POWER CORPORATION
OF CANADA

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First Quarter Report

For the period ended
March 31, 2019

Power Corporation of Canada

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This document contains management's discussion and analysis of the financial condition, financial performance and cash flows of Power Corporation of Canada (the Corporation) for the three months ended March 31, 2019 and the unaudited interim condensed consolidated financial statements of the Corporation as at and for the three months ended March 31, 2019. This document has been filed with the securities regulatory authorities in each of the provinces and territories of Canada and mailed to requesting shareholders of the Corporation in accordance with applicable securities laws.

Power Corporation of Canada

PART A

POWER CORPORATION OF CANADA

Management's Discussion and Analysis

MAY 14, 2019

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

The following presents Management's Discussion and Analysis (MD&A) of the unaudited interim condensed consolidated financial condition and financial performance of Power Corporation of Canada (Power Corporation or the Corporation) (TSX: POW), a public corporation, for the three-month period ended March 31, 2019. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of Power Corporation and notes thereto for the three-month period ended March 31, 2019 (the Interim Consolidated Financial Statements), the MD&A for the year ended December 31, 2018 (the 2018 Annual MD&A), and the audited consolidated financial statements and notes thereto for the year ended December 31, 2018 (the 2018 Consolidated Financial Statements). Additional information relating to Power Corporation, including its Annual Information Form, may be found on the Corporation's website at www.powercorporation.com and on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS › Certain statements in this MD&A, 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. 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, the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors.

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

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

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

The following abbreviations are used throughout this report:

adidas	adidas AG
BME	Madrid Stock Exchange
Burberry	Burberry Group plc
Canada Life	The Canada Life Assurance Company
China AMC	China Asset Management Co., Ltd.
Eagle Creek	Eagle Creek Renewable Energy, LLC
EBR	Euronext Brussels
EPA	Euronext Paris
GBL	Groupe Bruxelles Lambert
GEA	GEA Group
Great-West Financial or Great-West Life & Annuity	Great-West Life & Annuity Insurance Company
Great-West Life	The Great-West Life Assurance Company
IFRS	International Financial Reporting Standards
IGM or IGM Financial	IGM Financial Inc.
IG Wealth Management	Investors Group Inc.
IntegraMed	IntegraMed America, Inc.
Investment Planning Counsel	Investment Planning Counsel Inc.
Irish Life	Irish Life Group Limited
LafargeHolcim	LafargeHolcim Ltd
Lifeco	Great-West Lifeco Inc.
Lion or Lion Electric	The Lion Electric Co.
London Life	London Life Insurance Company
Lumenpulse	Lumenpulse Group Inc.
Mackenzie or Mackenzie Investments	Mackenzie Financial Corporation
Ontex	Ontex N.V.
PanAgora	PanAgora Asset Management, Inc.
Pargesa	Pargesa Holding SA
Parjointco	Parjointco N.V.
Parques	Parques Reunidos Servicios Centrales, S.A.
Peak	Peak Achievement Athletics Inc.
Personal Capital	Personal Capital Corporation
Portag3	Portag3 Ventures Limited Partnership
Potentia or Potentia Renewables	Potentia Renewables Inc.
Power Energy	Power Energy Corporation
Power Financial	Power Financial Corporation
Putnam	Putnam Investments, LLC
Retirement Advantage	MGM Advantage Holdings Ltd.
Sagard Holdings	Sagard Holdings ULC
Sagard Investment Funds	Sagard Europe, Sagard Holdings and Sagard China
SGS	SGS SA
SIX	Swiss Stock Exchange
Square Victoria Communications Group or SVCG	Square Victoria Communications Group Inc.
Total	Total SA
Umicore	Umicore, NV/SA
Wealthsimple	Wealthsimple Financial Corp.
XETR	XETRA Stock Exchange

Organization of the Interim MD&A

Overview

POWER CORPORATION OF CANADA

Incorporated in 1925, Power Corporation, a family-controlled public company, is a diversified international management and holding company with interests in the financial services, asset management, sustainable and renewable energy, and other business sectors in North America, Europe and Asia. Its principal asset is a controlling interest in Power Financial, which in turn controls Lifeco and IGM. Power Financial also holds jointly with the Frère Group of Belgium a controlling interest in Pargesa.

Power Corporation conducts investment activities, built upon a network of deep and long-standing relationships, to provide superior returns on a diversified basis. The investment activities include Power Energy, the Sagard Investment Funds and interests in China resulting from more than 40 years of engagement.

Power Corporation adheres to four overriding investing principles with the objective of achieving sound long-term investment diversification and sustainable value-creation for its shareholders:

- 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. As part of Power Corporation's diversification strategy, significant investments have 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.
- Sagard China holds minority positions in Chinese companies publicly listed in Shanghai, Shenzhen, Hong Kong and New York, and seeks absolute returns with low volatility. It is a long-term investor and holds a portfolio of selected stocks.
- Power Energy actively manages investments by applying 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 allowed access to further 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 asset base. It also creates strategic opportunities with other asset managers within the Power group of companies.

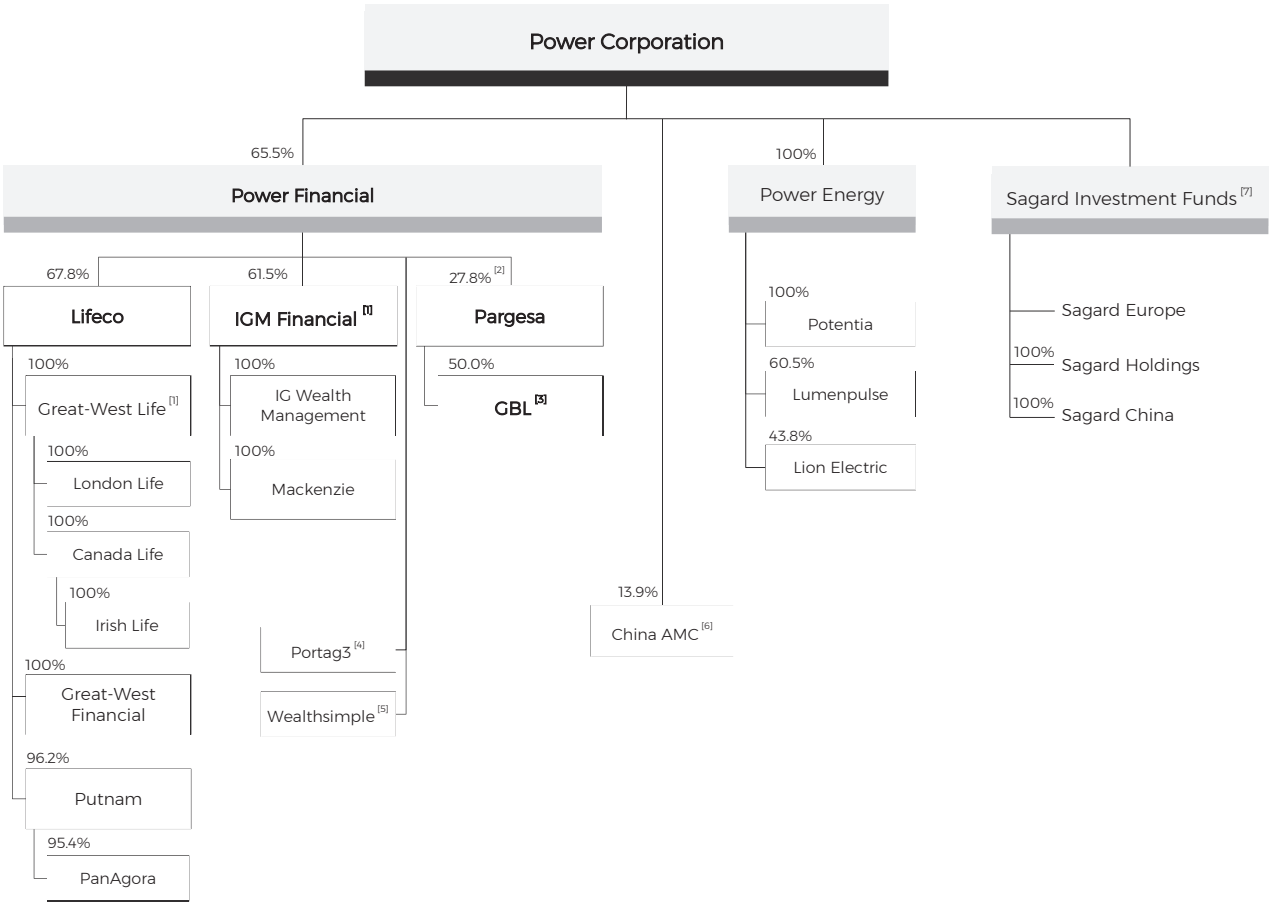
Organization of the MD&A

The Corporation's MD&A consists of five parts:

- Part A – Power Corporation, presented on a consolidated and non-consolidated basis;
- Part B – Power Financial's interim MD&A, as prepared and disclosed by Power Financial in accordance with applicable securities legislation, presented on a consolidated and non-consolidated basis, and which is also available either directly from SEDAR (www.sedar.com) or from Power Financial's website (www.powerfinancial.com);
- Part C – Lifeco's interim MD&A, as prepared and disclosed by Lifeco in accordance with applicable securities legislation, and which is also available either directly from SEDAR (www.sedar.com) or from Lifeco's website (www.greatwestlifeco.com);
- Part D – IGM's interim MD&A, as prepared and disclosed by IGM in accordance with applicable securities legislation, and which is also available either directly from SEDAR (www.sedar.com) or from IGM's website (www.igmfinancial.com);
- Part E – Pargesa's financial results, derived from publicly disclosed information, as issued by Pargesa in its first quarter press release. Further information on Pargesa's results is available on its website (www.pargesa.ch).

Power Financial (TSX: PWF), Lifeco (TSX: GWO) and IGM (TSX: IGM) are public companies listed on the Toronto Stock Exchange. Pargesa is a public company listed on the Swiss Stock Exchange (SIX: PARG). Market capitalizations reported in the following sections are at March 31, 2019.

The following chart reflects the economic interests held by the Corporation at March 31, 2019, which include Power Financial's operating companies (Lifeco, IGM, Wealthsimple and an investment in Pargesa), Power Energy, China AMC and the Sagard Investment Funds.



In bold: Publicly listed holdings

[1] Great-West Life holds a 3.8% interest in IGM, and IGM holds a 4.0% interest in Lifeco.

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

[3] Refer to the "Pargesa and GBL" section for a list of investments in public companies.

[4] Power Financial directly holds a 63% interest, and Lifeco and IGM also hold equal interests of 18.5%, in Portag3.

[5] Power Financial directly holds a 17.4% interest, and Portag3 and IGM also hold interests of 23.7% and 47.5%, respectively, in Wealthsimple.

[6] IGM also holds a 13.9% interest in China AMC.

[7] Refer to the "Sagard Investment Funds" section for the Corporation's interest in the Sagard Europe funds and investments held by Sagard Holdings, including a controlling interest in IntegraMed.

SUBSEQUENT EVENTS

Substantial Issuer Bids

On April 17, 2019, Lifeco announced that it had completed a substantial issuer bid (Lifeco Offer), and purchased for cancellation 59,700,974 of its common shares 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 Offer by tendering a significant portion of its Lifeco common shares on a proportionate basis and all remaining tendered Lifeco common shares on a non-proportionate basis. As a result of the Lifeco Offer, as of April 17, 2019, the Corporation held an approximate 66.8% equity interest in Lifeco (excluding IGM's 4.0% interest) after giving effect to the cancellation of Lifeco common shares pursuant to the Lifeco Offer.

Power Financial used the proceeds from its participation in the Lifeco Offer to fund its own substantial issuer bid. On April 17, 2019, Power Financial completed its substantial issuer bid (PFC Offer), 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. After giving effect to the purchase, the number of issued and outstanding Power Financial common shares, as of April 17, 2019, was 664,096,506 on a non-diluted basis. Power Corporation supported Power Financial through its participation in the PFC Offer by tendering a significant portion of its Power Financial common shares on a proportionate basis and all remaining tendered Power Financial common shares on a non-proportionate basis. As a result of the PFC Offer, as of April 17, 2019, the Corporation held an approximate 64.1% equity interest in Power Financial after giving effect to the cancellation of Power Financial common shares pursuant to the PFC Offer.

Power Corporation used the proceeds from its participation in the PFC Offer to fund its own substantial issuer bid. On April 17, 2019, the Corporation completed its substantial issuer bid (PCC Offer), 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. After giving effect to the purchase, the number of issued and outstanding Power Corporation subordinated voting shares, as of April 17, 2019, was 376,598,019 on a non-diluted basis. The substantial issuer bid allowed the Corporation to return capital to shareholders, while maintaining a strong capital position to fund future growth opportunities.

POWER FINANCIAL

Power Financial, TSX: PWF; market capitalization of $22.3 billion at March 31, 2019, is a diversified international management and holding company with interests substantially in the financial services sector in Canada, the United States and Europe, through its controlling interests in Lifeco, IGM and Wealthsimple. It also has significant holdings in global industrial and services companies based in Europe through its investment in Pargesa. On March 31, 2019, Power Corporation held 65.5% of the equity and voting interests in Power Financial. As of April 17, 2019, following Power Corporation's participation in the PFC Offer, its equity and voting interest in Power Financial marginally decreased to approximately 64.1%, unchanged at May 14, 2019.

See Part B of this MD&A for additional information on Power Financial.

Lifeco

Great-West Lifeco Inc., TSX: GWO; market capitalization of $32.0 billion at March 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 has operations in Canada, the United States and Europe through Great-West Life, London Life, Canada Life, Great-West Financial, Putnam 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, are moving to one brand in Canada: Canada Life. Canada Life will become the brand under which the organization will create, deliver and communicate products and services in Canada across all of its lines of business.

The United States segment operates two business units, Financial Services and Asset Management. Its Financial Services unit, and specifically the Empower Retirement brand, serves all segments of the employer-sponsored retirement plan market and offers employer-sponsored defined contribution plans, individual retirement accounts, enrolment services, communication materials, investment options and education services as well as fund management, 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 January 24, 2019, Lifeco announced that its subsidiary, Great-West Financial, reached an agreement to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business to Protective Life Insurance Company (Protective Life). Lifeco estimates that this will result in an after-tax transaction value of approximately $1.6 billion (US$1.2 billion), excluding one-time expenses. Lifeco will retain a small block of participating life insurance policies which will be administered by Protective Life following the close of the transaction. The transaction is expected to close in the second quarter of 2019, subject to regulatory and customary closing conditions, and will allow Great-West Financial to focus on the defined contribution retirement market and its Empower Retirement brand.

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 March 31, 2019, Power Financial and IGM held interests of 67.8% 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%. As of April 17, 2019, following Power Financial's participation in the Lifeco Offer, Power Financial's interest in Lifeco decreased to 66.8%, and IGM maintained its 4.0% interest (refer to the section "Subsequent Events"), still representing in aggregate, approximately 65% of the voting rights attached to all outstanding Lifeco voting shares.

See Part C of this MD&A for additional information on Lifeco.

IGM Financial

IGM Financial Inc., TSX: IGM; market capitalization of $8.3 billion at March 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.

At March 31, 2019, Power Financial and Great-West Life, a subsidiary of Lifeco, held interests of 61.5% and 3.8%, respectively, in IGM's common shares.

See Part D of this MD&A for additional information on IGM.

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 March 31, 2019, Parjointco held a 55.5% interest in Pargesa, representing 75.4% of the voting rights.

Pargesa, SIX: PARG; market capitalization of SF6.6 billion, is a holding company, which, at March 31, 2019, held a 50% interest in GBL, representing 51.0% of the voting rights. GBL, a Belgian holding company, is listed on the Brussels Stock Exchange.

GBL, EBR: GBLB; market capitalization of €14.0 billion, 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, 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 March 31, 2019, GBL's portfolio was mainly comprised of investments in the following publicly traded companies:

- 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
- Parques (BME: PQR) – operation of regional leisure parks

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

At March 31, 2019, Pargesa's net asset value was SF10,179 million, compared with SF8,973 million at December 31, 2018. GBL's net asset value at March 31, 2019 was €18,483 million, compared with €16,193 million at December 31, 2018.

See Part E of this MD&A for additional information on Pargesa.

Portag3 and Wealthsimple

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. Portag3 Ventures has invested in more than 30 fintech companies and investment funds. At the end of 2018, the management and operations of Portag3 Ventures were transferred under Sagard Holdings, a subsidiary of Power Corporation.

Portag3 Ventures' first fintech fund (Portag3) held investments of $52 million at March 31, 2019 ($54 million at December 31, 2018), excluding the investment in Wealthsimple discussed below.

At March 31, 2019, Portag3, Power Financial and IGM held equity interests in Wealthsimple of 23.7%, 17.4% and 47.5%, respectively, representing a combined voting interest of 88.9%. Wealthsimple is one of Canada's largest and fastest-growing technology-driven investment managers. Since its launch in 2014, Wealthsimple has grown to serve over 100,000 clients with over $4.3 billion in assets under administration at March 31, 2019 ($3.4 billion at December 31, 2018). Wealthsimple has expanded its distribution reach through its platforms offering Wealthsimple Invest, Wealthsimple Save, Wealthsimple Trade, Wealthsimple for Advisors (W4A) and Wealthsimple for Work (W4W) and serves clients across the Canadian, United States and United Kingdom markets.

During the first quarter, Power Financial and IGM invested a further $12 million and $18 million, respectively, in Wealthsimple. At March 31, 2019, the group had invested $238 million in Wealthsimple.

Portag3 Ventures II LP, Portag3 Ventures' second fintech fund, is focused on early stage investments in the global financial technology sector. At March 31, 2019, total capital commitments were $282 million, of which Power Financial, Lifeco and IGM have each committed $33 million. The fair value of the investments held by the fund at March 31, 2019 was $84 million ($67 million at December 31, 2018).

OTHER SUBSIDIARIES

Other subsidiaries are comprised of Power Energy and IntegraMed, a controlled portfolio investment held by Sagard Holdings.

Power Energy

Established in 2012, Power Energy is a wholly owned subsidiary that 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 leading manufacturers of sustainable technologies.

- Potentia Renewables: Potentia is a renewable energy generation company, active in North America and the Caribbean, with approximately 150 megawatts of operating solar assets and over 2 gigawatts of solar and wind development projects. Total assets of Potentia were $735 million at March 31, 2019.

  In April 2019, Power Energy invested a further $25 million in Potentia.
- 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 43.8% interest in Lion Electric, an innovative company manufacturing zero-emission vehicles sold throughout North America.

To date, Power Energy has invested a total of $633 million in these three companies.

SAGARD INVESTMENT FUNDS

Since the launch of the first Sagard fund in 2002, Power Corporation has continued to develop investment platforms and operate equity investment funds in three principal geographies: Sagard Europe, Sagard Holdings (North America), and Sagard China. The Sagard platforms are managed locally by experienced investment professionals who have an in-depth knowledge of the local public and private markets and benefit from collaboration within the Power group of companies. Power Corporation's investment fund activities: (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. Each of the Sagard funds adheres to Power Corporation's investment philosophy and governance model.

The Sagard investment platforms act as investment managers for 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 evaluation of control is based on a determination of the relevant activities and how investment and other decisions are made by the fund. The investment manager does not control an investee when it is primarily engaged to act on behalf and for the benefit of another party or parties. The following factors are considered in making this assessment:

- Scope of manager's decision-making authority;
- Rights held by other parties, including limited partners; and
- Exposure to variability of returns from the interest that it holds in the fund, including management fees and performance fees (carried interest).

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

March 31, 2019	Sagard Europe		Sagard Holdings[1]			Sagard China
(in millions; except as otherwise noted)	Sagard II	Sagard 3	Sagard Capital Partners LP	Sagard Credit Partners LP	Portag3 Ventures II LP	A, B, H and ADR equities
	€	€	US$	US$	C$	US$
Fund size	748	808	485	557	282	200
Total unfunded commitment	33	386	100	387	193	–
Original commitment						
Corporation	154	302	485	100	20	200
Third parties and associated companies[2]	594	506	–	457	262	–
Interest (%)						
Corporation	22.0	37.3	100.0	18.0	7.1	100.0
Third parties and associated companies	78.0	62.7	–	82.0	92.9	–
Nature of the fund	Portfolio investment	Portfolio investment	Controlling interest	Controlling interest	Controlling interest	Controlling interest
Accounting method	Available for sale	Available for sale	Consolidation	Consolidation	Consolidation	Consolidation

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

[2] Includes commitments of Pargesa (€37 million in Sagard II), and GBL (€113 million in Sagard II and €218 million in Sagard 3). Power Financial, Lifeco and IGM, have each committed $33 million to Portag3 Ventures II LP. Also includes commitments from management.

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:

March 31, 2019 (in millions; in Canadian dollars except as otherwise noted)	Sagard II	Sagard 3
Fund size	€748	€808
Corporation's commitment[1]	€154	€302
Interest (%)	22.0	37.3
Corporation's outstanding commitment at March 31, 2019	€4	€140
Corporation's investment to date	218	386
Corporation's share of distributions to date	215	294
Fair value of the Corporation's investment at March 31, 2019	93	284

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

The Corporation has invested $779 million to date in the Sagard Europe funds (including Sagard I) and has received distributions of $929 million. At March 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 $377 million, compared with $391 million at December 31, 2018.

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 invests 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 (included in Other subsidiaries).
  - 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 21.8% 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 its unfunded commitment is US$70 million at March 31, 2019. Sagard Credit Partners LP held investments of $234 million at March 31, 2019.
- Royalties
  - In January 2019, Sagard Holdings announced the launch of Sagard Healthcare Royalty Partners, which will invest in the life sciences sector with a focus on investments protected by strong intellectual property. Sagard Healthcare Royalty Partners will invest in various structures including traditional healthcare royalties, royalty securitizations and credit. On April 1, 2019, Sagard Holdings announced the closing of its first royalty monetization investment of US$31 million in a novel cancer drug, marketed as Rubraca.
- Venture Capital
  - Sagard Holdings manages and operates, through its affiliate Portag3 Ventures, investment funds dedicated to backing innovative financial services companies that have the potential for change and global impact. Portag3 Ventures has invested in more than 30 fintech companies and investment funds.

At March 31, 2019, the Corporation had invested $616 million in Sagard Holdings and has received distributions of $64 million. At March 31, 2019, the fair value of Sagard Holdings' investments, including cash, was $559 million, compared with $579 million at December 31, 2018.

Sagard China

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

Since its inception in 2005, the Corporation has invested $316 million in Sagard China and has received distributions of $19 million.

	March 31, 2019	December 31, 2018
Investments		
Money market funds	13	167
A, B, H, and ADR equities	722	340
Cash	85	162
Total portfolio, at fair value	820	669

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.

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 Interim Consolidated Financial Statements of the Corporation have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (IAS 34) 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 and Wealthsimple, 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 (losses), 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
Non-controlled portfolio investments	Available for sale (AFS)	Earnings consist of dividends received and gains or losses on disposals The investments are marked to market through other comprehensive income Earnings are reduced by impairment charges, if any	Impairment testing is done at the individual investment level A significant or prolonged decline in the value of the investment results in an impairment charge A share price decrease subsequent to an impairment charge leads to a further impairment	A subsequent recovery of value does not result in a reversal

At March 31, 2019, the Corporation's holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
Power Financial [1]	65.5	Controlling interest	Consolidation
Lifeco [1, 2]	67.8	Controlling interest	Consolidation
IGM [3]	61.5	Controlling interest	Consolidation
Pargesa [4]	27.8	Joint control	Equity method
Portag3 [5]	63.0	Controlling interest	Consolidation
Wealthsimple [6]	17.4	Controlling interest	Consolidation
Power Energy	100.0	Controlling interest	Consolidation
Potentia	100.0	Controlling interest	Consolidation
Lumenpulse	60.5	Controlling interest	Consolidation
Lion	43.8	Significant influence	Equity method
China AMC [7]	13.9	Significant influence	Equity method

[1] Refer to the section "Subsequent Events".

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

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

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

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

[6] Portag3 and IGM also hold interests of 23.7% and 47.5%, respectively, in Wealthsimple.

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

At March 31, 2019, Pargesa's publicly listed holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
GBL	50.0	Controlling interest	Consolidation
Imerys	53.9	Controlling interest	Consolidation
adidas	7.5	Portfolio investment	Available for sale
Pernod Ricard	7.5	Portfolio investment	Available for sale
SGS	16.6	Portfolio investment	Available for sale
LafargeHolcim	9.4	Portfolio investment	Available for sale
Umicore	17.9	Portfolio investment	Available for sale
Total	0.6	Portfolio investment	Available for sale
GEA	8.5	Portfolio investment	Available for sale
Ontex	20.0	Portfolio investment	Available for sale
Parques	21.2	Significant influence	Equity method
Other investments	< 5.0	Portfolio investments	Available for sale

At March 31, 2019, the holdings of the Sagard Investment Funds were as follows:

Sagard Investment Funds	% economic interest	Nature of investment	Accounting method
Sagard Europe			
Sagard II	22.0	Portfolio investment	Available for sale
Sagard 3	37.3	Portfolio 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
Portag3 Ventures II LP [1]	7.1	Controlling interest	Consolidation
Investments	< 50.0	Significant influence or portfolio investments	Equity method or available for sale
Sagard China	100.0		
Investments	< 5.0	Portfolio investments	Available for sale

[1] Power Financial, Lifeco and IGM also hold equal interests of 11.7% in Portag3 Ventures II LP.

This summary of accounting presentation should be read in conjunction with the following notes to the Corporation's 2018 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 MD&A 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 in the MD&A 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 and Wealthsimple as well as other subsidiaries 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 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 MD&A.

RECONCILIATION OF IFRS AND NON-IFRS FINANCIAL MEASURES

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

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Net earnings – IFRS financial measure [1]	292	229	525
Share of Other items [2], net of tax			
Pargesa	–	(12)	–
Other subsidiaries	–	66	–
	–	54	–
Adjusted net earnings – Non-IFRS financial measure [1]	292	283	525

[1] Attributable to participating shareholders of Power Corporation.

[2] Refer to the section "Other items" for more details on Other items from Pargesa and Other subsidiaries.

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Net earnings per share – IFRS financial measure [1]	0.63	0.49	1.13
Share of Other items [2], net of tax			
Pargesa	–	(0.03)	–
Other subsidiaries	–	0.14	–
	–	0.11	–
Adjusted net earnings per share – Non-IFRS financial measure [1]	0.63	0.60	1.13

[1] Attributable to participating shareholders of Power Corporation.

[2] Refer to the section "Other items" for more details on Other items from Pargesa and Other subsidiaries.

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 Other subsidiaries 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 November 2018, the IASB proposed an amendment to IFRS 17 providing a deferral of one year of the effective date of the standard to January 1, 2022. In addition, the IASB extended to January 1, 2022 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 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 three months ended March 31, 2019 are presented below. The Corporation's operating segments are Lifeco, IGM and Pargesa. This table reflects the contributions from Power Financial and Other subsidiaries to the net earnings attributable to Power Corporation's participating shareholders.

Consolidated net earnings – Three months ended

	Lifeco	IGM [1]	Pargesa [2]	Power Financial Corporate [3]	Power Financial Sub-total	Other [4]	Power Corporation Consolidated net earnings		
							March 31, 2019	December 31, 2018	March 31, 2018
Revenues									
Premium income, net	9,595	–	–	(5)	9,590	–	9,590	9,040	8,169
Net investment income	5,815	49	–	–	5,864	23	5,887	1,255	341
Fee income	1,479	736	–	(21)	2,194	3	2,197	2,146	2,169
Other revenues	–	–	–	–	–	192	192	220	177
Total revenues	16,889	785	–	(26)	17,648	218	17,866	12,661	10,856
Expenses									
Total paid or credited to policyholders	13,912	–	–	–	13,912	–	13,912	8,686	6,780
Commissions	610	275	–	(16)	869	–	869	932	864
Operating and administrative expenses	1,484	274	–	31	1,789	245	2,034	2,175	1,940
Financing charges	72	25		10	107	24	131	122	129
Total expenses	16,078	574	–	25	16,677	269	16,946	11,915	9,713
Earnings before investments in jointly controlled corporations and associates, and income taxes	811	211	–	(51)	971	(51)	920	746	1,143
Share of earnings of investments in jointly controlled corporations and associates	–	4	46	–	50	1	51	64	57
Earnings before income taxes	811	215	46	(51)	1,021	(50)	971	810	1,200
Income taxes	130	45	–	5	180	(1)	179	68	132
Net earnings	681	170	46	(56)	841	(49)	792	742	1,068
Attributable to									
Non-controlling interests	390	99	16	(14)	491	(4)	487	500	530
Non-participating shareholders	–	–	–	–	–	13	13	13	13
Participating shareholders of Power Corporation	291	71	30	(42)	350	(58)	292	229	525
	681	170	46	(56)	841	(49)	792	742	1,068

[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 the Power Financial's share of a gain realized on the sale of an investment classified as FVOCI by Pargesa.

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

[4] "Other" is comprised of the Corporation's investment activities and operations and includes results of Other subsidiaries as well as consolidation entries.

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 and other subsidiaries to the net earnings and adjusted net earnings attributable to Power Corporation's participating shareholders are accounted for using the equity method.

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Adjusted net earnings [1]			
Power Financial			
Lifeco [2]	291	315	324
IGM [2]	71	73	70
Pargesa [2]	30	(35)	29
Corporate operations of Power Financial	(42)	(48)	(40)
	350	305	383
Other subsidiaries [3]	(20)	25	(32)
	330	330	351
Corporate operations			
Income (loss) – Sagard Investment Funds, China AMC and other Investments	11	(20)	227
Operating and other expenses	(36)	(14)	(40)
Dividends on non-participating shares	(13)	(13)	(13)
Adjusted net earnings [4]	292	283	525
Other items [5]			
Power Financial			
Pargesa	–	12	–
Other subsidiaries	–	(66)	–
	–	(54)	–
Net earnings [4]	292	229	525
Earnings per share – basic [4]			
Adjusted net earnings	0.63	0.60	1.13
Other items	–	(0.11)	–
Net earnings	0.63	0.49	1.13

[1] For a reconciliation of Power Financial including Pargesa's non-IFRS adjusted net earnings to its 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 and Portag3, based on their respective interest. Contributions from IGM and Pargesa reflect adjustments in accordance with IAS 39.

[3] Other subsidiaries include earnings (losses) from IntegraMed and Square Victoria Communications Group (up to the date of disposal in July 2018).

[4] Attributable to participating shareholders.

[5] See "Other items" section below.

Q1 2019 vs. Q1 2018 and Q4 2018

Net earnings

$292 million or $0.63 per share, compared with $525 million or $1.13 per share in the corresponding period in 2018, and $229 million or $0.49 per share in the fourth quarter of 2018.

Adjusted net earnings

$292 million or $0.63 per share, compared with $525 million or $1.13 per share in the corresponding period in 2018, and $283 million or $0.60 per share in the fourth quarter of 2018.

Contribution to net earnings and adjusted net earnings from Power Financial and other subsidiaries

Contribution to net earnings of $330 million, compared with $351 million in the corresponding period in 2018, a decrease of 6.0%, and $276 million in the fourth quarter of 2018.

Contribution to adjusted net earnings of $330 million, compared with $351 million in the corresponding period in 2018, and $330 million in the fourth quarter of 2018.

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

CONTRIBUTION TO NET EARNINGS AND ADJUSTED NET EARNINGS

POWER FINANCIAL

Contribution to Power Corporation

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Contribution to Power Corporation's [1]:			
Adjusted net earnings	350	305	383
Other items	–	12	–
Net earnings	350	317	383

[1] Power Corporation's average direct ownership in Power Financial was 65.5% for the quarter ended March 31, 2019.

Adjusted and net earnings as reported by Power Financial

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Adjusted net earnings			
Lifeco	444	480	495
IGM	110	105	107
Pargesa	46	(53)	44
	600	532	646
Corporate operations of Power Financial	(29)	(38)	(26)
Dividends on perpetual preferred shares	(35)	(34)	(34)
Adjusted net earnings [1]	536	460	586
Other items			
Pargesa	–	18	–
Net earnings [1]	536	478	586

[1] Attributable to Power Financial common shareholders.

Q1 2019 vs. Q1 2018 and Q4 2018

Net earnings
$536 million or $0.75 per share, compared with $586 million or $0.82 per share in the corresponding period in 2018, a decrease of 8.5% on a per share basis, and $478 million or $0.67 per share in the fourth quarter of 2018.

Adjusted net earnings
$536 million or $0.75 per share, compared with $586 million or $0.82 per share in the corresponding period in 2018, and $460 million or $0.65 per share in the fourth quarter of 2018.

For more information on Power Financial's results, see Part B of this MD&A.

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

LIFECO

Contribution to Power Corporation

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Contribution to Power Corporation's [1]:			
Net earnings and adjusted net earnings			
As reported by Lifeco	291	315	324
Net earnings and adjusted net earnings	291	315	324

[1] Power Financial's average direct ownership in Lifeco and Power Corporation's average direct ownership in Power Financial were 67.8% and 65.5%, respectively, for the quarter ended March 31, 2019.

Net earnings by segment as reported by Lifeco

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Canada			
Individual Customer	124	171	138
Group Customer	151	144	142
Canada Corporate	8	(5)	36
	283	310	316
United States			
Financial Services	86	84	91
Asset Management	(4)	(29)	(16)
U.S. Corporate	(1)	–	–
	81	55	75
Europe			
Insurance and Annuities	203	271	244
Reinsurance	97	89	104
Europe Corporate	(1)	(11)	(4)
	299	349	344
Lifeco Corporate	(6)	(4)	(4)
Net earnings [1]	657	710	731

[1] Attributable to Lifeco common shareholders.

Q1 2019 vs. Q1 2018 and Q4 2018

Net earnings
$657 million or $0.665 per share, compared with $731 million or $0.740 per share in the corresponding period in 2018, a decrease of 10.1% on a per share basis, and $710 million or $0.719 per share in the fourth quarter of 2018.

CANADA

Net earnings for the three-month period ended March 31, 2019 decreased by $33 million to $283 million, compared with the corresponding quarter in 2018.

Individual Customer

Net earnings for the three-month period ended March 31, 2019 decreased by $14 million to $124 million, compared with the same quarter last year. The decrease was primarily due to:

- Lower net fee income and lower contributions from investment experience;
- Partially offset by higher contributions from insurance contract liability basis changes.

Group Customer

Net earnings for the three-month period ended March 31, 2019 increased by $9 million to $151 million, compared with the same quarter last year. The increase was primarily due to:

- Higher contributions from insurance contract liability basis changes and more favourable morbidity experience;
- Partially offset by less favourable mortality experience.

UNITED STATES

Net earnings for the three-month period ended March 31, 2019, increased by $6 million to $81 million, compared with the corresponding quarter in 2018.

Financial Services

For the three-month period ended March 31, 2019, net earnings were US$65 million (C$86 million), compared with US$72 million (C$91 million) in the same quarter last year. The decrease of US$7 million is primarily due to:

- Lower contributions from investment experience;
- Partially offset by more favourable mortality experience.

Asset Management

For the three-month period ended March 31, 2019, the net loss decreased by US$10 million to US$3 million (C$4 million), compared with the same quarter last year. The decrease of the net loss is primarily due to:

- Higher net investment income and lower operating expenses, which included the impact of expense reduction initiatives;
- Partially offset by lower fee income driven by lower average assets under management.

The net loss in the first quarter of 2019 also includes financing and other expenses after tax of US$9 million (C$12 million), a decrease of US$2 million from the corresponding quarter in 2018, due to lower net financing costs.

EUROPE

Net earnings for the three-month period ended March 31, 2019 decreased by $45 million to $299 million, compared with the corresponding quarter in 2018.

Insurance and Annuities

Net earnings for the three-month period ended March 31, 2019 decreased by $41 million to $203 million, compared with the same quarter last year. The decrease was primarily due to:

- Higher claims from morbidity experience in Ireland and unfavourable impact of changes to certain tax estimates;
- Partially offset by more favourable impact of new business.

Reinsurance

Net earnings for the three-month period ended March 31, 2019 decreased by $7 million to $97 million, compared with the same quarter 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 lower impact of new business.

OTHER ITEMS

There were no Other items in the first quarter of 2019 and in the first and fourth quarters of 2018.

The information above has been derived from Lifeco's interim MD&A; see Part C of this MD&A for additional information on Lifeco's results.

IGM FINANCIAL

Contribution to Power Corporation

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Contribution to Power Corporation's [1]:			
Net earnings and adjusted net earnings			
As reported by IGM	68	72	75
Consolidation entries [2]	3	1	(5)
Net earnings and adjusted net earnings	71	73	70

[1] Power Financial's average direct ownership in IGM and Power Corporation's average direct ownership in Power Financial were 61.4% and 65.5%, respectively, for the quarter ended March 31, 2019.

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

Net earnings by segment as reported by IGM (in accordance with IFRS 9)

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
IG Wealth Management	163	172	183
Mackenzie	36	35	42
Corporate and other	41	43	46
Net earnings (before interest, income taxes, preferred share dividends and other) [1]	240	250	271
Interest expense, income taxes, preferred share dividends and other [2]	(72)	(70)	(85)
Net earnings [3]	168	180	186

[1] Non-IFRS financial measure described in Part D of this MD&A.

[2] Interest expense includes interest on long-term debt and in 2019 also includes interest on leases of $1.1 million as a result of IGM's adoption of IFRS 16, *Leases*.

[3] Available to IGM common shareholders.

Q1 2019 vs. Q1 2018 and Q4 2018

Net earnings
$168 million or $0.70 per share, compared with $186 million or $0.77 per share in the corresponding period in 2018, a decrease of 9.1% on a per share basis, and $180 million or $0.75 per share in the fourth quarter of 2018.

On January 1, 2018, IGM adopted IFRS 9, *Financial Instruments*. Power Financial has deferred the adoption of IFRS 9 and continues to apply IAS 39, *Financial Instruments: Recognition and Measurement*. 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 $66.8 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 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.

The following is a summary of each segments' net earnings:

IG WEALTH MANAGEMENT

Net earnings decreased by $20 million in the three-month period ended March 31, 2019, compared with the corresponding quarter in 2018, primarily due to:

- A decrease in income from management fees of $3 million to $358 million. The decrease was primarily due to a decrease in average assets under management of 1.0%. The average management fee rate increased by 0.5 basis points to 167.1 basis points of average assets under management;
- A decrease in administration fees of $4 million to $74 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;
- A decrease in distribution fee income of $2 million to $41 million. The decrease was primarily due to a decrease in distribution fee income from insurance products and lower redemption fees; and
- Expenses increased by $10 million to $320 million in the three-month period, mainly due to an increase in non-commission expenses, primarily due to increased technology expenses related 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. The increase of non-commission expenses was partially offset by a decrease in commission expenses due to lower mutual fund sales and lower compensation related to the distribution of insurance products.

MACKENZIE

Net earnings decreased by $6 million in the three-month period ended March 31, 2019, compared with the corresponding quarter in 2018, due to:

- A decrease in management fee revenue of $8 million to $168 million, resulting from a decline in average management fee rate, partially offset by an increase in average assets under management of 0.6%. The average management fee rate declined by 5.4 basis points to 104 basis points, mainly due to a change in the composition of assets under management; and
- A decrease in administration fee revenue of $2 million to $23 million, which primarily relates to revenue from providing services to its investment funds;
- Partially offset by an increase in net investment income of $4 million which primarily relates to investment returns on proprietary funds.

ASSETS AND INVESTMENT FUND ASSETS UNDER MANAGEMENT

Total assets under management were as follows:

(In billions of dollars)	March 31, 2019	December 31, 2018	March 31, 2018	December 31, 2017
IG Wealth Management	89.4	83.1	87.1	88.0
Mackenzie	67.8	62.7	65.2	64.5
Corporate and other [1]	3.3	3.3	3.5	4.0
Total	160.5	149.1	155.8	156.5

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

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

(In billions of dollars)	2019 Q1	Q4	Q3	Q2	2018 Q1
IG Wealth Management	87.0	85.1	89.4	88.0	87.8
Mackenzie	58.2	57.1	59.5	57.9	57.1
Corporate and other [1]	4.7	4.8	5.1	5.0	5.2
Total	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

There were no Other items in the first quarter of 2019 and in the first and fourth quarters of 2018.

The information above has been derived from IGM's interim MD&A; see Part D of this MD&A for more information on IGM's results.

PARGESA

Contribution to Power Corporation

Three months ended (In millions of Canadian dollars)	March 31, 2019	December 31, 2018	March 31, 2018
Contribution to Power Corporation's [1]:			
Adjusted net earnings			
As reported by Pargesa	22	14	15
Consolidation entries [2]	8	(49)	14
	30	(35)	29
Other items	–	12	–
Net earnings	30	(23)	29

[1] Power Financial's average ownership in Pargesa and Power Corporation's average direct ownership in Power Financial were 27.8% and 65.5%, respectively, for the quarter ended March 31, 2019.

[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)

Three months ended (In millions of Swiss francs)	March 31, 2019	December 31, 2018	March 31, 2018
Contribution from the portfolio to adjusted net earnings			
Share of earnings of:			
Imerys	24	29	31
Parques	–	6	–
Dividends:			
SGS	50	–	50
Pernod Ricard	–	16	–
Total	–	5	–
Other [1]	1	–	–
Contribution from private equity activities and other investment funds	11	11	(4)
	86	67	77
Net financial income (charges)	17	(5)	(6)
General expenses and taxes	(9)	(5)	(9)
Adjusted net earnings [2, 3]	94	57	62
Other items	(3)	53	(1)
Net earnings [3]	91	110	61

[1] Consists of dividends from other investments.

[2] Described as "Economic operating income" in Part E of this MD&A.

[3] Attributable to Pargesa shareholders.

Q1 2019 vs. Q1 2018 and Q4 2018

Net earnings

SF91 million, compared with SF61 million in the corresponding period in 2018, and SF110 million in the fourth quarter of 2018.

Adjusted net earnings

SF94 million, compared with SF62 million in the corresponding period in 2018, and SF57 million in the fourth quarter of 2018.

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:

Three months ended (In millions of dollars)	March 31, 2019	December 31, 2018	March 31, 2018
Partial disposal of interest in adidas [1]	12	–	–
Impairment charges [2]	–	(51)	–
Disposal of private equity funds [3]	–	3	14
Reversal of unrealized (gains) losses on private equity funds [4]	(4)	(1)	–
Total	8	(49)	14

[1] During the first quarter of 2019, a portion of the investment in adidas was disposed of, resulting in a gain of SF49 million. This gain was not reflected in Pargesa's earnings as it is classified as FVOCI. Power Corporation's share of the realized gain is $12 million.

[2] 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 during the fourth quarter of 2018 of $77 million; Power Corporation's share was $51 million on the following investments:

- GEA – 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;
- Ontex – The share price of Ontex decreased to €17.90 per share from a previously impaired cost of €18.35 per share, which resulted in a further impairment charge. Power Corporation's share was $1 million;
- LafargeHolcim – The investment in LafargeHolcim had been previously impaired, resulting in an adjusted cost of €37.10 per share. During the fourth quarter, 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 – Power Corporation's share of impairment charges on other investments was $7 million.

[3] 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 gains of SF57 million and SF11 million, respectively. Realized gains of SF58 million have not been reflected in Pargesa's earnings as the investments were reclassified from available for sale to FVPL on January 1, 2018. As described above, on transition, the related unrealized gains recorded in other comprehensive income were transferred permanently to retained earnings.

[4] During the first quarter of 2019, Pargesa recognized SF14 million of net unrealized gains (SF5 million of net unrealized gains in the three-month period ended December 31, 2018 and SF3 million of net unrealized losses in the three-month period ended March 31, 2018) in earnings related to changes in fair value of its private equity funds. These gains are not recognized by the Corporation 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 adjusted net earnings is composed of dividends from its non-consolidated investments, which are usually declared as follows:

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

RESULTS

Net earnings in the three-month period ended March 31, 2019 increased by SF30 million to SF91 million, compared with the corresponding period in 2018, mainly due to:

- An increase in the contribution from private equity activities and other investment funds of SF15 million. The increase is mainly related to unrealized gains of SF14 million;
- An increase in net financial income of SF23 million to SF17 million, from a net charge of SF6 million in the corresponding quarter in 2018. The increase is mainly due to an increase in income from trading and derivative activities of GBL;
- Dividends from its principal holdings of SF51 million, compared with SF50 million in the corresponding period in 2018;
- Partially offset by the decrease in contribution from Imerys of SF7 million from SF31 million to SF24 million at March 31, 2019. The decrease is primarily due to the disposal of the roofing division in the fourth quarter of 2018, as well as impacts due to exchange rates.

OTHER ITEMS

There were no significant Other items in both the first quarter of 2019 and 2018.

In the fourth quarter of 2018, adjusted net earnings excluded a positive earnings impact of SF53 million mainly consisting of:

- Imerys disposed 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 was SF186 million, and also includes other acquisition costs and provisions for rehabilitation and restructuring costs.

AVERAGE EXCHANGE RATES

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

	March 31, 2019	March 31, 2018	Change %
Euro/SF	1.132	1.165	(2.8)
SF/CAD	1.334	1.334	–

The information above has been derived from Pargesa's first quarter of 2019 press release; see Part E of this MD&A for additional information on Pargesa's results.

OTHER SUBSIDIARIES

The contribution from other subsidiaries to the Corporation's net earnings was a loss of $20 million for the three-month period ended March 31, 2019, compared with a loss of $32 million in the corresponding period in 2018, and a loss of $41 million in the fourth quarter of 2018. Net earnings in the fourth quarter of 2018 included the Corporation's share of the gain recognized on the sale of Eagle Creek of $62 million, offset by the Corporation's share of an impairment charge by IntegraMed. The contribution to the Corporation's adjusted net earnings in the three-month period ended December 31, 2018 was $25 million, and excluded Other items of $66 million.

There were no Other items in both the first quarter of 2019 and 2018. Other items in the fourth quarter of 2018 relate to the Corporation's share of a goodwill impairment charge by IntegraMed for an amount of $66 million (US$50 million).

CORPORATE OPERATIONS

Corporate operations include income (loss) from the Sagard Investment Funds, China AMC and Other Investments, operating expenses, financing charges, depreciation and income taxes.

Income (loss) from Sagard Investment Funds, China AMC and Other Investments

Summary of income (loss) from Sagard Investment Funds, China AMC and Other Investments:

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Sagard Investment Funds [1]			
Sagard Europe [2]	(3)	37	168
Sagard Holdings [3, 4]	(6)	(36)	7
Sagard China [5]	14	(42)	31
China AMC	7	7	8
Other Investments			
Investment and hedge funds	–	2	5
Other [6]	(1)	12	8
	11	(20)	227

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

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

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

[4] Includes share of earnings (losses) from investments in a jointly controlled corporation and associates. The results for the three-month period ended December 31, 2018 included impairment charges on an equity-accounted investment and available-for-sale investments due to the decline in equity values at the end of December 2018.

