. A long-term debenture rated "A+" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories; however, the obligor's capacity to meet its financial commitment on the obligation is still strong.

The "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 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 an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses including a portfolio of alternate asset investment platforms. Its principal asset is a controlling interest in Power Financial which in turn controls Lifeco and IGM and also holds a joint controlling interest in Parjointco, which itself holds a controlling interest in GBL through Pargesa. As a result, the Corporation bears the risks associated with being a significant shareholder of these operating companies. A complete description of these risks is presented in their public disclosures. 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.

RISK OVERSIGHT APPROACH

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 and executive officers of the Corporation have overall oversight and responsibility for risk management associated with the investment activities and operations of the holding company and maintain a comprehensive and appropriate set of policies and controls.

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 reviews and considers for approval 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.

STRATEGIC RISK

Strategic risk arises as a result of ineffective strategic decision making, inadequate strategies or a lack of responsiveness to important changes to the business environment, including macroeconomic or country risk events, or changes to the regulatory environment. In addition, strategic risk includes risks associated with the Corporation's holding company structure and potential future acquisitions.

The successful execution of the Corporation's investment strategy is uncertain as it requires suitable opportunities, careful timing and business judgment. The Corporation's approach consists in overseeing, through the Board of Directors, its operating businesses and investments with a view to generate long-term, sustainable growth in earnings and dividends. The Corporation aims to act like an owner with a long-term perspective and a strategic vision anchored in strong core values.

The Chief Executive Officer is responsible for developing the Corporation's proposed strategic plans, in light of emerging opportunities and risks and with a view to the Corporation's sustained profitable growth and long-term value creation, and for implementing the approved strategic plans. The Board of Directors is responsible for approving the long-term goals and objectives for the Corporation; and, after considering alternatives, approving the strategic plans developed by the Chief Executive Officer. The Board of Directors also monitors senior management's implementation of the approved plans; assesses the achievement of the Corporation's goals and objectives; reviews and approves on at least an annual basis management's financial plan; and reviews and approves any significant transactions and strategic capital management decisions regarding the Corporation.

LIQUIDITY RISK

Liquidity risk is the risk that the Corporation would not be able to meet all cash outflow obligations as they come due or be able to, in a timely manner, raise capital or monetize assets at normal market conditions.

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 are dependent on the operating performance, profitability, financial position and creditworthiness of its subsidiaries, jointly controlled corporations and associates, as well as on their ability to pay dividends. 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.

The Corporation makes certain investments through its investment platforms in the securities of private companies and illiquid securities. These 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 these 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. 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.

The 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, as defined in its policies. 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. The Corporation has a committed line of credit of $250 million and an uncommitted line of credit of $100 million in which advances are at the banks' sole discretion. At December 31, 2019, an amount of €25 million (C$37 million) was drawn on the line of credit.

Power Corporation's management of liquidity risk has not changed materially since December 31, 2018.

CREDIT RISK AND MARKET RISK

In order to maintain an appropriate level of available liquidity, the Corporation maintains a portfolio of financial instruments which can be a combination of cash and cash equivalents, fixed income securities, other investments (consisting of equity securities, investment funds and hedge funds) and derivatives. The Corporation also holds, through its investment platforms, shares of private and publicly traded companies and other loans. Those investments bear credit and market risks as described in the following sections.

Credit risk

Credit risk is the potential for financial loss to the Corporation if a counterparty in a transaction fails to meet its payment obligations. Credit risk can be related to the default of a single debt issuer, the variation of credit spreads on tradable fixed income securities and also to counterparty risk relating to derivatives products.

Power Corporation manages 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 ratings 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. The Corporation regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

Derivatives can be also used mainly to mitigate exposure to foreign exchange and market risk related to certain stock-based compensation arrangements. 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.

The 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, 2018.

Market risk

Market risk is the risk that the market value or future cash flows of an investment will fluctuate as a result of changes in market factors. Market factors include foreign exchange risk, interest rate risk and equity risk.