[5] The fourth quarter of 2018 includes realized losses of $12 million and impairments of $28 million due to a decline in the Chinese equity markets in the second half of 2018.

[6] Consists mainly of foreign exchange gains or losses and interest on cash and cash equivalents.

Earnings from Sagard Investment Funds, as well as 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 from Sagard Investment Funds and Other Investments were nil in the three-month period ended March 31, 2019, compared with $1 million in the corresponding period in 2018. In the fourth quarter of 2018, there were $65 million of impairment charges, of which $37 million were related to Sagard Holdings and $28 million related to Sagard China.

Operating and other expenses

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Operating expenses	23	21	23
Financing charges	9	9	11
Depreciation	4	3	3
Income taxes [1]	–	(19)	3
Operating and other expenses	36	14	40

[1] Includes a gain on the sale of tax losses on December 31, 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:

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Power Financial			
Pargesa			
Imerys – Disposal of roofing activity	–	56	–
Imerys – Impairments, restructuring charges and other	–	(44)	–
	–	12	–
Other subsidiaries			
IntegraMed – Goodwill impairment charge	–	(66)	–
	–	(54)	–

Lifeco and IGM did not have Other items in the first quarter of 2019 and in the first and fourth quarters of 2018. For additional information, refer to the Pargesa "Other items" section or "Other subsidiaries" section above.

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 March 31, 2019.

	Power Corporation	Power Financial	Lifeco	IGM	Other subsidiaries	Consolidation adjustments and other [1]	Power Corporation Consolidated balance sheets	
							March 31, 2019	December 31, 2018
Assets								
Cash and cash equivalents	721	1,021	4,481	837	135	(488)	6,707	6,441
Investments	1,644	168	175,794	8,016	234	(229)	185,627	182,656
Investments – Power Financial, Lifeco and IGM	12,426	17,696	346	1,000	–	(31,468)	–	–
Investments – Other subsidiaries	570	–	–	–		(570)	–	–
Investment – Parjointco	–	3,618	–	–	–	–	3,618	3,291
Investments – other jointly controlled corporations and associates	688	–	6	907	100	314	2,015	1,796
Assets held for sale	–	–	908	–	–	–	908	897
Funds held by ceding insurers	–	–	9,299	–	–	–	9,299	9,251
Reinsurance assets	–	–	6,124	–	–	–	6,124	6,126
Other assets	468	132	11,848	1,357	924	(259)	14,470	12,789
Intangible assets	–	–	3,931	1,193	545	61	5,730	5,787
Goodwill	–	–	6,530	2,660	474	738	10,402	10,423
Investments on account of segregated fund policyholders	–	–	219,793	–	–	–	219,793	209,527
Investments on account of segregated fund policyholders held for sale	–	–	3,432	–	–	–	3,432	3,319
Total assets	16,517	22,635	442,492	15,970	2,412	(31,901)	468,125	452,303
Liabilities								
Insurance and investment contract liabilities	–	–	172,519	–	–	–	172,519	168,431
Liabilities held for sale	–	–	908	–	–	–	908	897
Obligations to securitization entities	–	–	–	7,463	–	–	7,463	7,370
Debentures and other debt instruments [2]	646	250	6,381	2,100	849	(69)	10,157	9,977
Other liabilities	575	604	12,059	1,869	533	(33)	15,607	14,736
Insurance and investment contracts on account of segregated fund policyholders	–	–	219,793	–	–	–	219,793	209,527
Insurance and investment contracts on account of segregated fund policyholders held for sale	–	–	3,432	–	–	–	3,432	3,319
Total liabilities	1,221	854	415,092	11,432	1,382	(102)	429,879	414,257
Equity								
Non-participating shares	962	2,830	2,714	150	–	(5,694)	962	962
Participating shareholders' equity [3]	14,334	18,951	21,809	4,388	810	(45,958)	14,334	14,156
Non-controlling interests [4, 5]	–	–	2,877	–	220	19,853	22,950	22,928
Total equity	15,296	21,781	27,400	4,538	1,030	(31,799)	38,246	38,046
Total liabilities and equity	16,517	22,635	442,492	15,970	2,412	(31,901)	468,125	452,303

[1] Consolidation adjustments and other includes Portag3 and Wealthsimple, as well as consolidation entries.

[2] The debentures and other debt instruments of Other subsidiaries are secured by the Other subsidiaries' assets which are non-recourse to the Corporation.

[3] 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.

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

[5] Non-controlling interests in consolidation adjustments represents non-controlling interests in the equity of Power Financial, Lifeco, IGM and Other subsidiaries.

Total assets of the Corporation increased to $468.1 billion at March 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.

Assets held for sale of $908 million and investments on account of segregated fund policyholders held for sale of $3,432 million at March 31, 2019 ($897 million and $3,319 million, respectively, at December 31, 2018) relate to Lifeco's pending sale of a heritage block of policies to Scottish Friendly Assurance Society Limited (Scottish Friendly), which is expected to close in the second half of 2019. See Note 4 to the Corporation's Interim Consolidated Financial Statements.

Liabilities increased to $429.9 billion at March 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 $10.3 billion, primarily due to the impact of net market value gains and investment income of $13.7 billion, partially offset by the impact of currency movement of $3.2 billion and net withdrawals of $0.2 billion.
- Insurance and investment contract liabilities increased by $4.1 billion, primarily due to fair value adjustments and the impact of new business, partially offset by the weakening of the euro and U.S. dollar against the Canadian dollar.
- Liabilities held for sale of $908 million and insurance and investment contracts on account of segregated fund policyholders held for sale of $3,432 million at March 31, 2019 ($897 million and $3,319 million, respectively, at December 31, 2018) relate to the pending sale of a heritage block of policies to Scottish Friendly, which is expected to close in the second half of 2019. See Note 4 to the Corporation's Interim Consolidated Financial Statements.

Part B of this MD&A includes a discussion of the consolidated and non-consolidated balance sheets of Power Financial and Parts C and D of this MD&A include a discussion of the consolidated balance sheets of Lifeco and IGM, respectively.

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 MD&A and assist the reader by identifying changes in Power Corporation's non-consolidated balance sheets.

	March 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents [1]	721	750
Investments		
Power Financial	12,426	12,295
Other subsidiaries	570	600
Sagard Investment Funds [2]	1,487	1,257
China AMC	688	679
Other Investments	157	171
Other assets	468	471
Total assets	16,517	16,223
Liabilities		
Debentures	646	646
Other liabilities	575	459
Total liabilities	1,221	1,105
Equity		
Non-participating shares	962	962
Participating shareholders' equity	14,334	14,156
Total equity	15,296	15,118
Total liabilities and equity	16,517	16,223

[1] Cash equivalents include $243 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 the Sagard Investment Funds (see below).

[2] Excludes investment in IntegraMed, which is included in "Other subsidiaries".

Cash and cash equivalents

Cash and cash equivalents held by the Corporation amounted to $721 million at March 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, $235 million ($347 million at December 31, 2018) was held by the Sagard Investment Funds.

Investments

POWER FINANCIAL AND OTHER SUBSIDIARIES

The carrying value of Power Corporation's investments in Power Financial and in Other subsidiaries, accounted for using the equity method, increased to $12,996 million at March 31, 2019, compared with $12,895 million at December 31, 2018:

	Power Financial	Other subsidiaries	Total
Carrying value, at the beginning of the year	12,295	600	12,895
Change in accounting policy [1]	(52)	–	(52)
Restated carrying value, at the beginning of the year	12,243	600	12,843
Share of adjusted net earnings (losses)	350	(20)	330
Share of other comprehensive income (loss)	80	(10)	70
Dividends	(213)	–	(213)
Other [2]	(34)	–	(34)
Carrying value, at March 31, 2019	12,426	570	12,996

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

[2] Mainly related to the effect of the share repurchase program as part of a normal course issuer bid by IGM.

SAGARD INVESTMENT FUNDS

The investments in the Sagard Investment Funds were $1,487 million at March 31, 2019, compared with $1,257 million at December 31, 2018. Sagard Holdings' investments include a jointly controlled corporation and associates. Including cash, the fair value of the investments in the Sagard Investment Funds, and the adjustment for the fair value of investments in a jointly controlled corporation and associates, the total fair value amounted to $1,756 million at March 31, 2019, compared with $1,639 million at December 31, 2018.

	March 31, 2019				December 31, 2018			
	Sagard Europe	Sagard Holdings	Sagard China	Total [2]	Sagard Europe	Sagard Holdings	Sagard China	Total [2]
Cost	281	366	607	1,254	280	342	515	1,137
Unrealized gain (loss)	96	5	132	233	111	14	(5)	120
Fair value of non-controlled portfolio investments [1]	**377**	**371**	**739**	**1,487**	391	356	510	1,257
Cash	–	150	85	235	–	185	162	347
Fair value of controlled portfolio investment and other [3]	–	38	(4)	34	–	38	(3)	35
Total fair value	377	559	820	1,756	391	579	669	1,639

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

[2] Fair value of non-controlled portfolio investments includes $739 million of investments at March 31, 2019 ($551 million at December 31, 2018) valued using quoted prices in active markets.

[3] Includes fair value of IntegraMed.

CHINA AMC

The carrying value of Power Corporation's investment in China AMC was $688 million at March 31, 2019, compared with $679 million at December 31, 2018.

Carrying value, at the beginning of the year	679
Share of net earnings	7
Other comprehensive income	2
Carrying value, at March 31, 2019	688

China AMC's assets under management, excluding subsidiary assets under management, were RMB¥880 billion (C$175 billion) at December 31, 2018, compared with RMB¥906 billion (C$180 billion) at June 30, 2018.

OTHER INVESTMENTS

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. At March 31, 2019, the fair value of other investments amounted to $157 million, compared with $171 million at December 31, 2018.

The fair value of private investment funds was $110 million at March 31, 2019, compared with $122 million at December 31, 2018, and the Corporation had outstanding commitments to make future capital contributions to these funds for an aggregate amount of $58 million. The Corporation expects that future distributions from these funds will be sufficient to meet outstanding commitments.

At March 31, 2019, the fair value of investments in hedge funds and other was $24 million.

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

Participating shareholders' equity

Participating shareholders' equity was $14,334 million at March 31, 2019, compared with $14,156 million at December 31, 2018:

Three months ended March 31	2019	2018
Participating shareholders' equity, at the beginning of the year	14,156	13,414
Change in accounting policy [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	305	538
Dividends declared	(191)	(180)
Effects of changes in capital and ownership of subsidiaries, and other	(41)	(28)
	73	330
Changes in reserves		
Other comprehensive income (loss)		
Foreign currency translation adjustments	(89)	376
Investment revaluation and cash flow hedges	132	(188)
Actuarial gains (losses) on defined benefit plans	(76)	20
Share of Pargesa and other jointly controlled corporations and associates	179	191
Share-based compensation, including the effect of subsidiaries	8	(9)
	154	390
Issuance of subordinate voting shares (165,934 shares in 2019 and 430,125 shares in 2018) under the Corporation's Executive Stock Option Plan	3	11
Participating shareholders' equity, at March 31	14,334	14,145

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

The book value per participating share of the Corporation was $30.75 at March 31, 2019, compared with $30.38 at the end of 2018.

Outstanding number of participating shares

At the date of this MD&A, there were 48,854,772 Participating Preferred Shares of the Corporation outstanding, the same as at December 31, 2018, and 376,622,847 subordinate voting shares of the Corporation outstanding, compared with 417,101,146 at December 31, 2018. In April 2019, the Corporation completed its substantial issuer bid and repurchased for cancellation 40,909,041 of its subordinate voting shares for an aggregate amount of $1.35 billion (refer to the section "Subsequent Events"). At the date of this MD&A, options were outstanding to purchase up to an aggregate of 17,347,822 subordinate voting shares of the Corporation under the Corporation's Executive Stock Option Plan.

Net Asset Value

Net asset value represents management's estimate of the fair value of the participating shareholders' equity of the Corporation. Net asset value is the fair value of the assets of Power Corporation's non-consolidated balance sheet less its net debt and preferred shares. In determining the fair value of assets, investments in subsidiaries 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 and associates at fair value is not in accordance with IFRS; net asset value is a non-IFRS financial measure.

The Corporation's net asset value was $16.9 billion at March 31, 2019, compared with $14.3 billion at December 31, 2018, representing an increase of $2.6 billion or 18.2%.

	March 31, 2019			December 31, 2018		
	Non-consolidated balance sheet	Fair value adjustment	Net asset value	Non-consolidated balance sheet	Fair value adjustment	Net asset value
Assets						
Cash and cash equivalents [1]	486	–	486	403	–	403
Investments						
Power Financial	12,426	2,180	14,606	12,295	(211)	12,084
Other subsidiaries	570	392	962	600	363	963
Sagard Investment Funds [1, 2, 5]	1,713	5	1,718	1,597	3	1,600
China AMC [3]	688	–	688	679	–	679
Other Investments	157	29	186	171	18	189
Other assets [4]	468	–	468	471	–	471
Total assets	16,508	2,606	19,114	16,216	173	16,389
Liabilities and non-participating shares						
Debentures	646	–	646	646	–	646
Other corporate liabilities [5]	566	–	566	452	–	452
Non-participating shares	962	–	962	962	–	962
Total liabilities and non-participating shares	2,174	–	2,174	2,060	–	2,060
Net Value						
Participating shareholders' equity / Net Asset Value	14,334	2,606	16,940	14,156	173	14,329
Per share	30.75		36.35	30.38		30.74

[1] Cash of $235 million related to Sagard Investment Funds has been included in the fair value of the Sagard Investment Funds ($347 million at December 31, 2018).

[2] Excludes investment in IntegraMed, which is included in "Other subsidiaries".

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

[4] Includes $213 million of dividends declared in the first quarter by Power Financial and received by the Corporation on May 1, 2019.

[5] Performance-related compensation payable of $9 million ($7 million at December 31, 2018) is presented in the fair value of the Sagard Investment Funds.

Investments measured at market value and cash represent 84.6% of the total asset value at March 31, 2019 (82.7% at December 31, 2018).

Cash Flows

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED)

The condensed cash flows of Lifeco, IGM and other subsidiaries, as well as Power Corporation's and Power Financial's non-consolidated cash flows, are presented below. This table reconciles the non-consolidated statement of cash flows, which is not in accordance with IFRS, to the condensed consolidated statement of cash flows of the Corporation for the three-month period ended March 31, 2019.

Three months ended March 31	Power Financial	Lifeco	IGM	Power Financial: Consolidation adjustments and other	Power Financial: Power Financial Consolidated	Power Corporation	Other subsidiaries	Consolidation adjustments	Power Corporation Consolidated 2019	Power Corporation Consolidated 2018
Cash flows from:										
Operating activities	340	809	29	(382)	796	263	(2)	(313)	744	1,166
Financing activities	(344)	(405)	207	381	(161)	(188)	36	223	(90)	(366)
Investing activities	–	(43)	(49)	(25)	(117)	(99)	(140)	28	(328)	(975)
Effect of changes in exchange rates on cash and cash equivalents	–	(48)	–	–	(48)	(5)	(7)	–	(60)	133
Increase (decrease) in cash and cash equivalents	(4)	313	187	(26)	470	(29)	(113)	(62)	266	(42)
Cash and cash equivalents, at the beginning of the year	1,025	4,168	650	(219)	5,624	750	248	(181)	6,441	5,903
Cash and cash equivalents, at March 31	1,021	4,481	837	(245)	6,094	721	135	(243)	6,707	5,861

Consolidated cash and cash equivalents increased by $266 million in the three-month period ended March 31, 2019, compared with a decrease of $42 million in the corresponding period in 2018.

Operating activities produced a net inflow of $744 million in the three-month period ended March 31, 2019, compared with a net inflow of $1,166 million in the corresponding period in 2018.

Cash flows from financing activities, which include dividends paid on the participating and non-participating shares of the Corporation and dividends paid by subsidiaries to non-controlling interests, represented a net outflow of $90 million in the three-month period ended March 31, 2019, compared with a net outflow of $366 million in the corresponding period in 2018.

Cash flows from investing activities resulted in a net outflow of $328 million in the three-month period ended March 31, 2019, compared with a net outflow of $975 million in the corresponding period in 2018.

The Corporation increased its level of fixed income securities with maturities of more than three months, resulting in a net outflow of $62 million in the three-month period ended March 31, 2019, compared with a net outflow of $51 million in the corresponding period in 2018.

Parts B, C and D of this MD&A include a discussion of the cash flows of Power Financial, Lifeco and IGM, respectively.

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.

Three months ended March 31	2019	2018
Operating activities		
Dividends from Power Financial and other subsidiaries	203	193
Corporate operations, net of non-cash items	60	(25)
	263	168
Financing activities		
Dividends paid on non-participating shares	(13)	(13)
Dividends paid on participating shares	(178)	(167)
Issuance of subordinate voting shares	3	10
Repurchase of non-participating shares for cancellation	–	(1)
	(188)	(171)
Investing activities		
Proceeds from disposal of investments	336	481
Purchase of investments	(434)	(306)
Investment in other subsidiaries, net of disposal	–	(26)
Other (including acquisition of capital assets)	(1)	(3)
	(99)	146
Effect of changes in exchange rates on cash and cash equivalents	(5)	9
Increase (decrease) in cash and cash equivalents	(29)	152
Cash and cash equivalents, at the beginning of the year	750	646
Cash and cash equivalents, at March 31	721	798
Cash and cash equivalents:		
Corporate	486	455
Sagard Investment Funds	235	343
	721	798

On a non-consolidated basis, cash and cash equivalents decreased by $29 million in the three-month period ended March 31, 2019, compared with an increase of $152 million in the corresponding period in 2018.

Operating activities resulted in a net inflow of $263 million in the three-month period ended March 31, 2019, compared with a net inflow of $168 million in the corresponding period in 2018.

- Dividends paid by Power Financial on its common shares during the three-month period ended March 31, 2019 were $0.4330 per share, compared with $0.4125 per share in the corresponding period in 2018. Power Corporation received dividends of $203 million from Power Financial in the three-month period ended March 31, 2019, compared with $193 million in the corresponding period in 2018.

The Corporation's financing activities during the three-month period ended March 31, 2019 were a net outflow of $188 million, compared with a net outflow of $171 million in the corresponding period in 2018, and included:

- Dividends paid on non-participating and participating shares by the Corporation of $191 million, compared with $180 million in the corresponding period in 2018. In the three-month period ended March 31, 2019, dividends paid on the Corporation's participating shares were $0.3820 per share, compared with $0.3585 per share in the corresponding period in 2018.
- Issuance of subordinate voting shares of the Corporation for $3 million pursuant to the Corporation's Executive Stock Option Plan, compared with issuance for an amount of $10 million in the corresponding period in 2018.

The Corporation's investing activities during the three-month period ended March 31, 2019 were a net outflow of $99 million, compared with a net inflow of $146 million in the corresponding period in 2018.

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

Capital Management

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

- provide attractive long-term returns to shareholders of the Corporation;
- provide sufficient financial flexibility to pursue its growth strategy to invest on a timely basis in its operating companies and other investments as opportunities present;
- 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.

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 Other subsidiaries 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 March 31, 2019.

	March 31, 2019	December 31, 2018
Debentures and other debt instruments		
Power Corporation	646	646
Power Financial	250	250
Lifeco	6,381	6,459
IGM	2,100	1,850
Other subsidiaries [1, 2]	849	838
Consolidation adjustments	(69)	(66)
	9,511	9,331
	10,157	9,977
Non-participating shares		
Power Corporation	962	962
Power Financial	2,830	2,830
Lifeco	2,714	2,714
IGM	150	150
	5,694	5,694
	6,656	6,656
Equity		
Participating shareholders' equity	14,334	14,156
Non-controlling interests [3]	17,256	17,234
	31,590	31,390
	48,403	48,023

[1] Other subsidiaries includes a controlled portfolio investment.

[2] Secured by the Other subsidiaries' assets 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.

Substantial Issuer Bids

On April 17, 2019, the Corporation completed a substantial issuer bid to repurchase for cancellation $1.35 billion of its subordinate voting shares. On the same date, Power Financial and Lifeco also completed substantial issuer bids to repurchase for cancellation $1.65 billion and $2.0 billion of their respective common shares (refer to the section "Subsequent Events").

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.

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. Parts B, C and D of this MD&A further describe the capital management activities of Power Financial, Lifeco and IGM, respectively. See Note 21 to the Corporation's 2018 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. 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 sixth highest of the 22 ratings used for long-term debt. A long-term debenture rated "A" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories; however, the obligor's capacity to meet its financial commitment on the obligation is still strong.

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

Risk Management

Power Corporation is a diversified international management and holding company with interests in the financial services, asset management, sustainable and renewable energy and other business sectors. Its principal holding is a controlling interest in Power Financial which holds substantial interests in the financial services sector through its controlling interest in each of Lifeco and IGM. Power Financial 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. Parts B, C and D of this MD&A further describe risks related to Power Financial, Lifeco and IGM, respectively.

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, which investors should carefully consider before investing in securities of the Corporation. The 2018 Annual MD&A reviews 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.

During the first quarter of 2019, there were no changes to the Corporation's risk oversight approach, and the identification and management of the specific risks described in the 2018 Annual MD&A.

Financial Instruments and Other Instruments

FAIR VALUE MEASUREMENT

At March 31, 2019, there had been no material changes to the carrying amounts and fair value of the Corporation and its subsidiaries' assets and liabilities recorded at fair value from December 31, 2018. See Note 18 to the Corporation's Interim Consolidated Financial Statements for additional disclosure of the Corporation's fair value measurement.

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 three-month period ended March 31, 2019. The following table provides a summary of the Corporation and its subsidiaries' derivatives portfolio:

	March 31, 2019			December 31, 2018		
	Notional	Maximum credit risk	Total fair value	Notional	Maximum credit risk	Total fair value
Power Corporation	9	2	2	119	–	(4)
Power Financial	20	2	2	20	–	(2)
Lifeco	22,352	496	(758)	19,614	417	(1,145)
IGM	3,036	16	(10)	2,883	16	(13)
Other subsidiaries	287	–	(5)	131	1	1
	25,695	514	(771)	22,648	434	(1,159)
	25,704	516	(769)	22,767	434	(1,163)

During the three-month period ended March 31, 2019, there was an increase of $2.9 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 $516 million at March 31, 2019 from $434 million at December 31, 2018.

Parts B, C and D of this MD&A provide information on the types of derivative financial instruments used by Power Financial, Lifeco and IGM, respectively.

See Note 26 to the Corporation's 2018 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 also Part C of this MD&A and Note 32 to the Corporation's 2018 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 also Part C and D of this MD&A and Note 31 to the Corporation's 2018 Consolidated Financial Statements.

Commitments and Contractual Obligations

At March 31, 2019, there have been no material changes in the contractual obligations of the Corporation and its subsidiaries from those reported in the 2018 Annual MD&A.

Income Taxes (Non-Consolidated Basis)

The Corporation had, at March 31, 2019, non-capital losses of $319 million available to reduce future taxable income (including capital gains). These losses expire during the years 2029 to 2039.

Transactions with Related Parties

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

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

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

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

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 2019.

See Note 30 to the Corporation's 2018 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 Corporation's 2018 Annual MD&A and in the notes to the 2018 Consolidated Financial Statements. There were no significant changes in the Corporation's critical accounting estimates and judgments in the first quarter of 2019.

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 exists 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 sheets 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 three-month period ended March 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. There were no changes to the future accounting policies that could impact the Corporation and its subsidiaries, in addition to the disclosure in the 2018 Annual MD&A and the 2018 Consolidated Financial Statements.

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 Co-Chief Executive Officers 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.

There have been no changes in the Corporation's internal control over financial reporting during the three-month period ended March 31, 2019 which have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Summary of Quarterly Results

	2019				2018				2017
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenues	17,866	12,661	12,972	11,609	10,856	14,043	11,401	12,109	13,809
Net earnings (attributable to participating shareholders)	292	229	186	347	525	208	470	350	258
per share – basic	0.63	0.49	0.40	0.75	1.13	0.44	1.02	0.75	0.56
per share – diluted	0.63	0.49	0.40	0.74	1.13	0.44	1.01	0.75	0.55
Adjusted net earnings (attributable to participating shareholders) [1]	292	283	283	347	525	419	471	401	269
per share – basic [1]	0.63	0.60	0.61	0.75	1.13	0.90	1.02	0.86	0.58
Other items [1, 2]	–	(54)	(97)	–	–	(211)	(1)	(51)	(11)
per share – basic [1]	–	(0.11)	(0.21)	–	–	(0.46)	–	(0.11)	(0.02)

[1] Adjusted net earnings and adjusted net earnings per share attributable to participating shareholders, and other items and other items 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 MD&A.

[2] The Corporation's share of Power Financial's Other items and Other items of the Corporation are as follows:

	2019				2018				2017
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Power Financial									
Lifeco	–	–	(25)	–	–	(154)	–	(56)	(13)
IGM	–	–	(11)	–	–	(57)	–	6	–
Pargesa	–	12	–	–	–	–	(1)	(1)	2
	–	12	(36)	–	–	(211)	(1)	(51)	(11)
Other subsidiaries	–	(66)	–	–	–	–	–	–	–
Corporate operations	–	–	(61)	–	–	–	–	–	–
	–	(54)	(97)	–	–	(211)	(1)	(51)	(11)

Condensed Consolidated Balance Sheets

(unaudited) [in millions of Canadian dollars]	March 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents	6,707	6,441
Investments [Note 5]		
Bonds	126,750	125,250
Mortgage and other loans	33,440	32,897
Shares	11,162	10,362
Investment properties	5,449	5,218
Loans to policyholders	8,826	8,929
	185,627	182,656
Assets held for sale [Note 4]	908	897
Funds held by ceding insurers	9,299	9,251
Reinsurance assets [Note 8]	6,124	6,126
Derivative financial instruments	516	434
Investments in jointly controlled corporations and associates [Note 6]	5,633	5,087
Owner-occupied properties and capital assets	2,694	1,867
Other assets	10,243	9,390
Deferred tax assets	1,017	1,098
Intangible assets	5,730	5,787
Goodwill	10,402	10,423
Investments on account of segregated fund policyholders [Note 7]	219,793	209,527
Investments on account of segregated fund policyholders held for sale [Note 4]	3,432	3,319
Total assets	468,125	452,303
Liabilities		
Insurance contract liabilities [Note 8]	170,790	166,720
Investment contract liabilities [Note 8]	1,729	1,711
Liabilities held for sale [Note 4]	908	897
Obligations to securitization entities	7,463	7,370
Debentures and other debt instruments [Note 9]	10,157	9,977
Derivative financial instruments	1,285	1,597
Other liabilities	12,704	11,544
Deferred tax liabilities	1,618	1,595
Insurance and investment contracts on account of segregated fund policyholders [Note 7]	219,793	209,527
Insurance and investment contracts on account of segregated fund policyholders held for sale [Note 4]	3,432	3,319
Total liabilities	429,879	414,257
Equity		
Stated capital [Note 10]		
Non-participating shares	962	962
Participating shares	769	766
Retained earnings	11,747	11,726
Reserves	1,818	1,664
Total shareholders' equity	15,296	15,118
Non-controlling interests	22,950	22,928
Total equity	38,246	38,046
Total liabilities and equity	468,125	452,303

Condensed Consolidated Statements of Earnings

(unaudited) [in millions of Canadian dollars, except per share amounts]	Three months ended March 31, 2019	 2018
Revenues		
Premium income		
Gross premiums written	10,698	9,288
Ceded premiums	(1,108)	(1,119)
Premium income, net	9,590	8,169
Net investment income		
Regular net investment income	1,513	1,826
Change in fair value through profit or loss	4,374	(1,485)
Net investment income	5,887	341
Fee income	2,197	2,169
Other revenues	192	177
Total revenues	17,866	10,856
Expenses		
Policyholder benefits		
Insurance and investment contracts		
Gross	9,164	7,996
Ceded	(617)	(625)
Total net policyholder benefits	8,547	7,371
Policyholder dividends and experience refunds	440	458
Changes in insurance and investment contract liabilities	4,925	(1,049)
Total paid or credited to policyholders	13,912	6,780
Commissions	869	864
Operating and administrative expenses	2,034	1,940
Financing charges	131	129
Total expenses	16,946	9,713
Earnings before investments in jointly controlled corporations and associates, and income taxes	920	1,143
Share of earnings of investments in jointly controlled corporations and associates [Note 6]	51	57
Earnings before income taxes	971	1,200
Income taxes [Note 15]	179	132
Net earnings	792	1,068
Attributable to		
Non-controlling interests	487	530
Non-participating shareholders	13	13
Participating shareholders	292	525
	792	1,068
Earnings per participating share [Note 17]		
Net earnings attributable to participating shareholders		
– Basic	0.63	1.13
– Diluted	0.63	1.13

Condensed Consolidated Statements of Comprehensive Income

(unaudited) [in millions of Canadian dollars]	Three months ended March 31, 2019	2018
Net earnings	792	1,068
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net earnings		
Net unrealized gains (losses) on available-for-sale investments		
Unrealized gains (losses)	277	(32)
Income tax (expense) benefit	(30)	15
Realized (gains) losses transferred to net earnings	(48)	(223)
Income tax expense (benefit)	3	2
	202	(238)
Net unrealized gains (losses) on cash flow hedges		
Unrealized gains (losses)	-	22
Income tax (expense) benefit	-	(4)
Realized (gains) losses transferred to net earnings	-	12
Income tax expense (benefit)	-	(3)
	-	27
Net unrealized foreign exchange gains (losses) on translation of foreign operations		
Unrealized gains (losses) on translation	(220)	816
Realized (gains) losses on translation	1	-
Unrealized gains (losses) on euro debt designated as hedge of net investments in foreign operations	60	(80)
Income tax (expense) benefit	(8)	11
	(167)	747
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	276	286
Income tax (expense) benefit	-	(7)
	276	279
Total – items that may be reclassified	311	815
Items that will not be reclassified subsequently to net earnings		
Actuarial gains (losses) on defined benefit plans [Note 14]	(176)	47
Income tax (expense) benefit	33	(8)
Total – items that will not be reclassified	(143)	39
Other comprehensive income	168	854
Comprehensive income	960	1,922
Attributable to		
Non-controlling interests	509	985
Non-participating shareholders	13	13
Participating shareholders	438	924
	960	1,922

Condensed Consolidated Statements of Changes in Equity

Three months ended March 31, 2019 (unaudited) [in millions of Canadian dollars]	Stated capital			Reserves				
	Non-participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 16]	Total	Non-controlling interests	Total equity
Balance, beginning of year								
As previously reported	962	766	11,726	184	1,480	1,664	22,928	38,046
Change in accounting policies [Note 2]								
Impact of IFRS 16	–	–	(2)	–	–	–	(4)	(6)
Impact of IFRIC 23	–	–	(50)	–	–	–	(59)	(109)
Restated balance, beginning of year	962	766	11,674	184	1,480	1,664	22,865	37,931
Net earnings	–	–	305	–	–	–	487	792
Other comprehensive income	–	–	–	–	146	146	22	168
Comprehensive income	–	–	305	–	146	146	509	960
Dividends to shareholders								
Non-participating	–	–	(13)	–	–	–	–	(13)
Participating	–	–	(178)	–	–	–	–	(178)
Dividends to non-controlling interests	–	–	–	–	–	–	(344)	(344)
Share-based compensation [Note 11]	–	–	–	7	–	7	7	14
Stock options exercised	–	3	–	(14)	–	(14)	14	3
Effects of changes in capital and ownership of subsidiaries, and other	–	–	(41)	15	–	15	(101)	(127)
Balance, end of period	962	769	11,747	192	1,626	1,818	22,950	38,246

Three months ended March 31, 2018 (unaudited) [in millions of Canadian dollars]	Stated capital			Reserves				
	Non-participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 16]	Total	Non-controlling interests	Total equity
Balance, beginning of year	965	717	11,191	185	1,321	1,506	21,880	36,259
Net earnings	–	–	538	–	–	–	530	1,068
Other comprehensive income	–	–	–	–	399	399	455	854
Comprehensive income	–	–	538	–	399	399	985	1,922
Dividends to shareholders								
Non-participating	–	–	(13)	–	–	–	–	(13)
Participating	–	–	(167)	–	–	–	–	(167)
Dividends to non-controlling interests	–	–	–	–	–	–	(331)	(331)
Share-based compensation [Note 11]	–	–	–	10	–	10	9	19
Stock options exercised	–	11	–	(19)	–	(19)	18	10
Repurchase of shares of the Corporation for cancellation	(1)	–	–	–	–	–	–	(1)
Effects of changes in capital and ownership of subsidiaries, and other	–	–	(28)	–	–	–	(48)	(76)
Balance, end of period	964	728	11,521	176	1,720	1,896	22,513	37,622

Condensed Consolidated Statements of Cash Flows

(unaudited) [in millions of Canadian dollars]	Three months ended March 31, 2019	2018[1]
Operating activities		
Earnings before income taxes	971	1,200
Income tax paid, net of refunds	(135)	(158)
Adjusting items		
Change in insurance and investment contract liabilities	5,206	(805)
Change in funds held by ceding insurers	78	231
Change in reinsurance assets	(172)	24
Change in fair value through profit or loss	(4,374)	1,485
Other	(830)	(811)
	744	1,166
Financing activities		
Dividends paid		
By subsidiaries to non-controlling interests	(338)	(327)
Non-participating shares	(13)	(13)
Participating shares	(178)	(167)
	(529)	(507)
Issue of subordinate voting shares by the Corporation [Note 10]	3	10
Repurchase of non-participating shares by the Corporation	–	(1)
Issue of equity instruments by subsidiaries	111	17
Repurchase of common shares by subsidiaries	(9)	(15)
Issue of debentures [Note 9]	250	498
Redemption of debentures	–	(350)
Change in other debt instruments	34	(84)
Repayment of lease liabilities	(28)	–
Increase in obligations to securitization entities	426	362
Repayments of obligations to securitization entities and other	(348)	(296)
	(90)	(366)
Investment activities		
Bond sales and maturities	5,800	6,838
Mortgage and other loan repayments	777	1,058
Sale of shares	884	989
Sale of investment properties	7	–
Change in loans to policyholders	13	3
Business acquisitions, net of cash and cash equivalents acquired	–	(222)
Investment in bonds	(5,250)	(7,177)
Investment in mortgage and other loans	(1,374)	(1,530)
Investment in shares	(967)	(901)
Investments in jointly controlled corporations and associates [Note 6]	(2)	(29)
Proceeds from assets held for sale	–	169
Change in cash and cash equivalents classified as held for sale [Note 4]	31	–
Investment in investment properties and other	(247)	(173)
	(328)	(975)
Effect of changes in exchange rates on cash and cash equivalents	(60)	133
Increase (decrease) in cash and cash equivalents	266	(42)
Cash and cash equivalents, beginning of year	6,441	5,903
Cash and cash equivalents, end of period	6,707	5,861
Net cash from operating activities includes		
Interest and dividends received	1,494	1,439
Interest paid	140	128

[1] The Corporation reclassified certain comparative figures to conform with the December 31, 2018 presentation. The correction in presentation is not material and has no effect on the total cash flows.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

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

The following abbreviations are used in these Consolidated Financial Statements:

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

NOTE 1 Corporate Information

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

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

The unaudited Interim Condensed Consolidated Financial Statements (financial statements) of Power Corporation as at and for the three months ended March 31, 2019 were approved by its Board of Directors on May 14, 2019.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies

BASIS OF PRESENTATION

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

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

SUBSIDIARIES

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

The principal operating subsidiaries of the Corporation are:

		% equity interest	
Corporations	Primary business operation	March 31, 2019	December 31, 2018
Power Financial Corporation	Financial services holding company	65.5	65.5
Great-West Lifeco Inc. [1][2]	Financial services holding company with interests in insurance and wealth management companies	71.8	71.8
IGM Financial Inc. [3][4]	Wealth and asset management	65.3	65.2
Portag3 Ventures LP [5]	Backing of innovative financial services companies	100.0	100.0
Wealthsimple Financial Corp. [6]	Technology-driven investment manager	88.6	81.7
Power Energy Corporation	Holding company with interests in sustainable and renewable energy	100.0	100.0

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

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

[3] Power Financial holds a 61.5% equity interest and Great-West Life holds a 3.8% equity interest in IGM Financial (61.4% and 3.8%, respectively, at December 31, 2018).

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

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

[6] Power Financial, Portag3 and IGM Financial hold an equity interest of 17.4%, 23.7% and 47.5%, respectively, in Wealthsimple (16.0%, 21.9% and 43.8%, respectively, at December 31, 2018).

Subsequent events

On April 17, 2019, Lifeco announced that it had completed a substantial issuer bid (the Lifeco Offer) and purchased for cancellation 59,700,974 of its common shares at a purchase price of $33.50 per common share. Power Financial supported Lifeco through its participation in the Lifeco Offer by tendering a significant portion of its Lifeco common shares on a proportionate basis and all remaining tendered Lifeco common shares on a non-proportionate basis. After giving effect to the above, as of April 17, 2019, Power Financial held an approximate 66.8% equity interest in Lifeco (excluding IGM's 4.0% interest).

On April 17, 2019, Power Financial announced that it had completed a substantial issuer bid (the PFC Offer) and purchased for cancellation 49,999,973 of its common shares at a purchase price of $33.00 per common share. The Corporation supported Power Financial through its participation in the PFC Offer by tendering a significant portion of its Power Financial common shares on a proportionate basis and all remaining tendered Power Financial common shares on a non-proportionate basis. After giving effect to the above, as of April 17, 2019, the Corporation held an approximate 64.1% equity interest in Power Financial.

The changes in ownership in Lifeco and Power Financial will result in a gain to be recorded in the statements of changes in equity in the second quarter of 2019.

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

The financial statements of Power Corporation include, on a consolidated basis, the results of Power Financial, Lifeco and IGM Financial, which are public companies. The amounts shown on the consolidated balance sheets, consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows are mainly derived from the publicly disclosed consolidated financial statements of Power Financial, Lifeco and IGM Financial, all as at and for the three months ended March 31, 2019. Certain notes to Power Corporation's financial statements are derived from the notes to the financial statements of Power Financial.

JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES

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

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

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

[1] Held by Power Financial.

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

[3] Power Corporation and IGM each hold an equity interest of 13.9% in China AMC.

CHANGE IN ACCOUNTING POLICIES

IFRS 16 – LEASES (IFRS 16)

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

Accounting policies

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

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

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

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

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

Impact of transition to IFRS 16

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

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

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

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

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

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

The application of IFRS 16 did not have a material impact on the statement of earnings or the statement of cash flows for the three-month period ended March 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.

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

IFRIC 23 – UNCERTAINTY OVER INCOME TAX TREATMENTS (IFRIC 23)

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

USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

FUTURE ACCOUNTING CHANGES

The Corporation and its subsidiaries continuously monitor the potential changes proposed by the International Accounting Standards Board (IASB) and analyze the effect that changes in the standards may have on their consolidated financial statements when they become effective. There have been no significant changes to future accounting policies that could impact the Corporation from what was disclosed in the December 31, 2018 consolidated annual financial statements.

NOTE 3 Business Acquisition and Disposal

LIFECO

Invesco Ltd. (Ireland)

On August 1, 2018, Lifeco, through its indirect wholly owned subsidiary Irish Life Group Limited, completed its agreement to acquire a controlling interest in Invesco Ltd. (Ireland), an independent financial consultancy firm in Ireland that specializes in employee benefit consultancy and private wealth management as well as manages and administers assets on behalf of clients. As the purchase price allocation is incomplete at March 31, 2019, the initial amount assigned to goodwill of $80 million on the date of acquisition could be adjusted pending the completion of a comprehensive valuation of the intangible assets acquired.

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

On January 24, 2019, Great-West Financial, a wholly owned subsidiary of Lifeco, announced that it had entered into an agreement with Protective Life Insurance Company (Protective Life) to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business. Lifeco will continue to retain the obligation to the contract holders and will recognize reinsurance assets from the agreement. Protective Life will assume the economics and risks associated with the reinsured business. In addition to recognition of reinsurance assets, Lifeco expects to recognize a loss in the statements of earnings at the closing of this transaction. The transaction is expected to close during the second quarter of 2019 subject to regulatory and customary closing conditions.

NOTE 4 Assets Held for Sale

Sale of policies to Scottish Friendly Assurance Society Limited

In 2018, Canada Life Limited, an indirect wholly owned subsidiary of Lifeco, announced an agreement to sell a heritage block of individual policies, composed of unit-linked policies and non-unit-linked policies, to Scottish Friendly Assurance Society Limited. The transfer of these policies is expected to occur in the second half of 2019.

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

	March 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents	81	112
Investments		
Bonds	774	731
Shares	24	22
Investment properties	26	29
Loans to policyholders	3	3
Assets held for sale	908	897
Investments on account of segregated fund policyholders	3,432	3,319
Total assets included in disposal group classified as held for sale	4,340	4,216
Liabilities		
Insurance contract liabilities	884	870
Investment contract liabilities	24	27
Liabilities held for sale	908	897
Insurance and investment contracts on account of segregated fund policyholders	3,432	3,319
Total liabilities included in disposal group classified as held for sale	4,340	4,216

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

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

NOTE 5 Investments

CARRYING VALUES AND FAIR VALUES

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

	March 31, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated as fair value through profit or loss	91,811	91,811	89,929	89,929
Classified as fair value through profit or loss	1,949	1,949	1,886	1,886
Available for sale	13,386	13,386	13,713	13,713
Loans and receivables	19,604	21,250	19,722	20,619
	126,750	128,396	125,250	126,147
Mortgage and other loans				
Loans and receivables	32,511	33,375	32,080	32,524
Designated as fair value through profit or loss	924	924	813	813
Classified as fair value through profit or loss	5	5	4	4
	33,440	34,304	32,897	33,341
Shares				
Designated as fair value through profit or loss	9,429	9,429	8,658	8,658
Classified as fair value through profit or loss	157	157	136	136
Available for sale [1]	1,576	1,576	1,568	1,568
	11,162	11,162	10,362	10,362
Investment properties	5,449	5,449	5,218	5,218
Loans to policyholders	8,826	8,826	8,929	8,929
	185,627	188,137	182,656	183,997

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

NOTE 6 Investments in Jointly Controlled Corporations and Associates

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

	Jointly controlled corporations		Associates		
March 31, 2019	Parjointco	Other	China AMC	Other	Total
Carrying value, beginning of year	3,291	262	1,362	172	5,087
Acquisition	–	–	–	217	217
Investments	–	2	–	–	2
Share of earnings (losses)	46	(4)	14	(5)	51
Share of other comprehensive income (loss)	281	(5)	5	(5)	276
Carrying value, end of period	3,618	255	1,381	379	5,633

	Jointly controlled corporations		Associates		
March 31, 2018	Parjointco	Other	China AMC	Other	Total
Carrying value, beginning of year	3,354	312	1,290	198	5,154
Investments	–	17	–	12	29
Share of earnings (losses)	44	(2)	16	(1)	57
Share of other comprehensive income	197	7	79	3	286
Carrying value, end of period	3,595	334	1,385	212	5,526

PERSONAL CAPITAL CORPORATION

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

As at March 31, 2019, IGM held a 25.2% equity interest in Personal Capital.

NOTE 7 Segregated Funds

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

INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	March 31, 2019	December 31, 2018
Cash and cash equivalents	12,999	13,458
Bonds	42,915	42,142
Mortgage loans	2,741	2,746
Shares and units in unit trusts	96,017	89,853
Mutual funds	54,733	50,956
Investment properties	12,696	12,319
	222,101	211,474
Accrued income	452	380
Other liabilities	(3,700)	(3,191)
Non-controlling mutual fund interest	940	864
	219,793	209,527

NOTE 7 Segregated Funds (continued)

INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	Three months ended March 31,	
	2019	2018
Balance, beginning of year	209,527	217,357
Additions (deductions):		
Policyholder deposits	5,726	6,410
Net investment income	116	496
Net realized capital gains on investments	117	1,501
Net unrealized capital gains (losses) on investments	13,471	(4,848)
Unrealized gains (losses) due to changes in foreign exchange rates	(3,171)	6,588
Policyholder withdrawals	(5,912)	(6,791)
Business acquisition	–	950
Segregated fund investment in General Fund	–	3
General Fund investment in segregated fund	–	(3)
Net transfer from General Fund	(5)	9
Non-controlling mutual fund interest	76	(641)
Assets held for sale [Note 4]	(113)	–
Other	(39)	–
	10,266	3,674
Balance, end of period	219,793	221,031

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

				March 31, 2019
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders [1]	141,930	67,037	13,643	222,610
Investments on account of segregated fund policyholders held for sale [2]	3,410	5	9	3,424
Total investments on account of segregated fund policyholders measured at fair value	145,340	67,042	13,652	226,034

[1] Excludes other liabilities, net of other assets, of $2,817 million.

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

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

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

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

During the three months ended March 31, 2019, certain foreign equity holdings valued at $1,377 million were transferred from Level 2 to Level 1 ($1,842 million were transferred from Level 2 to Level 1 at December 31, 2018), primarily based on Lifeco's change in use of inputs in addition to quoted prices in active markets for certain foreign share holdings. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where Lifeco does not have visibility through the underlying assets.

NOTE 7 Segregated Funds (continued)

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

	March 31, 2019			December 31, 2018		
	Investments on account of segregated fund policyholders	Investments on account of segregated fund policyholders held for sale	Total	Investments on account of segregated fund policyholders	Investments on account of segregated fund policyholders held for sale	Total
Balance, beginning of year						
As previously reported	13,235	9	13,244	12,572	–	12,572
Change in accounting policy [1]	136	–	136	–	–	–
Restated balance, beginning of year	13,371	9	13,380	12,572	–	12,572
Total gains (losses) included in segregated fund investment income	(102)	–	(102)	404	–	404
Purchases	433	–	433	651	–	651
Sales	(59)	–	(59)	(425)	–	(425)
Transfers into Level 3	–	–	–	51	–	51
Transfers out of Level 3	–	–	–	(9)	–	(9)
Transfers to assets held for sale	–	–	–	(9)	9	–
Balance, end of period	13,643	9	13,652	13,235	9	13,244

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

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

Refer to the Lifeco section of the Corporation's Management's Discussion and Analysis (Part C) for the three-month period ended March 31, 2019 and the financial statements for the year ended December 31, 2018 for further details on Lifeco's risk and guarantee and the management of these segregated fund risks.

NOTE 8 Insurance and Investment Contract Liabilities

INSURANCE AND INVESTMENT CONTRACT LIABILITIES

	March 31, 2019			December 31, 2018		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	170,790	6,124	164,666	166,720	6,126	160,594
Investment contract liabilities	1,729	–	1,729	1,711	–	1,711
	172,519	6,124	166,395	168,431	6,126	162,305

NOTE 9 Debentures and Other Debt Instruments

IGM FINANCIAL

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

NOTE 10 Stated Capital

AUTHORIZED

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

ISSUED AND OUTSTANDING

	March 31, 2019		December 31, 2018	
	Number of shares	Stated capital	Number of shares	Stated capital
		$		$
Non-Participating Shares				
First Preferred Shares				
Cumulative Redeemable				
1986 Series	246,300	12	247,200	12
Non-cumulative Redeemable, fixed rate				
Series A	6,000,000	150	6,000,000	150
Series B	8,000,000	200	8,000,000	200
Series C	6,000,000	150	6,000,000	150
Series D	10,000,000	250	10,000,000	250
Series G	8,000,000	200	8,000,000	200
		962		962
Participating Shares				
Participating Preferred Shares	48,854,772	27	48,854,772	27
Subordinate Voting Shares				
Balance, beginning of year	417,101,146	739	415,443,579	690
Issued under Stock Option Plan	165,934	3	1,657,567	49
Balance, end of period	417,267,080	742	417,101,146	739
Total Participating Shares		769		766

Non-Participating Shares

During the three months ended March 31, 2019, 900 cumulative redeemable First Preferred Shares, 1986 Series were purchased for cancellation (20,000 shares for the three months ended March 31, 2018).

Participating Shares

During the three months ended March 31, 2019, 165,934 Subordinate Voting Shares were issued under the Corporation's Executive Stock Option Plan for a consideration of $3 million (430,125 Subordinate Voting Shares issued for the three months ended March 31, 2018 for a consideration of $10 million).

During the three months ended March 31, 2019, dividends declared on the Corporation's participating shares amounted to $0.3820 per share ($0.3585 per share in 2018).

Subsequent event

On April 17, 2019, the Corporation completed its substantial issuer bid 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. After giving effect to the purchase on April 17, 2019, the number of issued and outstanding Subordinate Voting Shares on a non-diluted basis is 376,598,019.

NOTE 11 Share-Based Compensation

STOCK OPTION PLAN

Under Power Corporation's Executive Stock Option Plan, 23,164,924 Subordinate Voting Shares are reserved for issuance.

A summary of the status of Power Corporation's Executive Stock Option Plan as at March 31, 2019 and 2018, and changes during the respective periods ended is as follows:

	March 31, 2019		March 31, 2018	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
		$		$
Outstanding, beginning of year	16,453,341	28.43	17,630,666	28.38
Granted	–	–	1,350,172	28.51
Exercised	(165,934)	19.73	(430,125)	23.14
Forfeited and expired	–	–	(686,966)	33.38
Outstanding, end of period	16,287,407	28.52	17,863,747	28.32
Options exercisable, end of period	13,094,506	28.22	12,704,922	27.56

The exercise price of the 16,287,407 outstanding options ranges from $18.52 to $33.82.

Compensation expense

No options were granted by Power Corporation during the three months ended March 31, 2019 (1,350,172 options were granted for the three months ended March 31, 2018) under its Executive Stock Option Plan. The fair value of these options was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	March 31, 2018
Dividend yield	4.5%
Expected volatility	16.5%
Risk-free interest rate	2.1%
Expected life (years)	8.3
Fair value per stock option ($/option)	2.29
Weighted-average exercise price ($/option)	28.51

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

Power Financial, Lifeco and IGM have also established stock option plans pursuant to which options may be granted to certain officers and employees. In addition, other subsidiaries of the Corporation have established share-based compensation plans. Compensation expense is recorded based on the fair value of the options or the fair value of the equity investments at the grant date, amortized over the vesting period. For the three months ended March 31, 2019, total compensation expense relating to the stock options granted by the Corporation and its subsidiaries amounted to $14 million ($19 million in 2018) and is recorded in operating and administrative expenses in the statements of earnings.

NOTE 12 Capital Management

POWER CORPORATION

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

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

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

The capital structure of the Corporation consists of debentures, non-participating shares, participating shareholders' equity and non-controlling interests. The Corporation views non-participating shares as a cost-effective source of permanent capital. The Corporation is a long-term investor and as such holds positions in long-term investments as well as cash and fixed income securities for liquidity purposes.

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

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

LIFECO

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

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

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

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

NOTE 12 Capital Management (continued)

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

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

IGM FINANCIAL

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

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

The IGM subsidiaries that are subject to regulatory capital requirements include investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. These IGM subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. At March 31, 2019 IGM subsidiaries have complied with all regulatory capital requirements.

OTHER SUBSIDIARIES

Certain other subsidiaries are subject to regulatory capital requirements, including a mutual fund dealer, portfolio managers, and an order-execution-only broker. These other subsidiaries are required to maintain levels of capital based on their working capital, liquidity or shareholders' equity. At March 31, 2019, these other subsidiaries have complied with all regulatory capital requirements.

NOTE 13 Risk Management

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

- Liquidity risk is the risk that the Corporation and its subsidiaries would not be able to meet all cash outflow obligations as they come due or be able to, in a timely manner, raise capital or monetize assets at normal market conditions.
- Credit risk is the potential for financial loss to the Corporation and its subsidiaries if a counterparty in a transaction fails to meet its payment obligations. Credit risk can be related to the default of a single debt issuer, the variation of credit spreads on tradable fixed income securities and also to counterparty risk relating to derivative products.
- Market risk is the risk that the market value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: foreign exchange risk, interest rate risk and equity risk.
  - Foreign exchange risk relates to the Corporation, its subsidiaries and its jointly controlled corporations and associates operating in different currencies and converting non-Canadian investments and earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.
  - Interest rate risk is the risk that the fair value of a financial instrument will fluctuate following changes in the interest rates.
  - Equity risk is the potential loss associated with the sensitivity of the market price of a financial instrument arising from volatility in equity markets.

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

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

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

NOTE 13 Risk Management (continued)

POWER CORPORATION, POWER FINANCIAL AND OTHER SUBSIDIARIES

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

LIFECO

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

Liquidity risk

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

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

Credit risk

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

Market risk

a) Foreign exchange risk

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

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

NOTE 13 Risk Management (continued)

b) Interest rate risk

Projected cash flows from the current assets and liabilities are used in the CALM to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

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

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

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

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

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

	March 31, 2019		December 31, 2018	
	1% increase	1% decrease	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	(171)	661	(165)	639
Increase (decrease) in net earnings	119	(483)	115	(465)

NOTE 13 Risk Management (continued)

c) Equity risk

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

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

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

	March 31, 2019		December 31, 2018	
	10% increase	10% decrease	10% increase	10% decrease
Change in equity values				
Increase (decrease) in non-participating insurance and investment contract liabilities	(89)	194	(87)	338
Increase (decrease) in net earnings	75	(155)	73	(266)

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

	March 31, 2019		December 31, 2018	
	1% increase	1% decrease	1% increase	1% decrease
Change in best estimate return assumptions for equities				
Increase (decrease) in non-participating insurance contract liabilities	(597)	686	(591)	680
Increase (decrease) in net earnings	482	(545)	476	(539)

IGM FINANCIAL

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

NOTE 14 Pension Plans and Other Post-Employment Benefits

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

	Three months ended March 31,	
	2019	2018
Pension plans		
Service costs	62	68
Net interest cost	12	10
	74	78
Post-employment benefits		
Service costs	1	2
Net interest cost	4	4
	5	6
Expense recognized in net earnings	79	84
Remeasurements		
Pension plans		
Actuarial (gains) losses [1]	611	(111)
Return on assets less (greater) than discount rate	(442)	68
Change in the asset ceiling	(18)	–
Post-employment benefits		
Actuarial (gains) losses [1]	25	(4)
Expense (recovery) recognized in other comprehensive income	176	(47)
Total expense	255	37

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

NOTE 15 Income Taxes

INCOME TAX EXPENSE

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

	Three months ended March 31,	
	2019	2018
Current taxes	89	134
Deferred taxes	90	(2)
	179	132

EFFECTIVE INCOME TAX RATE

The overall effective income tax rate for the Corporation for the three months ended March 31, 2019 was 18.4%, compared to 14.3% for the full year 2018 and 11.0% for the three months ended March 31, 2018.

The effective income tax rate for the three months ended March 31, 2019 is higher than the effective income tax rate for the same period last year primarily due to changes in certain tax estimates and a lower percentage of income subject to lower rates in foreign jurisdictions.

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

NOTE 16 Other Comprehensive Income

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		
Three months ended March 31, 2019	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gains (losses) on defined benefit pension plans	Share of jointly controlled corporations and associates	Total
Balance, beginning of year	201	1,015	763	(488)	(11)	1,480
Other comprehensive income (loss)	132	(89)	179	(76)	–	146
Balance, end of period	333	926	942	(564)	(11)	1,626

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		
Three months ended March 31, 2018	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gains (losses) on defined benefit pension plans	Share of jointly controlled corporations and associates	Total
Balance, beginning of year	483	617	742	(509)	(12)	1,321
Other comprehensive income (loss)	(188)	376	191	20	–	399
Balance, end of period	295	993	933	(489)	(12)	1,720

NOTE 17 Earnings Per Share

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

	Three months ended March 31,	
	2019	2018
Earnings		
Net earnings attributable to shareholders	305	538
Dividends on non-participating shares	(13)	(13)
Net earnings attributable to participating shareholders	292	525
Dilutive effect of subsidiaries' outstanding stock options	–	–
Net earnings adjusted for dilutive effect	292	525
Number of participating shares [millions]		
Weighted average number of participating shares outstanding – Basic	466.0	464.6
Potential exercise of outstanding stock options	0.4	1.4
Weighted average number of participating shares outstanding – Diluted	466.4	466.0
Net earnings per participating share		
Basic	0.63	1.13
Diluted	0.63	1.13

For the three months ended March 31, 2019, 12.4 million stock options (3.0 million in 2018) have been excluded from the computation of diluted earnings per share as they were anti-dilutive.

NOTE 18 Fair Value Measurement

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

Level	Definition	Financial assets and liabilities
Level 1	Utilize observable, unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.	▪ actively exchange-traded equity securities; ▪ exchange-traded futures; ▪ mutual and segregated funds which have available prices in an active market with no redemption restrictions; ▪ open-end investment fund units and other liabilities in instances where there are quoted prices available from active markets.
Level 2	Utilize other-than-quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other-than-quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data.	▪ assets and liabilities priced using a matrix which is based on credit quality and average life; ▪ government and agency securities; ▪ restricted stock; ▪ certain private bonds and equities; ▪ most investment-grade and high-yield corporate bonds; ▪ most asset-backed securities; ▪ most over-the-counter derivatives; ▪ most mortgage and other loans; ▪ deposits and certificates; ▪ most debentures and other debt instruments; ▪ most of the investment contracts that are measured at fair value through profit or loss.
Level 3	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 values of the majority of Level 3 securities were obtained from single-broker quotes, internal pricing models, external appraisers or by discounting projected cash flows.	▪ certain bonds; ▪ certain asset-backed securities; ▪ certain private equities; ▪ certain mortgage and other loans, including equity-release mortgages; ▪ investments in mutual and segregated funds where there are redemption restrictions; ▪ certain over-the-counter derivatives; ▪ investment properties; ▪ obligations to securitization entities; ▪ certain other debt instruments.

NOTE 18 Fair Value Measurement (continued)

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

March 31, 2019	Level 1	Level 2	Level 3	Total fair value
Assets				
Bonds				
Fair value through profit or loss	–	93,694	66	93,760
Available for sale	–	13,386	–	13,386
Mortgage and other loans				
Fair value through profit or loss	–	5	924	929
Shares				
Fair value through profit or loss	9,042	–	544	9,586
Available for sale	749	2	583	1,334
Investment properties	–	–	5,449	5,449
Funds held by ceding insurers	160	6,942	–	7,102
Derivative instruments	–	511	5	516
Asset held for sale	24	774	26	824
Other assets	687	397	–	1,084
	10,662	115,711	7,597	133,970
Liabilities				
Investment contract liabilities	–	1,729	–	1,729
Investment contract liabilities held for sale	–	1	23	24
Derivative instruments	6	1,269	10	1,285
Other liabilities	10	105	67	182
	16	3,104	100	3,220

December 31, 2018	Level 1	Level 2	Level 3	Total fair value
Assets				
Bonds				
Fair value through profit or loss	–	91,748	67	91,815
Available for sale	–	13,713	–	13,713
Mortgage and other loans				
Fair value through profit or loss	–	4	813	817
Shares				
Fair value through profit or loss	8,341	–	453	8,794
Available for sale	560	1	768	1,329
Investment properties	–	–	5,218	5,218
Funds held by ceding insurers	230	6,925	–	7,155
Derivative instruments	8	417	9	434
Assets held for sale	22	731	29	782
Other assets	597	330	–	927
	9,758	113,869	7,357	130,984
Liabilities				
Investment contract liabilities	–	1,711	–	1,711
Investment contract liabilities held for sale	–	1	26	27
Derivative instruments	2	1,591	4	1,597
Other liabilities	8	84	93	185
	10	3,387	123	3,520

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

NOTE 18 Fair Value Measurement (continued)

The following tables present additional information about assets and liabilities measured at fair value on a recurring basis for which the Corporation and its subsidiaries have utilized Level 3 inputs to determine fair value for the three months ended March 31, 2019 and 2018.

	Bonds	Mortgages and other loans	Shares				Assets (liabilities) held for sale and other assets (liabilities)		
Three months ended March 31, 2019	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	Available for sale	Investment properties	Derivatives, net		Investment contract liabilities	Total
Balance, beginning of year									
As previously reported	67	813	453	768	5,218	5	(90)	–	7,234
Change in accounting policy [Note 2]	–	–	–	–	29	–	–	–	29
Restated balance, beginning of year	67	813	453	768	5,247	5	(90)	–	7,263
Total gains (losses)									
In net earnings	2	55	18	21	(5)	(9)	(3)	–	79
In other comprehensive income [1]	(3)	–	–	(59)	–	–	–	–	(62)
Purchases	–	–	78	6	214	(1)	–	–	297
Issues	–	69	–	–	–	–	–	–	69
Sales	–	–	(5)	(3)	(7)	–	–	–	(15)
Settlements	–	(13)	–	–	–	–	28	–	15
Other [2]	–	–	–	(150)	–	–	1	–	(149)
Balance, end of period	66	924	544	583	5,449	(5)	(64)	–	7,497

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

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

	Bonds	Mortgages and other loans	Shares						
Three months ended March 31, 2018	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	Available for sale	Investment properties	Derivatives, net	Other assets (liabilities)	Investment contract liabilities	Total
Balance, beginning of year	65	–	244	832	4,851	4	(88)	(22)	5,886
Total gains (losses)									
In net earnings	(1)	(17)	8	168	58	(3)	(1)	–	212
In other comprehensive income [1]	3	51	1	(134)	187	–	–	–	108
Business acquisition	–	799	–	–	–	–	–	–	799
Purchases	–	10	30	96	133	–	–	–	269
Sales	–	(11)	–	(236)	(12)	–	–	–	(259)
Settlements	–	–	–	–	–	4	–	–	4
Other	–	–	–	–	–	–	(4)	(1)	(5)
Balance, end of period	67	832	283	726	5,217	5	(93)	(23)	7,014

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

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

NOTE 18 Fair Value Measurement (continued)

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 2.4% – 10.3%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 4.3% – 6.8%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.4%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage and other loans (fair value through profit or loss)	The valuation approach for equity-release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no-negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long-term care of the loanholders.	Discount rate	Range of 4.2% – 4.7%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
Shares	The determination of the fair value of shares requires the use of estimates such as future cash flows, discount rates, projected earnings multiples, or recent transactions.	Discount rate	Various	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

NOTE 19 Segmented Information

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

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

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

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

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

NOTE 19 Segmented Information (continued)

CONSOLIDATED NET EARNINGS

				Power Financial			
Three months ended March 31, 2019	Lifeco	IGM [1]	Pargesa	Corporate	Sub-total	Other	Total
Revenues							
Premium income, net	9,595	–	–	(5)	9,590	–	9,590
Net investment income	5,815	49	–	–	5,864	23	5,887
Fee income	1,479	736	–	(21)	2,194	3	2,197
Other revenues	–	–	–	–	–	192	192
Total revenues	16,889	785	–	(26)	17,648	218	17,866
Expenses							
Total paid or credited to policyholders	13,912	–	–	–	13,912	–	13,912
Commissions	610	275	–	(16)	869	–	869
Operating and administrative expenses	1,484	274	–	31	1,789	245	2,034
Financing charges	72	25	–	10	107	24	131
Total expenses	16,078	574	–	25	16,677	269	16,946
Earnings before investments in jointly controlled corporations and associates, and income taxes	811	211	–	(51)	971	(51)	920
Share of earnings of investments in jointly controlled corporations and associates	–	4	46	–	50	1	51
Earnings before income taxes	811	215	46	(51)	1,021	(50)	971
Income taxes	130	45	–	5	180	(1)	179
Net earnings	681	170	46	(56)	841	(49)	792
Attributable to							
Non-controlling interests	390	99	16	(14)	491	(4)	487
Non-participating shareholders	–	–	–	–	–	13	13
Participating shareholders	291	71	30	(42)	350	(58)	292
	681	170	46	(56)	841	(49)	792

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

NOTE 19 Segmented Information (continued)

CONSOLIDATED NET EARNINGS

	Power Financial						
Three months ended March 31, 2018	Lifeco	IGM [1]	Pargesa	Corporate	Sub-total	Other	Total
Revenues							
Premium income, net	8,174	–	–	(5)	8,169	–	8,169
Net investment income	86	44	–	(25)	105	236	341
Fee income	1,433	757	–	(24)	2,166	3	2,169
Other revenues	–	–	–	–	–	177	177
Total revenues	9,693	801	–	(54)	10,440	416	10,856
Expenses							
Total paid or credited to policyholders	6,780	–	–	–	6,780	–	6,780
Commissions	594	286	–	(16)	864	–	864
Operating and administrative expenses	1,407	253	–	32	1,692	248	1,940
Financing charges	71	30	–	5	106	23	129
Total expenses	8,852	569	–	21	9,442	271	9,713
Earnings before investments in jointly controlled corporations and associates, and income taxes	841	232	–	(75)	998	145	1,143
Share of earnings of investments in jointly controlled corporations and associates	–	8	44	–	52	5	57
Earnings before income taxes	841	240	44	(75)	1,050	150	1,200
Income taxes	77	52	–	3	132	–	132
Net earnings	764	188	44	(78)	918	150	1,068
Attributable to							
Non-controlling interests	440	118	15	(38)	535	(5)	530
Non-participating shareholders	–	–	–	–	–	13	13
Participating shareholders	324	70	29	(40)	383	142	525
	764	188	44	(78)	918	150	1,068

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

NOTE 19 Segmented Information (continued)

TOTAL ASSETS

				Power Financial			
March 31, 2019	Lifeco	IGM [2]	Pargesa	Corporate	Sub-total	Other	Total
Investments and cash and cash equivalents	180,161	8,631	–	1,135	189,927	2,407	192,334
Assets held for sale	908	–	–	–	908	–	908
Investments in jointly controlled corporations and associates	6	907	3,618	29	4,560	1,073	5,633
Other assets	27,271	1,357	–	151	28,779	1,114	29,893
Goodwill and intangible assets	10,921	4,030	–	161	15,112	1,020	16,132
Investments on account of segregated fund policyholders	219,793	–	–	–	219,793	–	219,793
Investments on account of segregated fund policyholders held for sale	3,432	–	–	–	3,432	–	3,432
Total assets [1]	442,492	14,925	3,618	1,476	462,511	5,614	468,125

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

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

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

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Power Financial Corporation

PART B

The attached documents concerning Power Financial Corporation are documents prepared and publicly disclosed by such subsidiary. Certain statements in the attached documents, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the current expectations of the subsidiary as set forth therein. Forward-looking statements are provided for the purposes of assisting the reader in understanding the subsidiary's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about the subsidiary's 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.

By its nature, forward-looking 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.

For further information provided by the subsidiary as to the material factors that could cause actual results to differ materially from the content of forward-looking statements, the material factors and assumptions that were applied in making the forward-looking statements, and the subsidiary's policy for updating the content of forward-looking statements, please see the attached documents, including the section entitled Forward-Looking Statements. The reader is cautioned to consider these factors and assumptions carefully and not to put undue reliance on forward-looking statements.

Management's Discussion and Analysis

MAY 13, 2019

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

The following presents Management's Discussion and Analysis (MD&A) of the unaudited interim condensed consolidated financial condition and financial performance of Power Financial Corporation (Power Financial or the Corporation) (TSX: PWF), a public corporation, for the three-month period ended March 31, 2019. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of Power Financial and notes thereto for the three-month period ended March 31, 2019 (the Interim Consolidated Financial Statements), the MD&A for the year ended December 31, 2018 (the 2018 Annual MD&A), and the audited consolidated financial statements and notes thereto for the year ended December 31, 2018 (the 2018 Consolidated Financial Statements). Additional information relating to Power Financial, including its Annual Information Form, may be found on the Corporation's website at www.powerfinancial.com and on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS › Certain statements in this MD&A, 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. 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, the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors.

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

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

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

The following abbreviations are used throughout this report:

adidas	adidas AG
BME	Madrid Stock Exchange
Burberry	Burberry Group plc
Canada Life	The Canada Life Assurance Company
China AMC	China Asset Management Co., Ltd.
EBR	Euronext Brussels
EPA	Euronext Paris
GBL	Groupe Bruxelles Lambert
GEA	GEA Group
Great-West Financial or Great-West Life & Annuity	Great-West Life & Annuity Insurance Company
Great-West Life	The Great-West Life Assurance Company
IFRS	International Financial Reporting Standards
IGM or IGM Financial	IGM Financial Inc.
IG Wealth Management	Investors Group Inc.
Investment Planning Counsel	Investment Planning Counsel Inc.
Irish Life	Irish Life Group Limited
LafargeHolcim	LafargeHolcim Ltd
Lifeco	Great-West Lifeco Inc.
London Life	London Life Insurance Company
Mackenzie or Mackenzie Investments	Mackenzie Financial Corporation
Ontex	Ontex N.V.
PanAgora	PanAgora Asset Management, Inc.
Pargesa	Pargesa Holding SA
Parjointco	Parjointco N.V.
Parques	Parques Reunidos Servicios Centrales, S.A.
Personal Capital	Personal Capital Corporation
Portag3	Portag3 Ventures Limited Partnership
Power Corporation	Power Corporation of Canada
Putnam	Putnam Investments, LLC
Retirement Advantage	MGM Advantage Holdings Ltd.
SGS	SGS SA
SIX	Swiss Stock Exchange
Sagard Holdings	Sagard Holdings ULC
Total	Total SA
Umicore	Umicore, NV/SA
Wealthsimple	Wealthsimple Financial Corp.
XETR	XETRA Stock Exchange

Organization of the Interim MD&A

Overview

POWER FINANCIAL CORPORATION

Power Financial, a subsidiary of Power Corporation, is a diversified international management and holding company with interests substantially in the financial services sector in Canada, the U.S. and Europe. Founded in 1984 with the ambition of creating an integrated financial services group, Power Financial has remained committed to the growth and evolution of its primary holdings through its controlling interests in Lifeco and IGM, and in recent years implemented an active fintech strategy. Power Financial also has an investment in Pargesa, a holding company having influence through its holdings in global industrial and services companies based in Europe. Power Financial's historic and ongoing objective is to create superior shareholder value over the long term.

Since its inception, the leadership of Power Financial has remained consistent in its approach to base decisions on what is in the best long-term interest of its operating companies and shareholders. Throughout its history, Power Financial has managed to the same basic principles:

- take a long-term perspective and investment horizon;
- build industry leaders with attractive growth profiles;
- provide active and strong governance oversight of its companies; and
- use prudence, be risk aware and maintain a strong financial position.

Value creation

Power Financial is committed to developing market-leading businesses that in turn create long-term shareholder value. Its investment approach is guided by three overriding principles, from identifying the right investment to the oversight and evaluation of each investee company:

Investment Principles	▪ Invest in companies that have a long-term perspective and investment horizon ▪ Support operating companies' management to build industry leaders ▪ Focus on high growth and high return on equity products and market segments ▪ Perform a disciplined, fact-based analysis
Operating Principles	▪ Majority or significant level of ownership ▪ Focus on strategy, people and capital allocation ▪ Prudent, risk-aware and focus on creating and maintaining a strong balance sheet

Governance Principles	▪ Active governance model through boards of subsidiaries
	▪ Board composition is a combination of Power Financial executives and external directors
	  ◆ Power Financial executives provide substantial industry and company knowledge
	  ◆ External directors provide expertise and diverse perspectives

Holdings

Lifeco and IGM are leaders across the insurance, asset management, and wealth and retirement business lines in their principal markets: Canada, the U.S. and Europe. Power Financial has supported them through various acquisitions and the group strategically benefits through:

- group-wide distribution of products and services;
- collaborative product development;
- shared technologies and back-office capabilities;
- scale enhancement through key relationships and aggregated purchasing power; and
- collaborative approach to important industry developments.

Power Financial, in partnership with Lifeco and IGM, has been actively participating in the emerging fintech industry. The group believes that fintech will change business models in financial services, making financial advice, insurance and investment services more accessible to consumers and available to them by the means and at the time as best suits them. The fintech strategy aims at providing an attractive return on the capital invested while helping the existing financial services businesses transform their models.

The investments to date have contributed to building leading platforms that will be part of the next generation of financial services. The fintech strategy enables the group to learn from, adopt and integrate new technologies and understand how these disruptive business models will affect the current business and how to react to changes in the environment to be more effective. The fintech strategy has three objectives:

- Through Portag3, create an ecosystem of early-stage investments in promising fintech companies that have potential for global impact;
- Make significant investments in leading digital financial services providers including Wealthsimple, one of Canada's largest digital financial advisors; and
- Develop a fintech venture builder to support the creation of the next generation of Canadian-based global fintech companies.

Power Financial also holds jointly with the Frère Group of Belgium a controlling interest in Pargesa, a holding company which, through its subsidiary GBL, maintains a diversified high-quality portfolio composed of global companies that are leaders in their respective sector, through which it can contribute to value creation as an active professional investor. The Pargesa group has positioned its portfolio with a view to strengthening its growth profile and consequently optimizing its potential for long-term value creation. Pargesa shares the values and prudent investing approach of Power Financial. This investment provides Power Financial with a vehicle to create value in the European market and diversifies its financial services portfolio.

The Corporation and its group of companies have laid the foundation for future value creation, including:

- Continued focus on long-term shareholder value creation;
- Growing earnings organically by capitalizing on the scale of our leading franchises in a rapidly changing environment;
- Actively seeking opportunities to deploy capital in accretive acquisitions;
- Pursuing technology–enabled solutions in financial services to enhance incumbent businesses;
- Rotation of GBL's portfolio to accelerate value creation.

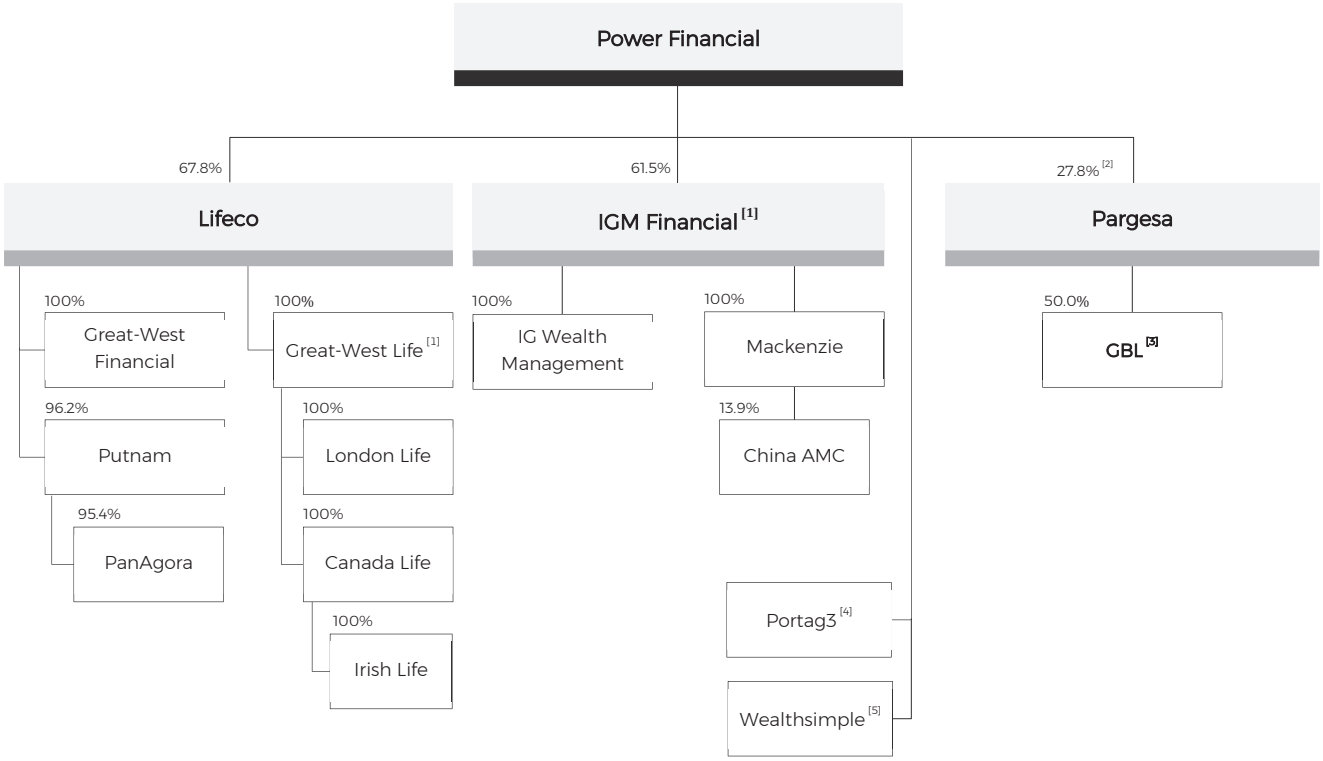
Organization of the MD&A

The Corporation's MD&A consists of four parts:

- Part B – Power Financial, presented on a consolidated and non-consolidated basis;
- Part C – Lifeco's interim MD&A, as prepared and disclosed by Lifeco in accordance with applicable securities legislation, and which is also available either directly from SEDAR (www.sedar.com) or from Lifeco's website (www.greatwestlifeco.com);
- Part D – IGM's interim MD&A, as prepared and disclosed by IGM in accordance with applicable securities legislation, and which is also available either directly from SEDAR (www.sedar.com) or from IGM's website (www.igmfinancial.com);
- Part E – Pargesa's financial results, derived from publicly disclosed information, as issued by Pargesa in its first quarter press release. Further information on Pargesa's results is available on its website (www.pargesa.ch).

Lifeco (TSX: GWO) and IGM (TSX: IGM) are public companies listed on the Toronto Stock Exchange. Pargesa is a public company listed on the Swiss Stock Exchange (SIX: PARG). Market capitalizations reported in the following sections are at March 31, 2019.

The following chart reflects the economic interest held by the Corporation in its operating subsidiaries and certain other investments at March 31, 2019.



In bold: Publicly listed holdings

[1] Great-West Life holds a 3.8% interest in IGM, and IGM holds a 4.0% interest in Lifeco.

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

[3] Refer to the "Pargesa and GBL" section for a list of investments in public companies.

[4] Power Financial directly holds a 63% interest, and Lifeco and IGM also hold equal interests of 18.5%, in Portag3.

[5] Power Financial directly holds a 17.4% interest, and Portag3 and IGM also hold interests of 23.7% and 47.5%, respectively, in Wealthsimple.

SUBSEQUENT EVENTS

Substantial Issuer Bids

On April 17, 2019, Lifeco announced that it had completed a substantial issuer bid (Lifeco Offer), and purchased for cancellation 59,700,974 of its common shares 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 Offer by tendering a significant portion of its Lifeco common shares on a proportionate basis and all remaining tendered Lifeco common shares on a non-proportionate basis. As a result of the Lifeco Offer, as of April 17, 2019, the Corporation held an approximate 66.8% equity interest in Lifeco (excluding IGM's 4.0% interest) after giving effect to the cancellation of Lifeco common shares pursuant to the Lifeco Offer.

Power Financial used the proceeds from its participation in the Lifeco Offer to fund its own substantial issuer bid. On April 17, 2019, Power Financial completed its substantial issuer bid (PFC Offer), 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. After giving effect to the purchase, the number of issued and outstanding Power Financial common shares, as of April 17, 2019, was 664,096,506 on a non-diluted basis. The substantial issuer bid allowed the Corporation to return capital to shareholders, while maintaining a strong capital position to fund future growth opportunities. Power Corporation supported the Corporation through its participation in the PFC Offer and, as a result, its ownership decreased from 65.5% to approximately 64.1%, as of April 17, 2019, following completion of the PFC Offer.

LIFECO

Great-West Lifeco Inc., TSX: GWO; market capitalization of $32.0 billion at March 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 has operations in Canada, the United States and Europe through Great-West Life, London Life, Canada Life, Great-West Financial, Putnam 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, are moving to one brand in Canada: Canada Life. Canada Life will become the brand under which the organization will create, deliver and communicate products and services in Canada across all of its lines of business.

The United States segment operates two business units, Financial Services and Asset Management. Its Financial Services unit, and specifically the Empower Retirement brand, serves all segments of the employer-sponsored retirement plan market and offers employer-sponsored defined contribution plans, individual retirement accounts, enrolment services, communication materials, investment options and education services as well as fund management, 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 January 24, 2019, Lifeco announced that its subsidiary, Great-West Financial, reached an agreement to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business to Protective Life Insurance Company (Protective Life). Lifeco estimates that this will result in an after-tax transaction value of approximately $1.6 billion (US$1.2 billion), excluding one-time expenses. Lifeco will retain a small block of participating life insurance policies which will be administered by Protective Life following the close of the transaction. The transaction is expected to close in the second quarter of 2019, subject to regulatory and customary closing conditions, and will allow Great-West Financial to focus on the defined contribution retirement market and its Empower Retirement brand.

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 March 31, 2019, Power Financial and IGM held interests of 67.8% 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%. As of April 17, 2019, following the Corporation's participation in the Lifeco Offer, Power Financial's interest in Lifeco decreased to 66.8%, and IGM maintained its 4.0% interest (refer to the section "Subsequent Events"), still representing in aggregate, approximately 65% of the voting rights attached to all outstanding Lifeco voting shares.

See Part C of this MD&A for additional information on Lifeco.

IGM FINANCIAL

IGM Financial Inc., TSX: IGM; market capitalization of $8.3 billion at March 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.

IGM holds a 13.9% interest in China AMC, one of the first fund management companies in China, which 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¥880 billion (C$175 billion) at December 31, 2018. Power Financial's parent company, Power Corporation, directly holds a 13.9% equity interest in China AMC. Power Corporation and IGM hold a combined 27.8% interest in China AMC. Power Corporation and IGM have significant influence and account for their interests as an associate using the equity method.

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

At March 31, 2019, Power Financial and Great-West Life, a subsidiary of Lifeco, held interests of 61.5% and 3.8%, respectively, in IGM's common shares.

See Part D of this MD&A for additional information on IGM.

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 March 31, 2019, Parjointco held a 55.5% interest in Pargesa, representing 75.4% of the voting rights.

Pargesa, SIX: PARG; market capitalization of SF6.6 billion, is a holding company, which, at March 31, 2019, held a 50% interest in GBL, representing 51.0% of the voting rights. GBL, a Belgian holding company, is listed on the Brussels Stock Exchange.

GBL, EBR: GBLB; market capitalization of €14.0 billion, 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, 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 March 31, 2019, GBL's portfolio was mainly comprised of investments in the following publicly traded companies:

- 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
- Parques (BME: PQR) – operation of regional leisure parks

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

At March 31, 2019, Pargesa's net asset value was SF10,179 million, compared with SF8,973 million at December 31, 2018. GBL's net asset value at March 31, 2019 was €18,483 million, compared with €16,193 million at December 31, 2018.

See Part E of this MD&A for additional information on Pargesa.

PORTAG3 AND WEALTHSIMPLE

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. Portag3 Ventures has invested in more than 30 fintech companies and investment funds. At the end of 2018, the management and operations of Portag3 Ventures were transferred under Sagard Holdings, a subsidiary of Power Corporation.

Portag3 Ventures' first fintech fund (Portag3) held investments of $52 million at March 31, 2019 ($54 million at December 31, 2018), excluding the investment in Wealthsimple discussed below.

At March 31, 2019, Portag3, Power Financial and IGM held equity interests in Wealthsimple of 23.7%, 17.4% and 47.5%, respectively, representing a combined voting interest of 88.9%. Wealthsimple is one of Canada's largest and fastest-growing technology-driven investment managers. Since its launch in 2014, Wealthsimple has grown to serve over 100,000 clients with over $4.3 billion in assets under administration at March 31, 2019 ($3.4 billion at December 31, 2018). Wealthsimple has expanded its distribution reach through its platforms offering Wealthsimple Invest, Wealthsimple Save, Wealthsimple Trade, Wealthsimple for Advisors (W4A) and Wealthsimple for Work (W4W) and serves clients across the Canadian, United States and United Kingdom markets.

During the first quarter, Power Financial and IGM invested a further $12 million and $18 million, respectively, in Wealthsimple. At March 31, 2019, the group had invested $238 million in Wealthsimple.

Portag3 Ventures II LP, Portag3 Ventures' second fintech fund, is focused on early stage investments in the global financial technology sector. At March 31, 2019, total capital commitments were $282 million, of which Power Financial, Lifeco and IGM have each committed $33 million. The fair value of the investments held by the fund at March 31, 2019 was $84 million ($67 million at December 31, 2018).

Basis of Presentation

IFRS FINANCIAL MEASURES AND PRESENTATION

The Interim Consolidated Financial Statements of the Corporation have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (IAS 34) 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 Financial (parent) and Lifeco, IGM, Portag3 and Wealthsimple (Power Financial's controlled operating subsidiaries) after the elimination of intercompany balances and transactions.

Power Financial's investment in Pargesa is held through Parjointco. Parjointco is a holding company jointly controlled by Power Financial and the Frère Group. Power Financial's investment in Parjointco is accounted for using the equity method, in which the investment is initially recognized at cost and adjusted thereafter for:

- Power Financial's share of:
  - Net earnings or loss in Pargesa;
  - Other comprehensive income or loss in Pargesa; and
  - Pargesa's other changes in equity.
- Dividends received from Parjointco.

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
Non-controlled portfolio investments	Available for sale (AFS)	Earnings consist of dividends received and gains or losses on disposals The investments are marked to market through other comprehensive income Earnings are reduced by impairment charges, if any	Impairment testing is done at the individual investment level A significant or prolonged decline in the value of the investment results in an impairment charge A share price decrease subsequent to an impairment charge leads to a further impairment	A subsequent recovery of value does not result in a reversal

At March 31, 2019, the Corporation's holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
Lifeco [1, 2]	67.8	Controlling interest	Consolidation
IGM [3]	61.5	Controlling interest	Consolidation
Pargesa [4]	27.8	Joint control	Equity method
Portag3 [5]	63.0	Controlling interest	Consolidation
Wealthsimple [6]	17.4	Controlling interest	Consolidation

[1] Refer to the section "Subsequent Events".

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

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

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

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

[6] Portag3 and IGM also hold interests of 23.7% and 47.5%, respectively, in Wealthsimple.

At March 31, 2019, Pargesa's publicly listed holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
GBL	50.0	Controlling interest	Consolidation
Imerys	53.9	Controlling interest	Consolidation
adidas	7.5	Portfolio investment	Available for sale
Pernod Ricard	7.5	Portfolio investment	Available for sale
SGS	16.6	Portfolio investment	Available for sale
LafargeHolcim	9.4	Portfolio investment	Available for sale
Umicore	17.9	Portfolio investment	Available for sale
Total	0.6	Portfolio investment	Available for sale
GEA	8.5	Portfolio investment	Available for sale
Ontex	20.0	Portfolio investment	Available for sale
Parques	21.2	Significant influence	Equity method
Other investments	< 5.0	Portfolio investments	Available for sale

This summary of accounting presentation should be read in conjunction with the following notes to the Corporation's 2018 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 MD&A 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 Financial, 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 in the MD&A are defined as follows:

Non-IFRS financial measure	Definition	Purpose
Non-consolidated basis of presentation	Power Financial's interests in Lifeco, IGM, Portag3 and Wealthsimple 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 common 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 Financial's non-consolidated assets less its net debt and preferred shares. The investments held in public entities (Lifeco, IGM and Pargesa) are measured at their market value and investments in private entities 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 common shares outstanding.	Assists 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 MD&A.

RECONCILIATION OF IFRS AND NON-IFRS FINANCIAL MEASURES

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

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Net earnings – IFRS financial measure [1]	536	478	586
Share of Other items [2], net of tax			
Pargesa	–	(18)	–
Adjusted net earnings – Non-IFRS financial measure [1]	536	460	586

[1] Attributable to common shareholders of Power Financial.

[2] Refer to the section "Other items" for more details on Other items from Pargesa.

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Net earnings per share – IFRS financial measure [1]	0.75	0.67	0.82
Share of Other items [2], net of tax			
Pargesa	–	(0.02)	–
Adjusted net earnings per share – Non-IFRS financial measure [1]	0.75	0.65	0.82

[1] Attributable to common shareholders of Power Financial.

[2] Refer to the section "Other items" for more details on Other items from Pargesa.

Results of Power Financial

This section presents:

- the "Consolidated Statements of Earnings in accordance with IFRS"; and
- the "Non-Consolidated Statements of Earnings", which present the contributions of operating subsidiaries and Pargesa to the net earnings and adjusted net earnings of Power Financial.

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 November 2018, the IASB proposed an amendment to IFRS 17 providing a deferral of one year of the effective date of the standard to January 1, 2022. In addition, the IASB extended to January 1, 2022 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 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 Financial's consolidated statements of earnings for the three months ended March 31, 2019 are presented below. The Corporation's operating segments are Lifeco, IGM and Pargesa. This table reflects the contributions from Lifeco, IGM and Pargesa to the net earnings attributable to Power Financial's common shareholders.

Consolidated net earnings – Three months ended

	Lifeco	IGM [1]	Pargesa [2]	Corporate [3]	Power Financial Consolidated net earnings		
					March 31, 2019	December 31, 2018	March 31, 2018
Revenues							
Premium income, net	9,595	–	–	(5)	9,590	9,040	8,169
Net investment income	5,815	49	–	–	5,864	1,254	105
Fee income	1,479	736	–	(21)	2,194	2,144	2,166
Total revenues	16,889	785	–	(26)	17,648	12,438	10,440
Expenses							
Total paid or credited to policyholders	13,912	–	–	–	13,912	8,686	6,780
Commissions	610	275	–	(16)	869	932	864
Operating and administrative expenses	1,484	274	–	31	1,789	1,818	1,692
Financing charges	72	25	–	10	107	99	106
Total expenses	16,078	574	–	25	16,677	11,535	9,442
Earnings before investments in jointly controlled corporations and associates, and income taxes	811	211	–	(51)	971	903	998
Share of earnings of investments in jointly controlled corporations and associates	–	4	46	–	50	(28)	52
Earnings before income taxes	811	215	46	(51)	1,021	875	1,050
Income taxes	130	45	–	5	180	95	132
Net earnings	681	170	46	(56)	841	780	918
Attributable to							
Non-controlling interests	237	60	–	(27)	270	268	298
Perpetual preferred shareholders	–	–	–	35	35	34	34
Common shareholders of Power Financial	444	110	46	(64)	536	478	586
	681	170	46	(56)	841	780	918

[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 and included in "Corporate".

[2] Results reported by Pargesa are in accordance with IFRS 9. The Corporation's share of earnings of Pargesa includes adjustments in accordance with IAS 39, including the Corporation's share of a gain realized on the sale of an investment classified as FVOCI by Pargesa.

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

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 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 Lifeco and IGM to the net earnings and adjusted net earnings attributable to Power Financial's common shareholders are accounted for using the equity method.

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Adjusted net earnings [1]			
Lifeco [2]	444	480	495
IGM [2]	110	105	107
Pargesa [2]	46	(53)	44
	600	532	646
Corporate operations	(29)	(38)	(26)
Dividends on perpetual preferred shares	(35)	(34)	(34)
Adjusted net earnings [3]	536	460	586
Other items [4]			
Pargesa	–	18	–
Net earnings [3]	536	478	586
Earnings per share – basic [3]			
Adjusted net earnings	0.75	0.65	0.82
Other items	–	0.02	–
Net earnings	0.75	0.67	0.82

[1] For a reconciliation of Pargesa's non-IFRS adjusted net earnings to its 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 and Portag3, based on their respective interest. Contributions from IGM and Pargesa reflect adjustments in accordance with IAS 39.

[3] Attributable to common shareholders.

[4] See "Other items" section below.

Q1 2019 vs. Q1 2018 and Q4 2018

Net earnings

$536 million or $0.75 per share, compared with $586 million or $0.82 per share in the corresponding period in 2018, a decrease of 8.5% on a per share basis, and $478 million or $0.67 per share in the fourth quarter of 2018.

Adjusted net earnings

$536 million or $0.75 per share, compared with $586 million or $0.82 per share in the corresponding period in 2018, and $460 million or $0.65 per share in the fourth quarter of 2018.

Contribution to net earnings and adjusted net earnings from Lifeco, IGM and Pargesa

Contribution to net earnings of $600 million, compared with $646 million in the corresponding period in 2018, a decrease of 7.1%, and $550 million in the fourth quarter of 2018.

Contribution to adjusted net earnings of $600 million, compared with $646 million in the corresponding period in 2018, and $532 million in the fourth quarter of 2018.

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

CONTRIBUTION TO NET EARNINGS AND ADJUSTED NET EARNINGS

LIFECO

Contribution to Power Financial

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Contribution to Power Financial's [1]:			
Net earnings and adjusted net earnings			
As reported by Lifeco	445	481	495
Consolidation entries	(1)	(1)	–
Net earnings and adjusted net earnings	444	480	495

[1] The average direct ownership of Power Financial in Lifeco was 67.8% for the quarter ended March 31, 2019.

Net earnings by segment as reported by Lifeco

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Canada			
Individual Customer	124	171	138
Group Customer	151	144	142
Canada Corporate	8	(5)	36
	283	310	316
United States			
Financial Services	86	84	91
Asset Management	(4)	(29)	(16)
U.S. Corporate	(1)	–	–
	81	55	75
Europe			
Insurance and Annuities	203	271	244
Reinsurance	97	89	104
Europe Corporate	(1)	(11)	(4)
	299	349	344
Lifeco Corporate	(6)	(4)	(4)
Net earnings [1]	657	710	731

[1] Attributable to Lifeco common shareholders.