Foreign Exchange Risk

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

In its ongoing operations, the 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. At December 31, 2019, approximately 44% of the $564 million of Power Corporation's cash and cash equivalents and fixed income securities were denominated in foreign currencies, consisting of $214 million in U.S. dollars, $17 million in euros and $17 million in Chinese renminbi.

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. Power Corporation also holds, through its investment platforms, investments in foreign companies which are subject to foreign exchange risk. These investment funds are diversified among the U.S. dollar, the euro, the Chinese renminbi and the Hong Kong dollar which contributes to reducing the concentration of foreign exchange risk. At December 31, 2019, the impact of a 5% strengthening of the Canadian dollar against foreign currencies would result in an unrealized loss recorded in other comprehensive income of approximately $75 million.

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate following changes in interest rates.

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

Equity Risk

Equity risk is the potential loss associated with the sensitivity of the market price of a financial instrument arising from volatility in equity markets.

Most of Power Corporation's other investments are classified as available for sale. 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.

Power Corporation also holds, through its investment platforms, shares of private and publicly traded companies which are subject to equity risk. At December 31, 2019, Sagard Europe, Sagard Holdings and Power Pacific collectively held $794 million in shares of publicly traded companies and $794 million in shares of private companies. The three investment platforms are diversified, investing in three distinct economic regions: Europe, North America and China. This diversification avoids a concentration in any one single economy.

At December 31, 2019, the impact of a 5% decrease in the value of other investments and Sagard Europe, Sagard Holdings and Power Pacific would have been a $70 million unrealized loss recorded in other comprehensive income.

The market price of the equity securities of Power Corporation's subsidiaries and investments may be volatile and subject to numerous factors beyond such subsidiaries' control. At times, financial markets have experienced significant price and volume fluctuations that have affected the market price of the equity securities of the subsidiaries and investments, and that are often unrelated to the operating performance, underlying asset values or prospects of such companies. Volatility in the market price of the equity securities of subsidiaries and investments may have an impact on the net asset value reported by the Corporation.

Power Corporation's management of financial instruments risk has not changed materially since December 31, 2018. For a further discussion of Power Corporation's risk management, please refer to Note 22 to the Corporation's 2019 Consolidated Financial Statements.

OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from people, inadequate or failed internal processes and technologies, or external events. It includes the following type of risks: internal and external frauds, inadequate human resources practices, execution and processing errors, model risk, suppliers and third-party risk, business disruptions, cybersecurity, legal risk and regulatory compliance risk. Although operational risk cannot be eliminated entirely, the Corporation's risk management processes are designed to manage these risks in a thorough and diligent manner.

The Corporation manages operational risk by adopting and applying a series of corporate governance policies, procedures and practices such as human resource and compensation practice policies, a clawback policy for all officers, a code of business conduct and ethics for employees, a third party code of conduct, business continuity procedures, related party transactions review and other corporate governance guidelines. The Corporation also has established a series of controls for financial reporting and disclosure purposes, and such controls, which are tested on a regular basis, can contribute to identifying and mitigating operational risks.

Cybersecurity risk

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. The Corporation continues to monitor and enhance its defences and procedures to prevent, detect, respond to and manage cybersecurity threats, which are constantly evolving. Consequently, the Corporation's IT defences are continuously monitored and adapted to both prevent and detect cyber-attacks, and then recover and remediate. Disruption to information systems or breaches of security could result in a negative impact on the Corporation's financial results or result in reputational damage.

Regulatory compliance risk

Regulatory compliance risk is the risk of the Corporation or its employees failing to comply with the regulatory requirements in effect where the Corporation does business, both in Canada and internationally. There are many laws, governmental rules and regulations, including financial reporting and disclosure rules that apply to the Corporation. Interpretation of these laws, rules and regulations by the Corporation, governmental agencies or the courts could result in situations of regulatory non-compliance and could adversely affect the Corporation's reputation and result in penalties, fines and sanctions or increased oversight by regulators. 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.

The Corporation ensures that the tax implications of all of its strategic decisions comply with its legal and tax reporting obligations as well as anticipate potential changes in the current legal framework to avoid any risk of non-compliance that could have adverse impacts.

REPUTATION RISK

Reputation risk is the risk that an activity undertaken by the Corporation would be judged negatively by its stakeholders or the public, whether that judgment is with or without basis, thereby impairing its image and resulting potentially in the loss of business, limited financing capacity, legal action or increased regulatory oversight. Reputation risk can arise from a number of events and is generally related to a deficiency in managing another risk. For example, non-compliance with laws and regulations as well as deficiencies in financial reporting and disclosures can have a significant reputational impact on the organization.

The Board of Directors of the Corporation has adopted a Code of Business Conduct and Ethics (the Code of Conduct which includes the Corporation's guidelines on Conflicts of Interest) as well as a Third Party Code of Conduct, that govern the conduct of the Corporation's Directors, officers, employees, advisors, consultants and suppliers. The Board of Directors of the Corporation oversees compliance with the Code of Conduct through the Corporation's General Counsel and Secretary, who monitors compliance with the Code of Conduct. Directors and employees of the Corporation are required to confirm annually, and officers of the Corporation are required to confirm quarterly, their understanding of, and agreement to comply with, the Code of Conduct.

SUSTAINABILITY RISK

Sustainability risk is the potential loss associated with the inability of the Corporation and its employees to identify and manage environmental, social and governance risks, which could adversely impact the Corporation's financial position and reputation.

Environmental risks relate to the adverse impacts that could result from global warming and climate change, waste, and resource consumption. Social risks relate to the adverse impacts on people that could result from improper practices related to human rights, labour conditions, health and safety, harassment, diversity, wages and benefits, and supplier management. Governance risks relate to adverse impacts from unethical practices, including corruption and bribery, conflicts of interest, and data privacy.

Anchored by a strong responsible management culture, the Corporation adheres to the clear guidelines set out in its Code of Business Conduct and Ethics, which applies to the Corporation's Directors, officers and employees; as well as in its Third Party Code of Conduct, which applies to advisors, consultants and suppliers. The Corporation also maintains other supporting policies, procedures and controls, including a Corporate Social Responsibility Statement, an Environmental Policy, a Global Anti-Bribery Policy, a Privacy Policy, and a Respectful Workplace Policy.

The Corporation takes a balanced approach to conducting business, providing training and capacity building for its employees to ensure sustainability risks are identified and mitigated consistent with its policies and procedures. The Board's risk management oversight includes ensuring that material environmental, social and governance risks are appropriately identified, managed and monitored.

EMERGING RISKS

An emerging risk is a risk not well understood at the current time and for which the impacts on strategy and financial results are difficult to assess or are in the process of being assessed.

Monitoring emerging risks is an important component of risk management. Power Corporation is actively monitoring emerging risks through:

- Review and analysis at the boards and committees of its operating companies around the world where local executives describe the emerging risks in their respective environments.
- The Corporation's executive officers act as the Corporation's risk management committee. They meet regularly to identify, analyze and review the Corporation's risks and to implement strategies to mitigate these risks.

COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.

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.

The Corporation and its subsidiaries maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. 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.

		2019		2018
At December 31	Carrying value	Fair value	Carrying value	Fair value
ASSETS				
Assets recorded at fair value				
Bonds				
Fair value through profit or loss	85,845	85,845	91,815	91,815
Available for sale	12,028	12,028	13,713	13,713
Mortgage and other loans				
Fair value through profit or loss	1,314	1,314	817	817
Shares				
Fair value through profit or loss	9,925	9,925	8,794	8,794
Available for sale	1,474	1,474	1,329	1,329
Investment properties	5,887	5,887	5,218	5,218
Funds held by ceding insurers	6,661	6,661	7,155	7,155
Derivative instruments	474	474	434	434
Reinsurance assets	127	127	–	–
Assets held for sale [1]	–	–	782	782
Other assets	1,490	1,490	927	927
	125,225	125,225	130,984	130,984
Assets disclosed at fair value				
Bonds				
Loans and receivables	17,372	19,344	19,722	20,619
Mortgage and other loans				
Loans and receivables	30,461	31,420	32,080	32,524
Shares				
Available for sale [2]	150	150	239	239
Funds held by ceding insurers	80	80	91	91
	48,063	50,994	52,132	53,473
Total	173,288	176,219	183,116	184,457
LIABILITIES				
Liabilities recorded at fair value				
Investment contract liabilities	1,656	1,656	1,711	1,711
Investment contract liabilities held for sale	–	–	27	27
Derivative instruments	1,410	1,410	1,597	1,597
Other liabilities	430	430	185	185
	3,496	3,496	3,520	3,520
Liabilities disclosed at fair value				
Obligations to securitization entities	6,914	6,997	7,370	7,437
Debentures and other debt instruments	9,938	11,451	9,977	10,823
Deposits and certificates	886	887	622	622
	17,738	19,335	17,969	18,882
Total	21,234	22,831	21,489	22,402