Q1 2019 vs. Q1 2018 and Q4 2018

Net earnings
$657 million or $0.665 per share, compared with $731 million or $0.740 per share in the corresponding period in 2018, a decrease of 10.1% on a per share basis, and $710 million or $0.719 per share in the fourth quarter of 2018.

CANADA

Net earnings for the three-month period ended March 31, 2019 decreased by $33 million to $283 million, compared with the corresponding quarter in 2018.

Individual Customer
Net earnings for the three-month period ended March 31, 2019 decreased by $14 million to $124 million, compared with the same quarter last year. The decrease was primarily due to:

- Lower net fee income and lower contributions from investment experience;
- Partially offset by higher contributions from insurance contract liability basis changes.

Group Customer

Net earnings for the three-month period ended March 31, 2019 increased by $9 million to $151 million, compared with the same quarter last year. The increase was primarily due to:

- Higher contributions from insurance contract liability basis changes and more favourable morbidity experience;
- Partially offset by less favourable mortality experience.

UNITED STATES

Net earnings for the three-month period ended March 31, 2019, increased by $6 million to $81 million, compared with the corresponding quarter in 2018.

Financial Services

For the three-month period ended March 31, 2019, net earnings were US$65 million (C$86 million), compared with US$72 million (C$91 million) in the same quarter last year. The decrease of US$7 million is primarily due to:

- Lower contributions from investment experience;
- Partially offset by more favourable mortality experience.

Asset Management

For the three-month period ended March 31, 2019, the net loss decreased by US$10 million to US$3 million (C$4 million), compared with the same quarter last year. The decrease of the net loss is primarily due to:

- Higher net investment income and lower operating expenses, which included the impact of expense reduction initiatives;
- Partially offset by lower fee income driven by lower average assets under management.

The net loss in the first quarter of 2019 also includes financing and other expenses after tax of US$9 million (C$12 million), a decrease of US$2 million from the corresponding quarter in 2018, due to lower net financing costs.

EUROPE

Net earnings for the three-month period ended March 31, 2019 decreased by $45 million to $299 million, compared with the corresponding quarter in 2018.

Insurance and Annuities

Net earnings for the three-month period ended March 31, 2019 decreased by $41 million to $203 million, compared with the same quarter last year. The decrease was primarily due to:

- Higher claims from morbidity experience in Ireland and unfavourable impact of changes to certain tax estimates;
- Partially offset by more favourable impact of new business.

Reinsurance

Net earnings for the three-month period ended March 31, 2019 decreased by $7 million to $97 million, compared with the same quarter 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 lower impact of new business.

OTHER ITEMS

There were no Other items in the first quarter of 2019 and in the first and fourth quarters of 2018.

The information above has been derived from Lifeco's interim MD&A; see Part C of this MD&A for additional information on Lifeco's results.

IGM FINANCIAL

Contribution to Power Financial

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Contribution to Power Financial's [1]:			
Net earnings and adjusted net earnings			
As reported by IGM	103	111	114
Consolidation entries [2]	7	(6)	(7)
Net earnings and adjusted net earnings	110	105	107

[1] The average direct ownership of Power Financial in IGM was 61.4% for the quarter ended March 31, 2019.

[2] Contribution to Power Financial includes adjustments in accordance with IAS 39 and the allocation of the results of Wealthsimple and Portag3.

Net earnings by segment as reported by IGM (in accordance with IFRS 9)

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
IG Wealth Management	163	172	183
Mackenzie	36	35	42
Corporate and other	41	43	46
Net earnings (before interest, income taxes, preferred share dividends and other) [1]	240	250	271
Interest expense, income taxes, preferred share dividends and other [2]	(72)	(70)	(85)
Net earnings [3]	168	180	186

[1] Non-IFRS financial measure described in Part D of this MD&A.

[2] Interest expense includes interest on long-term debt and in 2019 also includes interest on leases of $1.1 million as a result of IGM's adoption of IFRS 16, *Leases*.

[3] Available to IGM common shareholders.

Q1 2019 vs. Q1 2018 and Q4 2018

Net earnings
$168 million or $0.70 per share, compared with $186 million or $0.77 per share in the corresponding period in 2018, a decrease of 9.1% on a per share basis, and $180 million or $0.75 per share in the fourth quarter of 2018.

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

In January 2019, IGM invested a further $66.8 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 from available for sale to an associate, under IAS 39, resulted in a gain; the contribution of IGM to Power Financial has been adjusted accordingly.

The following is a summary of each segments' net earnings:

IG WEALTH MANAGEMENT

Net earnings decreased by $20 million in the three-month period ended March 31, 2019, compared with the corresponding quarter in 2018, primarily due to:

- A decrease in income from management fees of $3 million to $358 million. The decrease was primarily due to a decrease in average assets under management of 1.0%. The average management fee rate increased by 0.5 basis points to 167.1 basis points of average assets under management;
- A decrease in administration fees of $4 million to $74 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;
- A decrease in distribution fee income of $2 million to $41 million. The decrease was primarily due to a decrease in distribution fee income from insurance products and lower redemption fees; and
- Expenses increased by $10 million to $320 million in the three-month period, mainly due to an increase in non-commission expenses, primarily due to increased technology expenses related 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. The increase of non-commission expenses was partially offset by a decrease in commission expenses due to lower mutual fund sales and lower compensation related to the distribution of insurance products.

MACKENZIE

Net earnings decreased by $6 million in the three-month period ended March 31, 2019, compared with the corresponding quarter in 2018, due to:

- A decrease in management fee revenue of $8 million to $168 million, resulting from a decline in average management fee rate, partially offset by an increase in average assets under management of 0.6%. The average management fee rate declined by 5.4 basis points to 104 basis points, mainly due to a change in the composition of assets under management; and
- A decrease in administration fee revenue of $2 million to $23 million, which primarily relates to revenue from providing services to its investment funds;
- Partially offset by an increase in net investment income of $4 million which primarily relates to investment returns on proprietary funds.

ASSETS AND INVESTMENT FUND ASSETS UNDER MANAGEMENT

Total assets under management were as follows:

(In billions of dollars)	March 31, 2019	December 31, 2018	March 31, 2018	December 31, 2017
IG Wealth Management	89.4	83.1	87.1	88.0
Mackenzie	67.8	62.7	65.2	64.5
Corporate and other [1]	3.3	3.3	3.5	4.0
Total	160.5	149.1	155.8	156.5

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

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

(In billions of dollars)	2019 Q1	Q4	Q3	Q2	2018 Q1
IG Wealth Management	87.0	85.1	89.4	88.0	87.8
Mackenzie	58.2	57.1	59.5	57.9	57.1
Corporate and other [1]	4.7	4.8	5.1	5.0	5.2
Total	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

There were no Other items in the first quarter of 2019 and in the first and fourth quarters of 2018.

The information above has been derived from IGM's interim MD&A; see Part D of this MD&A for more information on IGM's results.

PARGESA

Contribution to Power Financial

Three months ended (In millions of Canadian dollars)	March 31, 2019	December 31, 2018	March 31, 2018
Contribution to Power Financial's [1]:			
Adjusted net earnings			
As reported by Pargesa	34	21	22
Consolidation entries [2]	12	(74)	22
	46	(53)	44
Other items	–	18	–
Net earnings	46	(35)	44

[1] The average ownership of Power Financial in Pargesa was 27.8% for the quarter ended March 31, 2019.

[2] The Corporation has not adopted IFRS 9. The contribution to Power Financial 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)

Three months ended (In millions of Swiss francs)	March 31, 2019	December 31, 2018	March 31, 2018
Contribution from the portfolio to adjusted net earnings			
Share of earnings of:			
Imerys	24	29	31
Parques	–	6	–
Dividends:			
SGS	50	–	50
Pernod Ricard	–	16	–
Total	–	5	–
Other [1]	1	–	–
Contribution from private equity activities and other investment funds	11	11	(4)
	86	67	77
Net financial income (charges)	17	(5)	(6)
General expenses and taxes	(9)	(5)	(9)
Adjusted net earnings [2, 3]	94	57	62
Other items	(3)	53	(1)
Net earnings [3]	91	110	61

[1] Consists of dividends from other investments.

[2] Described as "Economic operating income" in Part E of this MD&A.

[3] Attributable to Pargesa shareholders.

Q1 2019 vs. Q1 2018 and Q4 2018

Net earnings

SF91 million, compared with SF61 million in the corresponding period in 2018, and SF110 million in the fourth quarter of 2018.

Adjusted net earnings

SF94 million, compared with SF62 million in the corresponding period in 2018, and SF57 million in the fourth quarter of 2018.

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 Financial 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 Financial's earnings in accordance with IAS 39:

Three months ended (In millions of dollars)	March 31, 2019	December 31, 2018	March 31, 2018
Partial disposal of interest in adidas [1]	18	–	–
Impairment charges [2]	–	(77)	–
Disposal of private equity funds [3]	–	4	21
Reversal of unrealized (gains) losses on private equity funds [4]	(6)	(1)	1
Total	12	(74)	22

[1] During the first quarter of 2019, a portion of the investment in adidas was disposed of, resulting in a gain of SF49 million. This gain was not reflected in Pargesa's earnings as it is classified as FVOCI. Power Financial's share of the realized gain is $18 million.

[2] 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 during the fourth quarter of 2018 of $77 million on the following investments:

- GEA – 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 Financial's share was $43 million;
- Ontex – The share price of Ontex decreased to €17.90 per share from a previously impaired cost of €18.35 per share, which resulted in a further impairment charge. Power Financial's share was $1 million;
- LafargeHolcim – The investment in LafargeHolcim had been previously impaired, resulting in an adjusted cost of €37.10 per share. During the fourth quarter, the share price decreased to €35.83 per share, resulting in an impairment charge of SF59 million, including a foreign exchange loss. Power Financial's share was $22 million;
- Other investments – Power Financial's share of impairment charges on other investments was $11 million.

[3] 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 gains of SF57 million and SF11 million, respectively. Realized gains of SF58 million have not been reflected in Pargesa's earnings as the investments were reclassified from available for sale to FVPL on January 1, 2018. As described above, on transition, the related unrealized gains recorded in other comprehensive income were transferred permanently to retained earnings.

[4] During the first quarter of 2019, Pargesa recognized SF14 million of net unrealized gains (SF5 million of net unrealized gains in the three-month period ended December 31, 2018 and SF3 million of net unrealized losses in the three-month period ended March 31, 2018) in earnings related to changes in fair value of its private equity funds. These gains are not recognized by Power Financial 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 adjusted net earnings is composed of dividends from its non-consolidated investments, which are usually declared as follows:

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

RESULTS

Net earnings in the three-month period ended March 31, 2019 increased by SF30 million to SF91 million, compared with the corresponding period in 2018, mainly due to:

- An increase in the contribution from private equity activities and other investment funds of SF15 million. The increase is mainly related to unrealized gains of SF14 million;
- An increase in net financial income of SF23 million to SF17 million, from a net charge of SF6 million in the corresponding quarter in 2018. The increase is mainly due to an increase in income from trading and derivative activities of GBL;
- Dividends from its principal holdings of SF51 million, compared with SF50 million in the corresponding period in 2018;
- Partially offset by the decrease in contribution from Imerys of SF7 million from SF31 million to SF24 million at March 31, 2019. The decrease is primarily due to the disposal of the roofing division in the fourth quarter of 2018, as well as impacts due to exchange rates.

OTHER ITEMS

There were no significant Other items in both the first quarter of 2019 and 2018.

In the fourth quarter of 2018, adjusted net earnings excluded a positive earnings impact of SF53 million mainly consisting of:

- Imerys disposed 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 was SF186 million, and also includes other acquisition costs and provisions for rehabilitation and restructuring costs.

AVERAGE EXCHANGE RATES

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

	March 31, 2019	March 31, 2018	Change %
Euro/SF	1.132	1.165	(2.8)
SF/CAD	1.334	1.334	–

The information above has been derived from Pargesa's first quarter of 2019 press release; see Part E of this MD&A for additional information on Pargesa's results.

CORPORATE OPERATIONS

Corporate operations include income (loss) from investments, operating expenses, financing charges, depreciation and income taxes.

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Income (loss) from investments	(4)	(8)	(1)
Operating and other expenses			
Operating expenses	(19)	(24)	(20)
Financing charges	(5)	(5)	(4)
Depreciation	(1)	(1)	(1)
	(25)	(30)	(25)
Corporate operations	(29)	(38)	(26)

OTHER ITEMS (NOT INCLUDED IN ADJUSTED NET EARNINGS)

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

Three months ended	March 31, 2019	December 31, 2018	March 31, 2018
Pargesa			
Imerys – Disposal of roofing activity	–	86	–
Imerys – Impairments, restructuring charges and other	–	(68)	–
	–	18	–

Lifeco and IGM did not have Other items in the first quarter of 2019 and in the first and fourth quarters of 2018. For additional information, refer to the Pargesa "Other items" section above.

Financial Position

CONSOLIDATED BALANCE SHEETS (CONDENSED)

The condensed balance sheets of Lifeco and IGM, and Power Financial's non-consolidated balance sheet 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 March 31, 2019.

	Power Financial	Lifeco	IGM	Consolidation adjustments and other [1]	Power Financial Consolidated balance sheets	
					March 31, 2019	December 31, 2018
Assets						
Cash and cash equivalents	1,021	4,481	837	(245)	6,094	5,624
Investments	168	175,794	8,016	(145)	183,833	181,179
Investment – Lifeco	15,074	–	1,000	(16,074)	–	–
Investment – IGM	2,622	346	–	(2,968)	–	–
Investment – Parjointco	3,618	–	–	–	3,618	3,291
Investments – other jointly controlled corporations and associates	–	6	907	29	942	718
Assets held for sale	–	908	–	–	908	897
Funds held by ceding insurers	–	9,299	–	–	9,299	9,251
Reinsurance assets	–	6,124	–	–	6,124	6,126
Other assets	132	11,848	1,357	19	13,356	11,948
Intangible assets	–	3,931	1,193	60	5,184	5,229
Goodwill	–	6,530	2,660	738	9,928	9,946
Investments on account of segregated fund policyholders	–	219,793	–	–	219,793	209,527
Investments on account of segregated fund policyholders held for sale	–	3,432	–	–	3,432	3,319
Total assets	22,635	442,492	15,970	(18,586)	462,511	447,055
Liabilities						
Insurance and investment contract liabilities	–	172,519	–	–	172,519	168,431
Liabilities held for sale	–	908	–	–	908	897
Obligations to securitization entities	–	–	7,463	–	7,463	7,370
Debentures and other debt instruments	250	6,381	2,100	(69)	8,662	8,492
Other liabilities	604	12,059	1,869	68	14,600	14,070
Insurance and investment contracts on account of segregated fund policyholders	–	219,793	–	–	219,793	209,527
Insurance and investment contracts on account of segregated fund policyholders held for sale	–	3,432	–	–	3,432	3,319
Total liabilities	854	415,092	11,432	(1)	427,377	412,106
Equity						
Perpetual preferred shares	2,830	2,714	150	(2,864)	2,830	2,830
Common shareholders' equity [2]	18,951	21,809	4,388	(26,197)	18,951	18,750
Non-controlling interests [3, 4]	–	2,877	–	10,476	13,353	13,369
Total equity	21,781	27,400	4,538	(18,585)	35,134	34,949
Total liabilities and equity	22,635	442,492	15,970	(18,586)	462,511	447,055

[1] Consolidation adjustments and other includes Portag3 and Wealthsimple, as well as consolidation entries.

[2] Opening retained earnings were decreased by $80 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.

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

[4] Non-controlling interests in consolidation adjustments represents non-controlling interests in the equity of Lifeco, IGM and Wealthsimple.

Total assets of the Corporation increased to $462.5 billion at March 31, 2019, compared with $447.1 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.

Assets held for sale of $908 million and investments on account of segregated fund policyholders held for sale of $3,432 million at March 31, 2019 ($897 million and $3,319 million, respectively, at December 31, 2018) relate to Lifeco's pending sale of a heritage block of policies to Scottish Friendly Assurance Society Limited (Scottish Friendly), which is expected to close in the second half of 2019. See Note 4 to the Corporation's Interim Consolidated Financial Statements.

Liabilities increased to $427.4 billion at March 31, 2019, compared with $412.1 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 $10.3 billion, primarily due to the impact of net market value gains and investment income of $13.7 billion, partially offset by the impact of currency movement of $3.2 billion and net withdrawals of $0.2 billion.
- Insurance and investment contract liabilities increased by $4.1 billion, primarily due to fair value adjustments and the impact of new business, partially offset by the weakening of the euro and U.S. dollar against the Canadian dollar.
- Liabilities held for sale of $908 million and insurance and investment contracts on account of segregated fund policyholders held for sale of $3,432 million at March 31, 2019 ($897 million and $3,319 million, respectively, at December 31, 2018) relate to the pending sale of a heritage block of policies to Scottish Friendly, which is expected to close in the second half of 2019. See Note 4 to the Corporation's Interim Consolidated Financial Statements.

Parts C and D of this MD&A include a discussion of the consolidated balance sheets of Lifeco and IGM, respectively.

NON-CONSOLIDATED BALANCE SHEETS

In the non-consolidated basis of presentation shown below, Lifeco and IGM are presented by the Corporation using the equity method. These non-consolidated balance sheets, which are not in accordance with IFRS, enhance the MD&A and assist the reader by identifying changes in Power Financial's non-consolidated balance sheets.

	March 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents [1]	1,021	1,025
Investments		
Lifeco	15,074	15,088
IGM	2,622	2,688
Parjointco	3,618	3,291
Other [2]	168	184
Other assets	132	115
Total assets	22,635	22,391
Liabilities		
Debentures	250	250
Other liabilities	604	561
Total liabilities	854	811
Equity		
Perpetual preferred shares	2,830	2,830
Common shareholders' equity	18,951	18,750
Total equity	21,781	21,580
Total liabilities and equity	22,635	22,391

[1] Cash equivalents include $294 million ($293 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.

[2] Includes Power Financial's investments in Portag3 and Wealthsimple presented using the equity method.

Cash and cash equivalents

Cash and cash equivalents held by Power Financial amounted to $1,021 million at March 31, 2019, compared with $1,025 million at the end of December 2018. The first quarter dividends declared by the Corporation and paid on May 1, 2019 are included in other liabilities and amounted to $360 million. Dividends declared in the first quarter by IGM and received by the Corporation on April 30, 2019 are included in other assets and amounted to $83 million (see "Non-consolidated Statements of Cash Flows" below for details).

Investments in Lifeco, IGM and Parjointco

The carrying value of Power Financial's investments in Lifeco, IGM and Parjointco, accounted for using the equity method, increased to $21,314 million at March 31, 2019, compared with $21,067 million at December 31, 2018:

	Lifeco	IGM	Parjointco	Total
Carrying value, at the beginning of the year	15,088	2,688	3,291	21,067
Change in accounting policy [1]	(74)	(6)	–	(80)
Restated carrying value, at the beginning of the year	15,014	2,682	3,291	20,987
Share of adjusted net earnings	444	110	46	600
Share of other comprehensive income (loss)	(117)	(30)	281	134
Dividends	(277)	(83)	–	(360)
Other [2]	10	(57)	–	(47)
Carrying value, at March 31, 2019	15,074	2,622	3,618	21,314

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

[2] Mainly related to the effect of the share repurchase program as part of a normal course issuer bid by IGM.

EQUITY

Preferred shares

Preferred shares of the Corporation consist of 11 series of Non-Cumulative Fixed Rate First Preferred Shares, two series of Non-Cumulative 5-Year Rate Reset First Preferred Shares, and two series of Floating Rate First Preferred Shares, one of which is Non-Cumulative, with an aggregate stated capital of $2,830 million at March 31, 2019 (same as at December 31, 2018). 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 2018 Consolidated Financial Statements.

Common shareholders' equity

Common shareholders' equity was $18,951 million at March 31, 2019, compared with $18,750 million at December 31, 2018:

Three months ended March 31	2019	2018
Common shareholders' equity, at the beginning of the year	18,750	17,323
Change in accounting policy [1]	(80)	–
Restated common shareholders' equity, at the beginning of the year	18,670	17,323
Changes in retained earnings		
Net earnings before dividends on perpetual preferred shares	571	620
Dividends declared	(360)	(343)
Effects of changes in capital and ownership of subsidiaries, and other	(63)	(41)
	148	236
Changes in reserves		
Other comprehensive income (loss)		
Foreign currency translation adjustments	(130)	483
Investment revaluation and cash flow hedges	52	(21)
Actuarial gains (losses) on defined benefit plans	(80)	24
Share of Pargesa and other associates	280	218
Share-based compensation, including the effect of subsidiaries	11	(14)
	133	690
Common shareholders' equity, at March 31	18,951	18,249

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

The book value per common share of the Corporation was $26.54 at March 31, 2019, compared with $26.26 at the end of 2018.

Outstanding number of common shares

At the date of this MD&A, there were 664,096,506 common shares of the Corporation outstanding, compared with 714,096,479 at December 31, 2018. In April 2019, the Corporation completed its substantial issuer bid and repurchased for cancellation 49,999,973 of its common shares for an aggregate amount of $1.65 billion (refer to the section "Subsequent Events"). At the date of this MD&A, options were outstanding to purchase up to an aggregate of 13,216,070 common shares of the Corporation under the Corporation's Employee Stock Option Plan.

Net Asset Value

Net asset value represents management's estimate of the fair value of the common shareholders' equity of the Corporation. Net asset value is the fair value of the assets of Power Financial's non-consolidated balance sheet less its net debt and preferred shares. In determining the fair value of assets, investments in subsidiaries 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 and associates at fair value is not in accordance with IFRS; net asset value is a non-IFRS financial measure.

The Corporation's net asset value was $27.0 billion at March 31, 2019, compared with $23.5 billion at December 31, 2018, representing an increase of $3.4 billion or 14.5%.

	March 31, 2019			December 31, 2018		
	Non-consolidated balance sheet	Fair value adjustment	Net asset value	Non-consolidated balance sheet	Fair value adjustment	Net asset value
Assets						
Cash and cash equivalents	1,021	–	1,021	1,025	–	1,025
Investments						
Lifeco	15,074	6,593	21,667	15,088	3,780	18,868
IGM	2,622	2,464	5,086	2,688	1,902	4,590
Parjointco	3,618	(1,156)	2,462	3,291	(983)	2,308
Other [1]	168	104	272	184	90	274
Other assets [2]	132	–	132	115	–	115
Total assets	22,635	8,005	30,640	22,391	4,789	27,180
Liabilities and preferred shares						
Debentures	250	–	250	250	–	250
Other liabilities [3]	604	–	604	561	–	561
Perpetual preferred shares	2,830	–	2,830	2,830	–	2,830
Total liabilities and preferred shares	3,684	–	3,684	3,641	–	3,641
Net Value						
Common shareholders' equity / Net Asset Value	18,951	8,005	26,956	18,750	4,789	23,539
Per share	26.54		37.75	26.26		32.96

[1] Fair value adjustment is related to Power Financial's investments in Portag3 and Wealthsimple.

[2] Includes $83 million of dividends declared in the first quarter by IGM and received by the Corporation on April 30, 2019.

[3] Includes $360 million of dividends declared in the first quarter by the Corporation and paid on May 1, 2019.

Investments measured at market value and cash represent 98.7% of the total asset value at March 31, 2019 (98.6% at December 31, 2018).

Cash Flows

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED)

The condensed cash flows of Lifeco and IGM, 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 three-month period ended March 31, 2019.

Three months ended March 31	Power Financial	Lifeco	IGM	Consolidation adjustments and other	Power Financial Consolidated 2019	Power Financial Consolidated 2018
Cash flows from:						
Operating activities	340	809	29	(382)	796	1,227
Financing activities	(344)	(405)	207	381	(161)	(480)
Investing activities	–	(43)	(49)	(25)	(117)	(1,029)
Effect of changes in exchange rates on cash and cash equivalents	–	(48)	–	–	(48)	124
Increase (decrease) in cash and cash equivalents	(4)	313	187	(26)	470	(158)
Cash and cash equivalents, at the beginning of the year	1,025	4,168	650	(219)	5,624	5,321
Cash and cash equivalents, at March 31	1,021	4,481	837	(245)	6,094	5,163

Consolidated cash and cash equivalents increased by $470 million in the three-month period ended March 31, 2019, compared with a decrease of $158 million in the corresponding period in 2018.

Operating activities produced a net inflow of $796 million in the three-month period ended March 31, 2019, compared with a net inflow of $1,227 million in the corresponding period in 2018.

Cash flows from financing activities, which include dividends paid on the common and preferred shares of the Corporation and dividends paid by subsidiaries to non-controlling interests, represented a net outflow of $161 million in the three-month period ended March 31, 2019, compared with a net outflow of $480 million in the corresponding period in 2018.

Cash flows from investing activities resulted in a net outflow of $117 million in the three-month period ended March 31, 2019, compared with a net outflow of $1,029 million in the corresponding period in 2018.

The Corporation increased its level of fixed income securities with maturities of more than three months, resulting in a net outflow of $1 million in the three-month period ended March 31, 2019, compared with a net outflow of $14 million in the corresponding period in 2018.

Parts C and D of this MD&A include a discussion of the cash flows of Lifeco and IGM, respectively.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

As Power Financial is a holding company, corporate cash flows are primarily comprised of dividends received from Lifeco, IGM and Parjointco and income (loss) from cash and cash equivalents, less operating expenses, financing charges, income taxes, and preferred and common share dividends.

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 Financial, the parent company.

Three months ended March 31	2019	2018
Operating activities		
Dividends		
Lifeco	277	260
IGM	83	83
	360	343
Corporate operations, net of non-cash items	(20)	(19)
	340	324
Financing activities		
Dividends paid on perpetual preferred shares	(35)	(34)
Dividends paid on common shares	(309)	(294)
	(344)	(328)
Investing activities		
Investments in Portag3 and Wealthsimple	–	(22)
Purchase of other investments and other	–	(2)
	–	(24)
Decrease in cash and cash equivalents	(4)	(28)
Cash and cash equivalents, at the beginning of the year	1,025	1,054
Cash and cash equivalents, at March 31	1,021	1,026

On a non-consolidated basis, cash and cash equivalents decreased by $4 million in the three-month period ended March 31, 2019, compared with a decrease of $28 million in the corresponding period in 2018.

Operating activities resulted in a net inflow of $340 million in the three-month period ended March 31, 2019, compared with a net inflow of $324 million in the corresponding period in 2018.

- Dividends paid by Lifeco on its common shares during the three-month period ended March 31, 2019 were $0.4130 per share, compared with $0.3890 in the corresponding period in 2018. In the three-month period ended March 31, 2019, the Corporation received dividends from Lifeco of $277 million, compared with $260 million in the corresponding period in 2018.
- Dividends paid by IGM on its common shares during the three-month period ended March 31, 2019 were $0.5625 per share, the same as in the corresponding period in 2018. In the three-month period ended March 31, 2019, the Corporation received dividends from IGM of $83 million, the same as in the corresponding period in 2018.
- Pargesa declares and pays an annual dividend in the second quarter. The Board of Directors of Pargesa approved a dividend in 2019 of SF2.56 per bearer share, compared with SF2.50 in 2018, to be paid on May 17, 2019.

The Corporation's financing activities during the three-month period ended March 31, 2019 were a net outflow of $344 million, compared with a net outflow of $328 million in the corresponding period in 2018, and included:

- Dividends paid on preferred and common shares by the Corporation of $344 million, compared with $328 million in the corresponding period in 2018. In the three-month period ended March 31, 2019, dividends paid on the Corporation's common shares were $0.4330 per share, compared with $0.4125 per share in the corresponding period in 2018.

The Corporation's investing activities during the three-month period ended March 31, 2019 were nil, compared with a net outflow of $24 million in the corresponding period in 2018.

Capital Management

As a holding company, Power Financial'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 common shares, perpetual preferred 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, perpetual preferred shares, common shareholders' equity, and non-controlling interests. The Corporation views perpetual preferred shares as a cost-effective source of permanent capital.

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 Lifeco and IGM are non-recourse to the Corporation. The Corporation does not guarantee debt issued by its subsidiaries. Perpetual preferred shares and total equity accounted for 80% of consolidated capitalization at March 31, 2019.

	March 31, 2019	December 31, 2018
Debentures and other debt instruments		
Power Financial	250	250
Lifeco	6,381	6,459
IGM	2,100	1,850
Other subsidiaries and consolidation adjustments	(69)	(67)
	8,412	8,242
	8,662	8,492
Preferred shares		
Power Financial	2,830	2,830
Lifeco	2,714	2,714
IGM	150	150
	2,864	2,864
	5,694	5,694
Equity		
Common shareholders' equity	18,951	18,750
Non-controlling interests [1]	10,489	10,505
	29,440	29,255
	43,796	43,441

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

Substantial Issuer Bids

On April 17, 2019, the Corporation and Lifeco each completed substantial issuer bids to repurchase for cancellation $1.65 billion and $2.0 billion of their respective common shares (refer to the section "Subsequent Events").

Power Financial

- 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 $3 billion of First Preferred Shares, common 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.

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. Parts C and D of this MD&A further describe the capital management activities of Lifeco and IGM, respectively. See Note 21 to the Corporation's 2018 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. Dominion Bond Rating Service's (DBRS) current rating on the Corporation's debentures is "A (High)" with a stable rating trend.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites. These ratings are not a recommendation to buy, sell or hold the securities of 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 (High)" rating assigned to the Corporation's debentures by DBRS is the fifth highest of the 26 ratings used for long-term debt. A long-term debenture rated "A (High)" 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 Financial is a diversified international management and holding company with interests in the financial services, asset management and other business sectors. Its principal holdings are a controlling interest in each of Lifeco and IGM and 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 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. Parts C and D of this MD&A further describe risks related to Lifeco and IGM, respectively.

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, which investors should carefully consider before investing in securities of the Corporation. The 2018 Annual MD&A reviews 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.

During the first quarter of 2019, there were no changes to the Corporation's risk oversight approach, and the identification and management of the specific risks described in the 2018 Annual MD&A.

Financial Instruments and Other Instruments

FAIR VALUE MEASUREMENT

At March 31, 2019, there had been no material changes to the carrying amounts and fair value of the Corporation and its subsidiaries' assets and liabilities recorded at fair value from December 31, 2018. See Note 18 to the Corporation's Interim Consolidated Financial Statements for additional disclosure of the Corporation's fair value measurement.

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 three-month period ended March 31, 2019. The following table provides a summary of the Corporation and its subsidiaries' derivatives portfolio:

	March 31, 2019			December 31, 2018		
	Notional	Maximum credit risk	Total fair value	Notional	Maximum credit risk	Total fair value
Power Financial	20	2	2	20	–	(2)
Lifeco	22,352	496	(758)	19,614	417	(1,145)
IGM	3,036	16	(10)	2,883	16	(13)
Other subsidiaries	8	–	–	8	–	–
	25,396	512	(768)	22,505	433	(1,158)
	25,416	514	(766)	22,525	433	(1,160)

During the three-month period ended March 31, 2019, there was an increase of $2.9 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 $514 million at March 31, 2019 from $433 million at December 31, 2018.

Parts C and D of this MD&A provide information on the types of derivative financial instruments used by Lifeco and IGM, respectively.

See Note 26 to the Corporation's 2018 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 also Part C of this MD&A and Note 32 to the Corporation's 2018 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 also Part C and C of this MD&A and Note 31 to the Corporation's 2018 Consolidated Financial Statements.

Commitments and Contractual Obligations

At March 31, 2019, there have been no material changes in the contractual obligations of the Corporation and its subsidiaries from those reported in the 2018 Annual MD&A.

Income Taxes (Non-Consolidated Basis)

The Corporation had, at March 31, 2019, non-capital losses of $247 million available to reduce future taxable income (including capital gains). These losses expire during the years 2028 to 2039. In addition, the Corporation has capital losses of $84 million that can be used indefinitely to reduce future capital gains.

See also "Transactions with Related Parties" below.

Transactions with Related Parties

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

In the normal course of business, Great-West Life and Putnam enter into various transactions with related companies which include providing group insurance benefits and subadvisory services to other companies within the Power Financial 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 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 obtained advance tax rulings which permitted tax loss consolidation transactions with a subsidiary of Power Corporation, whereby shares of a subsidiary that has generated tax losses may be acquired by IGM in each year up to and including 2020. The acquisitions are expected to close in the fourth quarter of each year. IGM recognizes the benefit of the tax losses realized throughout the year the shares in the subsidiary are acquired.

See Note 30 to the Corporation's 2018 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 – Lifeco and IGM – 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 Corporation's 2018 Annual MD&A and in the notes to the Corporation's 2018 Consolidated Financial Statements. There were no significant changes in the Corporation's critical accounting estimates and judgments in the first quarter of 2019.

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 exists 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 3.95% 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	1,331	560	1,891
		589	
Liabilities and shareholders' equity			
Other liabilities [1]	10,960	597	11,557
Deferred tax liabilities	1,517	(2)	1,515
Retained earnings	15,967	(3)	15,964
Non-controlling interests	13,369	(3)	13,366
		589	

[1] Accrued lease payments of $64 million within other liabilities on the balance sheets 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 three-month period ended March 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 $77 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. There were no changes to the future accounting policies that could impact the Corporation and its subsidiaries, in addition to the disclosure in the 2018 Annual MD&A and the 2018 Consolidated Financial Statements.

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.

There have been no changes in the Corporation's internal control over financial reporting during the three-month period ended March 31, 2019 which have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Summary of Quarterly Results

	2019				2018				2017
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenues	17,648	12,438	12,787	11,360	10,440	13,646	10,931	11,809	13,601
Net earnings (attributable to common shareholders)	536	478	523	658	586	225	463	545	484
per share – basic	0.75	0.67	0.74	0.92	0.82	0.32	0.65	0.76	0.68
per share – diluted	0.75	0.67	0.73	0.92	0.82	0.31	0.65	0.76	0.68
Adjusted net earnings (attributable to common shareholders) [1]	536	460	578	658	586	547	465	622	501
per share – basic [1]	0.75	0.65	0.81	0.92	0.82	0.77	0.65	0.87	0.70
Other items [1, 2]	–	18	(55)	–	–	(322)	(2)	(77)	(17)
per share – basic [1]	–	0.02	(0.07)	–	–	(0.45)	–	(0.11)	(0.02)

[1] Adjusted net earnings and adjusted net earnings per share attributable to common shareholders, and other items and other items 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 MD&A.

[2] The Corporation's share of Lifeco, IGM and Pargesa's Other items is as follows:

	2019				2018				2017
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Lifeco									
Restructuring charges	–	–	(38)	–	–	(3)	–	(84)	(20)
Impact of U.S. tax reform	–	–	–	–	–	(146)	–	–	–
Net charge on sale of an equity investment	–	–	–	–	–	(83)	–	–	–
Share of IGM's other items	–	–	(1)	–	–	(4)	–	–	–
IGM									
Restructuring and other charges	–	–	(10)	–	–	(78)	–	(10)	–
Premium paid on early redemption of debentures	–	–	(5)	–	–	–	–	–	–
Pension plan	–	–	–	–	–	–	–	22	–
Share of Lifeco's other items	–	–	(1)	–	–	(8)	–	(4)	–
Pargesa									
Imerys – Disposal of roofing activity	–	86	–	–	–	–	–	–	–
Imerys – Impairments, restructuring charges and other	–	(68)	–	–	–	–	–	–	–
Other (charge) income	–	–	–	–	–	–	(2)	(1)	3
	–	18	(55)	–	–	(322)	(2)	(77)	(17)

Condensed Consolidated Balance Sheets

(unaudited) [in millions of Canadian dollars]	March 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents	6,094	5,624
Investments [Note 5]		
Bonds	126,507	125,069
Mortgage and other loans	33,165	32,717
Shares	9,886	9,246
Investment properties	5,449	5,218
Loans to policyholders	8,826	8,929
	183,833	181,179
Assets held for sale [Note 4]	908	897
Funds held by ceding insurers	9,299	9,251
Reinsurance assets [Note 8]	6,124	6,126
Derivative financial instruments	514	433
Investments in jointly controlled corporations and associates [Note 6]	4,560	4,009
Owner-occupied properties and capital assets	1,857	1,331
Other assets	9,990	9,118
Deferred tax assets	995	1,066
Intangible assets	5,184	5,229
Goodwill	9,928	9,946
Investments on account of segregated fund policyholders [Note 7]	219,793	209,527
Investments on account of segregated fund policyholders held for sale [Note 4]	3,432	3,319
Total assets	462,511	447,055
Liabilities		
Insurance contract liabilities [Note 8]	170,790	166,720
Investment contract liabilities [Note 8]	1,729	1,711
Liabilities held for sale [Note 4]	908	897
Obligations to securitization entities	7,463	7,370
Debentures and other debt instruments [Note 9]	8,662	8,492
Derivative financial instruments	1,280	1,593
Other liabilities	11,776	10,960
Deferred tax liabilities	1,544	1,517
Insurance and investment contracts on account of segregated fund policyholders [Note 7]	219,793	209,527
Insurance and investment contracts on account of segregated fund policyholders held for sale [Note 4]	3,432	3,319
Total liabilities	427,377	412,106
Equity		
Stated capital [Note 10]		
Perpetual preferred shares	2,830	2,830
Common shares	833	833
Retained earnings	16,035	15,967
Reserves	2,083	1,950
Total shareholders' equity	21,781	21,580
Non-controlling interests	13,353	13,369
Total equity	35,134	34,949
Total liabilities and equity	462,511	447,055

Condensed Consolidated Statements of Earnings

(unaudited) [in millions of Canadian dollars, except per share amounts]	Three months ended March 31, 2019	 2018
Revenues		
Premium income		
Gross premiums written	10,698	9,288
Ceded premiums	(1,108)	(1,119)
Premium income, net	9,590	8,169
Net investment income		
Regular net investment income	1,490	1,590
Change in fair value through profit or loss	4,374	(1,485)
Net investment income	5,864	105
Fee income	2,194	2,166
Total revenues	17,648	10,440
Expenses		
Policyholder benefits		
Insurance and investment contracts		
Gross	9,164	7,996
Ceded	(617)	(625)
Total net policyholder benefits	8,547	7,371
Policyholder dividends and experience refunds	440	458
Changes in insurance and investment contract liabilities	4,925	(1,049)
Total paid or credited to policyholders	13,912	6,780
Commissions	869	864
Operating and administrative expenses	1,789	1,692
Financing charges	107	106
Total expenses	16,677	9,442
Earnings before investments in jointly controlled corporations and associates, and income taxes	971	998
Share of earnings of investments in jointly controlled corporations and associates [Note 6]	50	52
Earnings before income taxes	1,021	1,050
Income taxes [Note 15]	180	132
Net earnings	841	918
Attributable to		
Non-controlling interests	270	298
Perpetual preferred shareholders	35	34
Common shareholders	536	586
	841	918
Earnings per common share [Note 17]		
Net earnings attributable to common shareholders		
– Basic	0.75	0.82
– Diluted	0.75	0.82

Condensed Consolidated Statements of Comprehensive Income

(unaudited) [in millions of Canadian dollars]	Three months ended March 31, 2019	 2018
Net earnings	841	918
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net earnings		
Net unrealized gains (losses) on available-for-sale investments		
Unrealized gains (losses)	153	(83)
Income tax (expense) benefit	(29)	14
Realized (gains) losses transferred to net earnings	(27)	2
Income tax expense (benefit)	3	–
	100	(67)
Net unrealized gains (losses) on cash flow hedges		
Unrealized gains (losses)	4	23
Income tax (expense) benefit	–	(4)
Realized (gains) losses transferred to net earnings	–	12
Income tax expense (benefit)	–	(3)
	4	28
Net unrealized foreign exchange gains (losses) on translation of foreign operations		
Unrealized gains (losses) on translation	(214)	758
Unrealized gains (losses) on euro debt designated as hedge of net investments in foreign operations	60	(80)
Income tax (expense) benefit	(8)	11
	(162)	689
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	282	236
Income tax (expense) benefit	(1)	(6)
	281	230
Total – items that may be reclassified	223	880
Items that will not be reclassified subsequently to net earnings		
Actuarial gains (losses) on defined benefit plans [Note 14]	(153)	42
Income tax (expense) benefit	33	(8)
Total – items that will not be reclassified	(120)	34
Other comprehensive income	103	914
Comprehensive income	944	1,832
Attributable to		
Non-controlling interests	251	508
Perpetual preferred shareholders	35	34
Common shareholders	658	1,290
	944	1,832

Condensed Consolidated Statements of Changes in Equity

Three months ended March 31, 2019 (unaudited) [in millions of Canadian dollars]	Stated capital			Reserves				
	Perpetual preferred shares	Common shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 16]	Total	Non-controlling interests	Total equity
Balance, beginning of year								
As previously reported	2,830	833	15,967	162	1,788	1,950	13,369	34,949
Change in accounting policies [Note 2]								
Impact of IFRS 16	–	–	(3)	–	–	–	(3)	(6)
Impact of IFRIC 23	–	–	(77)	–	–	–	(32)	(109)
Restated balance, beginning of year	2,830	833	15,887	162	1,788	1,950	13,334	34,834
Net earnings	–	–	571	–	–	–	270	841
Other comprehensive income (loss)	–	–	–	–	122	122	(19)	103
Comprehensive income	–	–	571	–	122	122	251	944
Dividends to shareholders								
Perpetual preferred shares	–	–	(35)	–	–	–	–	(35)
Common shares	–	–	(325)	–	–	–	–	(325)
Dividends to non-controlling interests	–	–	–	–	–	–	(197)	(197)
Share-based compensation [Note 11]	–	–	–	9	–	9	4	13
Stock options exercised	–	–	–	(21)	–	(21)	21	–
Effects of changes in capital and ownership of subsidiaries, and other	–	–	(63)	23	–	23	(60)	(100)
Balance, end of period	2,830	833	16,035	173	1,910	2,083	13,353	35,134

Three months ended March 31, 2018 (unaudited) [in millions of Canadian dollars]	Stated capital			Reserves				
	Perpetual preferred shares	Common shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 16]	Total	Non-controlling interests	Total equity
Balance, beginning of year	2,830	826	15,021	159	1,317	1,476	12,814	32,967
Net earnings	–	–	620	–	–	–	298	918
Other comprehensive income	–	–	–	–	704	704	210	914
Comprehensive income	–	–	620	–	704	704	508	1,832
Dividends to shareholders								
Perpetual preferred shares	–	–	(34)	–	–	–	–	(34)
Common shares	–	–	(309)	–	–	–	–	(309)
Dividends to non-controlling interests	–	–	–	–	–	–	(191)	(191)
Share-based compensation [Note 11]	–	–	–	13	–	13	5	18
Stock options exercised	–	–	–	(27)	–	(27)	27	–
Effects of changes in capital and ownership of subsidiaries, and other	–	–	(41)	–	–	–	(35)	(76)
Balance, end of period	2,830	826	15,257	145	2,021	2,166	13,128	34,207

Condensed Consolidated Statements of Cash Flows

(unaudited) [in millions of Canadian dollars]	Three months ended March 31, 2019	2018[1]
Operating activities		
Earnings before income taxes	1,021	1,050
Income tax paid, net of refunds	(134)	(161)
Adjusting items		
Change in insurance and investment contract liabilities	5,206	(805)
Change in funds held by ceding insurers	78	231
Change in reinsurance assets	(172)	24
Change in fair value through profit or loss	(4,374)	1,485
Other	(829)	(597)
	796	1,227
Financing activities		
Dividends paid		
By subsidiaries to non-controlling interests	(197)	(191)
Perpetual preferred shares	(35)	(34)
Common shares	(309)	(294)
	(541)	(519)
Issue of equity instruments by subsidiaries	35	17
Repurchase of common shares by subsidiaries	(9)	(15)
Issue of debentures [Note 9]	250	498
Redemption of debentures	–	(350)
Change in other debt instruments	19	(112)
Repayment of lease liabilities	(21)	–
Increase in obligations to securitization entities	426	362
Repayments of obligations to securitization entities and other	(320)	(361)
	(161)	(480)
Investment activities		
Bond sales and maturities	5,687	6,733
Mortgage and other loan repayments	777	1,058
Sale of shares	548	508
Sale of investment properties	7	–
Change in loans to policyholders	13	3
Business acquisitions, net of cash and cash equivalents acquired	–	(222)
Investment in bonds	(5,075)	(7,021)
Investment in mortgage and other loans	(1,276)	(1,478)
Investment in shares	(598)	(625)
Investments in jointly controlled corporations and associates [Note 6]	(2)	–
Proceeds from assets held for sale	–	169
Change in cash and cash equivalents classified as held for sale [Note 4]	31	–
Investment in investment properties and other	(229)	(154)
	(117)	(1,029)
Effect of changes in exchange rates on cash and cash equivalents	(48)	124
Increase (decrease) in cash and cash equivalents	470	(158)
Cash and cash equivalents, beginning of year	5,624	5,321
Cash and cash equivalents, end of period	6,094	5,163
Net cash from operating activities includes		
Interest and dividends received	1,490	1,436
Interest paid	119	113

[1] The Corporation reclassified certain comparative figures to conform with the December 31, 2018 presentation. The correction in presentation is not material and has no effect on the total cash flows.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

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

The following abbreviations are used in these Consolidated Financial Statements:

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

NOTE 1 Corporate Information

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

Power Financial is a diversified international management and holding company that holds interests, directly or indirectly, in companies in the financial services sector in Canada, the United States and Europe. Through its investment in Pargesa Holding SA, Power Financial also has substantial holdings in global industrial and services companies based in Europe.

The unaudited Interim Condensed Consolidated Financial Statements (financial statements) of Power Financial as at and for the three months ended March 31, 2019 were approved by its Board of Directors on May 13, 2019. The Corporation is controlled by Power Corporation of Canada.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies

BASIS OF PRESENTATION

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

The financial statements include the accounts of Power Financial and its subsidiaries on a consolidated basis after elimination of intercompany transactions and balances.

SUBSIDIARIES

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

The principal operating subsidiaries of the Corporation are:

		% equity interest	
Corporations	Primary business operation	March 31, 2019	December 31, 2018
Great-West Lifeco Inc. [1][2]	Financial services holding company with interests in insurance and wealth management companies	71.8	71.8
IGM Financial Inc. [3][4]	Wealth and asset management	65.3	65.2
Portag3 Ventures LP [5]	Backing of innovative financial services companies	100.0	100.0
Wealthsimple Financial Corp. [6]	Technology-driven investment manager	88.6	81.7

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

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

[3] Power Financial holds a 61.5% equity interest and Great-West Life holds a 3.8% equity interest in IGM Financial (61.4% and 3.8%, respectively, at December 31, 2018).