[1] Excludes cash and cash equivalents and loans to policyholders as the carrying value is a reasonable approximation of the fair value.

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

See Note 27 to the Corporation's 2019 Consolidated Financial Statements for additional disclosure of the Corporation's fair value measurement at December 31, 2019.

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, 2019. The following table provides a summary of the Corporation and its subsidiaries' derivatives portfolio:

			2019			2018
December 31	Notional	Maximum credit risk	Total fair value	Notional	Maximum credit risk	Total fair value
Power Corporation	11	2	2	119	–	(4)
Power Financial	23	6	6	20	–	(2)
Lifeco	21,634	451	(930)	19,614	417	(1,145)
IGM	2,608	15	(2)	2,883	16	(13)
Other subsidiaries	288	–	(12)	131	1	1
	24,553	472	(938)	22,648	434	(1,159)
	24,564	474	(936)	22,767	434	(1,163)

During the twelve-month period ended December 31, 2019, there was an increase of $1.8 billion in the notional amount of derivatives outstanding, primarily due to an increase in forward-settling mortgage-backed security transactions ("to-be-announced securities") and regular hedging activities. The Corporation and its subsidiaries' exposure to derivative counterparty risk (which represents the market value of instruments in a gain position) increased to $474 million at December 31, 2019 from $434 million at December 31, 2018. The increase was primarily driven by the impact of the Canadian dollar strengthening against the U.S. dollar on cross-currency swaps that pay U.S. and receive Canadian dollars.

See Note 26 to the Corporation's 2019 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 32 to the Corporation's 2019 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. See Note 31 to the Corporation's 2019 Consolidated Financial Statements.

Commitments and Contractual Obligations

	Payments due by period				
	Less than 1 year	1–5 years	More than 5 years	Undefined	Total
Power Corporation[1][2]	44	1	655	188	888
Power Financial	16	–	254	–	270
Lifeco	2,423	1,126	4,875	–	8,424
IGM	2,116	5,489	2,134	–	9,739
Other subsidiaries and consolidation entries	723	475	657	43	1,898
Total	5,322	7,091	8,575	231	21,219
Debentures and other debt instruments[3]	1,164	1,037	7,798	–	9,999
Obligations to securitization entities	1,474	5,431	9	–	6,914
Deposits and certificates	881	4	1	–	886
Lease obligations[4]	163	473	683	–	1,319
Purchase obligations[5]	312	110	84	–	506
Pension contributions[6]	333	–	–	–	333
Contractual commitments[1][7]	995	36	–	231	1,262
Total	5,322	7,091	8,575	231	21,219

[1] Includes $188 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.

[2] Includes debentures of the Corporation of $650 million.

[3] Please refer to Note 15 to the Corporation's 2019 Consolidated Financial Statements for further information.

[4] Please refer to Note 16 to the Corporation's 2019 Consolidated Financial Statements for further information.

[5] Purchase obligations are commitments of Lifeco to acquire goods and services, primarily related to information services, as well as construction and turbine purchase contracts related to wind projects under construction at Potentia.

[6] Pension contributions include expected contributions to defined benefit and defined contribution pension plans as well as post-employment 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.

[7] Represents $1,042 million of commitments by Lifeco. These contractual commitments are essentially commitments to investment transactions made in the normal course of operations, in accordance with Lifeco's policies and guidelines, which are to be disbursed upon fulfilment of certain contract conditions.