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

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

[6] Power Financial, Portag3 and IGM Financial hold an equity interest of 17.4%, 23.7% and 47.5%, respectively, in Wealthsimple (16.0%, 21.9% and 43.8%, respectively, at December 31, 2018).

Subsequent event

On April 17, 2019, Lifeco announced that it had completed a substantial issuer bid (the Lifeco Offer) and purchased for cancellation 59,700,974 of its common shares at a purchase price of $33.50 per common share. The Corporation supported Lifeco through its participation in the Lifeco Offer by tendering a significant portion of its Lifeco common shares on a proportionate basis and all remaining tendered Lifeco common shares on a non-proportionate basis. After giving effect to the above, as of April 17, 2019, the Corporation held an approximate 66.8% equity interest in Lifeco (excluding IGM's 4.0% interest). The change in ownership in Lifeco will result in a gain to be recorded in the statements of changes in equity in the second quarter of 2019.

The financial statements of Power Financial include, on a consolidated basis, the results of Lifeco and IGM Financial, both public companies. The amounts shown on the consolidated balance sheets, consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows are mainly derived from the publicly disclosed consolidated financial statements of Lifeco and IGM Financial, all as at and for the three months ended March 31, 2019. Certain notes to Power Financial's financial statements are derived from the notes to the financial statements of Lifeco and IGM Financial.

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

JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES

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

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

			% equity interest	
Corporations	Classification	Primary business operation	March 31, 2019	December 31, 2018
Parjointco N.V. [1]	Joint control	Holding company	50.0	50.0
China Asset Management Co., Ltd. [2]	Associate	Asset management company	13.9	13.9

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

[2] Held by IGM.

CHANGE IN ACCOUNTING POLICIES

IFRS 16 – LEASES (IFRS 16)

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

Accounting policies

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

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

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

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

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

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 3.95% 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	1,331	560	1,891
		589	
Liabilities and shareholders' equity			
Other liabilities [1]	10,960	597	11,557
Deferred tax liabilities	1,517	(2)	1,515
Retained earnings	15,967	(3)	15,964
Non-controlling interests	13,369	(3)	13,366
		589	

[1] Accrued lease payments of $64 million within other liabilities on the balance sheet at December 31, 2018 were reclassified to decrease right-of-use assets.

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

Operating lease commitments at December 31, 2018	1,039
Discounting using the incremental borrowing rate at January 1, 2019	(186)
Non-lease components included in operating lease commitments	(127)
Leases not yet commenced at January 1, 2019 included in operating lease commitments	(59)
Short-term leases included in operating lease commitments	(6)
Low-value leases included in operating lease commitments	(6)
Renewal options not included in operating lease commitments	6
Lease liabilities recognized at January 1, 2019	661

The application of IFRS 16 did not have a material impact on the statement of earnings or the statement of cash flows for the three-month period ended March 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.

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 $77 million.

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

USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

FUTURE ACCOUNTING CHANGES

The Corporation and its subsidiaries continuously monitor the potential changes proposed by the International Accounting Standards Board (IASB) and analyze the effect that changes in the standards may have on their consolidated financial statements when they become effective. There have been no significant changes to future accounting policies that could impact the Corporation from what was disclosed in the December 31, 2018 consolidated annual financial statements.

NOTE 3 Business Acquisition and Disposal

LIFECO

Invesco Ltd. (Ireland)

On August 1, 2018, Lifeco, through its indirect wholly owned subsidiary Irish Life Group Limited, completed its agreement to acquire a controlling interest in Invesco Ltd. (Ireland), an independent financial consultancy firm in Ireland that specializes in employee benefit consultancy and private wealth management as well as manages and administers assets on behalf of clients. As the purchase price allocation is incomplete at March 31, 2019, the initial amount assigned to goodwill of $80 million on the date of acquisition could be adjusted pending the completion of a comprehensive valuation of the intangible assets acquired.

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

On January 24, 2019, Great-West Financial, a wholly owned subsidiary of Lifeco, announced that it had entered into an agreement with Protective Life Insurance Company (Protective Life) to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business. Lifeco will continue to retain the obligation to the contract holders and will recognize reinsurance assets from the agreement. Protective Life will assume the economics and risks associated with the reinsured business. In addition to recognition of reinsurance assets, Lifeco expects to recognize a loss in the statements of earnings at the closing of this transaction. The transaction is expected to close during the second quarter of 2019 subject to regulatory and customary closing conditions.

NOTE 4 Assets Held for Sale

Sale of policies to Scottish Friendly Assurance Society Limited

In 2018, Canada Life Limited, an indirect wholly owned subsidiary of Lifeco, announced an agreement to sell a heritage block of individual policies, composed of unit-linked policies and non-unit-linked policies, to Scottish Friendly Assurance Society Limited. The transfer of these policies is expected to occur in the second half of 2019.

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

	March 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents	81	112
Investments		
Bonds	774	731
Shares	24	22
Investment properties	26	29
Loans to policyholders	3	3
Assets held for sale	908	897
Investments on account of segregated fund policyholders	3,432	3,319
Total assets included in disposal group classified as held for sale	4,340	4,216
Liabilities		
Insurance contract liabilities	884	870
Investment contract liabilities	24	27
Liabilities held for sale	908	897
Insurance and investment contracts on account of segregated fund policyholders	3,432	3,319
Total liabilities included in disposal group classified as held for sale	4,340	4,216

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

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

NOTE 5 Investments

CARRYING VALUES AND FAIR VALUES

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

	March 31, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated as fair value through profit or loss	91,811	91,811	89,929	89,929
Classified as fair value through profit or loss	1,949	1,949	1,886	1,886
Available for sale	13,143	13,143	13,532	13,532
Loans and receivables	19,604	21,250	19,722	20,619
	126,507	128,153	125,069	125,966
Mortgage and other loans				
Loans and receivables	32,236	33,100	31,900	32,349
Designated as fair value through profit or loss	924	924	813	813
Classified as fair value through profit or loss	5	5	4	4
	33,165	34,029	32,717	33,166
Shares				
Designated as fair value through profit or loss	9,429	9,429	8,658	8,658
Classified as fair value through profit or loss	157	157	136	136
Available for sale [1]	300	300	452	452
	9,886	9,886	9,246	9,246
Investment properties	5,449	5,449	5,218	5,218
Loans to policyholders	8,826	8,826	8,929	8,929
	183,833	186,343	181,179	182,525

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

NOTE 6 Investments in Jointly Controlled Corporations and Associates

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

	March 31, 2019				March 31, 2018			
	Parjointco	China AMC	Other	Total	Parjointco	China AMC	Other	Total
Carrying value, beginning of year	3,291	683	35	4,009	3,354	648	14	4,016
Acquisition	–	–	217	217	–	–	–	–
Investments	–	–	2	2	–	–	–	–
Share of earnings (losses)	46	7	(3)	50	44	8	–	52
Share of other comprehensive income (loss)	281	3	(2)	282	197	39	–	236
Carrying value, end of period	3,618	693	249	4,560	3,595	695	14	4,304

PERSONAL CAPITAL CORPORATION

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

As at March 31, 2019, IGM held a 25.2% equity interest in Personal Capital.

NOTE 7 Segregated Funds

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

INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	March 31, 2019	December 31, 2018
Cash and cash equivalents	12,999	13,458
Bonds	42,915	42,142
Mortgage loans	2,741	2,746
Shares and units in unit trusts	96,017	89,853
Mutual funds	54,733	50,956
Investment properties	12,696	12,319
	222,101	211,474
Accrued income	452	380
Other liabilities	(3,700)	(3,191)
Non-controlling mutual fund interest	940	864
	219,793	209,527

NOTE 7 Segregated Funds (continued)

INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	Three months ended March 31,	
	2019	2018
Balance, beginning of year	209,527	217,357
Additions (deductions):		
Policyholder deposits	5,726	6,410
Net investment income	116	496
Net realized capital gains on investments	117	1,501
Net unrealized capital gains (losses) on investments	13,471	(4,848)
Unrealized gains (losses) due to changes in foreign exchange rates	(3,171)	6,588
Policyholder withdrawals	(5,912)	(6,791)
Business acquisition	–	950
Segregated fund investment in General Fund	–	3
General Fund investment in segregated fund	–	(3)
Net transfer from General Fund	(5)	9
Non-controlling mutual fund interest	76	(641)
Assets held for sale [Note 4]	(113)	–
Other	(39)	–
	10,266	3,674
Balance, end of period	219,793	221,031

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

				March 31, 2019
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders [1]	141,930	67,037	13,643	222,610
Investments on account of segregated fund policyholders held for sale [2]	3,410	5	9	3,424
Total investments on account of segregated fund policyholders measured at fair value	145,340	67,042	13,652	226,034

[1] Excludes other liabilities, net of other assets, of $2,817 million.

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

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

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

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

During the three months ended March 31, 2019, certain foreign equity holdings valued at $1,377 million were transferred from Level 2 to Level 1 ($1,842 million were transferred from Level 2 to Level 1 at December 31, 2018), primarily based on Lifeco's change in use of inputs in addition to quoted prices in active markets for certain foreign share holdings. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where Lifeco does not have visibility through the underlying assets.

NOTE 7 Segregated Funds (continued)

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

	March 31, 2019			December 31, 2018		
	Investments on account of segregated fund policyholders	Investments on account of segregated fund policyholders held for sale	Total	Investments on account of segregated fund policyholders	Investments on account of segregated fund policyholders held for sale	Total
Balance, beginning of year						
As previously reported	13,235	9	13,244	12,572	–	12,572
Change in accounting policy [1]	136	–	136	–	–	–
Restated balance, beginning of year	13,371	9	13,380	12,572	–	12,572
Total gains (losses) included in segregated fund investment income	(102)	–	(102)	404	–	404
Purchases	433	–	433	651	–	651
Sales	(59)	–	(59)	(425)	–	(425)
Transfers into Level 3	–	–	–	51	–	51
Transfers out of Level 3	–	–	–	(9)	–	(9)
Transfers to assets held for sale	–	–	–	(9)	9	–
Balance, end of period	13,643	9	13,652	13,235	9	13,244

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

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

Refer to the Lifeco section of the Corporation's Management's Discussion and Analysis (Part C) for the three-month period ended March 31, 2019 and the financial statements for the year ended December 31, 2018 for further details on Lifeco's risk and guarantee and the management of these segregated fund risks.

NOTE 8 Insurance and Investment Contract Liabilities

INSURANCE AND INVESTMENT CONTRACT LIABILITIES

	March 31, 2019			December 31, 2018		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	170,790	6,124	164,666	166,720	6,126	160,594
Investment contract liabilities	1,729	–	1,729	1,711	–	1,711
	172,519	6,124	166,395	168,431	6,126	162,305

NOTE 9 Debentures and Other Debt Instruments

IGM FINANCIAL

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

NOTE 10 Stated Capital

AUTHORIZED

The authorized capital of Power Financial consists of an unlimited number of First Preferred Shares, issuable in series; an unlimited number of Second Preferred Shares, issuable in series; and an unlimited number of common shares.

ISSUED AND OUTSTANDING

	March 31, 2019		December 31, 2018	
	Number of shares	Stated capital	Number of shares	Stated capital
		$		$
First Preferred Shares (perpetual)				
Series A	4,000,000	100	4,000,000	100
Series D	6,000,000	150	6,000,000	150
Series E	8,000,000	200	8,000,000	200
Series F	6,000,000	150	6,000,000	150
Series H	6,000,000	150	6,000,000	150
Series I	8,000,000	200	8,000,000	200
Series K	10,000,000	250	10,000,000	250
Series L	8,000,000	200	8,000,000	200
Series O	6,000,000	150	6,000,000	150
Series P	8,965,485	224	8,965,485	224
Series Q	2,234,515	56	2,234,515	56
Series R	10,000,000	250	10,000,000	250
Series S	12,000,000	300	12,000,000	300
Series T [1]	8,000,000	200	8,000,000	200
Series V	10,000,000	250	10,000,000	250
		2,830		2,830
Common Shares				
Balance, beginning of year	714,096,479	833	713,871,479	826
Issued under Stock Option Plan	–	–	225,000	7
Balance, end of period	714,096,479	833	714,096,479	833

[1] On January 31, 2019, the Series T were subject to a dividend rate reset and the Series T shareholders were entitled to convert their shares into non-cumulative floating rate First Preferred Shares. None of the outstanding 8,000,000 Non-Cumulative 5-year Rate Reset First Preferred Shares, Series T were converted into Non-Cumulative Floating Rate First Preferred Shares, Series U. The dividend rate for the Series T shares was reset to an annual fixed rate of 4.215% or $0.263438 per share cash dividend payable quarterly.

Common Shares

During the three months ended March 31, 2019 and 2018, no common shares were issued under the Corporation's Employee Stock Option Plan.

During the three months ended March 31, 2019, dividends declared on the Corporation's common shares amounted to $0.4555 per share ($0.4330 per share in 2018).

Subsequent event

On April 17, 2019, the Corporation completed its substantial issuer bid 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. After giving effect to the purchase on April 17, 2019, the number of issued and outstanding common shares on a non-diluted basis is 664,096,506.

NOTE 11 Share-Based Compensation

STOCK OPTION PLAN

Under Power Financial's Employee Stock Option Plan, 27,498,801 common shares are reserved for issuance.

A summary of the status of Power Financial's Employee Stock Option Plan as at March 31, 2019 and 2018, and changes during the respective periods ended is as follows:

	March 31, 2019		March 31, 2018	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
		$		$
Outstanding, beginning of year	11,292,625	32.36	11,291,779	32.59
Granted	–	–	1,809,883	31.78
Expired	–	–	(1,058,650)	34.82
Outstanding, end of period	11,292,625	32.36	12,043,012	32.27
Options exercisable, end of period	6,869,777	31.82	5,561,337	30.79

The exercise price of the 11,292,625 outstanding options ranges from $25.07 to $38.35.

Compensation expense

No options were granted by Power Financial during the three months ended March 31, 2019 (1,809,883 options were granted for the three months ended March 31, 2018) under its Employee Stock Option Plan. The fair value of these options was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	March 31, 2018
Dividend yield	4.4%
Expected volatility	17.5%
Risk-free interest rate	2.1%
Expected life (years)	9.2
Fair value per stock option ($/option)	2.86
Weighted-average exercise price ($/option)	31.78

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

Lifeco and IGM have also established stock option plans pursuant to which options may be granted to certain officers and employees. In addition, other subsidiaries of the Corporation have established share-based compensation plans. Compensation expense is recorded based on the fair value of the options or the fair value of the equity investments at the grant date, amortized over the vesting period. For the three months ended March 31, 2019, total compensation expense relating to the stock options granted by the Corporation and its subsidiaries amounted to $13 million ($18 million in 2018) and is recorded in operating and administrative expenses in the statements of earnings.

NOTE 12 Capital Management

POWER FINANCIAL

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

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

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

The capital structure of the Corporation consists of debentures, perpetual preferred shares, common shareholders' equity and non-controlling interests. The Corporation views perpetual preferred shares as a cost-effective source of permanent capital. The Corporation is a long-term investor and as such holds positions in long-term investments as well as cash and fixed income securities for liquidity purposes.

The Board of Directors of the Corporation is responsible for capital management. Management of the Corporation is responsible for establishing capital management procedures and for implementing and monitoring its capital plans. The Board of Directors of the Corporation reviews and approves capital transactions such as the issuance, redemption and repurchase of common shares, perpetual preferred shares and debentures. The boards of directors of the Corporation's subsidiaries, as well as those of Pargesa and Groupe Bruxelles Lambert, oversee and have the responsibility for their respective company's capital management.

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

LIFECO

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

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

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

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

NOTE 12 Capital Management (continued)

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

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

IGM FINANCIAL

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

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

The IGM subsidiaries that are subject to regulatory capital requirements include investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. These IGM subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. At March 31, 2019 IGM subsidiaries have complied with all regulatory capital requirements.

OTHER SUBSIDIARIES

Certain other subsidiaries are subject to regulatory capital requirements, including a mutual fund dealer, portfolio managers, and an order-execution-only broker. These other subsidiaries are required to maintain levels of capital based on their working capital, liquidity or shareholders' equity. At March 31, 2019, these other subsidiaries have complied with all regulatory capital requirements.

NOTE 13 Risk Management

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

- Liquidity risk is the risk that the Corporation and its subsidiaries would not be able to meet all cash outflow obligations as they come due or be able to, in a timely manner, raise capital or monetize assets at normal market conditions.
- Credit risk is the potential for financial loss to the Corporation and its subsidiaries if a counterparty in a transaction fails to meet its payment obligations. Credit risk can be related to the default of a single debt issuer, the variation of credit spreads on tradable fixed income securities and also to counterparty risk relating to derivative products.
- Market risk is the risk that the market value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: foreign exchange risk, interest rate risk and equity risk.
  - Foreign exchange risk relates to the Corporation, its subsidiaries and its jointly controlled corporations and associates operating in different currencies and converting non-Canadian investments and earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.
  - Interest rate risk is the risk that the fair value of a financial instrument will fluctuate following changes in the interest rates.
  - Equity risk is the potential loss associated with the sensitivity of the market price of a financial instrument arising from volatility in equity markets.

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

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

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

NOTE 13 Risk Management (continued)

POWER FINANCIAL AND OTHER SUBSIDIARIES

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

LIFECO

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

Liquidity risk

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

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

Credit risk

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

Market risk

a) Foreign exchange risk

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

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

NOTE 13 Risk Management (continued)

b) Interest rate risk

Projected cash flows from the current assets and liabilities are used in the CALM to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

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

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

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

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

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

	March 31, 2019		December 31, 2018	
	1% increase	1% decrease	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	(171)	661	(165)	639
Increase (decrease) in net earnings	119	(483)	115	(465)

NOTE 13 Risk Management (continued)

c) Equity risk

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

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

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

	March 31, 2019		December 31, 2018	
	10% increase	10% decrease	10% increase	10% decrease
Change in equity values				
Increase (decrease) in non-participating insurance and investment contract liabilities	(89)	194	(87)	338
Increase (decrease) in net earnings	75	(155)	73	(266)

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

	March 31, 2019		December 31, 2018	
	1% increase	1% decrease	1% increase	1% decrease
Change in best estimate return assumptions for equities				
Increase (decrease) in non-participating insurance contract liabilities	(597)	686	(591)	680
Increase (decrease) in net earnings	482	(545)	476	(539)

IGM FINANCIAL

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

NOTE 14 Pension Plans and Other Post-Employment Benefits

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

	Three months ended March 31,	
	2019	2018
Pension plans		
Service costs	60	66
Net interest cost	10	8
	70	74
Post-employment benefits		
Service costs	1	1
Net interest cost	4	4
	5	5
Expense recognized in net earnings	75	79
Remeasurements		
Pension plans		
Actuarial (gains) losses [1]	555	(103)
Return on assets less (greater) than discount rate	(408)	64
Change in the asset ceiling	(18)	–
Post-employment benefits		
Actuarial (gains) losses [1]	24	(3)
Expense (recovery) recognized in other comprehensive income	153	(42)
Total expense	228	37

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

NOTE 15 Income Taxes

INCOME TAX EXPENSE

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

	Three months ended March 31,	
	2019	2018
Current taxes	90	133
Deferred taxes	90	(1)
	180	132

EFFECTIVE INCOME TAX RATE

The overall effective income tax rate for the Corporation for the three months ended March 31, 2019 was 17.6%, compared to 14.4% for the full year 2018 and 12.6% for the three months ended March 31, 2018.

The effective income tax rate for the three months ended March 31, 2019 is higher than the effective income tax rate for the same period last year primarily due to changes in certain tax estimates and a lower percentage of income subject to lower rates in foreign jurisdictions.

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

NOTE 16 Other Comprehensive Income

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		
Three months ended March 31, 2019	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gains (losses) on defined benefit pension plans	Share of jointly controlled corporations and associates	Total
Balance, beginning of year	43	1,190	1,107	(535)	(17)	1,788
Other comprehensive income (loss)	52	(130)	280	(80)	–	122
Balance, end of period	95	1,060	1,387	(615)	(17)	1,910

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		
Three months ended March 31, 2018	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gains (losses) on defined benefit pension plans	Share of jointly controlled corporations and associates	Total
Balance, beginning of year	98	661	1,134	(557)	(19)	1,317
Other comprehensive income (loss)	(21)	483	218	24	–	704
Balance, end of period	77	1,144	1,352	(533)	(19)	2,021

NOTE 17 Earnings Per Share

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

	Three months ended March 31,	
	2019	2018
Earnings		
Net earnings attributable to shareholders	571	620
Dividends on perpetual preferred shares	(35)	(34)
Net earnings attributable to common shareholders	536	586
Dilutive effect of subsidiaries' outstanding stock options	–	(1)
Net earnings adjusted for dilutive effect	536	585
Number of common shares [millions]		
Weighted average number of common shares outstanding – Basic	714.1	713.9
Potential exercise of outstanding stock options	0.1	0.6
Weighted average number of common shares outstanding – Diluted	714.2	714.5
Net earnings per common share		
Basic	0.75	0.82
Diluted	0.75	0.82

For the three months ended March 31, 2019, 9.1 million stock options (7.4 million in 2018) have been excluded from the computation of diluted earnings per share as they were anti-dilutive.

NOTE 18 Fair Value Measurement

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

Level	Definition	Financial assets and liabilities
Level 1	Utilize observable, unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.	▪ actively exchange-traded equity securities; ▪ exchange-traded futures; ▪ mutual and segregated funds which have available prices in an active market with no redemption restrictions; ▪ open-end investment fund units and other liabilities in instances where there are quoted prices available from active markets.
Level 2	Utilize other-than-quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other-than-quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data.	▪ assets and liabilities priced using a matrix which is based on credit quality and average life; ▪ government and agency securities; ▪ restricted stock; ▪ certain private bonds and equities; ▪ most investment-grade and high-yield corporate bonds; ▪ most asset-backed securities; ▪ most over-the-counter derivatives; ▪ most mortgage and other loans; ▪ deposits and certificates; ▪ most debentures and other debt instruments; ▪ most of the investment contracts that are measured at fair value through profit or loss.
Level 3	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 values of the majority of Level 3 securities were obtained from single-broker quotes, internal pricing models, external appraisers or by discounting projected cash flows.	▪ certain bonds; ▪ certain asset-backed securities; ▪ certain private equities; ▪ certain mortgage and other loans, including equity-release mortgages; ▪ investments in mutual and segregated funds where there are redemption restrictions; ▪ certain over-the-counter derivatives; ▪ investment properties; ▪ obligations to securitization entities; ▪ certain other debt instruments.

NOTE 18 Fair Value Measurement (continued)

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

March 31, 2019	Level 1	Level 2	Level 3	Total fair value
Assets				
Bonds				
Fair value through profit or loss	–	93,694	66	93,760
Available for sale	–	13,143	–	13,143
Mortgage and other loans				
Fair value through profit or loss	–	5	924	929
Shares				
Fair value through profit or loss	9,042	–	544	9,586
Available for sale	10	–	48	58
Investment properties	–	–	5,449	5,449
Funds held by ceding insurers	160	6,942	–	7,102
Derivative instruments	–	509	5	514
Asset held for sale	24	774	26	824
Other assets	687	397	–	1,084
	9,923	115,464	7,062	132,449
Liabilities				
Investment contract liabilities	–	1,729	–	1,729
Investment contract liabilities held for sale	–	1	23	24
Derivative instruments	6	1,264	10	1,280
Other liabilities	10	105	44	159
	16	3,099	77	3,192

December 31, 2018	Level 1	Level 2	Level 3	Total fair value
Assets				
Bonds				
Fair value through profit or loss	–	91,748	67	91,815
Available for sale	–	13,532	–	13,532
Mortgage and other loans				
Fair value through profit or loss	–	4	813	817
Shares				
Fair value through profit or loss	8,341	–	453	8,794
Available for sale	9	–	204	213
Investment properties	–	–	5,218	5,218
Funds held by ceding insurers	230	6,925	–	7,155
Derivative instruments	8	416	9	433
Assets held for sale	22	731	29	782
Other assets	597	330	–	927
	9,207	113,686	6,793	129,686
Liabilities				
Investment contract liabilities	–	1,711	–	1,711
Investment contract liabilities held for sale	–	1	26	27
Derivative instruments	2	1,587	4	1,593
Other liabilities	8	84	70	162
	10	3,383	100	3,493

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

NOTE 18 Fair Value Measurement (continued)

The following tables present additional information about assets and liabilities measured at fair value on a recurring basis for which the Corporation and its subsidiaries have utilized Level 3 inputs to determine fair value for the three months ended March 31, 2019 and 2018.

	Bonds	Mortgages and other loans	Shares				Assets (liabilities) held for sale and other assets		
Three months ended March 31, 2019	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	Available for sale	Investment properties	Derivatives, net	(liabilities)	Investment contract liabilities	Total
Balance, beginning of year									
As previously reported	67	813	453	204	5,218	5	(67)	–	6,693
Change in accounting policy [Note 2]	–	–	–	–	29	–	–	–	29
Restated balance, beginning of year	67	813	453	204	5,247	5	(67)	–	6,722
Total gains (losses)									
In net earnings	2	55	18	22	(5)	(9)	(3)	–	80
In other comprehensive income [1]	(3)	–	–	(29)	–	–	–	–	(32)
Purchases	–	–	78	1	214	(1)	–	–	292
Issues	–	69	–	–	–	–	–	–	69
Sales	–	–	(5)	–	(7)	–	–	–	(12)
Settlements	–	(13)	–	–	–	–	28	–	15
Other [2]	–	–	–	(150)	–	–	1	–	(149)
Balance, end of period	66	924	544	48	5,449	(5)	(41)	–	6,985

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

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

	Bonds	Mortgages and other loans	Shares						
Three months ended March 31, 2018	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	Available for sale	Investment properties	Derivatives, net	Other assets (liabilities)	Investment contract liabilities	Total
Balance, beginning of year	65	–	244	169	4,851	4	(62)	(22)	5,249
Total gains (losses)									
In net earnings	(1)	(17)	8	–	58	(3)	–	–	45
In other comprehensive income [1]	3	51	1	3	187	–	–	–	245
Business acquisition	–	799	–	–	–	–	–	–	799
Purchases	–	10	30	8	133	–	–	–	181
Sales	–	(11)	–	(2)	(12)	–	–	–	(25)
Settlements	–	–	–	–	–	4	–	–	4
Other	–	–	–	–	–	–	(4)	(1)	(5)
Balance, end of period	67	832	283	178	5,217	5	(66)	(23)	6,493

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

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

NOTE 18 Fair Value Measurement (continued)

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 2.4% – 10.3%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 4.3% – 6.8%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.4%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage and other loans (fair value through profit or loss)	The valuation approach for equity-release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no-negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long-term care of the loanholders.	Discount rate	Range of 4.2% – 4.7%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
Shares	The determination of the fair value of shares requires the use of estimates such as future cash flows, discount rates, projected earnings multiples, or recent transactions.	Discount rate	Various	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

NOTE 19 Segmented Information

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

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

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

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

NOTE 19 Segmented Information (continued)

CONSOLIDATED NET EARNINGS

Three months ended March 31, 2019	Lifeco	IGM [1]	Pargesa	Corporate	Total
Revenues					
Premium income, net	9,595	–	–	(5)	9,590
Net investment income	5,815	49	–	–	5,864
Fee income	1,479	736	–	(21)	2,194
Total revenues	16,889	785	–	(26)	17,648
Expenses					
Total paid or credited to policyholders	13,912	–	–	–	13,912
Commissions	610	275	–	(16)	869
Operating and administrative expenses	1,484	274	–	31	1,789
Financing charges	72	25	–	10	107
Total expenses	16,078	574	–	25	16,677
Earnings before investments in jointly controlled corporations and associates, and income taxes	811	211	–	(51)	971
Share of earnings of investments in jointly controlled corporations and associates	–	4	46	–	50
Earnings before income taxes	811	215	46	(51)	1,021
Income taxes	130	45	–	5	180
Net earnings	681	170	46	(56)	841
Attributable to					
Non-controlling interests	237	60	–	(27)	270
Perpetual preferred shareholders	–	–	–	35	35
Common shareholders	444	110	46	(64)	536
	681	170	46	(56)	841

Three months ended March 31, 2018	Lifeco	IGM [1]	Pargesa	Corporate	Total
Revenues					
Premium income, net	8,174	–	–	(5)	8,169
Net investment income	86	44	–	(25)	105
Fee income	1,433	757	–	(24)	2,166
Total revenues	9,693	801	–	(54)	10,440
Expenses					
Total paid or credited to policyholders	6,780	–	–	–	6,780
Commissions	594	286	–	(16)	864
Operating and administrative expenses	1,407	253	–	32	1,692
Financing charges	71	30	–	5	106
Total expenses	8,852	569	–	21	9,442
Earnings before investments in jointly controlled corporations and associates, and income taxes	841	232	–	(75)	998
Share of earnings of investments in jointly controlled corporations and associates	–	8	44	–	52
Earnings before income taxes	841	240	44	(75)	1,050
Income taxes	77	52	–	3	132
Net earnings	764	188	44	(78)	918
Attributable to					
Non-controlling interests	269	81	–	(52)	298
Perpetual preferred shareholders	–	–	–	34	34
Common shareholders	495	107	44	(60)	586
	764	188	44	(78)	918

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

NOTE 19 Segmented Information (continued)

TOTAL ASSETS

March 31, 2019	Lifeco	IGM [2]	Pargesa	Corporate	Total
Investments and cash and cash equivalents	180,161	8,631	–	1,135	189,927
Assets held for sale	908	–	–	–	908
Investments in jointly controlled corporations and associates	6	907	3,618	29	4,560
Other assets	27,271	1,357	–	151	28,779
Goodwill and intangible assets	10,921	4,030	–	161	15,112
Investments on account of segregated fund policyholders	219,793	–	–	–	219,793
Investments on account of segregated fund policyholders held for sale	3,432	–	–	–	3,432
Total assets [1]	442,492	14,925	3,618	1,476	462,511

December 31, 2018	Lifeco	IGM [2]	Pargesa	Corporate	Total
Investments and cash and cash equivalents	177,013	8,639	–	1,151	186,803
Assets held for sale	897	–	–	–	897
Investments in jointly controlled corporations and associates	8	683	3,291	27	4,009
Other assets	25,941	1,259	–	125	27,325
Goodwill and intangible assets	10,984	4,028	–	163	15,175
Investments on account of segregated fund policyholders	209,527	–	–	–	209,527
Investments on account of segregated fund policyholders held for sale	3,319	–	–	–	3,319
Total assets [1]	427,689	14,609	3,291	1,466	447,055

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

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

Great-West Lifeco Inc.

PART C

Please note that the bottom of each page in Part C contains two different page numbers. A page number with the prefix "C" refers to the number of such page in this document and the page number without any prefix refers to the number of such page in the original document issued by Great-West Lifeco Inc.

The attached documents concerning Great-West Lifeco Inc. are documents prepared and publicly disclosed by such subsidiary. Certain statements in the attached documents, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the current expectations of the subsidiary as set forth therein. Forward-looking statements are provided for the purposes of assisting the reader in understanding the subsidiary's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about the subsidiary's 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.

By its nature, forward-looking 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.

For further information provided by the subsidiary as to the material factors that could cause actual results to differ materially from the content of forward-looking statements, the material factors and assumptions that were applied in making the forward-looking statements, and the subsidiary's policy for updating the content of forward-looking statements, please see the attached documents, including the section entitled Cautionary Note Regarding Forward-Looking Information. The reader is cautioned to consider these factors and assumptions carefully and not to put undue reliance on forward-looking statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED MARCH 31, 2019
DATED: MAY 1, 2019

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, financial performance and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three months ended March 31, 2019 and includes a comparison to the corresponding periods in 2018, to the three months ended December 31, 2018, and to the Company's financial condition as at December 31, 2018. This MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's three major reportable segments: Canada, United States (U.S.) and Europe.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The condensed consolidated interim unaudited financial statements of Lifeco, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated. This MD&A should be read in conjunction with the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2019. Also refer to the 2018 Annual MD&A and audited consolidated financial statements in the Company's 2018 Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A may contain forward-looking information. Forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and other similar expressions or negative versions thereof. These statements include, without limitation, statements about the Company's operations, business, financial condition, expected financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future actions by the Company, including statements made with respect to the expected benefits of acquisitions and divestitures, expected capital management activities and use of capital and expected cost reductions and savings. Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance and mutual fund industries. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Material factors and assumptions that were applied in formulating the forward-looking information contained herein include the assumption that the business and economic conditions affecting the Company's operations will continue substantially in their current state, including, without limitation, with respect to customer behaviour, the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets, business competition and other general economic, political and market factors in North America and internationally. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. Other important factors and assumptions that could cause actual results to differ materially from those contained in forward-looking statements include customer responses to new products, impairments of goodwill and other intangible assets, the Company's ability to execute strategic plans and changes to strategic plans, technological changes, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, the Company's ability to complete strategic transactions and integrate acquisitions and unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements. The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Company's 2018 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates", which, along with other filings, is available for review at www.sedar.com. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking information. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking information whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

This MD&A contains some non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "operating earnings", "adjusted net earnings", "adjusted return on equity", "core net earnings", "constant currency basis", "impact of currency movement", "premiums and deposits", "sales", "assets under management" and "assets under administration". Non-IFRS financial measures are used to provide management and investors with additional measures of performance to help assess results where no comparable IFRS measure exists. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Refer to the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS where applicable.

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information
(in Canadian $ millions, except for per share amounts)

	As at or for the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Earnings			
Net earnings - common shareholders	**$ 657**	$ 710	$ 731
Net earnings per common share	**0.665**	0.719	0.740
Dividends paid per common share	**0.413**	0.389	0.389
Return on common shareholders' equity[1]			
Net earnings	**13.5%**	14.0%	11.4%
Adjusted net earnings[2]	**13.7%**	14.3%	13.8%
Premiums and deposits			
Net premium income (Life insurance, guaranteed annuities and insured health products)	**$ 9,595**	$ 9,045	$ 8,174
Policyholder deposits (Segregated funds):			
Individual products	**3,632**	4,705	3,988
Group products	**2,094**	1,641	2,422
Premiums and deposits reported in the financial statements	**15,321**	15,391	14,584
Self-funded premium equivalents (Administrative services only contracts)[3]	**811**	802	748
Proprietary mutual funds and institutional deposits[3]	**24,713**	21,390	17,794
Total premiums and deposits[3]	**40,845**	37,583	33,126
Fee and other income	**1,479**	1,420	1,433
Net policyholder benefits, dividends and experience refunds	**8,987**	8,496	7,829
Total assets per financial statements	**$ 442,492**	$ 427,689	$ 432,651
Proprietary mutual funds and institutional net assets[4]	**304,230**	281,664	285,843
Total assets under management[4]	**746,722**	709,353	718,494
Other assets under administration[5]	**804,202**	689,520	673,597
Total assets under administration	**$1,550,924**	$1,398,873	$1,392,091
Total equity	**$ 27,400**	$ 27,398	$ 26,435
The Great-West Life Assurance Company consolidated Life Insurance Capital Adequacy Test Ratio[6]	**140%**	140%	130%
Book value per common share	**$ 22.07**	$ 22.08	$ 21.01

(1) Return on common shareholders' equity is detailed within the "Capital Allocation Methodology" section.

(2) Return on common shareholders' equity - adjusted net earnings (a non-IFRS measure) is adjusted for the impact of U.S. tax reform, the net charge on the sale of an equity investment and restructuring costs. For further details on this measure, refer to the "Capital Allocation Methodology" section.

(3) In addition to premiums and deposits reported in the financial statements, the Company includes premium equivalents on self-funded group insurance administrative services only (ASO) contracts and deposits on proprietary mutual funds and institutional accounts to calculate total premiums and deposits (a non-IFRS financial measure). This measure provides useful information as it is an indicator of top line growth.

(4) Total assets under management (a non-IFRS financial measure) provides an indicator of the size and volume of the overall business of the Company. Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients. This includes internally and externally managed funds where the Company has oversight of the investment policies.

(5) Other assets under administration (a non-IFRS financial measure) includes assets where the Company only provides administration services for which the Company earns fee and other income. These assets are beneficially owned by clients and the Company does not direct the investing activities. Services provided relating to assets under administration includes recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volume, size and trends.

(6) The Life Insurance Capital Adequacy Test (LICAT) ratio is based on the consolidated results of The Great-West Life Assurance Company, Lifeco's major Canadian operating subsidiary. Refer to the "Capital Management and Adequacy" section for additional details.

NET EARNINGS

Consolidated net earnings of Lifeco include the net earnings of The Great-West Life Assurance Company (Great-West Life) and its operating subsidiaries, London Life Insurance Company (London Life), The Canada Life Assurance Company (Canada Life) and Irish Life Group Limited (Irish Life); Great-West Life & Annuity Insurance Company (Great-West Financial) and Putnam Investments, LLC (Putnam); together with Lifeco's Corporate operating results.

Lifeco's net earnings attributable to common shareholders (net earnings) for the three month period ended March 31, 2019 were $657 million compared to $731 million a year ago and $710 million in the previous quarter. On a per share basis, this represents $0.665 per common share ($0.665 diluted) compared to $0.740 per common share ($0.739 diluted) a year ago and $0.719 per common share ($0.719 diluted) in the previous quarter.

Net earnings - common shareholders

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Canada			
Individual Customer	**$ 124**	$ 171	$ 138
Group Customer	**151**	144	142
Canada Corporate	**8**	(5)	36
	283	310	316
United States			
Financial Services	**86**	84	91
Asset Management	**(4)**	(29)	(16)
U.S. Corporate	**(1)**	—	—
	81	55	75
Europe			
Insurance & Annuities	**203**	271	244
Reinsurance	**97**	89	104
Europe Corporate	**(1)**	(11)	(4)
	299	349	344
Lifeco Corporate	**(6)**	(4)	(4)
Net earnings - common shareholders	**$ 657**	$ 710	$ 731

The information in the table above is a summary of results for net earnings of the Company. Additional commentary regarding net earnings is included in the "Segmented Operating Results" section.

MARKET IMPACTS

Interest Rate Environment

Interest rates in countries where the Company operates mostly decreased during the quarter. The net change in interest rates did not impact the range of interest rate scenarios tested through the valuation process. The net change in interest rates did not have a material impact on net earnings or on the LICAT ratio.

In order to mitigate the Company's exposure to interest rate fluctuations, the Company follows disciplined processes for matching asset and liability cash flows. As a result, the impact of changes in fair values of bonds backing insurance contract liabilities recorded through profit or loss is mostly offset by a corresponding change in the insurance contract liabilities.

For a further description of the Company's sensitivity to interest rate fluctuations, refer to "Financial Instruments Risk Management", note 7 to the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2019.

Equity Markets

In the regions where the Company operates, average equity market levels in the first quarter of 2019 decreased compared to the same period in 2018; however, ended the quarter at higher market levels compared to December 31, 2018. Relative to the Company's expectation, the change in average market levels and market volatility had a positive impact of $20 million on net earnings during the first quarter of 2019 ($2 million positive impact in the first quarter of 2018), related to asset-based fee income and the costs related to guarantees of death, maturity or income benefits within certain wealth management products offered by the Company. In addition, net earnings were positively impacted by approximately $23 million in the first quarter of 2019 ($6 million positive impact in the first quarter of 2018), primarily related to seed money investments held in the U.S. Asset Management and Canada Corporate business units. In addition, the increase in equity markets negatively impacted the first quarter 2019 net earnings by $19 million ($12 million positive impact in the first quarter of 2018) as a result of the combination of actuarial assumption changes in the Canada segment and an unfavourable tax related item in the Europe segment.

Comparing the first quarter of 2019 to the first quarter of 2018, average equity market levels were down by 1% in Canada (as measured by S&P TSX), 1% in the U.S. (measured by S&P 500), 4% in the U.K. (measured by FTSE 100) and 8% in broader Europe (measured by EURO STOXX 50). The major equity indices finished the first quarter of 2019 up by 12% in Canada, 13% in the U.S., 8% in the U.K. and 12% in broader Europe compared to December 31, 2018.

Foreign Currency

Throughout this document, several terms are used to highlight the impact of foreign exchange on results, such as: "constant currency basis", "impact of currency movement" and "effect of currency translation fluctuations". These measures have been calculated using the average or period-end rates, as appropriate, in effect at the date of the comparative period. This non-IFRS measure provides useful information as it facilitates the comparability of results between periods.

The average currency translation rate for the first quarter of 2019 increased for the U.S. dollar and decreased for the British pound and the euro compared to the first quarter of 2018. The overall impact of currency movement on the Company’s net earnings for the three month period ended March 31, 2019 was an increase of $4 million compared to translation rates a year ago.

From December 31, 2018 to March 31, 2019, the exchange rates at the end of the reporting period used to translate U.S. dollar and euro assets and liabilities to the Canadian dollar decreased, while the British pound was consistent. The movements in end-of-period exchange rates resulted in unrealized foreign exchange losses from the translation of foreign operations, including related hedging activities, of $162 million in-quarter recorded in other comprehensive income.

Translation rates for the reporting period and comparative periods are detailed in the "Translation of Foreign Currency" section.

ACTUARIAL ASSUMPTION CHANGES

During the first quarter of 2019, the Company updated a number of actuarial assumptions resulting in a positive net earnings impact of $129 million, compared to $121 million for the same quarter last year and $83 million for the previous quarter. In Europe, net earnings were positively impacted by $101 million, primarily due to updated annuitant mortality and economic assumptions. In Canada, net earnings were positively impacted by $28 million, primarily due to updated morbidity assumptions.

PREMIUMS AND DEPOSITS AND SALES

Total premiums and deposits (a non-IFRS financial measure) include premiums on risk-based insurance and annuity products net of ceded reinsurance (as defined under IFRS), premium equivalents on self-funded group insurance ASO contracts, deposits on individual and group segregated fund products as well as deposits on proprietary mutual funds and institutional accounts. This measure provides an indicator of top-line growth.

Sales (a non-IFRS financial measure) for risk-based insurance and annuity products include 100% of single premium and annualized premiums expected in the first twelve months of the plan. Group insurance and ASO sales reflect annualized premiums and premium equivalents for new policies and new benefits covered or expansion of coverage on existing policies. For individual wealth management products, sales include deposits on segregated fund products, proprietary mutual funds and institutional accounts as well as deposits on non-proprietary mutual funds. For group wealth management products, sales include assets transferred from previous plan providers and the expected annual contributions from the new plan. This measure provides an indicator of new business growth.

Premiums and deposits

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Canada			
Individual Customer	**$ 2,508**	$ 2,862	$ 2,616
Group Customer	**4,136**	3,776	4,437
	6,644	6,638	7,053
United States			
Financial Services	**3,286**	3,105	3,110
Asset Management	**14,550**	17,483	13,235
	17,836	20,588	16,345
Europe			
Insurance & Annuities	**11,911**	6,485	6,412
Reinsurance	**4,454**	3,872	3,316
	16,365	10,357	9,728
Total premiums and deposits	**$ 40,845**	$ 37,583	$ 33,126

Sales

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Canada	**$ 3,180**	$ 3,447	$ 3,822
United States	**75,848**	32,080	25,076
Europe - Insurance & Annuities	**11,181**	5,972	5,739
Total sales	**$ 90,209**	$ 41,499	$ 34,637

The information in the table above is a summary of results for the Company's total premiums and deposits and sales. Additional commentary regarding premiums and deposits and sales is included in the "Segmented Operating Results" section.

NET INVESTMENT INCOME

Net investment income

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Investment income earned (net of investment properties expenses)	**$ 1,478**	$ 1,653	$ 1,543
Net allowances for credit losses on loans and receivables	**(3)**	—	—
Net realized gains	**11**	13	61
Regular investment income	**1,486**	1,666	1,604
Investment expenses	**(36)**	(34)	(31)
Regular net investment income	**1,450**	1,632	1,573
Changes in fair value through profit or loss	**4,365**	(398)	(1,487)
Net investment income	**$ 5,815**	$ 1,234	$ 86

Net investment income in the first quarter of 2019, which includes changes in fair value through profit or loss, increased by $5,729 million compared to the same quarter last year. The changes in fair value in the first quarter of 2019 were an increase of $4,365 million compared to a decrease of $1,487 million for the first quarter of 2018. In the first quarter of 2019, the net increase to fair values was primarily due to a decline in bond yields across all geographies and an increase in Canadian equity markets. In the first quarter of 2018, the net decrease to fair values was primarily due to an increase in bond yields across all geographies.

Regular net investment income in the first quarter of 2019 of $1,450 million, which excludes changes in fair value through profit or loss, decreased by $123 million compared to the same quarter last year. The decrease was primarily due to lower interest on bond investments as well as lower net realized gains driven by fewer early mortgage redemptions in the first quarter of 2019 compared to the same quarter last year. Net realized gains include gains on available-for-sale securities of $5 million for the first quarter of 2019 compared to losses of $1 million for the same quarter last year.

Net investment income in the first quarter of 2019 increased by $4,581 million compared to the previous quarter, primarily due to an increase in fair values of $4,365 million in the first quarter of 2019 compared to a decrease of $398 million in the previous quarter. The net increase to fair values during the first quarter was primarily due to a decline in bond yields across all geographies and an increase in Canadian equity markets. The net decrease to fair values in the previous quarter was primarily due to a decline in Canadian equity markets, partially offset by a decline in bond yields across all geographies.

Credit Markets

In the first quarter of 2019, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by $10 million ($7 million net recovery in the first quarter of 2018). Changes in credit ratings in the Company's fixed income portfolio resulted in a net decrease in provisions for future credit losses in insurance contract liabilities, which positively impacted common shareholders' net earnings by $14 million ($4 million net negative impact in the first quarter of 2018).

In April 2019, a U.K. retailer, which is a primary tenant in four properties that the Company owns or has issued mortgages on, entered a prepackaged administration. The U.K. retailer continues to operate after transferring control of its assets to a new company controlled by the group's secured lenders. The Company is monitoring developments closely and continuing to assess the potential impact to its holdings.

FEE AND OTHER INCOME

In addition to providing traditional risk-based insurance products, the Company also provides certain products on a fee-for-service basis. The most significant of these products are segregated funds and mutual funds, for which the Company earns investment management fees on assets managed and other fees, as well as ASO contracts, under which the Company provides group benefit plan administration on a cost-plus basis.

Fee and other income

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Canada			
Segregated funds, mutual funds and other	**$ 371**	$ 378	$ 390
ASO contracts	**51**	50	48
	422	428	438
United States			
Segregated funds, mutual funds and other	**659**	644	631
Europe			
Segregated funds, mutual funds and other	**398**	348	364
Total fee and other income	**$ 1,479**	$ 1,420	$ 1,433

The information in the table above is a summary of gross fee and other income for the Company. Additional commentary regarding fee and other income is included in the "Segmented Operating Results" section.

NET POLICYHOLDER BENEFITS, DIVIDENDS AND EXPERIENCE REFUNDS

Net policyholder benefits, dividends and experience refunds

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Canada	**$ 2,426**	$ 2,272	$ 2,378
United States	**1,208**	1,172	1,117
Europe	**5,353**	5,052	4,334
Total	**$ 8,987**	$ 8,496	$ 7,829

Net policyholder benefits, dividends and experience refunds include life and health claims, policy surrenders, maturities, annuity payments, segregated fund guarantee payments, policyholder dividends and experience refund payments. The amounts do not include benefit payments for ASO contracts, segregated funds or mutual funds.

For the three months ended March 31, 2019, net policyholder benefits, dividends and experience refunds were $9.0 billion, an increase of $1.2 billion from the same period last year, driven by higher net policyholder benefits. The increase in benefit payments was primarily due to new and restructured reinsurance agreements, higher volumes relating to existing business and the impact of currency movement in Europe.

Compared to the previous quarter, net policyholder benefits, dividends and experience refunds increased by $0.5 billion. The increase in Europe was primarily due to the same reasons discussed for the in-quarter results, while the increase in Canada was primarily due to an increase in death and surrender benefits.

INCOME TAXES

The Company's effective income tax rate is generally lower than the statutory income tax rate of 27% due to benefits related to non-taxable investment income and lower income tax in foreign jurisdictions.

In the first quarter of 2019, the Company had an effective income tax rate of 16%, up from 9% in the first quarter of 2018. The increase in the effective income tax rate for the first quarter of 2019 was primarily due to changes in certain tax estimates and a lower percentage of income subject to lower rates in foreign jurisdictions.

In the first quarter of 2019, the Company had an effective income tax rate of 16%, up from 6% in the fourth quarter of 2018. The increase in the effective income tax rate was primarily due to changes in certain tax estimates.

Effective January 1, 2019, the Company applied IFRIC 23, *Uncertainty over Income Tax Treatments.* Refer to the "Accounting Policies - International Financial Reporting Standards" section for further details.

Refer to note 15 to the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2019 for further details.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	March 31, 2019			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	**$ 78,118**	**$ 47,842**	**$ 54,667**	**$ 180,627**
Assets held for sale	**—**	**—**	**908**	**908**
Goodwill and intangible assets	**5,525**	**2,093**	**2,843**	**10,461**
Other assets	**3,465**	**4,768**	**19,038**	**27,271**
Investments on account of segregated fund policyholders	**81,994**	**32,736**	**105,063**	**219,793**
Investments on account of segregated fund policyholders held for sale	**—**	**—**	**3,432**	**3,432**
Total assets	**169,102**	**87,439**	**185,951**	**442,492**
Proprietary mutual funds and institutional net assets	**6,676**	**247,725**	**49,829**	**304,230**
Total assets under management	**175,778**	**335,164**	**235,780**	**746,722**
Other assets under administration	**16,736**	**742,238**	**45,228**	**804,202**
Total assets under administration	**$ 192,514**	**$ 1,077,402**	**$ 281,008**	**$ 1,550,924**

	December 31, 2018			
	Canada	United States	Europe	Total
Assets				
Invested assets	$ 75,647	$ 47,500	$ 54,334	$ 177,481
Assets held for sale	—	—	897	897
Goodwill and intangible assets	5,516	2,130	2,878	10,524
Other assets	3,110	4,495	18,336	25,941
Investments on account of segregated fund policyholders	76,633	31,816	101,078	209,527
Investments on account of segregated fund policyholders held for sale	—	—	3,319	3,319
Total assets	160,906	85,941	180,842	427,689
Proprietary mutual funds and institutional net assets	6,214	235,075	40,375	281,664
Total assets under management	167,120	321,016	221,217	709,353
Other assets under administration	13,615	630,881	45,024	689,520
Total assets under administration	$ 180,735	$ 951,897	$ 266,241	$ 1,398,873

Total assets under administration at March 31, 2019 increased by $152.1 billion to $1.6 trillion compared to December 31, 2018, primarily due to the impact of market movement and new business growth, partially offset by the impact of currency movement. The increase of $111.4 billion in the U.S. segment's other assets under administration includes the impact of large plan sales in the first quarter of 2019. The increase of $3.1 billion in the Canada segment's other assets under administration was primarily due to the acquisition of Guggenheim Real Estate LLC, which added $2.2 billion in assets under administration.

Assets held for sale of $908 million and investments on account of segregated fund policyholders held for sale of $3,432 million at March 31, 2019 relate to the pending sale of a heritage block of policies to Scottish Friendly, which is expected to close in the second half of 2019. Refer to note 4 of the Company's March 31, 2019 condensed consolidated interim unaudited financial statements for further information on assets classified as held for sale. The impact of the agreement to sell, via indemnity reinsurance, substantially all of the U.S. segment individual life insurance and annuity business to Protective Life Insurance Company (Protective Life) will be reflected in assets when the transaction closes, which is anticipated to be in the second quarter of 2019.

INVESTED ASSETS

The Company manages its general fund assets to support the cash flow, liquidity and profitability requirements of the Company's insurance and investment products. The Company follows prudent and conservative investment policies, so that assets are not unduly exposed to concentration, credit or market risks. Within the framework of the Company's policies, the Company implements strategies and reviews and adjusts them on an ongoing basis considering liability cash flows and capital market conditions. The majority of investments of the general fund are in medium-term and long-term fixed-income investments, primarily bonds and mortgages, reflecting the characteristics of the Company's liabilities.

Bond portfolio – It is the Company's policy to acquire primarily investment grade bonds subject to prudent and well-defined investment policies. Modest investments in below investment grade rated securities may occur while not changing the overall discipline and conservative approach to the investment strategy. The total bond portfolio, including short-term investments, was $126.3 billion or 70% of invested assets at March 31, 2019 and $124.9 billion or 71% at December 31, 2018. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 79% rated A or higher.

Bond portfolio quality

	March 31, 2019		December 31, 2018	
AAA	**$ 22,834**	**18 %**	$ 23,558	19%
AA	**34,807**	**28**	33,793	27
A	**41,879**	**33**	41,008	33
BBB	**25,768**	**20**	25,553	20
BB or lower	**1,011**	**1**	950	1
Total	**$ 126,299**	**100 %**	$ 124,862	100%

Mortgage portfolio – It is the Company's practice to acquire high quality commercial mortgages meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk-rating system, which it uses in its underwriting and credit monitoring processes for commercial loans. Residential loans are originated by the Company's mortgage specialists in accordance with well-established underwriting standards and are well diversified across each geographic region, including specific diversification requirements for non-insured mortgages. Equity release mortgages are originated in the Europe segment following well-defined lending criteria. Equity release mortgages are loans provided to seniors who want to continue living in their homes while accessing some of the underlying equity value in their homes. Loans are typically repaid when the borrower dies or moves into long-term care.

Mortgage portfolio

	March 31, 2019				December 31, 2018	
Mortgage loans by type	**Insured**	**Non-insured**	**Total**		Total	
Single family residential	**$ 602**	**$ 1,491**	**$ 2,093**	**8%**	$ 2,104	8%
Multi-family residential	**3,861**	**3,759**	**7,620**	**30**	$ 7,617	31
Equity release	**—**	**924**	**924**	**4**	$ 813	3
Commercial	**297**	**14,575**	**14,872**	**58**	$ 14,480	58
Total	**$ 4,760**	**$ 20,749**	**$ 25,509**	**100%**	$ 25,014	100%

The total mortgage portfolio was $25.5 billion or 14% of invested assets at March 31, 2019, compared to $25.0 billion or 14% of invested assets at December 31, 2018. Total insured loans were $4.8 billion or 19% of the mortgage portfolio. The equity release mortgages had a weighted average loan-to-value of 24% (23% at December 31, 2018).

Single family residential mortgages

Region	March 31, 2019		December 31, 2018	
Ontario	**$ 1,055**	**51%**	$ 1,055	51%
Quebec	**443**	**21**	445	21
Alberta	**126**	**6**	126	6
British Columbia	**107**	**5**	112	5
Newfoundland	**106**	**5**	108	5
Saskatchewan	**90**	**4**	90	4
Nova Scotia	**61**	**3**	62	3
New Brunswick	**53**	**3**	54	3
Manitoba	**47**	**2**	47	2
Other	**5**	**—**	5	—
Total	**$ 2,093**	**100%**	$ 2,104	100%

During the three months ended March 31, 2019, single family mortgage originations, including renewals, were $83 million, of which 27% were insured. Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfill their mortgage obligations. Loans that are insured are subject to the requirements of the mortgage default insurance provider. For new originations of non-insured residential mortgages, the Company's investment policies limit the amortization period to a maximum of 25 years and the loan-to-value ratio to a maximum of 80% of the purchase price or current appraised value of the property. The weighted average remaining amortization period for the single family residential mortgage portfolio was 21 years as at March 31, 2019 (21 years at December 31, 2018).

Provision for future credit losses

As a component of insurance contract liabilities, the total actuarial provision for future credit losses is determined consistent with the Canadian Institute of Actuaries' Standards of Practice and includes provisions for adverse deviation.

At March 31, 2019, the total actuarial provision for future credit losses in insurance contract liabilities was $2,657 million compared to $2,595 million at December 31, 2018, an increase of $62 million, primarily due to normal business activity, partially offset by the impact of rating changes and currency.

The aggregate of impairment provisions of $11 million ($23 million at December 31, 2018) and actuarial provision for future credit losses in insurance contract liabilities of $2,657 million ($2,595 million at December 31, 2018) represents 1.7% of bond and mortgage assets, including funds held by ceding insurers, at March 31, 2019 (1.7% at December 31, 2018).

United Kingdom property related exposures

At March 31, 2019, the Company's holdings of property related investments in the U.K. were $8.0 billion, or 4.5% of invested assets, and comparable to $7.8 billion at December 31, 2018. These holdings remain well diversified across property type - Retail (33%), Industrial/Other (32%), Office (18%), Equity Release (11%) and Multi-family (6%). Of the Retail sector holdings, 47% relate to warehouse/distribution and other retail, 32% relate to shopping centres and department stores and 21% relate to grocery retail sub-categories.

DERIVATIVE FINANCIAL INSTRUMENTS

During the first quarter of 2019, there were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments. The Company's derivative transactions are generally governed by International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements, which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of an early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company's ISDA Master Agreements may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions.

At March 31, 2019, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $119 million ($113 million at December 31, 2018) and pledged on derivative liabilities was $418 million ($691 million at December 31, 2018). Collateral pledged on derivative liabilities decreased in the first quarter of 2019 as a result of a decrease in derivative liabilities, 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.

During the three month period ended March 31, 2019, the outstanding notional amount of derivative contracts increased by $2.8 billion to $22.4 billion, primarily due to an increase in forward settling mortgage backed security transactions ("to-be-announced-securities") and regular hedging activities.

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, increased to $496 million at March 31, 2019 from $417 million at December 31, 2018. The increase is 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.

LIABILITIES

Total liabilities	**March 31 2019**	December 31 2018
Insurance and investment contract liabilities	**$ 172,519**	$ 168,431
Liabilities held for sale	**908**	897
Other general fund liabilities	**18,440**	18,117
Investment and insurance contracts on account of segregated fund policyholders	**219,793**	209,527
Investment and insurance contracts on account of segregated fund policyholders held for sale	**$ 3,432**	$ 3,319
Total	**$ 415,092**	$ 400,291

Total liabilities increased by $14.8 billion to $415.1 billion at March 31, 2019 from December 31, 2018. Investment and insurance contracts on account of segregated fund policyholders increased by $10.3 billion, primarily due to the impact of net market value gains and investment income of $13.7 billion, partially offset by the impact of currency movement of $3.2 billion and net withdrawals of $0.2 billion. Insurance and investment contract liabilities increased by $4.1 billion, primarily due to fair value adjustments and the impact of new business, partially offset by the weakening of the euro and U.S. dollar against the Canadian dollar.

Liabilities held for sale of $0.9 billion and investment and insurance contracts on account of segregated fund policyholders held for sale of $3.4 billion at March 31, 2019 relate to the pending sale of a heritage block of policies to Scottish Friendly, which is expected to close in the second half of 2019. For further information on liabilities classified as held for sale, refer to note 4 to the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2019.

Segregated Fund and Variable Annuity Guarantees
The Company offers retail segregated fund products, unitized with profits (UWP) products and variable annuity products that provide for certain guarantees that are tied to the market values of the investment funds.

Guaranteed minimum withdrawal benefit (GMWB) products offered by the Company provide income guarantees and in addition, may provide death and maturity guarantees. At March 31, 2019, the amount of GMWB products in-force in Canada, the U.S., Ireland and Germany were $4,385 million ($4,169 million at December 31, 2018). The Company has a hedging program in place to manage certain risks associated with options embedded in its GMWB products.

Segregated fund and variable annuity guarantee exposure

		March 31, 2019			
		Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total[1]
Canada	$ 32,107	$ —	$ 19	$ 57	$ 57
United States	13,259	50	—	43	85
Europe					
Insurance & Annuities	9,863	5	—	608	608
Reinsurance[2]	1,035	313	—	8	321
Total Europe	10,898	318	—	616	929
Total	**$ 56,264**	**$ 368**	**$ 19**	**$ 716**	**$ 1,071**

(1) A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on March 31, 2019.
(2) Reinsurance exposure is to markets in Canada and the U.S.

The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on March 31, 2019. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees were $5 million for the first quarter of 2019 ($6 million for the first quarter of 2018) with the majority arising in the Reinsurance business unit in the Europe segment.

LIFECO CAPITAL STRUCTURE
In establishing the appropriate mix of capital required to support the operations of the Company and its subsidiaries, management utilizes a variety of debt, equity and other hybrid instruments considering both the short and long-term capital needs of the Company.

DEBENTURES AND OTHER DEBT INSTRUMENTS
At March 31, 2019, debentures and other debt instruments decreased by $78 million to $6,381 million compared to December 31, 2018 primarily due to the impact of currency movement.

SHARE CAPITAL AND SURPLUS
Share capital outstanding at March 31, 2019 was $10,012 million, which was comprised of $7,298 million of common shares, $2,464 million of non-cumulative First Preferred Shares, $213 million of 5-year rate reset First Preferred Shares and $37 million of floating rate First Preferred Shares.

The Company commenced a normal course issuer bid (NCIB) on February 1, 2019 for one year to purchase and cancel up to 20,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan and for other capital management purposes. During the three months ended March 31, 2019, the Company did not repurchase any common shares under the NCIB. Under the previous NCIB, for the three months ended March 31, 2018, the Company repurchased and subsequently cancelled 431,000 common shares at an average cost per share of $34.22.

On March 4, 2019, the Company announced a substantial issuer bid (the Offer) pursuant to which the Company offered to purchase for cancellation up to $2 billion of its common shares from shareholders for cash. The Offer commenced on March 8, 2019 and expired on April 12, 2019. Subsequent to the quarter, on April 17, 2019, the Company announced that it had repurchased and subsequently cancelled 59,700,974 common shares under the Offer at a price of $33.50 per share for an aggregate purchase price of $2 billion.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At March 31, 2019, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $8.1 billion ($7.8 billion at December 31, 2018) and other liquid assets and marketable securities of $95.1 billion ($93.2 billion at December 31, 2018). Included in the cash, cash equivalents and short-term bonds at March 31, 2019 was $1.0 billion ($1.0 billion at December 31, 2018) held at the Lifeco holding company level. In addition, the Company maintains committed lines of credit with Canadian chartered banks for potential unanticipated liquidity needs. The Company's cash, cash equivalents, short-term bonds and other liquid assets and marketable securities at March 31, 2019 do not reflect the impact of the settlement of the substantial issuer bid, which expired on April 12, 2019 and will be reflected in results for the second quarter of 2019. To settle this transaction, $0.7 billion of the $1.0 billion cash, cash equivalents and short-term bonds held at the Lifeco holding company level was used with the remaining portion funded through dividends from the Company's subsidiaries. Following this transaction, the Company continues to maintain levels of liquid investments adequate to meet its anticipated liquidity needs.

The Company does not have a formal common shareholder dividend policy. Dividends on outstanding common shares of the Company are declared and paid at the sole discretion of the Board of Directors of the Company. The decision to declare a dividend on the common shares of the Company takes into account a variety of factors including the level of earnings, adequacy of capital and availability of cash resources.

As a holding company, the Company's ability to pay dividends is dependent upon the Company receiving dividends from its operating subsidiaries. The Company's operating subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to the Company.

CASH FLOWS

Cash flows

	For the three months ended March 31	
	2019	2018
Cash flows relating to the following activities:		
Operations	**$ 809**	$ 1,159
Financing	**(405)**	(236)
Investment	**(43)**	(1,003)
	361	(80)
Effects of changes in exchange rates on cash and cash equivalents	**(48)**	124
Increase (decrease) in cash and cash equivalents in the period	**313**	44
Cash and cash equivalents, beginning of period	**4,168**	3,551
Cash and cash equivalents, end of period	**$ 4,481**	$ 3,595

The principal source of funds for the Company on a consolidated basis is cash provided by operating activities, including premium income, net investment income and fee income. These funds are used primarily to pay policy benefits, policyholder dividends and claims, as well as operating expenses and commissions. Cash flows generated by operations are mainly invested to support future liability cash requirements. Cash flows related to financing activities include the issuance and repayment of capital instruments, and associated dividends and interest payments.

In the first quarter of 2019, cash and cash equivalents increased by $313 million from December 31, 2018. Cash flows provided by operations during the first quarter of 2019 were $809 million, a decrease of $350 million compared to the first quarter of 2018. Cash flows used in financing were $405 million, primarily used for the payment of dividends to common and preferred shareholders. In the first quarter of 2019, the Company increased the quarterly dividend to common shareholders from $0.389 per common share to $0.413 per common share. For the three months ended March 31, 2019, cash flows were used by the Company to acquire an additional $43 million of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2018.

CAPITAL MANAGEMENT AND ADEQUACY

At the holding company level, the Company monitors the amount of consolidated capital available and the amounts deployed in its various operating subsidiaries. The amount of capital deployed in any particular company or country is dependent upon local regulatory requirements, as well as the Company's internal assessment of capital requirements in the context of its risk profiles and requirements and strategic plans. The Company's practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate. The capitalization decisions of the Company and its operating subsidiaries also give consideration to the impact such actions may have on the opinions expressed by various credit rating agencies that provide financial strength and other ratings to the Company.

In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has established a capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Life Insurance Capital Adequacy Test (LICAT).

The LICAT ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The Base Solvency Buffer is calibrated so that a life insurer can both withstand severe stress events and support the continuity of existing business.

OSFI has established a Supervisory Target Total Ratio of 100%, and a Supervisory Minimum Total Ratio of 90%. The internal target range of the LICAT ratio for Lifeco's major Canadian operating subsidiaries is 110% to 120% (on a consolidated basis).

Great-West Life's consolidated LICAT ratio at March 31, 2019 was 140% (140% at December 31, 2018). The LICAT ratio does not take into account any impact from $1.0 billion of liquidity at the Lifeco holding company level at March 31, 2019 ($1.0 billion at December 31, 2018). On April 17, 2019, the Company announced that it had repurchased and subsequently cancelled common shares for aggregate consideration of $2.0 billion. The Company expects that the impact of the dividends paid by Great-West Life to Lifeco to support this transaction will decrease Great-West Life's consolidated LICAT ratio for June 30, 2019 by approximately 6 points.

The following provides a summary of the LICAT information and ratios for Great-West Life:

LICAT Ratio	**March 31 2019**	Dec. 31 2018
Tier 1 Capital	**$ 12,404**	$ 12,455
Tier 2 Capital	**3,722**	3,686
Total Available Capital	**16,126**	16,141
Surplus Allowance & Eligible Deposits	**11,137**	10,665
Total Capital Resources	**$ 27,263**	$ 26,806
Base Solvency Buffer (includes OSFI scalar 1.05)	**$ 19,508**	$ 19,165
Total Ratio (OSFI Supervisory Target = 100%)[1]	**140%**	140%

[1] Total Ratio (%) = Total Capital Resources / Base Solvency Buffer (after 1.05 scalar)

OSFI Regulatory Capital Initiatives

The IASB issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts.* The IASB Board agreed to implementation of IFRS 17, for periods beginning on or after January 1, 2022. IFRS 17 includes, among other things, new requirements for the recognition and measurement of insurance contracts the Company issues and reinsurance contracts it holds. The new standard is expected to have a significant impact for insurers related to the timing of earnings recognition and on the presentation and disclosure of results. Adoption of the standard is expected to lead to further review and possible amendments to the OSFI LICAT Guideline.

The Company will continue to work with OSFI, the Canadian Institute of Actuaries, and other industry participants, as the LICAT guideline further evolves to allow for any future development including adaptations relating to the IFRS 17 accounting standard and developments relating to Segregated Fund Guarantee Risk requirements.

CAPITAL ALLOCATION METHODOLOGY

The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canadian and European segments (essentially Great-West Life), this allocation method generally tracks the regulatory capital requirements, while for U.S. Financial Services and U.S. Asset Management (Putnam), it tracks the financial statement carrying value of the business units. Total leverage capital is consistently allocated across all business units in proportion to total capital resulting in a debt-to-equity ratio in each business unit mirroring the consolidated Company.

The capital allocation methodology allows the Company to calculate comparable return on equity (ROE) for each business unit. These ROEs are therefore based on the capital the business unit has been allocated and the financing charges associated with that capital.

Return on Equity - Net earnings basis[1]	**March 31 2019**	Dec. 31 2018	March 31 2018
Canada	**17.2 %**	19.4 %	17.8 %
U.S. Financial Services	**10.9 %**	12.1 %	16.9 %
U.S. Asset Management (Putnam)	**(1.7)%**	(2.5)%	(27.2)%
Europe	**16.6 %**	15.9 %	15.5 %
Lifeco Corporate	**(7.1)%**	(2.0)%	(5.7)%
Total Lifeco Net Earnings Basis	**13.5 %**	14.0 %	11.4 %

Return on Equity - Adjusted net earnings basis[1][2]	**March 31 2019**	Dec. 31 2018	March 31 2018
Canada[3]	**17.2 %**	19.4 %	20.0 %
U.S. Financial Services[4]	**10.9 %**	12.1 %	10.9 %
U.S. Asset Management (Putnam)[5]	**(1.7)%**	(2.5)%	(1.0)%
Europe[6]	**17.3 %**	16.6 %	14.9 %
Lifeco Corporate	**(7.1)%**	(2.0)%	(5.7)%
Total Lifeco Adjusted Net Earnings Basis[3][4][5][6]	**13.7 %**	14.3 %	13.8 %

(1) ROE is the calculation of net earnings divided by the average common shareholders' equity over the trailing four quarters.
(2) Adjusted ROE (a non-IFRS financial measure) is the calculation of adjusted net earnings divided by the average common shareholders' equity over the trailing four quarters.
(3) Canada adjusted net earnings excludes $19 million related to the impact of U.S. tax reform in the fourth quarter of 2017. The second quarter of 2017 excludes restructuring costs of $126 million.
(4) U.S. Financial Services adjusted net earnings excludes the positive impact of U.S. tax reform of $197 million in the fourth quarter of 2017.
(5) U.S. Asset Management (Putnam) adjusted net earnings excludes the impact of a net charge on the sale of an equity investment of $122 million and the impact of U.S. tax reform of $448 million in the fourth quarter of 2017.
(6) Europe adjusted net earnings for the third quarter of 2018 excludes restructuring costs of $56 million related to the Insurance and Annuities business unit ($4 million in the fourth quarter of 2017, $1 million in the third quarter of 2017 and $1 million in the second quarter of 2017). Adjusted net earnings for the fourth quarter of 2017 also excludes the positive impact of U.S. tax reform of $54 million.

The Company reported ROE based on net earnings of 13.5% at March 31, 2019, down from 14.0% at December 31, 2018. Lifeco's net earnings for the second quarter of 2018 included a net positive impact of $60 million, arising from refinancing in the U.S. segment completed in the quarter, which increased the March 31, 2019 and December 31, 2018 ROE by 0.3%. Lifeco's net earnings for the third quarter of 2017 included a provision of $175 million related to the impact of 2017 Atlantic hurricane activity, which reduced the March 31, 2018 ROE by 0.9%.

The Company reported ROE based on adjusted net earnings of 13.7% at March 31, 2019, down from 14.3% at December 31, 2018 and 13.8% at March 31, 2018. Adjusted net earnings exclude the impact of U.S. tax reform, the net charge on the sale of an equity investment and restructuring costs.

RATINGS

Lifeco maintains ratings from five independent ratings companies. 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. In first quarter of 2019, the credit ratings for Lifeco and its major operating subsidiaries were unchanged (set out in table below). The Company continued to receive strong ratings relative to its North American peer group resulting from its conservative risk profile, stable net earnings and consistent dividend track record. These ratings are not a recommendation to buy, sell or hold the securities of the Company or its subsidiaries 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 agency.

Lifeco's operating companies are assigned a group rating from each rating agency. This group rating is predominantly supported by the Company's leading position in the Canadian insurance market and competitive positions in the U.S. and European markets. Great-West Life, London Life and Canada Life have common management, governance and strategy, as well as an integrated business platform. Each operating company benefits from the strong implicit financial support and collective ownership by Lifeco. There were no changes to the Company's group credit ratings in first quarter of 2019.

Following Lifeco's announcement on January 24, 2019 that its subsidiary, Great-West Life & Annuity Insurance Company (GWL&A) had reached an agreement to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business, Moody's Investors Service issued a news release announcing that it has placed the insurance financial strength (IFS) ratings of GWL&A and its New York subsidiary on review for downgrade. The A3 issuer rating of GWLA's US holding company, GWL&A Financial, Inc., and the Baa1 (hyb) senior debt rating of debentures issued by Great-West Life & Annuity Insurance Capital, LP, were also placed on review for downgrade.

Rating agency	Measurement	Lifeco	Great-West Life	London Life	Canada Life	Irish Life	Great-West Life & Annuity Insurance Company
A.M. Best Company	Financial Strength		A+	A+	A+		A+
DBRS Limited	Issuer Rating	A (high)	AA				
	Financial Strength		AA	AA	AA		NR
	Senior Debt	A (high)					
	Subordinated Debt				AA (low)		
Fitch Ratings	Insurer Financial Strength		AA	AA	AA	AA	AA
	Senior Debt	A					
	Subordinated Debt				A+		
Moody's Investors Service	Insurance Financial Strength		Aa3	Aa3	Aa3		Aa3
Standard & Poor's Ratings Services	Insurer Financial Strength		AA	AA	AA		AA
	Senior Debt	A+					
	Subordinated Debt				AA-		

SEGMENTED OPERATING RESULTS

The consolidated operating results of Lifeco, including the comparative figures, are presented on an IFRS basis after capital allocation. Consolidated operating results for Lifeco comprise the net earnings of Great-West Life and its operating subsidiaries, London Life and Canada Life; Great-West Financial and Putnam; together with Lifeco's Corporate results.

For reporting purposes, the consolidated operating results are grouped into four reportable segments – Canada, United States, Europe and Lifeco Corporate – reflecting geographic lines as well as the management and corporate structure of the companies.

CANADA

The Canada segment of Lifeco includes the operating results of the Canadian businesses operated by Great-West Life, London Life and Canada Life, together with an allocation of a portion of Lifeco's corporate results. There are two primary business units included in this segment. Through the Individual Customer business unit, the Company provides life, disability and critical illness insurance products as well as wealth savings and income products to individual clients. Through the Group Customer business unit, the Company provides life, accidental death and dismemberment, critical illness, health and dental protection, creditor insurance as well as accumulation and annuity products and other specialty products to group clients in Canada.

Selected consolidated financial information - Canada

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Premiums and deposits	**$ 6,644**	$ 6,638	$ 7,053
Sales	**3,180**	3,447	3,822
Fee and other income	**422**	428	438
Net earnings	**283**	310	316
Total assets	**$ 169,102**	$ 160,906	$ 162,066
Proprietary mutual funds and institutional net assets	**6,676**	6,214	6,837
Total assets under management	**175,778**	167,120	168,903
Other assets under administration	**16,736**	13,615	12,978
Total assets under administration	**$ 192,514**	$ 180,735	$ 181,881

2019 DEVELOPMENTS

- Subsequent to March 31, 2019, on April 3, 2019, the Company announced its three Canadian life insurance companies, The Great-West Life Assurance Company, London Life Insurance Company and The Canada Life Assurance Company, are moving to one brand in Canada: Canada Life. Canada Life will become the brand under which the organization will create, deliver and communicate products and services in Canada across all of its lines of business. In addition to the move to a new brand, Great-West Life, London Life, Canada Life and their holding companies, Canada Life Financial Corporation and London Insurance Group Inc., have also begun the process to formally amalgamate as one company: The Canada Life Assurance Company. This initiative is separate from, but aligned with, the move to one brand and will further simplify the business. The proposed amalgamation is a multi-step process that would occur only after obtaining required board, regulatory and policyholder approvals.
- On January 31, 2019, Great-West Life Realty Advisors Inc. (GWLRA), a wholly owned subsidiary of the Company, completed its acquisition of Guggenheim Real Estate LLC (GRE), the real estate private equity platform of Guggenheim Investments. The transaction is not expected to have a material impact on the Company's financial results.

- On February 20, 2019, the Company launched Flexbox™, a unique group benefits solution for small business employers developed to help increase access to employee health benefits for a broader spectrum of previously underserved customers, as part of the insurer's investment in the physical, mental and financial well-being of Canadians.
- During the first quarter of 2019, London Life and Quadrus Investment Services Ltd. completed the national roll-out of a goals-based asset management program. Constellation Managed Portfolios (Constellation) is a program to help Freedom 55 Financial™ and Wealth and Insurance Solutions Enterprise (WISE) advisors align their customers' investments with their financial priorities. It features a customer-focused digital tool to help customers through the risk-assessment process and to set up, and report on, goal portfolios with the appropriate asset mix and funds and uses the recently launched London Life Pathways funds.

BUSINESS UNITS - CANADA

INDIVIDUAL CUSTOMER

OPERATING RESULTS

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Premiums and deposits	**$ 2,508**	$ 2,862	$ 2,616
Sales	**2,357**	2,479	2,525
Fee and other income	**237**	242	250
Net earnings	**124**	171	138

Premiums and deposits
Premiums and deposits for the first quarter of 2019 decreased by $0.1 billion to $2.5 billion compared to the same quarter last year, primarily due to a decrease in segregated fund deposits, partially offset by an increase in participating life insurance premiums.

Premiums and deposits for the first quarter of 2019 decreased by $0.4 billion to $2.5 billion compared to the previous quarter, primarily due to lower participating life insurance premiums.

Sales
Sales for the first quarter of 2019 were $2.4 billion compared to $2.5 billion for the same quarter last year, reflecting a decrease in segregated fund sales, partially offset by higher third party mutual fund sales and higher life insurance sales.

Sales for the first quarter of 2019 decreased by $0.1 billion compared to the previous quarter, primarily due to a decrease in segregated fund and participating life insurance sales, partially offset by higher proprietary and third party mutual fund sales.

For the individual wealth investment fund business, net cash outflows for the first quarter of 2019 were $360 million compared to net cash outflows of $137 million for the same quarter last year and net cash outflows of $216 million for the previous quarter.

Fee and other income
Fee and other income for the first quarter of 2019 decreased by $13 million to $237 million compared to the same quarter last year. The decrease was primarily due to slightly lower average assets under administration and lower margins.

Fee and other income for the first quarter of 2019 decreased by $5 million compared the previous quarter due to lower margins, partially offset by higher average assets under administration.

Net earnings
Net earnings for the first quarter of 2019 decreased by $14 million to $124 million compared to the same quarter last year. The decrease was primarily due to lower net fee income and lower contributions from investment experience. These items were partially offset by higher contributions from insurance contract liability basis changes.

Net earnings for the first quarter of 2019 decreased by $47 million compared to the previous quarter, primarily due to lower contributions from insurance contract liability basis changes and lower net fee income, partially offset by higher contributions from investment experience.

For the first quarter of 2019, the net loss attributable to the participating account was $8 million compared to nil for the same quarter last year. The decrease in net earnings was primarily due to less favourable impact of new business.

For the first quarter of 2019, net earnings attributable to the participating account increased by $11 million compared to the previous quarter. The increase was primarily due to more favourable impact of new business.

GROUP CUSTOMER

OPERATING RESULTS

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Premiums and deposits	**$ 4,136**	$ 3,776	$ 4,437
Sales	**823**	968	1,297
Fee and other income	**170**	172	170
Net earnings	**151**	144	142

Premiums and deposits
Premiums and deposits for the first quarter of 2019 decreased by $0.3 billion to $4.1 billion compared to the same quarter last year. The decrease was primarily due to lower segregated fund deposits and lower premiums and deposits related to single premium group annuities (SPGAs), partially offset by an increase in administrative services only (ASO) deposits for group insurance.

Premiums and deposits for the first quarter of 2019 increased from $3.8 billion to $4.1 billion compared to the previous quarter, primarily due to an increase in segregated fund deposits.

Sales
Sales for the first quarter of 2019 of $0.8 billion decreased by $0.5 billion compared to the same quarter last year. The decrease was primarily due to lower large case sales for group insurance as well as lower sales of SPGAs. Sales of large cases can be highly variable from quarter to quarter.

Sales for the first quarter of 2019 were $0.8 billion compared to $1.0 billion for the previous quarter, primarily due to lower sales relating to SPGAs and group capital accumulation plan (GCAP) products, partially offset by higher group insurance sales driven by the large case market.

For the group wealth segregated fund business, net cash inflows for the first quarter of 2019 were $400 million, compared to net cash inflows of $101 million for the same quarter last year and net cash outflows of $73 million for the previous quarter.

Fee and other income
Fee and other income for the first quarter of 2019 of $170 million was comparable to the same quarter last year and to the previous quarter.

Net earnings
Net earnings for the first quarter of 2019 increased by $9 million to $151 million compared to the same quarter last year, primarily due to higher contributions from insurance contract liability basis changes and more favourable morbidity experience. The increase was partially offset by less favourable mortality experience.

Net earnings for the first quarter of 2019 increased by $7 million compared to the previous quarter. The increase was primarily due to higher contributions from insurance contract liability basis changes, partially offset by less favourable mortality and morbidity experience.

CANADA CORPORATE
Canada Corporate consists of items not associated directly with or allocated to the Canadian business units.

In the first quarter of 2019, net earnings were $8 million compared to $36 million for the same quarter last year. Net earnings in the first quarter of 2018 were more favourably impacted by changes to certain income tax estimates.

In the first quarter of 2019, net earnings were $8 million compared to a net loss of $5 million in the previous quarter. The increase was primarily due to higher net investment income and lower expenses.

UNITED STATES
The United States operating results for Lifeco include the results of Great-West Financial, Putnam and the results of the insurance businesses in the United States branches of Great-West Life and Canada Life, together with an allocation of a portion of Lifeco's corporate results.

Through its Financial Services business unit, and specifically the Empower Retirement brand, the Company provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and recordkeeping services, individual retirement accounts, fund management as well as investment and advisory services. The Company also provides life insurance, annuity and executive benefits products through its Individual Markets operations. On January 24, 2019, Great-West Financial reached an agreement to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business to Protective Life. The transaction is expected to close in the second quarter of 2019 and will allow Great-West Financial to focus on the defined contribution retirement market and its Empower Retirement brand.

Through its Asset Management business unit, the Company provides investment management, certain administrative functions, distribution and related services, through a broad range of investment products.

TRANSLATION OF FOREIGN CURRENCY
Foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the financial period. All income and expense items are translated at an average rate for the period.

Currency translation impact is a non-IFRS financial measure that highlights the impact of changes in currency translation rates on Canadian dollar equivalent IFRS results. This measure provides useful information as it facilitates the comparability of results between periods. Refer to the Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

Selected consolidated financial information - United States

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Premiums and deposits	**$ 17,836**	$ 20,588	$ 16,345
Sales	**75,848**	32,080	25,076
Fee and other income	**659**	644	631
Net earnings - common shareholders	**81**	55	75
Net earnings (US$) - common shareholders	**61**	41	59
Total assets	**$ 87,439**	$ 85,941	$ 85,070
Proprietary mutual funds and institutional net assets	**247,725**	235,075	235,926
Total assets under management	**335,164**	321,016	320,996
Other assets under administration	**742,238**	630,881	617,388
Total assets under administration	**$ 1,077,402**	$ 951,897	$ 938,384

BUSINESS UNITS – UNITED STATES

FINANCIAL SERVICES

2019 DEVELOPMENTS

- On January 24, 2019, the Company announced that its subsidiary, Great-West Financial, reached an agreement to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business to Protective Life. Because the transaction is structured as a reinsurance agreement, the Company will hold both the liability and offsetting reinsurance asset. Protective Life will assume the economics and risks associated with the reinsured business. The Company estimates that this will result in an after-tax transaction value of approximately $1.6 billion (US$1.2 billion), excluding one-time expenses. The transaction value includes a positive ceding commission and an expected capital release of approximately $530 million (US$400 million). The business to be transferred includes bank-owned and corporate-owned life insurance, single premium life insurance, individual annuities as well as closed block life insurance and annuities, which contributed $33 million (US$25 million) to the Company's net earnings for three months ended March 31, 2019 compared to $31 million (US$24 million) for the same quarter last year and $17 million (US$13 million) for the previous quarter. The Company will retain a small block of participating life insurance policies which will be administered by Protective Life following the close of the transaction. The transaction is expected to close in the second quarter of 2019, subject to regulatory and customary closing conditions. At closing, the Company continues to expect to recognize an IFRS book value loss related to this transaction and transaction costs. Post-transaction, the Company will focus on the defined contribution retirement and asset management markets in the U.S.
- Empower Retirement participant accounts have grown to 9.1 million at March 31, 2019 from 8.8 million at December 31, 2018, primarily driven by large plan sales in the first quarter of 2019.
- Empower Retirement assets under administration grew to US$609 billion at March 31, 2019, up from US$516 billion at December 31, 2018.

OPERATING RESULTS

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Premiums and deposits	**$ 3,286**	$ 3,105	$ 3,110
Sales[1]	**61,298**	14,597	11,841
Fee and other income	**374**	359	341
Net earnings	**86**	84	91
Premiums and deposits (US$)	**$ 2,470**	$ 2,353	$ 2,468
Sales (US$)[1]	**46,088**	11,058	9,398
Fee and other income (US$)	**281**	272	270
Net earnings (US$)	**65**	63	72

(1) For the three months ended March 31, 2019, sales included US$0.3 billion relating to Putnam managed funds sold on the Empower Retirement platform (US$0.3 billion for the months ended March 31, 2018 and US$0.3 billion for the three months ended December 31, 2018).

Premiums and deposits

Premiums and deposits for the first quarter of 2019 of US$2.5 billion were comparable to the same quarter last year.

Premiums and deposits for the first quarter of 2019 increased from $2.4 billion to $2.5 billion compared to the previous quarter. The increase was primarily due to higher deposits from existing Empower Retirement participants, partially offset by lower sales for Individual Markets.

Sales

Sales in the first quarter of 2019 increased by US$36.7 billion to US$46.1 billion compared to the same quarter last year, primarily due to an increase in Empower Retirement driven by large plan sales. Approximately 82% of the in-quarter sales related to one new client with close to 200,000 participants. Large plan sales can be highly variable from period to period and tend to be lower margin; however, contribute to covering fixed overhead costs.

Sales in the first quarter of 2019 increased by US$35.0 billion compared to the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income

Fee income is derived primarily from assets under management, assets under administration, shareholder servicing fees, administration and recordkeeping services and investment advisory services. Generally, fees are earned based on assets under management, assets under administration or the number of plans and participants for which services are provided.

Fee and other income for the first quarter of 2019 increased by US$11 million to US$281 million compared to the same quarter last year, primarily due to growth in participants.

Fee and other income for the first quarter of 2019 increased by US$9 million to US$281 million compared to the previous quarter, primarily due to growth in participants and higher average equity market levels.

Net earnings
Net earnings for the first quarter of 2019 decreased by US$7 million to US$65 million compared to the same quarter last year. The decrease was primarily due to lower contributions from investment experience, partially offset by more favourable mortality experience.

Net earnings for the first quarter of 2019 increased by US$2 million compared to the previous quarter. The increase was primarily due to favourable mortality experience, partially offset by lower contributions from investment experience, higher expenses and lower contributions from insurance contract liability basis changes. In addition, the fourth quarter of 2018 included an increase in variable annuity insurance contract liabilities due to equity market declines that did not recur.

ASSET MANAGEMENT

2019 DEVELOPMENTS

- Putnam's ending assets under management (AUM) at March 31, 2019 of US$170.6 billion increased by US$1.1 billion compared to the same period last year, while average AUM for the three months ended March 31, 2019 of US$168.0 billion decreased by 3% compared to the same period last year. Putnam's ending AUM increased by US$10.4 billion compared to December 31, 2018.
- Putnam continues to sustain strong investment performance relative to its peers. As of March 31, 2019, approximately 86% and 77% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively. Additionally, approximately 72% of Putnam's fund assets performed at levels in the Lipper top quartile on a three-year basis.
- Putnam ranked sixth (out of 49) for the 10-year performance in the 2018 Barron's Annual Best Fund Families rankings, which were released in the first quarter of 2019. Putnam increased its ranking from ninth in the 2017 rankings.
- In the first quarter of 2019, the Putnam Income Fund (PNCYX) received a Lipper Fund Award for its performance over the past ten years in the Core Bond category. As of January 31, 2019, Lipper ranked Putnam Income Fund as #1 out of 291 funds in the Core Bond 10-year category as well as in the 7th percentile for one-year performance; 2nd percentile for three-year performance; and 24th percentile for five-year performance.

OPERATING RESULTS

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Sales	**$ 14,550**	$ 17,483	$ 13,235
Fee income			
Investment management fees	**198**	199	203
Performance fees	**(6)**	(8)	(11)
Service fees	**37**	37	36
Underwriting & distribution fees	**56**	57	62
Fee income	**285**	285	290
Core net earnings (loss)[1]	**8**	(18)	(3)
Less: Financing and other expenses (after-tax)[1]	**(12)**	(11)	(13)
Reported net earnings (loss)	**(4)**	(29)	(16)
Sales (US$)	**$ 10,940**	$ 13,245	$ 10,504
Fee income (US$)			
Investment management fees (US$)	**149**	151	161
Performance fees (US$)	**(4)**	(6)	(9)
Service fees (US$)	**28**	28	29
Underwriting & distribution fees (US$)	**42**	43	49
Fee income (US$)	**215**	216	230
Core net earnings (loss) (US$)[1]	**6**	(14)	(2)
Less: Financing and other expenses (after-tax) (US$)[1]	**(9)**	(8)	(11)
Reported net earnings (loss) (US$)	**(3)**	(22)	(13)
Pre-tax operating margin[2]	**6.6%**	(10.8)%	(0.6)%
Average assets under management (US$)	**$ 168,049**	$ 168,743	$ 173,554

(1) Core net earnings (loss) (a non-IFRS financial measure) is a measure of the Asset Management business unit's performance. Core net earnings (loss) includes the impact of dealer commissions and software amortization and excludes the impact of certain corporate financing charges and allocations, certain tax adjustments and other non-recurring transactions.

(2) Pre-tax operating margin (a non-IFRS financial measure) is a measure of the Asset Management business unit's pre-tax core net earnings (loss) divided by the sum of fee income and net investment income.

Sales

Sales in the first quarter of 2019 increased by US$0.4 billion to US$10.9 billion compared to the same quarter last year, primarily due to a US$0.5 billion increase in institutional sales, partially offset by a US$0.1 billion decrease in mutual fund sales.

Sales in the first quarter of 2019 decreased by US$2.3 billion compared to the previous quarter, primarily due to a US$2.0 billion decrease in mutual fund sales and a US$0.3 billion decrease in institutional sales.

Fee income
Fee income is derived primarily from investment management fees, performance fees, transfer agency and other service fees, as well as underwriting and distribution fees. Generally, fees are earned based on AUM and may depend on financial markets, the relative performance of Putnam's investment products, the number of retail accounts and sales. Performance fees are generated on certain mutual funds and institutional portfolios and are generally based on a rolling 36 month performance period for mutual funds and a 12 month performance period for institutional portfolios. Performance fees on mutual funds are symmetric, and as a result, can be positive or negative.

Fee income for the first quarter of 2019 decreased by US$15 million to US$215 million compared to the same quarter last year. The decrease was primarily due to lower investment management fees, driven by lower average AUM and change in asset mix, and lower underwriting and distribution fees, partially offset by improved mutual fund performance fees.

Fee income for the first quarter of 2019 was comparable to the previous quarter.

Net earnings
Core net earnings (a non-IFRS financial measure) for the first quarter of 2019 were US$6 million compared to a core net loss of US$2 million for the same quarter last year. The increase is primarily due to higher net investment income and lower operating expenses, which included the impact of expense reduction initiatives. These items were partially offset by lower fee income driven by lower average AUM. In the first quarter of 2019, the reported net loss, including financing and other expenses, was US$3 million compared to a reported net loss of US$13 million for the same quarter last year. Financing and other expenses for the first quarter of 2019 decreased by US$2 million to US$9 million compared to the same quarter last year primarily due to lower net financing costs.

Core net earnings for the first quarter of 2019 were US$6 million compared to a core net loss of US$14 million for the previous quarter. The increase in core net earnings was primarily due to higher net investment income and lower operating expenses discussed for the in-quarter results. The reported net loss, including financing and other expenses, for the first quarter of 2019 was US$3 million compared to a reported net loss of US$22 million for the previous quarter. Financing and other expenses for the first quarter of 2019 increased by US$1 million to US$9 million compared to the previous quarter.

ASSETS UNDER MANAGEMENT

Assets under management ($US)

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Beginning assets	**$ 160,200**	$ 177,199	$ 171,458
Sales - Mutual funds	**6,860**	8,817	6,916
Redemptions - Mutual funds	**(6,859)**	(8,341)	(7,258)
Net asset flows - Mutual funds	**1**	476	(342)
Sales - Institutional	**4,080**	4,428	3,588
Redemptions - Institutional	**(6,096)**	(6,055)	(4,451)
Net asset flows - Institutional	**(2,016)**	(1,627)	(863)
Net asset flows - Total	**(2,015)**	(1,151)	(1,205)
Impact of market/performance	**12,395**	(15,848)	(785)
Ending assets	**$ 170,580**	$ 160,200	$ 169,468
Average assets under management			
Mutual funds	**79,484**	79,198	79,415
Institutional assets	**88,565**	89,545	94,139
Total average assets under management	**$ 168,049**	$ 168,743	$ 173,554

Average AUM for the three months ended March 31, 2019 were US$168.0 billion, a decrease of US$5.5 billion or 3% compared to the same quarter last year, primarily due to institutional fund net asset outflows. Net asset outflows for the first quarter of 2019 increased by US$0.8 billion to US$2.0 billion compared to the same quarter last year. In-quarter institutional net asset outflows were US$2.0 billion.