Income Taxes (non-consolidated basis)

The Corporation had, at December 31, 2019, non-capital losses of $423 million ($406 million for which the benefits have not been recognized) available to reduce future taxable income (including capital gains). These losses expire from 2029 to 2039.

The Corporation had, at December 31, 2019, capital losses of $158 million ($11 million for which the benefits have been recognized) that can be used indefinitely to offset capital gains.

In addition, at December 31, 2019, deductible temporary differences for which the benefits have not been recognized were $293 million.

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, Power Corporation and its subsidiaries enter into various transactions which include capital commitments to investment funds, performance and base management fees paid to subsidiaries of the group and loans to employees. Such transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

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 subadvisory services, respectively, 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.

In October 2017, IGM and a subsidiary of Power Corporation obtained advance tax rulings which permitted tax loss consolidation transactions whereby shares of a subsidiary that has generated tax losses may be acquired by IGM. The Corporation has recognized the benefit of the tax losses to be realized throughout this program. The program was renewed and extended to 2020.

On April 17, 2019, Power Financial participated in the Lifeco SIB and Power Corporation participated in the PFC SIB. These transactions were at market terms and conditions. Refer to the section "Equity" for more details.

On February 13, 2020, the Corporation and Power Financial completed the Reorganization. Refer to the section "Overview – 2019 Highlights" for more details.

In connection with the Reorganization, Pansolo, a corporation controlled by the Desmarais Family Residuary Trust, purchased 6 million participating preferred shares on February 12, 2020. Refer to the section "Overview – 2019 Highlights" for more details.

See Note 30 to the Corporation's 2019 Consolidated Financial Statements for additional 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 or accounted for using the equity method, 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 2019 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.

JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES

Jointly controlled corporations are entities in which unanimous consent is required for decisions relating to relevant activities. Associates are entities in which the Corporation exercises significant influence over the entity's operating and financial policies, without having control or joint control. Investments in jointly controlled corporations and associates are accounted for using the equity method. Management of the Corporation and of each of its subsidiaries exercise judgment in determining whether joint control or significant influence exists.

INSURANCE AND INVESTMENT CONTRACT LIABILITIES

Measurement

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 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 13 to the Corporation's 2019 Consolidated Financial Statements.

FAIR VALUE MEASUREMENT

The carrying values of financial assets reflect the prevailing market liquidity and the liquidity premiums embedded in the market pricing methods 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 these liabilities, except when the bond has been deemed impaired.

The Corporation and its subsidiaries maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following is a description of the methodologies used to determine fair value.

Bonds and mortgage and other loans at fair value through profit or loss and available for sale

Fair values of bonds and mortgage and other loans 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 obtain quoted prices in active markets, when available, for identical assets at the balance sheet dates to measure bonds and mortgage and other loans at fair value. 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 and mortgage and other loans not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodologies, discounted cash flow analyses and/or internal valuation models. These methodologies consider such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as yield curves, credit curves, prepayment rates and other relevant factors. For bonds and mortgage and other loans 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 movements relative to the market and utilization of information provided by the underlying investment manager. 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.

Equity-release mortgages at fair value through profit or loss

There are no market observable prices for equity-release mortgages; an internal valuation model is used which is based on discounting expected future cash flows and considering the embedded no-negative-equity guarantee. Inputs to the model include market observable inputs such as benchmark yields and risk-adjusted spreads. Non-market observable inputs include property growth and volatility rates, expected rates of voluntary redemptions, death, moving to long-term care and interest cessation assumptions and the value of the no-negative-equity guarantee.

Bonds and mortgage and other loans classified as loans and receivables

The fair values disclosed for bonds and mortgage and other 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.

IMPAIRMENT OF INVESTMENTS

Investments are reviewed on an individual basis at the end of each reporting period to determine whether there is any objective evidence of impairment. 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 bonds and mortgage and other loans 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. Where available-for-sale bonds are determined to be impaired, 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, interest is no longer accrued on impaired bonds and mortgage and other loans and previous interest accruals are reversed in net investment income.