Average AUM for the three months ended March 31, 2019 decreased by US$0.7 billion compared to the previous quarter, primarily due to the timing of market movements.

UNITED STATES CORPORATE

United States Corporate consists of items not associated directly with or allocated to the United States business units, including the impact of certain non-continuing items related to the U.S. segment.

In the first quarter of 2019, the net loss was US$1 million compared to nil for the same quarter last year and the previous quarter, primarily due to higher expenses.

EUROPE

The Europe segment comprises two distinct business units: Insurance & Annuities and Reinsurance, together with an allocation of a portion of Lifeco's corporate results. Insurance & Annuities provides protection and wealth management products, including payout annuity products, through subsidiaries of Canada Life in the U.K., the Isle of Man and Germany, as well as through Irish Life in Ireland. Reinsurance operates primarily in the U.S., Barbados and Ireland, and is conducted through Canada Life, London Life and their subsidiaries.

TRANSLATION OF FOREIGN CURRENCY

Foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the financial period. All income and expense items are translated at an average rate for the period.

Currency translation impact is a non-IFRS financial measure that highlights the impact of changes in currency translation rates on Canadian dollar equivalent IFRS results. This measure provides useful information as it facilitates the comparability of results between periods. Refer to the Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

Selected consolidated financial information - Europe

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Premiums and deposits	**$ 16,365**	$ 10,357	$ 9,728
Fee and other income	**398**	348	364
Net earnings - common shareholders	**299**	349	344
Total assets	**$ 185,951**	$ 180,842	$ 185,515
Proprietary mutual funds and institutional net assets	**49,829**	40,375	43,080
Total assets under management	**235,780**	221,217	228,595
Other assets under administration	**45,228**	45,024	43,231
Total assets under administration[1]	**$ 281,008**	$ 266,241	$ 271,826

(1) At March 31, 2019, total assets under administration excludes $8.4 billion of assets managed for other business units within the Lifeco group of companies ($7.8 billion at December 31, 2018 and $8.3 billion at March 31, 2018).

2019 DEVELOPMENTS

- As of March 31, 2019, £8 million of pre-tax annualized expense reductions have been achieved relating to the U.K. restructuring program compared to £3 million as of December 31, 2018. The Company remains on track to achieve targeted annual expense reductions of £20 million pre-tax by the end of the fourth quarter of 2020 from various sources including process improvements and a reduction in headcount.
- Some market volatility continues as exit negotiations between the U.K. and the European Union (EU) have yet to reach an agreed conclusion. The Company's U.K. and other European businesses have plans which have been executed, or are ready to be executed, that will address and minimize the impact under several different outcomes, including where the U.K. has no exit agreements with the EU. While there are some impacts from market uncertainty, the impacts are not expected to have a material impact on the Company's financial results.
- During the first quarter of 2019, Irish Life Investment Managers (ILIM), a subsidiary of the Company, launched a number of new Environmental, Social and Governance (ESG) funds in a jointly managed equity strategy with NN Investment Partners; which contributed to the significant increase in sales during the quarter.
- During the first quarter of 2019, the Company announced a long-term longevity reinsurance agreement with a Dutch-based pension provider covering 70% of an €8 billion portfolio of annuities.
- During the first quarter of 2019, Canada Life Irish Holding Company Ltd., a subsidiary of the Company, entered into an agreement to acquire an interest in Jung DMS & Cie AG (JDC), one of the leading broker pools in Germany. The transaction is expected to close in the third quarter of 2019 and is subject to customary regulatory approvals and certain closing conditions.
- During the first quarter of 2019, Canada Life Limited, a subsidiary of the Company, was rated the market leader in U.K. Group Risk according to the Swiss Re Group Watch 2019 Survey.
- Stonehaven UK Limited, a subsidiary of the Company that operates under the brand Canada Life Home Finance was awarded "Retirement Mortgage Product Innovation" and "Innovation - Lender" awards at the 2019 Mortgage Finance Gazette Awards.

BUSINESS UNITS – EUROPE

INSURANCE & ANNUITIES

OPERATING RESULTS

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Premiums and deposits[1]	**$ 11,911**	$ 6,485	$ 6,412
Sales[1]	**11,181**	5,972	5,739
Fee and other income	**395**	345	360
Net earnings	**203**	271	244

(1) For the three months ended March 31, 2019, premiums and deposits and sales exclude $0.2 billion of assets managed for other business units within the Lifeco group of companies ($0.4 billion for the three months ended December 31, 2018 and $0.4 billion for the three months ended March 31, 2018).

Premiums and deposits
Premiums and deposits for the first quarter of 2019 increased by $5.5 billion to $11.9 billion compared to the same quarter last year, primarily due to higher fund management sales in Ireland and higher bulk annuity sales in the U.K., partially offset by the impact of currency movement. Higher fund management sales in Ireland reflect the arrangement with NN Investment Partners entered into during the quarter. Fund management sales can be highly variable from period to period.

Premiums and deposits for the first quarter of 2019 increased by $5.4 billion compared to the previous quarter, primarily due to higher fund management sales in Ireland and higher bulk annuity sales in the U.K., partially offset by lower pension sales in Ireland.

Sales
Sales for the first quarter of 2019 increased by $5.4 billion to $11.2 billion compared to the same quarter last year, primarily due to the same reasons discussed for premiums and deposits for the same period.

Sales for the first quarter of 2019 increased by $5.2 billion compared to the previous quarter, primarily due to the same reasons discussed for premiums and deposits for the same period.

Fee and other income
Fee and other income for the first quarter of 2019 increased by $35 million to $395 million compared to the same quarter last year, primarily due to higher investment related fee income in Ireland, which can be highly variable from quarter to quarter, and higher asset management fees in Germany. These items were partially offset by the impact of currency movement.

Fee and other income for the first quarter of 2019 increased by $50 million compared to the previous quarter, primarily due to higher investment related fee income in Ireland, discussed for the in-quarter results.

Net earnings
Net earnings for the first quarter of 2019 decreased by $41 million to $203 million compared to the same quarter last year. The decrease was primarily due to higher claims from morbidity experience in Ireland and unfavourable impact of changes to certain tax estimates, partially offset by more favourable impact of new business. Where there is evidence of an adverse trend in claims, pricing action is being considered to restore profit targets.

Net earnings for the first quarter of 2019 decreased by $68 million compared to the previous quarter, primarily due to unfavourable morbidity experience in Ireland and the unfavourable impact of changes to certain tax estimates. These items were partially offset by higher contributions from insurance contract liability basis changes.

REINSURANCE

OPERATING RESULTS

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Premiums and deposits	**$ 4,454**	$ 3,872	$ 3,316
Fee and other income	**3**	3	4
Net earnings	**97**	89	104

Premiums and deposits
Reinsurance premiums can vary significantly from period to period depending on the terms of underlying treaties. For certain life reinsurance transactions, premiums will vary based on the form of the transaction. Treaties where insurance contract liabilities are assumed on a proportionate basis will typically have significantly higher premiums than treaties where claims are not incurred by the reinsurer until a threshold is exceeded. Earnings are not directly correlated to premiums received.

Premiums and deposits for the first quarter of 2019 increased from $3.3 billion to $4.5 billion compared to the same quarter last year, primarily due to new reinsurance agreements, higher volumes relating to existing business and the impact of currency movement.

Premiums and deposits for the first quarter of 2019 increased by $0.6 billion compared to the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income
Fee and other income for the first quarter of 2019 decreased by $1 million to $3 million compared to the same quarter last year, primarily due to restructured reinsurance agreements.

Fee and other income for the first quarter of 2019 of $3 million was comparable to the previous quarter.

Net earnings
Net earnings for the first quarter of 2019 decreased by $7 million to $97 million compared to the same quarter 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. These items were partially offset by higher business volumes and lower impact of new business.

Net earnings for the first quarter of 2019 increased by $8 million compared to the previous quarter, primarily due to higher business volumes and higher contributions from insurance contract liability basis changes. The increase was partially offset by less favourable claims experience.

EUROPE CORPORATE
The Europe Corporate account includes financing charges, the impact of certain non-continuing items as well as the results for the legacy international businesses.

In the first quarter of 2019, Europe Corporate had a net loss of $1 million compared to a net loss of $4 million for the same quarter last year, primarily due to lower business development costs.

The net loss for the three months ended March 31, 2019 was $1 million compared to a net loss of $11 million for the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

LIFECO CORPORATE OPERATING RESULTS

The Lifeco Corporate segment includes operating results for activities of Lifeco that are not associated with the major business units of the Company.

For the three months ended March 31, 2019, Lifeco Corporate had a net loss of $6 million compared to a net loss of $4 million for the same period in 2018, primarily due to lower net investment income.

The net loss for the three months ended March 31, 2019 of $6 million increased from a net loss of $4 million in the previous quarter. The increase was primarily due to lower net investment income, partially offset by lower operating expenses.

RISK MANAGEMENT AND CONTROL PRACTICES

The Company's Enterprise Risk Management (ERM) Framework facilitates the alignment of business strategy with risk appetite, informs and improves the deployment of capital; and supports the identification, mitigation and management of exposure to risk and potential losses. The Company's Risk Function is responsible for the Risk Appetite Framework (RAF), the supporting risk policies and risk limit structure, and provides independent risk oversight across the Company's operations. The Board of Directors is ultimately responsible for the Company's risk governance and associated risk policies. These include the ERM Policy, which establishes the guiding principles of risk management, and the RAF, which reflects the levels and types of risk that the Company is willing to accept to achieve its business objectives. During the first quarter of 2019, there were no significant changes to the Company's risk management and control practices. Refer to the Company's 2018 Annual MD&A for a detailed description of the Company's risk management and control practices.

ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Due to the evolving nature of IFRS, there are a number of IFRS changes impacting the Company in 2019, as well as standards that could impact the Company in future reporting periods. The Company actively monitors future IFRS changes proposed by the International Accounting Standards Board (IASB) to assess if the changes to the standards may have an impact on the Company's results or operations.

Effective January 1, 2019, the Company applied IFRIC 23, *Uncertainty over Income Tax Treatments* (IFRIC 23). The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. The application of the interpretation of the standard resulted in a decrease of $109 million to opening accumulated surplus at January 1, 2019, reflecting $52 million for Canada and $57 million for Europe.

Effective January 1, 2019, the Company adopted IFRS 16, *Leases* (IFRS 16) which replaces IAS 17, *Leases* (IAS 17). The standard prescribes new guidance for identifying leases as well as the accounting, measurement and presentation of leases by the lessee. The Company has elected to adopt IFRS 16 using a modified retrospective approach and accordingly the information presented for 2018 has not been restated.

For a further description of the impact of the accounting policy change, refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2019.

The Company adopted the narrow scope amendments to International Financial Reporting Standards (IFRS) for IAS 28, *Investments in Associates and Joint Ventures*, IAS 19, *Employee Benefits,* and *Annual Improvements 2015 - 2017 Cycle* for the amendments to IFRS 3, *Business Combinations,* IFRS 11, *Joint Arrangements,* IAS 12, *Income Taxes* and IAS 23, *Borrowing Costs,* effective January 1, 2019. The adoption of these narrow scope amendments did not have a significant impact on the Company's financial statements.

There have been no other significant changes to the future accounting policies that could impact the Company, in addition to the disclosure in the December 31, 2018 Annual MD&A.

OTHER INFORMATION

DISCLOSURE CONTROLS AND PROCEDURES

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is: (a) recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation, and (b) accumulated and communicated to the Company's senior management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There have been no changes during the three month period ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions have not changed materially from December 31, 2018.

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information (in $ millions, except per share amounts)	**2019**	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue[1][2]	**$ 16,889**	$ 11,699	$ 12,027	$ 10,613	$ 9,693	$ 12,912	$ 10,222	$ 11,077
Common shareholders								
Net earnings								
Total	**$ 657**	$ 710	$ 689	$ 831	$ 731	$ 392	$ 581	$ 585
Basic - per share	**0.665**	0.719	0.697	0.839	0.740	0.397	0.587	0.591
Diluted - per share	**0.665**	0.719	0.697	0.839	0.739	0.396	0.587	0.590
Adjusted net earnings[3]								
Total	**$ 657**	$ 710	$ 745	$ 831	$ 731	$ 734	$ 582	$ 712
Basic - per share	**0.665**	0.719	0.754	0.839	0.740	0.742	0.589	0.719
Diluted - per share	**0.665**	0.719	0.753	0.839	0.739	0.741	0.588	0.718

(1) Revenue includes the changes in fair value through profit or loss on investment assets.

(2) 2017 comparative figures have been reclassified to reflect presentation adjustments relating to the adoption of IFRS 15, *Revenue from Contracts with Customers,* as described in note 2 to the Company's December 31, 2018 annual consolidated financial statements.

(3) Adjusted net earnings attributable to common shareholders and adjusted net earnings per common share are non-IFRS measures of earnings performance. The following adjustments were made in each quarter:

	2019	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Restructuring costs	**$ —**	**$ —**	$ 56	$ —	$ —	$ 4	$ 1	$ 127
Net charge on sale of equity investment	**—**	**—**	—	—	—	122	—	—
U.S. tax reform impact	**—**	**—**	—	—	—	216	—	—
Total Adjustments	**$ —**	**$ —**	**$ 56**	**$ —**	**$ —**	**$ 342**	**$ 1**	**$ 127**

Lifeco's consolidated net earnings attributable to common shareholders were $657 million for the first quarter of 2019 compared to $731 million reported a year ago. On a per share basis, this represents $0.665 per common share ($0.665 diluted) for the first quarter of 2019 compared to $0.740 per common share ($0.739 diluted) a year ago.

Total revenue for the first quarter of 2019 was $16,889 million and comprises premium income of $9,595 million, regular net investment income of $1,450 million, a positive change in fair value through profit or loss on investment assets of $4,365 million and fee and other income of $1,479 million.

TRANSLATION OF FOREIGN CURRENCY

Through its operating subsidiaries, Lifeco conducts business in multiple currencies. The four primary currencies are the Canadian dollar, the U.S. dollar, the British pound and the euro. Throughout this document, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the reporting period. All income and expense items are translated at an average rate for the period. The rates employed are:

Translation of foreign currency **Period ended**	**Mar. 31 2019**	Dec. 31 2018	Sept. 30 2018	June 30 2018	Mar. 31 2018
United States dollar					
Balance sheet	**$ 1.34**	$ 1.36	$ 1.29	$ 1.31	$ 1.29
Income and expenses	**$ 1.33**	$ 1.32	$ 1.31	$ 1.29	$ 1.26
British pound					
Balance sheet	**$ 1.74**	$ 1.74	$ 1.69	$ 1.73	$ 1.81
Income and expenses	**$ 1.73**	$ 1.70	$ 1.70	$ 1.76	$ 1.76
Euro					
Balance sheet	**$ 1.50**	$ 1.56	$ 1.50	$ 1.53	$ 1.59
Income and expenses	**$ 1.51**	$ 1.51	$ 1.52	$ 1.54	$ 1.55

Additional information relating to Lifeco, including Lifeco's most recent consolidated financial statements, CEO/CFO certification and Annual Information Form are available at www.sedar.com.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions except per share amounts)

	For the three months ended		
	March 31 2019	December 31 2018	March 31 2018
Income			
Premium income			
Gross premiums written	**$ 10,703**	$ 10,271	$ 9,293
Ceded premiums	**(1,108)**	(1,226)	(1,119)
Total net premiums	**9,595**	9,045	8,174
Net investment income (note 6)			
Regular net investment income	**1,450**	1,632	1,573
Changes in fair value through profit or loss	**4,365**	(398)	(1,487)
Total net investment income	**5,815**	1,234	86
Fee and other income	**1,479**	1,420	1,433
	16,889	11,699	9,693
Benefits and expenses			
Policyholder benefits			
Gross	**9,164**	8,737	7,996
Ceded	**(617)**	(599)	(625)
Total net policyholder benefits	**8,547**	8,138	7,371
Policyholder dividends and experience refunds	**440**	358	458
Changes in insurance and investment contract liabilities	**4,925**	190	(1,049)
Total paid or credited to policyholders	**13,912**	8,686	6,780
Commissions	**610**	673	594
Operating and administrative expenses	**1,301**	1,311	1,237
Premium taxes	**130**	128	121
Financing charges	**72**	70	71
Amortization of finite life intangible assets	**53**	59	49
Earnings before income taxes	**811**	772	841
Income taxes (note 15)	**130**	50	77
Net earnings before non-controlling interests	**681**	722	764
Attributable to non-controlling interests	**(9)**	(21)	—
Net earnings	**690**	743	764
Preferred share dividends (note 12)	**33**	33	33
Net earnings - common shareholders	**$ 657**	$ 710	$ 731
Earnings per common share (note 12)			
Basic	**$ 0.665**	$ 0.719	$ 0.740
Diluted	**$ 0.665**	$ 0.719	$ 0.739

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended		
	March 31 2019	December 31 2018	March 31 2018
Net earnings	**$ 690**	$ 743	$ 764
Other comprehensive income (loss)			
Items that may be reclassified subsequently to Consolidated Statements of Earnings			
Unrealized foreign exchange gains (losses) on translation of foreign operations	**(214)**	684	755
Unrealized foreign exchange gains (losses) on euro debt designated as hedges of the net investment in foreign operations	**60**	(60)	(80)
Income tax (expense) benefit	**(8)**	8	11
Unrealized gains (losses) on available-for-sale assets	**159**	46	(87)
Income tax (expense) benefit	**(29)**	(9)	15
Realized (gains) losses on available-for-sale assets	**(5)**	(1)	1
Unrealized gains (losses) on cash flow hedges	**1**	—	26
Income tax (expense) benefit	**—**	—	(5)
Realized (gains) losses on cash flow hedges	**—**	—	12
Income tax expense (benefit)	**—**	—	(3)
Non-controlling interests	**(66)**	(14)	10
Income tax (expense) benefit	**12**	8	(4)
Total items that may be reclassified	**(90)**	662	651
Items that will not be reclassified to Consolidated Statements of Earnings			
Re-measurements on defined benefit pension and other post-employment benefit plans (note 14)	**(114)**	(241)	46
Income tax (expense) benefit	**26**	58	(9)
Non-controlling interests	**11**	22	(2)
Income tax (expense) benefit	**(3)**	(5)	1
Total items that will not be reclassified	**(80)**	(166)	36
Total other comprehensive income (loss)	**(170)**	496	687
Comprehensive income	**$ 520**	$ 1,239	$ 1,451

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	March 31 2019	December 31 2018
Assets		
Cash and cash equivalents	**$ 4,481**	$ 4,168
Bonds (note 6)	**126,299**	124,862
Mortgage loans (note 6)	**25,509**	25,014
Stocks (note 6)	**10,063**	9,290
Investment properties (note 6)	**5,449**	5,218
Loans to policyholders	**8,826**	8,929
	180,627	177,481
Assets held for sale (note 4)	**908**	897
Funds held by ceding insurers	**9,299**	9,251
Goodwill	**6,530**	6,548
Intangible assets	**3,931**	3,976
Derivative financial instruments	**496**	417
Owner occupied properties	**724**	731
Fixed assets	**445**	448
Other assets	**2,996**	2,567
Premiums in course of collection, accounts and interest receivable	**6,074**	5,202
Reinsurance assets (note 9)	**6,124**	6,126
Current income taxes	**185**	218
Deferred tax assets	**928**	981
Investments on account of segregated fund policyholders (note 10)	**219,793**	209,527
Investments on account of segregated fund policyholders held for sale (note 4)	**3,432**	3,319
Total assets	**$ 442,492**	$ 427,689
Liabilities		
Insurance contract liabilities (note 9)	**$ 170,790**	$ 166,720
Investment contract liabilities (note 9)	**1,729**	1,711
Liabilities held for sale (note 4)	**908**	897
Debentures and other debt instruments	**6,381**	6,459
Funds held under reinsurance contracts	**1,381**	1,367
Derivative financial instruments	**1,254**	1,562
Accounts payable	**3,174**	3,262
Other liabilities	**4,520**	3,855
Current income taxes	**494**	402
Deferred tax liabilities	**1,236**	1,210
Investment and insurance contracts on account of segregated fund policyholders (note 10)	**219,793**	209,527
Investment and insurance contracts on account of segregated fund policyholders held for sale (note 4)	**3,432**	3,319
Total liabilities	**415,092**	400,291
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	**2,752**	2,737
Non-controlling interests in subsidiaries	**125**	138
Shareholders' equity		
Share capital		
Preferred shares	**2,714**	2,714
Common shares (note 11)	**7,298**	7,283
Accumulated surplus	**13,483**	13,342
Accumulated other comprehensive income	**875**	1,045
Contributed surplus	**153**	139
Total equity	**27,400**	27,398
Total liabilities and equity	**$ 442,492**	$ 427,689

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	March 31, 2019					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	**$ 9,997**	**$ 139**	**$ 13,342**	**$ 1,045**	**$ 2,875**	**$ 27,398**
Change in accounting policy (note 2)	**—**	**—**	**(109)**	**—**	**—**	**(109)**
Revised balance, beginning of year	**9,997**	**139**	**13,233**	**1,045**	**2,875**	**27,289**
Net earnings (loss)	**—**	**—**	**690**	**—**	**(9)**	**681**
Other comprehensive income (loss)	**—**	**—**	**—**	**(170)**	**46**	**(124)**
	9,997	**139**	**13,923**	**875**	**2,912**	**27,846**
Dividends to shareholders						
Preferred shareholders (note 12)	**—**	**—**	**(33)**	**—**	**—**	**(33)**
Common shareholders	**—**	**—**	**(408)**	**—**	**—**	**(408)**
Shares exercised and issued under share-based payment plans (note 11)	**15**	**(30)**	**—**	**—**	**28**	**13**
Share-based payment plans expense	**—**	**11**	**—**	**—**	**—**	**11**
Equity settlement of Putnam share-based plans	**—**	**—**	**—**	**—**	**(26)**	**(26)**
Shares cancelled under Putnam share-based plans	**—**	**33**	**—**	**—**	**(36)**	**(3)**
Dilution gain on non-controlling interests	**—**	**—**	**1**	**—**	**(1)**	**—**
Balance, end of period	**$ 10,012**	**$ 153**	**$ 13,483**	**$ 875**	**$ 2,877**	**$ 27,400**

	March 31, 2018					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, beginning of year	$ 9,974	$ 143	$ 12,098	$ 386	$ 2,935	$ 25,536
Change in accounting policy	—	—	(64)	—	—	(64)
Revised balance, beginning of year	9,974	143	12,034	386	2,935	25,472
Net earnings	—	—	764	—	—	764
Other comprehensive income (loss)	—	—	—	687	(5)	682
	9,974	143	12,798	1,073	2,930	26,918
Dividends to shareholders						
Preferred shareholders (note 12)	—	—	(33)	—	—	(33)
Common shareholders	—	—	(385)	—	—	(385)
Shares exercised and issued under share-based payment plans (note 11)	11	(38)	—	—	36	9
Share-based payment plans expense	—	16	—	—	—	16
Shares purchased and cancelled under Normal Course Issuer Bid (note 11)	(15)	—	—	—	—	(15)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 11)	12	—	(12)	—	—	—
Acquisition of PanAgora non-controlling interest	—	—	(54)	—	(21)	(75)
Dilution loss on non-controlling interests	—	—	(3)	—	3	—
Balance, end of period	$ 9,982	$ 121	$ 12,311	$ 1,073	$ 2,948	$ 26,435

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the three months ended March 31	
	2019	2018
Operations		
Earnings before income taxes	**$ 811**	$ 841
Income taxes paid, net of refunds received	**(37)**	(123)
Adjustments:		
Change in insurance and investment contract liabilities	**5,206**	(805)
Change in funds held by ceding insurers	**78**	231
Change in funds held under reinsurance contracts	**15**	(4)
Change in reinsurance assets	**(172)**	24
Changes in fair value through profit or loss	**(4,365)**	1,487
Other	**(727)**	(492)
	809	1,159
Financing Activities		
Issue of common shares (note 11)	**15**	11
Purchased and cancelled common shares (note 11)	**—**	(15)
Issue of debentures and senior notes	**—**	498
Repayment of debentures	**—**	(200)
Increase (decrease) in line of credit of subsidiary	**20**	(94)
Increase (decrease) in debentures and other debt instruments	**1**	(18)
Dividends paid on common shares	**(408)**	(385)
Dividends paid on preferred shares	**(33)**	(33)
	(405)	(236)
Investment Activities		
Bond sales and maturities	**5,653**	6,677
Mortgage loan repayments	**436**	655
Stock sales	**528**	482
Investment property sales	**7**	12
Change in loans to policyholders	**13**	3
Proceeds from assets held for sale	**—**	169
Business acquisitions, net of cash and cash equivalents acquired	**—**	(222)
Change in cash and cash equivalents classified as assets held for sale (note 4)	**31**	—
Investment in bonds	**(5,040)**	(6,951)
Investment in mortgage loans	**(983)**	(1,094)
Investment in stocks	**(474)**	(601)
Investment in investment properties	**(214)**	(133)
	(43)	(1,003)
Effect of changes in exchange rates on cash and cash equivalents	**(48)**	124
Increase in cash and cash equivalents	**313**	44
Cash and cash equivalents, beginning of period	**4,168**	3,551
Cash and cash equivalents, end of period	**$ 4,481**	$ 3,595
Supplementary cash flow information		
Interest income received	**$ 1,344**	$ 1,306
Interest paid	**46**	38
Dividend income received	**70**	58

CONDENSED NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(unaudited)*

(in Canadian $ millions except per share amounts)

1. Corporate Information

Great-West Lifeco Inc. (Lifeco or the Company) is a publicly listed company (Toronto Stock Exchange: GWO), incorporated and domiciled in Canada. The registered address of the Company is 100 Osborne Street North, Winnipeg, Manitoba, Canada, R3C 1V3. Lifeco is a member of the Power Corporation of Canada group of companies and its direct parent is Power Financial Corporation (Power Financial).

Lifeco is a financial services holding company with interests in the life insurance, health insurance, retirement savings, investment management and reinsurance businesses, primarily in Canada, the United States and Europe through its operating subsidiaries including The Great-West Life Assurance Company (Great-West Life), London Life Insurance Company (London Life), The Canada Life Assurance Company (Canada Life), Great-West Life & Annuity Insurance Company (Great-West Financial) and Putnam Investments, LLC (Putnam).

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three months ended March 31, 2019 were approved by the Board of Directors on May 1, 2019.

2. Basis of Presentation and Summary of Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2018 consolidated annual audited financial statements and notes thereto.

The financial statements of the Company at March 31, 2019 have been prepared in compliance with the requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies and methods of computation followed in the consolidated annual audited financial statements for the year ended December 31, 2018 except as described below.

Changes in Accounting Policies

Effective January 1, 2019, the Company applied IFRIC 23, *Uncertainty over Income Tax Treatments* (IFRIC 23). The interpretation clarifies how to apply 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 meet the probable threshold for recognition is measured based on the amount most likely to occur. The provision for tax uncertainties will be 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 to opening accumulated surplus at January 1, 2019.

Effective January 1, 2019, the Company adopted IFRS 16, *Leases* (IFRS 16) which replaces IAS 17, *Leases* (IAS 17). The standard prescribes new guidance for identifying leases as well as the accounting, measurement and presentation of leases by the lessee. Under IFRS 16, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date on the Consolidated Balance Sheets.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

determined, the Company shall use its incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as its discount rate. The lease liability is measured at amortized cost using the effective interest method and is included within other liabilities. Interest expense on lease liabilities is included within operating and administrative expenses.

The Company has elected to apply a practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

The Company has elected to adopt IFRS 16 using a modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On initial application, the Company has elected to measure right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any lease related balances relating to that lease recognized on the Consolidated Balance Sheets immediately before the date of initial application. At January 1, 2019, right-of-use assets of $551 were recognized ($522 within other assets and $29 within investment properties) and lease liabilities of $551 were recognized within other liabilities. Lease related balances included within accounts payable on the Consolidated Balance Sheets at December 31, 2018 of $62 were reclassified to decrease right-of-use assets recognized to $489 at January 1, 2019. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 3.82%.

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

Operating lease commitments at December 31, 2018	$	900
Discounting using the incremental borrowing rate at January 1, 2019		(170)
Non-lease components included in operating lease commitments		(110)
Leases not yet commenced at January 1, 2019 included in operating lease commitments		(57)
Short-term leases included in operating lease commitments		(6)
Low-value leases included in operating lease commitments		(6)
Lease liabilities recognized at January 1, 2019	**$**	**551**

The Company adopted the narrow scope amendments to International Financial Reporting Standards (IFRS) for IAS 28, *Investments in Associates and Joint Ventures*, IAS 19, *Employee Benefits,* and *Annual Improvements 2015 - 2017 Cycle* for the amendments to IFRS 3, *Business Combinations,* IFRS 11, *Joint Arrangements,* IAS 12, *Income Taxes* and IAS 23, *Borrowing Costs,* effective January 1, 2019. The adoption of these narrow scope amendments did not have a significant impact on the Company's financial statements.

There have been no other significant changes to the future accounting policies that could impact the Company, as disclosed in the December 31, 2018 consolidated annual audited financial statements.

Use of Significant Judgments, Estimates and Assumptions

In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are further described in the relevant accounting policies as described in note 2 of the Company's December 31, 2018 consolidated annual audited financial statements and notes thereto.

The results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. The provision for future credit losses within the Company's insurance contract liabilities relies upon investment credit ratings. The Company's practice is to use third party independent credit ratings where available. Management judgment is required when setting credit ratings for instruments that do not have a third-party credit rating.

3. Business Acquisitions and Other Transactions

(a) Invesco Ltd. (Ireland)

On August 1, 2018, the Company, through its indirect wholly-owned subsidiary Irish Life Group Limited, completed its agreement to acquire a controlling interest in Invesco Ltd. (Ireland), an independent financial consultancy firm in Ireland that specializes in employee benefit consultancy and private wealth management who manages and administers assets on behalf of clients. As at March 31, 2019, the purchase price allocation is incomplete, with the initial amount assigned to goodwill of $80 on the date of acquisition to be adjusted pending the completion of a comprehensive valuation of the intangible assets acquired.

(b) U.S. Individual Life Insurance and Annuity Business Reinsurance Agreement

On January 24, 2019, Great-West Financial announced that it had entered into an agreement with Protective Life Insurance Company (Protective Life) to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business in its United States segment. The Company will continue to retain the obligation to the contract holders and will recognize reinsurance assets from the agreement. Protective Life will assume the economics and risks associated with the reinsured business. In addition to recognition of reinsurance assets, the Company expects to recognize a loss in the Consolidated Statements of Earnings at the closing of this transaction. The transaction is expected to close during the second quarter of 2019 subject to regulatory and customary closing conditions.

4. Assets Held for Sale

Sale of policies to Scottish Friendly

In 2018, Canada Life Limited, an indirect wholly-owned subsidiary of the Company, announced an agreement to sell a heritage block of individual policies to Scottish Friendly, comprised of unit-linked policies and non unit-linked policies. The transfer of these policies is expected to occur in the second half of 2019, as part of the United Kingdom Business Transformation (note 5). The composition of the assets and liabilities of the disposal group classified as assets held for sale are as follows:

	March 31 2019	December 31 2018
Assets		
Cash and cash equivalents	**$ 81**	$ 112
Bonds	**774**	731
Stocks	**24**	22
Investment properties	**26**	29
Loans to policyholders	**3**	3
Assets held for sale	**908**	897
Investments on account of segregated fund policyholders	**3,432**	3,319
Total assets included in disposal group classified as held for sale	**$ 4,340**	$ 4,216
Liabilities		
Insurance contract liabilities	**$ 884**	$ 870
Investment contract liabilities	**24**	27
Liabilities held for sale	**908**	897
Investment and insurance contracts on account of segregated fund policyholders	**3,432**	3,319
Total liabilities included in disposal group classified as held for sale	**$ 4,340**	$ 4,216

The composition of assets and liabilities of the disposal group will be finalized after a comprehensive evaluation of the fair value of the assets and liabilities to be transferred have been completed. Net earnings from the disposal of these policies are not expected to be material to the consolidated financial statements.

5. Restructuring Expenses

United Kingdom Business Transformation

At March 31, 2019, the Company has a restructuring provision of $56 remaining in other liabilities. The change in the restructuring provision for the United Kingdom Business Transformation is set out below:

Balance, beginning of year	**$ 61**
Amounts used	**(5)**
Changes in foreign exchange rates	**—**
Balance, end of period	**$ 56**

6. Portfolio Investments

(a) Carrying values and estimated fair values of portfolio investments are as follows:

	March 31, 2019		December 31, 2018	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss [1]	**$ 91,897**	**$ 91,897**	$ 90,015	$ 90,015
Classified fair value through profit or loss [1]	**1,949**	**1,949**	1,886	1,886
Available-for-sale	**12,849**	**12,849**	13,239	13,239
Loans and receivables	**19,604**	**21,250**	19,722	20,619
	126,299	**127,945**	124,862	125,759
Mortgage loans				
Residential				
Designated fair value through profit or loss [1]	**924**	**924**	813	813
Loans and receivables	**9,713**	**9,930**	9,721	9,808
	10,637	**10,854**	10,534	10,621
Commercial	**14,872**	**15,435**	14,480	14,790
	25,509	**26,289**	25,014	25,411
Stocks				
Designated fair value through profit or loss [1]	**9,429**	**9,429**	8,658	8,658
Available-for-sale	**12**	**12**	11	11
Available-for-sale, at cost [2]	**270**	**270**	267	267
Equity method	**352**	**322**	354	293
	10,063	**10,033**	9,290	9,229
Investment properties	**5,449**	**5,449**	5,218	5,218
Total	**$ 167,320**	**$ 169,716**	$ 164,384	$ 165,617

[1] A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch. Changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.

A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

[2] Fair value cannot be reliably measured, therefore the investments are held at cost.

6. Portfolio Investments (cont'd)

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	March 31 2019	December 31 2018
Impaired amounts by classification		
Fair value through profit or loss	**$ 251**	$ 178
Available-for-sale	**31**	30
Loans and receivables	**12**	28
Total	**$ 294**	$ 236

The carrying amount of impaired investments includes $271 bonds, $12 mortgage loans and $11 stocks at March 31, 2019 ($202 bonds, $24 mortgage loans and $10 stocks at December 31, 2018). The above carrying values for loans and receivables are net of allowances of $9 at March 31, 2019 and $20 at December 31, 2018.

(c) Net investment income comprises the following:

For the three months ended March 31, 2019	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 1,027	$ 235	$ 66	$ 87	$ 91	$ 1,506
Net realized gains						
Available-for-sale	1	—	4	—	—	5
Other classifications	4	2	—	—	—	6
Net allowances for credit losses on loans and receivables	—	(3)	—	—	—	(3)
Other income (expenses)	—	—	—	(28)	(36)	(64)
	1,032	234	70	59	55	1,450
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	38	—	—	—	—	38
Designated fair value through profit or loss	3,276	55	874	—	127	4,332
Recorded at fair value through profit or loss	—	—	—	(5)	—	(5)
	3,314	55	874	(5)	127	4,365
Total	$ 4,346	$ 289	$ 944	$ 54	$ 182	$ 5,815

6. Portfolio Investments (cont'd)

For the three months ended March 31, 2018	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 1,074	$ 227	$ 57	$ 85	$ 123	$ 1,566
Net realized gains (losses)						
Available-for-sale	(2)	—	1	—	—	(1)
Other classifications	4	58	—	—	—	62
Other income (expenses)	—	—	—	(23)	(31)	(54)
	1,076	285	58	62	92	1,573
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	(7)	—	—	—	—	(7)
Designated fair value through profit or loss	(1,404)	(17)	(258)	—	141	(1,538)
Recorded at fair value through profit or loss	—	—	—	58	—	58
	(1,411)	(17)	(258)	58	141	(1,487)
Total	$ (335)	$ 268	$ (200)	$ 120	$ 233	$ 86

Investment income earned comprises income from investments that are classified as available-for-sale, loans and receivables and investments classified or designated as fair value through profit or loss. Investment income from bonds and mortgages includes interest income and premium and discount amortization. Income from stocks includes dividends, distributions from private equity and equity income from the investment in IGM Financial Inc. (IGM). Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other income includes policyholder loan income, foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

7. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks. The Company's approach to risk management has not substantially changed from that described in the Company's 2018 Annual Report. Certain risks have been outlined below. For a discussion of the Company's risk governance structure and risk management approach, see the "Financial Instruments Risk Management" note in the Company's December 31, 2018 consolidated annual audited financial statements.

The Company has also established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan. The Board of Directors reviews and approves all capital transactions undertaken by management.

(a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of debtors to make payments when due.

Concentration of Credit Risk

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

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The following policies and procedures are in place to manage this risk:

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

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors which include three types: currency risk, interest rate (including related inflation) risk and equity risk.

Caution Related to Risk Sensitivities

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

- Assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered,
- Changes in actuarial, investment return and future investment activity assumptions,
- Actual experience differing from the assumptions,
- Changes in business mix, effective income tax rates and other market factors,
- Interactions among these factors and assumptions when more than one changes, and
- The general limitations of the Company's internal models.

7. Financial Instruments Risk Management (cont'd)

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

(i) Currency Risk

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

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

(ii) Interest Rate Risk

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change causing a difference in value between the asset and liability.

Projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

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

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

7. Financial Instruments Risk Management (cont'd)

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

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

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

	March 31, 2019		December 31, 2018	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (171)**	**$ 661**	$ (165)	$ 639
Increase (decrease) in net earnings	**$ 119**	**$ (483)**	$ 115	$ (465)

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets and liabilities arising from changes in equity markets and other pricing risk. To mitigate pricing risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits. The risks associated with segregated fund guarantees have been mitigated through a hedging program for lifetime Guaranteed Minimum Withdrawal Benefit guarantees using equity futures, currency forwards, and interest rate derivatives. For policies with segregated fund guarantees, the Company generally determines insurance contract liabilities at a conditional tail expectation of 75 (CTE75) level.

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

	March 31, 2019		December 31, 2018	
	10% increase	**10% decrease**	10% increase	10% decrease
Change in equity values				
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (89)**	**$ 194**	$ (87)	$ 338
Increase (decrease) in net earnings	**$ 75**	**$ (155)**	$ 73	$ (266)

7. Financial Instruments Risk Management (cont'd)

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

	March 31, 2019		December 31, 2018	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in best estimate return assumptions for equities				
Increase (decrease) in non-participating insurance contract liabilities	**$ (597)**	**$ 686**	$ (591)	$ 680
Increase (decrease) in net earnings	**$ 482**	**$ (545)**	$ 476	$ (539)

8. Fair Value Measurement

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

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Assets and liabilities utilizing Level 1 inputs include actively exchange-traded equity securities, exchange-traded futures, and mutual and segregated funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, government and agency securities, restricted stock, some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and most mortgage loans. Investment contracts that are measured at fair value through profit or loss are mostly included in the Level 2 category.

Level 3: Fair value measurements 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 values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds, certain asset-backed securities, some private equities, investments in mutual and segregated funds where there are redemption restrictions, certain over-the-counter derivatives, investment properties and equity release mortgages.

8. Fair Value Measurement (cont'd)

The following presents the Company's assets and liabilities measured at fair value on a recurring basis by hierarchy level:

	March 31, 2019			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 4,481	$ —	$ —	$ 4,481
Financial assets at fair value through profit or loss				
Bonds	—	93,780	66	93,846
Mortgage loans	—	—	924	924
Stocks	8,946	—	483	9,429
Total financial assets at fair value through profit or loss	8,946	93,780	1,473	104,199
Available-for-sale financial assets				
Bonds	—	12,849	—	12,849
Stocks	10	—	2	12
Total available-for-sale financial assets	10	12,849	2	12,861
Investment properties	—	—	5,449	5,449
Funds held by ceding insurers	160	6,942	—	7,102
Derivatives [1]	—	496	—	496
Assets held for sale	105	774	26	905
Other assets:				
Trading account assets	687	292	—	979
Other [2]	—	105	—	105
Total assets measured at fair value	$ 14,389	$ 115,238	$ 6,950	$ 136,577
Liabilities measured at fair value				
Derivatives [3]	$ 6	$ 1,248	$ —	$ 1,254
Investment contract liabilities	—	1,729	—	1,729
Investment contract liabilities held for sale	—	1	23	24
Other liabilities	—	105	—	105
Total liabilities measured at fair value	$ 6	$ 3,083	$ 23	$ 3,112

(1) Excludes collateral received from counterparties of $114.
(2) Includes collateral received under securities lending agreements.
(3) Excludes collateral pledged to counterparties of $358.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the period.

8. Fair Value Measurement (cont'd)

Assets measured at fair value	December 31, 2018 Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 4,168	$ —	$ —	$ 4,168
Financial assets at fair value through profit or loss				
Bonds	—	91,834	67	91,901
Mortgage loans	—	—	813	813
Stocks	8,254	—	404	8,658
Total financial assets at fair value through profit or loss	8,254	91,834	1,284	101,372
Available-for-sale financial assets				
Bonds	—	13,239	—	13,239
Stocks	9	—	2	11
Total available-for-sale financial assets	9	13,239	2	13,250
Investment properties	—	—	5,218	5,218
Funds held by ceding insurers	230	6,925	—	7,155
Derivatives [1]	8	409	—	417
Assets held for sale	134	731	29	894
Other assets:				
Trading account assets	597	246	—	843
Other [2]	—	84	—	84
Total assets measured at fair value	$ 13,400	$ 113,468	$ 6,533	$ 133,401
Liabilities measured at fair value				
Derivatives [3]	$ 2	$ 1,560	$ —	$ 1,562
Investment contract liabilities	—	1,711	—	1,711
Investment contract liabilities held for sale	—	1	26	27
Other liabilities	—	84	—	84
Total liabilities measured at fair value	$ 2	$ 3,356	$ 26	$ 3,384

(1) Excludes collateral received from counterparties of $109.
(2) Includes collateral received under securities lending arrangements.
(3) Excludes collateral pledged to counterparties of $612.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the period.

8. Fair Value Measurement (cont'd)

The following presents additional information about assets and liabilities measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	March 31, 2019								
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks	Available-for-sale stocks	Investment properties	Assets held for sale	Total Level 3 assets	Liabilities held for sale	Total Level 3 liabilities
Balance, beginning of year	$ 67	$ 813	$ 404	$ 2	$ 5,218	$ 29	$ 6,533	$ 26	$ 26
Change in accounting policy (note 2)	—	—	—	—	29	—	29	—	—
Revised balance, beginning of year	67	813	404	2	5,247	29	6,562	26	26
Total gains (losses)									
Included in net earnings	2	55	15	—	(5)	(3)	64	—	—
Included in other comprehensive income [1]	(3)	—	—	—	—	—	(3)	—	—
Purchases	—	—	69	—	214	—	283	—	—
Issues	—	69	—	—	—	—	69	—	—
Sales	—	—	(5)	—	(7)	—	(12)	—	—
Settlements	—	(13)	—	—	—	—	(13)	—	—
Other	—	—	—	—	—	—	—	(3)	(3)
Transfers into Level 3	—	—	—	—	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—	—	—	—	—
Balance, end of period	$ 66	$ 924	$ 483	$ 2	$ 5,449	$ 26	$ 6,950	$ 23	$ 23
Total gains (losses) for the period included in net investment income	$ 2	$ 55	$ 15	$ —	$ (5)	$ (3)	$ 64	$ —	$ —
Change in unrealized gains (losses) for the period included in earnings for assets held at March 31, 2019	$ 2	$ 55	$ 15	$ —	$ (5)	$ (3)	$ 64	$ —	$ —

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

8. Fair Value Measurement (cont'd)

	December 31, 2018									
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks	Available-for-sale stocks	Investment properties	Assets held for sale	Total Level 3 assets	Investment contract liabilities	Liabilities held for sale	Total Level 3 liabilities
Balance, beginning of year	$ 65	$ —	$ 243	$ 1	$ 4,851	$ —	$ 5,160	$ 22	$ —	$ 22
Total gains (losses)										
Included in net earnings	—	(24)	20	—	33	—	29	—	—	—
Included in other comprehensive income [1]	2	20	—	—	70	—	92	—	—	—
Business acquisition	—	799	—	—	—	—	799	—	—	—
Purchases	—	—	203	1	356	—	560	—	—	—
Issues	—	76	—	—	—	—	76	—	—	—
Sales	—	—	(62)	—	(63)	—	(125)	—	—	—
Settlements	—	(58)	—	—	—	—	(58)	—	—	—
Other	—	—	—	—	—	—	—	4	—	4
Transfers into Level 3	—	—	—	—	—	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—	—	—	—	—	—
Transferred to held for sale	—	—	—	—	(29)	29	—	(26)	26	—
Balance, end of year	$ 67	$ 813	$ 404	$ 2	$ 5,218	$ 29	$ 6,533	$ —	$ 26	$ 26
Total gains (losses) for the year included in net investment income	$ —	$ (24)	$ 20	$ —	$ 33	$ —	$ 29	$ —	$ —	$ —
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2018	$ —	$ (24)	$ 19	$ —	$ 26	$ —	$ 21	$ —	$ —	$ —

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

8. Fair Value Measurement (cont'd)

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 2.4% - 10.3%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 4.3% - 6.8%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.4%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage loans (fair value through profit or loss)	The valuation approach for equity release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/ entering into long term care of the loanholders.	Discount rate	Range of 4.2% - 4.7%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

9. Insurance and Investment Contract Liabilities

	March 31, 2019		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 170,790**	**$ 6,124**	**$ 164,666**
Investment contract liabilities	**1,729**	**—**	**1,729**
Total	**$ 172,519**	**$ 6,124**	**$ 166,395**

	December 31, 2018		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 166,720	$ 6,126	$ 160,594
Investment contract liabilities	1,711	—	1,711
Total	$ 168,431	$ 6,126	$ 162,305

10. Segregated Funds

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

(a) Investments on account of segregated fund policyholders

	March 31 2019	December 31 2018
Cash and cash equivalents	$ 12,999	$ 13,458
Bonds	42,915	42,142
Mortgage loans	2,741	2,746
Stocks and units in unit trusts	96,017	89,853
Mutual funds	54,733	50,956
Investment properties	12,696	12,319
	222,101	211,474
Accrued income	452	380
Other liabilities	(3,700)	(3,191)
Non-controlling mutual funds interest	940	864
Total	$ 219,793	$ 209,527

(b) Investment and insurance contracts on account of segregated fund policyholders

	For the three months ended March 31	
	2019	2018
Balance, beginning of year	$ 209,527	$ 217,357
Additions (deductions):		
Policyholder deposits	5,726	6,410
Net investment income	116	496
Net realized capital gains on investments	117	1,501
Net unrealized capital gains (losses) on investments	13,471	(4,848)
Unrealized gains (losses) due to changes in foreign exchange rates	(3,171)	6,588
Policyholder withdrawals	(5,912)	(6,791)
Business acquisition	—	950
Change in Segregated Fund investment in General Fund	—	3
Change in General Fund investment in Segregated Fund	—	(3)
Net transfer from General Fund	(5)	9
Non-controlling mutual funds interest	76	(641)
Assets held for sale (note 4)	(113)	—
Other	(39)	—
Total	10,266	3,674
Balance, end of period	$ 219,793	$ 221,031

10. Segregated Funds (cont'd)

(c) Investments on account of segregated fund policyholders by fair value hierarchy level (note 8)

	March 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [1]	**$ 141,930**	**$ 67,037**	**$ 13,643**	**$ 222,610**
Investments on account of segregated fund policyholders held for sale [2]	**3,410**	**5**	**9**	**3,424**
Total investments on account of segregated fund policyholders measured at fair value	**$ 145,340**	**$ 67,042**	**$ 13,652**	**$ 226,034**

[1] Excludes other liabilities, net of other assets, of $2,817.