Impairment losses on available-for-sale shares are recorded in net investment income if the loss is significant or prolonged. Subsequent losses are 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 and its 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 and settlement gains or losses are included in operating and administrative expenses.
- Remeasurements 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 subsequently reclassified to net earnings.
- The accrued benefit asset (liability) represents the plan surplus (deficit).
- Contributions 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.

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 deferred tax assets 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 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 tax assets. The Corporation and its subsidiaries' financial planning process provides a significant basis for the measurement of deferred 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 from those reported at December 31, 2018, except as described below.

ADOPTION OF IFRS 16 – *LEASES* (IFRS 16)

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

Impact of transition to IFRS 16

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

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

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

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

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

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

The application of IFRS 16 did not have a material impact on the statement of earnings or the statement of cash flows for the year ended December 31, 2019, except for the classification of lease payments as financing activities instead of operating activities. The adoption of IFRS 16 did not have an impact on net cash flows.

ADOPTION OF IFRIC 23 – *UNCERTAINTY OVER INCOME TAX TREATMENTS* (IFRIC 23)

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

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.

New standard	Summary of future changes
IFRS 17 – Insurance Contracts (IFRS 17)	In May 2017, the IASB issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts*. On June 26, 2019 the IASB issued an exposure draft covering targeted amendments to the IFRS 17 standard, including a proposed amendment to defer the effective date of the standard by one year to January 1, 2022. The IASB is currently in the process of considering the feedback received on the exposure draft and is planning to issue the final amendments in mid-2020. Due to the responses received from stakeholders during the comment period on the exposure draft, on March 17, 2020, the IASB approved the deferral of the effective date of IFRS 17 to annual reporting periods beginning on or after January 1, 2023. In addition, the IASB extended to January 1, 2023 the exemption for insurers to apply the financial instruments standard, IFRS 9–*Financial Instruments*, keeping the alignment of the effective dates for IFRS 9 and IFRS 17. The IASB has also confirmed certain amendments proposed in the exposure draft – namely the amendment on the expected recovery of insurance acquisition cash flows – and has also agreed to extend the scope of the amendment related to the recovery of losses on reinsurance contracts to apply to all reinsurance held contracts. The adoption of IFRS 17 is a significant initiative for Lifeco supported by a formal governance framework and project plan, for which substantial resources are being dedicated. Lifeco has assembled a project team that is working on the implementation which involves preparing the financial reporting systems and processes for reporting under IFRS 17, policy development and operational and change management. These groups are also monitoring developments from the IASB, and various industry groups that Lifeco has representation on. Lifeco has made progress in implementing its project plan, with key policy decisions well-advanced as well as progression on the implementation of the technology solution. Lifeco continues to evaluate the readiness of technology vendors and their ability to deliver for IFRS 17 implementation. IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds. IFRS 17 introduces three new measurement models depending on the nature of the insurance contracts: the General Measurement Model, the Premium Allocation Approach and the Variable Fee Approach. IFRS 17 requires entities to measure insurance contract liabilities on the balance sheet as the total of: (a) the fulfilment cash flows: the current estimates of amounts that a company expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and (b) the contractual service margin: the future profit for providing insurance coverage. Under IFRS 17, the discount rate used to reflect the time value of money in the fulfilment cash flows must be based on the characteristics of the liability. This is a significant change from IFRS 4 and the Canadian Asset Liability Method, where the discount rate was based on the yield curves of the assets supporting those liabilities. The future profit for providing insurance coverage is recognized in profit or loss over time as the insurance coverage is provided. In 2019, Lifeco recognized approximately $108 million of new business losses (losses of approximately $195 million in 2018). IFRS 17 also requires Lifeco to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be onerous. Lifeco is required to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and discount rates. As a result of the new valuation methodologies required under IFRS 17, Lifeco expects its insurance contract liabilities to increase upon adoption. IFRS 17 will affect how Lifeco accounts for its insurance contracts and how the financial performance is reported in the statements of earnings, in particular the timing of earnings recognition for insurance contracts. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. Lifeco is also actively monitoring potential impacts on regulatory capital and its associated ratios and disclosures. Lifeco continues to assess all these impacts through its global implementation plan.

New standard	Summary of future changes
Current implication of IFRS 9 – Financial Instruments (IFRS 9)	In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments*, to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The effective date for IFRS 9 has been deferred to align with the effective date for IFRS 17 of January 1, 2023. The standard provides changes to financial instruments accounting for the following: ▪ Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; ▪ Impairment based on an expected loss model; and ▪ Hedge accounting that incorporates the risk management practices of an entity. In September 2016, the IASB issued an amendment to IFRS 4, *Insurance Contracts* (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 the IFRS 9 standard 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 proposed effective date of the new insurance contract standard; 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 qualifies for the amendment and is applying the deferral approach to allow the adoption of both IFRS 9 and IFRS 17, simultaneously. The disclosure for the measurement and classification of the Corporation's portfolio investments provides most of the information required by IFRS 9. The Corporation and Lifeco continue to evaluate the impact of the adoption of this standard with the adoption of IFRS 17. Pargesa (held through Parjointco), a jointly controlled corporation, does not qualify for the exemption and adopted IFRS 9 on January 1, 2018. The Corporation, in accordance with the amendment of IFRS 4 to defer the adoption of IFRS 9, is permitted although not required to retain the accounting policies applied by an associate or a jointly controlled corporation which is accounted for using the equity method. The Corporation has decided to continue applying IAS 39 to Pargesa's results.
IFRS 3 – Business Combinations (IFRS 3)	In October 2018, the IASB issued amendments to IFRS 3, *Business Combinations*. The amendments provide additional guidance as to whether a company acquired a business or a group of assets. The amendments will be applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.
IAS 1 – Presentation of Financial Statements (IAS 1) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8)	In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments are to clarify the definition of "material" and to align the definition used in the Conceptual Framework and the standards themselves. The amendments will be applied prospectively for annual periods beginning on or after January 1, 2020.
IFRS 9 – Financial Instruments (IFRS 9) IAS 39 – Financial Instruments: Recognition and Measurement (IAS 39) and IFRS 7 – Financial Instruments: Disclosures (IFRS 7)	In September 2019, the IASB issued amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 7, *Financial Instruments: Disclosures*. The amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments are effective for periods beginning on or after January 1, 2020. Although adoption of these amendments will not have a significant impact on the Corporation's consolidated financial statements, additional disclosures will be required.

Disclosure Controls and Procedures

Based on their evaluations at December 31, 2019, the Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures were effective at December 31, 2019.

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, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining effective internal control over financial reporting. All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Corporation's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Corporation's internal control over financial reporting at December 31, 2019, 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 Chief Executive Officer and the Chief Financial Officer have concluded that the Corporation's internal control over financial reporting was effective at December 31, 2019.

There have been no changes in the Corporation's internal control over financial reporting during the three-month period ended December 31, 2019 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	2019	2018	2017
Total revenues	48,841	48,098	51,362
Assets under management [in billions]	941	860	854
Assets under administration [in billions]	1,823	1,571	1,527
Net earnings (attributable to participating shareholders)	1,108	1,287	1,286
per share – basic	2.53	2.77	2.77
per share – diluted	2.53	2.76	2.76
Adjusted net earnings (attributable to participating shareholders)[1]	1,313	1,438	1,560
per share – basic	3.00	3.09	3.36
Consolidated assets	477,250	452,303	445,521
Total financial liabilities	26,057	26,056	24,946
Debentures and other debt instruments	9,938	9,977	9,511
Shareholders' equity	14,174	15,118	14,615
Book value per participating share	30.98	30.38	29.40
Number of participating shares outstanding [millions]			
Participating preferred shares	48.9	48.9	48.9
Subordinate voting shares	377.6	417.1	415.4
Dividends per share [declared]			
Participating shares[2]	2.0020	1.5045	1.4105
First preferred shares			
1986 Series[3]	1.3824	1.2390	0.9994
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 "Non-IFRS Financial Measures and Presentation" section in this review of financial performance.

[2] Includes the dividend declared by the Corporation on December 12, 2019, as part of the Reorganization.

[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.