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

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

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

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

During the first three months of 2019 certain foreign stock holdings valued at $1,377 have been transferred from Level 2 to Level 1 ($1,842 were transferred from Level 2 to Level 1 at December 31, 2018) primarily based on the Company's change in use of inputs in addition to quoted prices in active markets for certain foreign stock holdings. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where the Company does not have visibility through to the underlying assets.

10. Segregated Funds (cont'd)

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

	March 31, 2019		
	Investments on account of segregated fund policyholders	**Investments on account of segregated fund policyholders held for sale**	**Total**
Balance, beginning of year	**$ 13,235**	**$ 9**	**$ 13,244**
Change in accounting policy [1]	**136**	**—**	**136**
Revised balance, beginning of year	**13,371**	**9**	**13,380**
Total losses included in segregated fund investment income	**(102)**	**—**	**(102)**
Purchases	**433**	**—**	**433**
Sales	**(59)**	**—**	**(59)**
Transfers into Level 3	**—**	**—**	**—**
Transfers out of Level 3	**—**	**—**	**—**
Balance, end of period	**$ 13,643**	**$ 9**	**$ 13,652**

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

	December 31, 2018		
	Investments on account of segregated fund policyholders	Investments on account of segregated fund policyholders held for sale	Total
Balance, beginning of year	$ 12,572	$ —	$ 12,572
Total gains included in segregated fund investment income	404	—	404
Purchases	651	—	651
Sales	(425)	—	(425)
Transfers into Level 3	51	—	51
Transfers out of Level 3	(9)	—	(9)
Transferred to assets held for sale	(9)	9	—
Balance, end of period	$ 13,235	$ 9	$ 13,244

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

11. Share Capital

Common Shares

	For the three months ended March 31			
	2019		2018	
	Number	**Carrying value**	Number	Carrying value
Common shares				
Balance, beginning of year	**987,739,408**	**$ 7,283**	988,722,659	$ 7,260
Purchased and cancelled under Normal Course Issuer Bid	**—**	**—**	(431,000)	(15)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid	**—**	**—**	—	12
Exercised and issued under stock option plan	**494,565**	**15**	330,380	11
Balance, end of period	**988,233,973**	**$ 7,298**	988,622,039	$ 7,268

During the three months ended March 31, 2019, 494,565 common shares were exercised under the Company's stock plan with a carrying value of $15, including $2 from contributed surplus transferred upon exercise (330,380 with a carrying value of $11, including $1 from contributed surplus transferred upon exercise during the three months ended March 31, 2018).

On January 28, 2019, the Company announced a normal course issuer bid commencing February 1, 2019 and terminating January 31, 2020 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices.

During the three months ended March 31, 2019, the Company did not purchase any common shares under the current normal course issuer bid (431,000 during the three months ended March 31, 2018 under the previous normal course issuer bid at a cost of $15). During the three months ended March 31, 2018, the excess paid over the average carrying value was $12 and was recognized as a reduction to equity under the previous normal course issuer bid.

On March 4, 2019, the Company announced a substantial issuer bid (the Offer) pursuant to which the Company offered to purchase for cancellation up to $2 billion of its common shares from shareholders for cash. The Offer commenced on March 8, 2019 and expired on April 12, 2019.

Subsequent Event

On April 17, 2019, the Company purchased and subsequently cancelled 59,700,974 common shares under the Offer at a price of $33.50 per share for an aggregate purchase price of $2 billion.

12. Earnings per Common Share

	For the three months ended March 31	
	2019	2018
Earnings		
Net earnings	**$ 690**	$ 764
Preferred share dividends	**(33)**	(33)
Net earnings - common shareholders	**$ 657**	$ 731
Number of common shares		
Average number of common shares outstanding	**987,830,447**	988,611,044
Add: Potential exercise of outstanding stock options	**306,494**	1,109,312
Average number of common shares outstanding - diluted basis	**988,136,941**	989,720,356
Basic earnings per common share	**$ 0.665**	$ 0.740
Diluted earnings per common share	**$ 0.665**	$ 0.739
Dividends per common share	**$ 0.4130**	$ 0.3890

13. Capital Management

(a) Policies and Objectives

Managing capital is the continual process of establishing and maintaining the quantity and quality of capital appropriate for the Company and ensuring capital is deployed in a manner consistent with the expectations of the Company's stakeholders. For these purposes, the Board considers the key stakeholders to be the Company's shareholders, policyholders and holders of subordinated liabilities in addition to the relevant regulators in the various jurisdictions where the Company and its subsidiaries operate.

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

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

The capital planning process is the responsibility of the Company's Chief Financial Officer. The capital plan is approved by the Company's Board of Directors on an annual basis. The Board of Directors reviews and approves all capital transactions undertaken by management.

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

13. Capital Management (cont'd)

(b) Regulatory Capital

In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has established a regulatory capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries.

The Life Insurance Capital Adequacy Test (LICAT) Ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The Base Solvency Buffer, defined by OSFI, is the aggregate of all defined capital requirements multiplied by a scalar of 1.05. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits. The following provides a summary of the LICAT information and ratios for Great-West Life:

	March 31 2019	December 31 2018
Tier 1 Capital	**$ 12,404**	$ 12,455
Tier 2 Capital	**3,722**	3,686
Total Available Capital	**16,126**	16,141
Surplus Allowance & Eligible Deposits	**11,137**	10,665
Total Capital Resources	**$ 27,263**	$ 26,806
Base Solvency Buffer (includes 1.05 scalar)	**$ 19,508**	$ 19,165
Total LICAT Ratio (OSFI Supervisory Target = 100%) [1]	**140%**	140%

[1] Total Ratio (%) = (Total Capital Resources / Base Solvency Buffer (after 1.05 scalar))

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

14. Pension Plans and Other Post-Employment Benefits

The total pension plans and other post-employment benefits expense included in operating expenses and other comprehensive income are as follows:

	For the three months ended March 31	
	2019	2018
Pension plans		
Service costs	**$ 54**	$ 59
Net interest costs	**7**	6
	61	65
Other post-employment benefits		
Service costs	**1**	1
Net interest costs	**3**	3
	4	4
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	**65**	69
Pension plans - re-measurements		
Actuarial (gain) loss	**495**	(99)
Return on assets (greater) less than assumed	**(383)**	57
Administrative expenses less than assumed	**(1)**	(1)
Change in the asset ceiling	**(18)**	—
Pension plans re-measurement (gain) loss	**93**	(43)
Other post-employment benefits - re-measurements		
Actuarial (gain) loss	**21**	(3)
Pension plans and other post-employment benefits re-measurements - other comprehensive (income) loss	**114**	(46)
Total pension plans and other post-employment benefits expense including re-measurements	**$ 179**	$ 23

The following sets out the weighted average discount rate used to re-measure the defined benefit obligation for pension plans and other post-employment benefits at the following dates:

	March 31		December 31	
	2019	2018	2018	2017
Weighted average discount rate	**2.9%**	3.2%	3.4%	3.1%

15. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended March 31	
	2019	2018
Current income taxes	**$ 71**	$ 84
Deferred income taxes	**59**	(7)
Total income tax expense	**$ 130**	$ 77

(b) Effective Income Tax Rate

The effective income tax rates are generally lower than the Company's statutory income tax rate of 27% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

The overall effective income tax rate for the three months ended March 31, 2019 was 16.0% compared to 9.1% for the three months ended March 31, 2018.

The effective income tax rate for the three months ended March 31, 2019 is higher than the effective income tax rate for the same period last year primarily due to changes in certain tax estimates and a lower percentage of income subject to lower rates in foreign jurisdictions.

The overall effective income tax rate for the three months ended March 31, 2019 was 16.0% compared to 6.4% for the three months ended December 31, 2018.

The effective income tax rate for the three months ended March 31, 2019 is higher than the effective income tax rate for the fourth quarter of 2018 primarily due to changes in certain tax estimates.

16. Segmented Information

Consolidated Net Earnings

For the three months ended March 31, 2019

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 3,087	$ 1,266	$ 5,242	$ —	$ 9,595
Net investment income					
Regular net investment income	656	469	326	(1)	1,450
Changes in fair value through profit or loss	2,282	666	1,417	—	4,365
Total net investment income	2,938	1,135	1,743	(1)	5,815
Fee and other income	422	659	398	—	1,479
	6,447	3,060	7,383	(1)	16,889
Benefits and expenses					
Paid or credited to policyholders	5,172	2,219	6,521	—	13,912
Other [1]	877	686	473	5	2,041
Financing charges	32	31	9	—	72
Amortization of finite life intangible assets	21	20	12	—	53
Earnings (loss) before income taxes	345	104	368	(6)	811
Income taxes (recovery)	70	20	41	(1)	130
Net earnings (loss) before non-controlling interests	275	84	327	(5)	681
Non-controlling interests	(8)	—	(1)	—	(9)
Net earnings (loss)	283	84	328	(5)	690
Preferred share dividends	28	—	5	—	33
Net earnings (loss) before capital allocation	255	84	323	(5)	657
Impact of capital allocation	28	(3)	(24)	(1)	—
Net earnings (loss) - common shareholders	$ 283	$ 81	$ 299	$ (6)	$ 657

[1] Includes commissions, operating and administrative expenses and premium taxes.

16. Segmented Information (cont'd)

For the three months ended March 31, 2018

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 3,151	$ 1,074	$ 3,949	$ —	$ 8,174
Net investment income					
Regular net investment income	612	441	517	3	1,573
Changes in fair value through profit or loss	(334)	(580)	(573)	—	(1,487)
Total net investment income (loss)	278	(139)	(56)	3	86
Fee and other income	438	631	364	—	1,433
	3,867	1,566	4,257	3	9,693
Benefits and expenses					
Paid or credited to policyholders	2,639	752	3,389	—	6,780
Other [1]	816	674	457	5	1,952
Financing charges	32	29	10	—	71
Amortization of finite life intangible assets	20	21	8	—	49
Earnings (loss) before income taxes	360	90	393	(2)	841
Income taxes	46	13	18	—	77
Net earnings (loss) before non-controlling interests	314	77	375	(2)	764
Non-controlling interests	—	—	—	—	—
Net earnings (loss)	314	77	375	(2)	764
Preferred share dividends	28	—	5	—	33
Net earnings (loss) before capital allocation	286	77	370	(2)	731
Impact of capital allocation	30	(2)	(26)	(2)	—
Net earnings (loss) - common shareholders	$ 316	$ 75	$ 344	$ (4)	$ 731

[1] Includes commissions, operating and administrative expenses and premium taxes.

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IGM Financial Inc.

PART D

Please note that the bottom of each page in Part D contains two different page numbers. A page number with the prefix "D" refers to the number of such page in this document and the page number without any prefix refers to the number of such page in the original document issued by IGM Financial Inc.

The attached documents concerning IGM Financial Inc. are documents prepared and publicly disclosed by such subsidiary. Certain statements in the attached documents, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the current expectations of the subsidiary as set forth therein. Forward-looking statements are provided for the purposes of assisting the reader in understanding the subsidiary's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about the subsidiary's 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.

By its nature, forward-looking 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.

For further information provided by the subsidiary as to the material factors that could cause actual results to differ materially from the content of forward-looking statements, the material factors and assumptions that were applied in making the forward-looking statements, and the subsidiary's policy for updating the content of forward-looking statements, please see the attached documents, including the section entitled Forward-Looking Statements. The reader is cautioned to consider these factors and assumptions carefully and not to put undue reliance on forward-looking statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the three months ended March 31, 2019 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements (Interim Financial Statements) as well as the 2018 IGM Financial Inc. Annual Report filed on www.sedar.com. Commentary in the MD&A as at and for the three months ended March 31, 2019 is as of May 3, 2019.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The Interim Financial Statements of IGM Financial, which are the basis of the information presented in the Company's MD&A, have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (IFRS) and are presented in Canadian dollars (Note 2 of the Interim Financial Statements).

FORWARD-LOOKING STATEMENTS

Certain statements in this report, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect IGM Financial's current expectations. Forward-looking statements are provided to assist the reader in understanding the Company's financial position and results of operations 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. Readers are 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 Company, as well as the outlook for North American and international economies, for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including the perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. While the Company considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

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 material factors, many of which are beyond the Company's and its subsidiaries' control, affect the operations, performance and results of the Company, and its subsidiaries, and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes, operational and reputational risks, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Company's and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not place undue reliance on forward-looking statements.

Other than as specifically required by applicable Canadian law, the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are 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 Company's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including this Management's Discussion and Analysis and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada, available at www.sedar.com.

NON-IFRS FINANCIAL MEASURES AND ADDITIONAL IFRS MEASURES

Net earnings available to common shareholders, which is an additional measure in accordance with IFRS, may be subdivided into two components consisting of:

- Adjusted net earnings available to common shareholders; and
- Other items, which include the after-tax impact of any item that management considers to be of a non-recurring nature or that could make the period-over-period comparison of results from operations less meaningful.

"Adjusted net earnings available to common shareholders", "adjusted diluted earnings per share" (EPS) and "adjusted return on average common equity" (ROE) are non-IFRS financial measures which are used to provide management and investors with additional measures to assess earnings performance. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

"Earnings before interest and taxes" (EBIT), "earnings before interest, taxes, depreciation and amortization before sales commissions" (EBITDA before sales commissions), and "earnings before interest, taxes, depreciation and amortization after sales commissions" (EBITDA after sales commissions) are also non-IFRS financial measures. EBIT, EBITDA before sales commissions and EBITDA after sales commissions are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. The two EBITDA measures have been introduced following the adoption of IFRS 15. EBITDA before sales commissions excludes all mutual fund sales commissions and is comparable to prior periods. EBITDA after sales commissions includes all sales commissions and highlights aggregate cash flows. Other items of a non-recurring nature, or that could make the period-over-period comparison of results from operations less meaningful, are further excluded to arrive at EBITDA before sales commissions and EBITDA after sales commissions. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

"Earnings before income taxes" and "net earnings available to common shareholders" are additional IFRS measures which are used to provide management and investors with additional measures to assess earnings performance. These measures are considered additional IFRS measures as they are in addition to the minimum line items required by IFRS and are relevant to an understanding of the entity's financial performance.

Refer to the appropriate reconciliations of non-IFRS financial measures to reported results in accordance with IFRS in Tables 1, 2 and 3.

IGM Financial Inc. (TSX:IGM) is a leading wealth and asset management company. The Company's principal businesses are Investors Group Inc. and Mackenzie Financial Corporation, each operating distinctly primarily within the advice segment of the financial services market.

Total assets under management, which were at the highest quarter end level in the history of the Company, were $160.5 billion at March 31, 2019 compared with $155.8 billion at March 31, 2018 and $149.1 billion at December 31, 2018. Average total assets under management for the first quarter of 2019 were $155.9 billion compared to $156.8 billion in the first quarter of 2018.

Investment fund assets under management, also at the highest quarter-end level, were $154.3 billion at March 31, 2019 compared with $149.2 billion at March 31, 2018 and $143.3 billion at December 31, 2018. Average investment fund assets under management for the first quarter of 2019 were $149.9 billion compared to $150.1 billion in the first quarter of 2018.

The increase in assets under management was primarily due to increases in the level of financial markets.

Net earnings available to common shareholders for the three months ended March 31, 2019 were $167.5 million or 70 cents per share compared with net earnings available to common shareholders of $185.5 million or 77 cents per share for the comparative period in 2018.

Shareholders' equity was $4.5 billion as at March 31, 2019, compared to $4.6 billion at December 31, 2018. Return on average common equity for the three months ended March 31, 2019 was 15.2% compared with 17.5% for the comparative period in 2018. The quarterly dividend per common share declared in the first quarter of 2019 was 56.25 cents, unchanged from the fourth quarter of 2018.

CAPITAL MANAGEMENT ACTIVITIES

IGM Financial initiated a number of capital and liquidity transactions in the first quarter of 2019, including:

- The issuance of $250.0 million 4.206% debentures maturing on March 21, 2050.
- Part of the proceeds from the issuance of the $250.0 million debentures was used to fund the redemption of the $150.0 million issued and outstanding 5.90% Non-Cumulative First Preferred Shares, Series B on April 30, 2019.
- The Company commenced a normal course issuer bid on March 26, 2019 to purchase up to 4 million of its common shares to provide the flexibility to manage its capital position while generating value for shareholders. In connection with its normal course issuer bid, the Company has established an automatic securities purchase plan for its common shares. The automatic securities purchase plan provides standard instructions regarding how IGM Financial's common shares are to be purchased under its normal course issuer bid during certain pre-determined trading blackout periods. Outside of these pre-determined trading blackout periods, purchases under the Company's normal course issuer bid will be completed based upon management's discretion.

In April 2019, the Company participated on a proportionate basis in the Great-West Lifeco (Lifeco) substantial issuer bid by selling 2,400,255 of its shares for proceeds of $80.4 million. The Company's 4% interest in Lifeco remains substantially unchanged.

PERSONAL CAPITAL

In January 2019, the Company made an additional investment in Personal Capital Corporation (Personal Capital) of $66.8 million which increased its voting interest to 22.7% resulting in the reclassification of $217.0 million on the Consolidated Balance Sheet from Corporate investments to Investments in associates. As a result, the Company now uses the equity method of accounting for its 25.2% equity interest in Personal Capital.

ADOPTION OF IFRS 16 *LEASES*

On January 1, 2019, the Company adopted IFRS 16, *Leases*, which resulted in recognition of a right-of-use asset related to the Company's property leases and a corresponding lease obligation. Previously, the Company expensed total lease payments in non-commission expense. Under IFRS 16, lease related expenses are recognized as amortization in non-commission expense and interest in interest expense (Note 2 to the Interim Financial Statements).

The adoption of IFRS 16 results in a change to timing of non-commission expenses but has no effect on cash flows of the Company.

Non-commission expense in the first quarter of 2019 was $0.9 million lower and interest expense was $1.1 million higher as a result of the adoption of IFRS 16. If IFRS 16 had been applied retrospectively, non-commission expense in the first quarter of 2018 would have been $0.1 million lower and interest expense $1.0 million higher.

IFRS 16 impacts EBITDA as the expenses are now categorized as amortization and interest expenses, which are excluded from EBITDA. Previously, the cash payments were expensed and included within EBITDA.

TABLE 1: RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

THREE MONTHS ENDED	2019 MARCH 31		2018 DECEMBER 31		2018 MARCH 31	
($ millions)	EARNINGS	EPS[1]	EARNINGS	EPS[1]	EARNINGS	EPS[1]
Net earnings available to common shareholders – IFRS	**$ 167.5**	**$ 0.70**	$ 179.9	$ 0.75	$ 185.5	$ 0.77
EBITDA before sales commissions – Non-IFRS measure	**$ 295.9**		$ 296.8		$ 333.2	
Sales-based commissions paid	**(43.7)**		(41.2)		(62.3)	
EBITDA after sales commissions – Non-IFRS measure	**252.2**		255.6		270.9	
Sales-based commissions paid subject to amortization	**12.6**		13.2		16.3	
Amortization of capitalized sales commissions	**(4.8)**		(4.3)		(2.9)	
Amortization of capital assets and intangible assets and other[2]	**(20.0)**		(14.4)		(13.9)	
Interest expense[3]	**(25.2)**		(24.1)		(30.3)	
Earnings before income taxes	**214.8**		226.0		240.1	
Income taxes	**(45.1)**		(43.9)		(52.4)	
Perpetual preferred share dividends	**(2.2)**		(2.2)		(2.2)	
Net earnings available to common shareholders – IFRS	**$ 167.5**		$ 179.9		$ 185.5	

(1) Diluted earnings per share

(2) Amortization expense includes amortization on capital assets and intangible assets and in 2019 also includes amortization on right-of-use assets of $5.7 million as a result of the Company's adoption of IFRS 16, Leases.

(3) Interest expense includes interest on long-term debt and in 2019 also includes interest on leases of $1.1 million as a result of the Company's adoption of IFRS 16, Leases.

In the first quarter of 2019, EBITDA before sales commissions increased by $6.6 million to $295.9 million as a result of IFRS 16. If IFRS 16 had been applied retroactively, EBITDA before sales commission for the first quarter of 2018, would have increased by $5.4 million to $338.6 million.

REPORTABLE SEGMENTS

IGM Financial's reportable segments are:

- IG Wealth Management (IG Wealth Management or IG)
- Mackenzie Investments (Mackenzie Investments or Mackenzie)
- Corporate and Other

These segments, as shown in Tables 2 and 3 reflect the Company's internal financial reporting and performance measurement.

Certain items reflected in Tables 2 and 3 are not allocated to segments:

- *Interest expense* – represents interest expense on long-term debt and, in 2019 also includes interest expense on leases of $1.1 million as a result of the adoption of IFRS 16, *Leases*. The change in interest expense in the period also resulted from the impact of the following transactions:
  - The redemption of $150 million 6.58% debentures on March 7, 2018;
  - The issuance of $200 million 4.174% debentures on July 11, 2018;
  - The early redemption of $375 million 7.35% debentures on August 10, 2018, and;
  - The issuance of $250 million 4.206% debentures on March 20, 2019.
- *Income taxes* – changes in the effective tax rates are shown in Table 4.

  Tax planning may result in the Company recording lower levels of income taxes. Management monitors the status of its income tax filings and regularly assesses the overall adequacy of its provision for income taxes and, as a result, income taxes recorded in prior years may be adjusted in the current year. The effect of changes in management's best estimates reported in adjusted net earnings is reflected in Other items, which also includes, but is not limited to, the effect of lower effective income tax rates on foreign operations.
- *Perpetual preferred share dividends* – represents the dividends declared on the Company's 5.90% non-cumulative first preferred shares.

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q1 2019 VS. Q1 2018

THREE MONTHS ENDED ($ millions)	IG WEALTH MANAGEMENT 2019 MAR. 31	IG WEALTH MANAGEMENT 2018 MAR. 31	MACKENZIE INVESTMENTS 2019 MAR. 31	MACKENZIE INVESTMENTS 2018 MAR. 31	CORPORATE & OTHER 2019 MAR. 31	CORPORATE & OTHER 2018 MAR. 31	TOTAL 2019 MAR. 31	TOTAL 2018 MAR. 31
Revenues								
Fee income	$ 473.2	$ 482.2	$ 193.0	$ 202.9	$ 70.0	$ 72.4	$ 736.2	$ 757.5
Net investment income and other	10.0	10.3	4.2	(0.2)	38.7	42.0	52.9	52.1
	483.2	492.5	197.2	202.7	108.7	114.4	789.1	809.6
Expenses								
Commission	157.0	164.8	72.5	75.3	45.2	46.0	274.7	286.1
Non-Commission[1]	162.9	144.7	88.8	85.8	22.7	22.6	274.4	253.1
	319.9	309.5	161.3	161.1	67.9	68.6	549.1	539.2
Earnings before interest and taxes	$ 163.3	$ 183.0	$ 35.9	$ 41.6	$ 40.8	$ 45.8	240.0	270.4
Interest expense[2]							25.2	30.3
Earnings before income taxes							214.8	240.1
Income taxes							45.1	52.4
Net earnings							169.7	187.7
Perpetual preferred share dividends							2.2	2.2
Net earnings available to common shareholders							$ 167.5	$ 185.5

(1) The Company's investment management functions reside at Mackenzie Investments and the cost of investment management activities is allocated proportionately between the segments.

(2) Interest expense includes interest on long-term debt and in 2019 also includes interest on leases of $1.1 million as a result of the Company's adoption of IFRS 16, Leases.

TABLE 3: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q1 2019 VS. Q4 2018

THREE MONTHS ENDED ($ millions)	IG WEALTH MANAGEMENT 2019 MAR. 31	IG WEALTH MANAGEMENT 2018 DEC. 31	MACKENZIE INVESTMENTS 2019 MAR. 31	MACKENZIE INVESTMENTS 2018 DEC. 31	CORPORATE & OTHER 2019 MAR. 31	CORPORATE & OTHER 2018 DEC. 31	TOTAL 2019 MAR. 31	TOTAL 2018 DEC. 31
Revenues								
Fee income	$ 473.2	$ 477.0	$ 193.0	$ 195.1	$ 70.0	$ 71.6	$ 736.2	$ 743.7
Net investment income and other	10.0	11.0	4.2	(3.1)	38.7	39.9	52.9	47.8
	483.2	488.0	197.2	192.0	108.7	111.5	789.1	791.5
Expenses								
Commission	157.0	156.3	72.5	69.7	45.2	46.4	274.7	272.4
Non-Commission[1]	162.9	159.6	88.8	86.9	22.7	22.5	274.4	269.0
	319.9	315.9	161.3	156.6	67.9	68.9	549.1	541.4
Earnings before interest and taxes	$ 163.3	$ 172.1	$ 35.9	$ 35.4	$ 40.8	$ 42.6	240.0	250.1
Interest expense[2]							25.2	24.1
Earnings before income taxes							214.8	226.0
Income taxes							45.1	43.9
Net earnings							169.7	182.1
Perpetual preferred share dividends							2.2	2.2
Net earnings available to common shareholders							$ 167.5	$ 179.9

(1) The Company's investment management functions reside at Mackenzie Investments and the cost of investment management activities is allocated proportionately between the segments.

(2) Interest expense includes interest on long-term debt and in 2019 also includes interest on leases of $1.1 million as a result of the Company's adoption of IFRS 16, Leases.

TABLE 4: EFFECTIVE INCOME TAX RATE

THREE MONTHS ENDED	2019 MAR. 31	2018 DEC. 31	2018 MAR. 31
Income taxes at Canadian federal and provincial statutory rates	**26.79 %**	26.83 %	26.81 %
Effect of:			
Proportionate share of associates' earnings	**(3.95)**	(3.79)	(3.92)
Tax loss consolidation[1]	**(1.55)**	(1.56)	(1.41)
Other items	**(0.32)**	(2.07)	0.34
Effective income tax rate – net earnings	**20.97 %**	19.41 %	21.82 %

(1) See Note 25 – Related Party Transactions of the Consolidated Financial Statements included in the 2018 IGM Financial Inc. Annual Report (Annual Financial Statements).

SUMMARY OF CHANGES IN TOTAL ASSETS UNDER MANAGEMENT

Total assets under management were $160.5 billion at March 31, 2019 compared to $155.8 billion at March 31, 2018. Changes in total assets under management are detailed in Table 5.

Changes in assets under management for IG Wealth Management and Mackenzie Investments are discussed further in each of their respective Review of the Business sections in the MD&A.

SUMMARY OF QUARTERLY RESULTS

The Summary of Quarterly Results in Table 6 includes the eight most recent quarters and the reconciliation of non-IFRS financial measures to net earnings in accordance with IFRS.

Changes in average daily investment fund assets under management over the eight most recent quarters, as shown in Table 6, largely reflect the impact of net sales of the Company and changes in domestic and foreign markets.

TABLE 5: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – Q1 2019 VS. Q1 2018

THREE MONTHS ENDED ($ millions)	IG WEALTH MANAGEMENT 2019 MAR. 31	IG WEALTH MANAGEMENT 2018 MAR. 31	MACKENZIE INVESTMENTS 2019 MAR. 31	MACKENZIE INVESTMENTS 2018 MAR. 31	INVESTMENT PLANNING COUNSEL 2019 MAR. 31	INVESTMENT PLANNING COUNSEL 2018 MAR. 31	INTERCOMPANY ELIMINATIONS[1] 2019 MAR. 31	INTERCOMPANY ELIMINATIONS[1] 2018 MAR. 31	CONSOLIDATED 2019 MAR. 31	CONSOLIDATED 2018 MAR. 31
Investment funds										
Mutual funds[2]										
Gross sales	**$ 2,350**	$ 2,859	**$ 2,505**	$ 2,630	**$ 219**	$ 260	**$ –**	$ –	**$ 5,074**	$ 5,749
Net sales	**(14)**	784	**148**	286	**(16)**	48	**–**	–	**118**	1,118
ETFs										
Net creations			**228**	715			**–**	–	**228**	715
Inter-product eliminations[1]			**–**	(233)			**(86)**	(241)	**(86)**	(474)
Total investment fund net sales	**(14)**	784	**376**	768	**(16)**	48	**(86)**	(241)	**260**	1,359
Sub-advisory, institutional and other accounts										
Net sales			**(103)**	229			**(4)**	(231)	**(107)**	(2)
Combined net sales	**$ (14)**	$ 784	**$ 273**	$ 997	**$ (16)**	$ 48	**$ (90)**	$ (472)	**$ 153**	$ 1,357
Change in total assets under management										
Net sales	**$ (14)**	$ 784	**$ 273**	$ 997	**$ (16)**	$ 48	**$ (90)**	$ (472)	**$ 153**	$ 1,357
Investment returns	**6,288**	(1,689)	**4,775**	(345)	**317**	27	**(132)**	(105)	**11,248**	(2,112)
Net change in assets	**6,274**	(905)	**5,048**	652	**301**	75	**(222)**	(577)	**11,401**	(755)
Beginning assets	**83,137**	88,008	**62,728**	64,509	**5,125**	5,377	**(1,924)**	(1,381)	**149,066**	156,513
Ending assets	**$ 89,411**	$ 87,103	**$ 67,776**	$ 65,161	**$ 5,426**	$ 5,452	**$ (2,146)**	$ (1,958)	**$160,467**	$155,758
Total assets under management consists of:										
Investment funds										
Mutual funds[2]	**$ 89,411**	$ 87,103	**$ 57,694**	$ 55,586	**$ 5,426**	$ 5,452	**$ –**	$ –	**$152,531**	$148,141
ETFs			**3,330**	2,004			**–**	–	**3,330**	2,004
Inter-product eliminations[1]			**(898)**	(596)			**(628)**	(346)	**(1,526)**	(942)
Total investment funds	**89,411**	87,103	**60,126**	56,994	**5,426**	5,452	**(628)**	(346)	**154,335**	149,203
Sub-advisory, institutional and other accounts			**7,650**	8,167			**(1,518)**	(1,612)	**6,132**	6,555
Ending assets	**$ 89,411**	$ 87,103	**$ 67,776**	$ 65,161	**$ 5,426**	$ 5,452	**$ (2,146)**	$ (1,958)	**$160,467**	$155,758

(1) Consolidated results eliminate double counting where business is reflected within multiple segments:

– Included with Mackenzie's results were advisory mandates to other segments with assets of $2.1 billion at March 31, 2019 (2018 – $2.0 billion) and net sales of $90 million for the first quarter of 2019 (2018 – $472 million).

– Included in ETFs are mutual fund investments in ETFs totalling $898 million at March 31, 2019 (2018 – $596 million) and with no net sales in the three months ending March 31, 2019 (2018 – $233 million).

(2) IG Wealth Management and Investment Planning Counsel AUM and net sales includes separately managed accounts.

TABLE 6: SUMMARY OF QUARTERLY RESULTS

	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2
Consolidated statements of earnings *($ millions)*								
Revenues								
Management fees	**$ 545.2**	$ 546.0	$ 573.8	$ 562.8	$ 556.6	$ 564.4	$ 541.9	$ 547.0
Administration fees	**101.7**	103.3	109.1	107.1	107.6	110.4	109.1	111.2
Distribution fees	**89.3**	94.4	93.3	89.9	93.3	95.2	89.8	94.8
Net investment income and other	**52.9**	47.8	55.8	56.2	52.1	36.7	32.5	50.3
	789.1	791.5	832.0	816.0	809.6	806.7	773.3	803.3
Expenses								
Commission	**274.7**	272.4	270.1	270.1	286.1	288.1	276.0	284.4
Non-commission	**274.4**	269.0	245.9	252.7	253.1	240.3	238.8	246.5
Interest[1]	**25.2**	24.1	27.0	28.8	30.3	29.7	28.9	28.7
	574.3	565.5	543.0	551.6	569.5	558.1	543.7	559.6
Earnings before undernoted	**214.8**	226.0	289.0	264.4	240.1	248.6	229.6	243.7
Premium paid on early redemption of debentures	**–**	–	(10.7)	–	–	–	–	–
Restructuring and other	**–**	–	(22.7)	–	–	(172.3)	–	(23.0)
Pension plan	**–**	–	–	–	–	–	–	50.4
Proportionate share of associate's one-time charges	**–**	–	–	–	–	(14.0)	–	–
Proportionate share of associate's provision	**–**	–	–	–	–	–	–	(5.1)
Earnings before income taxes	**214.8**	226.0	255.6	264.4	240.1	62.3	229.6	266.0
Income taxes	**45.1**	43.9	55.2	58.5	52.4	9.5	54.0	63.0
Net earnings	**169.7**	182.1	200.4	205.9	187.7	52.8	175.6	203.0
Perpetual preferred share dividends	**2.2**	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Net earnings available to common shareholders	**$ 167.5**	$ 179.9	$ 198.2	$ 203.7	$ 185.5	$ 50.6	$ 173.4	$ 200.8
Reconciliation of Non-IFRS financial measures[2] *($ millions)*								
Adjusted net earnings available to common shareholders – non-IFRS measure	**$ 167.5**	$ 179.9	$ 222.7	$ 203.7	$ 185.5	$ 191.4	$ 173.4	$ 185.9
Other items:								
Premium paid on early redemption of debentures, net of tax	**–**	–	(7.8)	–	–	–	–	–
Restructuring and other, net of tax	**–**	–	(16.7)	–	–	(126.8)	–	(16.8)
Pension plan, net of tax	**–**	–	–	–	–	–	–	36.8
Proportionate share of associate's one-time charges	**–**	–	–	–	–	(14.0)	–	–
Proportionate share of associate's provision	**–**	–	–	–	–	–	–	(5.1)
Net earnings available to common shareholders – IFRS	**$ 167.5**	$ 179.9	$ 198.2	$ 203.7	$ 185.5	$ 50.6	$ 173.4	$ 200.8
Earnings per Share *(¢)*								
Adjusted net earnings available to common shareholders[1]								
– Basic	**70**	75	92	85	77	80	72	77
– Diluted	**70**	75	92	85	77	79	72	77
Net earnings available to common shareholders								
– Basic	**70**	75	82	85	77	21	72	83
– Diluted	**70**	75	82	85	77	21	72	83
Average daily investment fund assets *($ billions)*	**$ 149.9**	$ 147.0	$ 154.0	$ 150.9	$ 150.1	$ 148.1	$ 142.4	$ 144.3
Total investment fund assets under management *($ billions)*	**$ 154.3**	$ 143.3	$ 153.4	$ 152.5	$ 149.2	$ 149.8	$ 144.6	$ 143.3
Total assets under management *($ billions)*	**$ 160.5**	$ 149.1	$ 159.7	$ 159.1	$ 155.8	$ 156.5	$ 150.0	$ 148.6

(1) Interest expense includes interest on long-term debt and in 2019 also includes interest on leases as a result of the Company's adoption of IFRS 16, Leases.

(2) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A in addition to the Summary of Consolidated Operating Results section included in the MD&A of the 2018 IGM Financial Inc. Annual Report for an explanation of Other items used to calculate the Company's Non-IFRS financial measures.

2019 DEVELOPMENTS

CHANGES TO MUTUAL FUND PRODUCT OFFERING

IG Wealth Management continues to enhance the performance, scope and diversity of our investment offering with the introduction of new funds and other product changes that are well-suited to the long-term diverse needs of Canadian investors.

During 2019, IG Wealth Management has implemented changes to simplify its mutual fund offering with investment fund changes and mergers including:

- Changes to the investment objectives and/or fundamental investment strategies of several funds so that they provide broader investment management diversification opportunities.
- Several fund mergers which are expected to provide investors with a streamlined and simplified product line-up, broaden investment management diversification opportunities and in some cases, may result in lower costs to clients.

FEE TRANSPARENCY FOR ALL CLIENTS AND PRICING CHANGES

IG Wealth Management is delivering on its client-focused commitment by expanding fee transparency to all clients while introducing product and pricing changes to accelerate growth.

IG Wealth Management will increase fee transparency by migrating clients to unbundled solutions beginning in the third quarter of 2019, with most accounts expected to be migrated over the following twelve months. Under this model, clients pay an advisory fee to the dealer for its services as opposed to dealer compensation being bundled as part of mutual fund management fees. IG Wealth Management has successfully offered an unbundled fee option (Series U) to high net worth clients across its product suite since 2013.

The company is also introducing more competitive pricing to reward client loyalty while encouraging consolidation of our clients' assets with IG Wealth Management and increasing the competitiveness of our products to attract new clients. IG Wealth Management plans to implement the changes over the course of 2019:

- Beginning March 1, 2019, IG Wealth Management enhanced the competitiveness of pricing to households with over $1 million in assets with IG Wealth Management through advisory fee reductions across multiple client segments.
- During the third quarter of 2019, IG Wealth Management will open unbundled fee options to households with less than $500,000 in assets.

IG WEALTH MANAGEMENT STRATEGY

IG Wealth Management's promise is to inspire financial confidence.

Our strategic mandate is to be Canada's financial partner of choice.

Our value proposition is to deliver better Gamma, better Beta and better Alpha:

- Gamma – the value of all efforts that sit outside of investment portfolio construction. This includes the value that a financial advisor adds to a client relationship, and comes from the creation and follow through of a well-constructed financial plan.
- Beta – the value created by well-constructed investment portfolios – achieving expected investment returns for the lowest possible risk.
- Alpha – the value of active management – achieving returns superior to passive benchmarks with a similar composition and risk profile.

We seek to deliver our value proposition through:

- Superior Advice – Acquiring a deep knowledge of Canadian investors and using those insights to shape everything we do.
- Segmented Client Experiences – Creating segmented experiences personalized throughout our clients' lifetimes.
- Entrepreneurial Advisors – Inspiring our entrepreneurial advisors to constantly deliver an engaging experience and a holistic plan that seeks to deliver superior outcomes.
- Powerful Financial Solutions – Providing our clients with a comprehensive suite of well-constructed, high-performing and competitively priced solutions.
- Business processes that are simple, easy and digitized – Re-designing client and advisor interactions to simplify processes, reduce errors, and digitize the experience with an appropriate cost structure.
- Enabled by a high-performing and diverse culture.

GAMMA

THE VALUE OF ALL EFFORTS THAT SIT OUTSIDE OF INVESTMENT PORTFOLIO CONSTRUCTION. THIS INCLUDES THE VALUE THAT A FINANCIAL ADVISOR ADDS TO A CLIENT RELATIONSHIP, AND COMES FROM THE CREATION AND FOLLOW THROUGH OF A WELL-CONSTRUCTED FINANCIAL PLAN.

Entrepreneurial Advisors

IG Wealth Management has a national distribution network of Consultants based in region offices across Canada.

The following provides a breakdown of the IG Wealth Management Consultant network into its significant components at March 31, 2019:

- 1,930 Consultant practices (2,114 at March 31, 2018), which reflect Consultants with more than four years of IG Wealth Management experience. These practices may include Associates as described below. The level of Consultant practices is a key measurement of our business as they serve clientele representing approximately 95% of AUM.
- 676 New Consultants (887 at March 31, 2018), which are those Consultants with less than four years of IG Wealth Management experience.
- 1,036 Associates and Regional Directors (1,080 at March 31, 2018). Associates are licensed team members of Consultant practices who provide financial planning services and advice to the clientele served by the team.
- IG Wealth Management had a total Consultant network of 3,642 (4,081 at March 31, 2018).

IG Wealth Management's recruiting standards increases the likelihood of success while also enhancing our culture and brand.

Superior Advice

IG Wealth Management requires all Consultants with more than four years of experience to have or be enrolled to achieve the Certified Financial Planner (CFP) or its Quebec equivalent, Financial Planner (F.Pl.) designations. The CFP and F.Pl. designations are nationally recognized financial planning qualifications that require an individual to demonstrate financial planning competence through education, standardized examinations, continuing education requirements, and accountability to ethical standards. The Financial Planning Standards Council published in 2018 that IG Wealth Management ranks first in terms of the number of CFP designation holders.

IG Wealth Management also supports Consultants and clients through its network of product and planning specialists who assist in the areas of advanced financial planning, mortgages and banking, insurance, and securities. These specialists provide support in ensuring that we are offering the very best in financial planning and providing plans that are comprehensive across all elements of a client's financial life. Our specialist complement also includes wealth planning specialists who are IIROC-licensed and ensure that the same level of comprehensive advice on direct securities is available to clients who are served by both our Mutual Fund Dealers Association of Canada (MFDA) and Investment Industry Regulatory Organization of Canada (IIROC) licensed Consultants. Clients of our MFDA and IIROC licensed Consultants have access to the same product and service offering.

Segmented Client Experiences

IG Wealth Management distinguishes itself from its competition by offering comprehensive planning to its clients within the context of long-term relationships. The value of this approach is illustrated through independent studies demonstrating that households receiving advice from a financial advisor have greater wealth than non-advised households, and that this advantage increases based on the length of the relationship with the financial advisor.

IG Living Plan™ is 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.

The IG Living Plan leverages the experience and expertise of IG Wealth Management's Consultants who serve over 1 million clients in all provinces and territories.

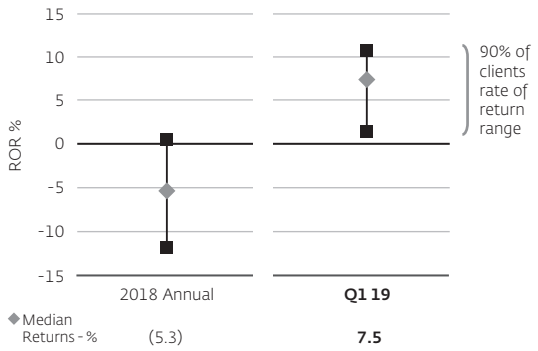
IG Wealth Management has a full range of products that allow us to provide a tailored IG Living Plan that evolves over time. These products include:

- Powerful financial solutions that include investment vehicles that match risk and investment performance to each client's needs and requirements.
- Insurance products that include a variety of different policy types from the leading insurers in Canada.
- Mortgage and Banking to develop mortgage and other lending strategies that meet the individual needs and goals of each client as part of their comprehensive financial plan.
- Charitable Giving Program, a donor-advised giving program which enables Canadians to make donations and build an enduring charitable giving legacy with considerably less expense and complexity than setting up and administering their own private foundation.

IG Wealth Management has long believed that providing our clients with personal account level performance and rate of return information over multiple time periods is a meaningful benefit to our clients and further demonstrates the value provided through advice over the history of our client relationships. Our clients' statements include a multiple-period view of their performance, including one year, three year and five year rates of return.

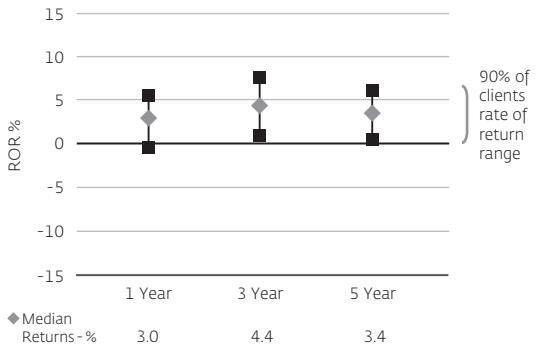
Communication with our clients includes regular reporting of their IG Wealth Management investment fund holdings and the change in asset values of these holdings. Individual clients

Client Account Rate of Return (ROR) Experience



Client Account Compound Annual ROR Experience

As at March 31, 2019



experience different returns as a result of having different composition of their portfolios in each quarter as illustrated on the accompanying charts. The first chart reflects in-quarter client account median rates of return for the current year. The second chart reflects the client account median rates of return based on one, three and five year timeframes as at March 31, 2019. Both charts also illustrate upper and lower ranges of rates of return around the median for 90% of IG Wealth Management client accounts.

For the three month period ended March 31, 2019, the client account median rate of return was approximately 7.5%.

Business Processes

Administrative support for Consultants and clients includes timely and accurate client account record-keeping and reporting, effective problem resolution support, and continuous improvements to servicing systems.

This administrative support is provided for Consultants and clients from both IG Wealth Management's head office in Winnipeg, Manitoba and IG Wealth Management's Quebec General Office located in Montreal for Consultants and clients residing in Quebec. The Quebec General Office has approximately 200 employees and operating units for most functions supporting approximately 800 Consultants throughout Quebec. Mutual fund assets under management in Quebec were approximately $16 billion as at March 31, 2019.

Enabled by a High-Performing and Diverse Culture

IG Wealth Management has established a high-performing and diverse culture to allow employees and Consultants to achieve maximum results. Gallup surveys are utilized to ensure that employees and Consultants are fully engaged and have the resources required to excel.

BETA AND ALPHA

BETA – THE VALUE CREATED BY WELL-CONSTRUCTED INVESTMENT PORTFOLIOS – ACHIEVING EXPECTED INVESTMENT RETURNS FOR THE LOWEST POSSIBLE RISK.

ALPHA – THE VALUE OF ACTIVE MANAGEMENT – ACHIEVING RETURNS SUPERIOR TO PASSIVE BENCHMARKS WITH A SIMILAR COMPOSITION AND RISK PROFILE.

IG Wealth Management strives to provide Beta and Alpha through the selection of its global sub-advisors. The use of sub-advisors allow us to provide clients with products that provide diversification and global reach.

New Products

IG Wealth Management continues to enhance the performance, scope and diversity of our investment offering with the introduction of new funds and other product changes that are well-suited to the long-term diverse needs of Canadian investors.

Powerful Financial Solutions

IG Wealth Management provides a wide range of investment and other financial solutions that enable clients to achieve their goals.

Clients can diversify their holdings across investment managers, asset categories, investment styles, geography, capitalization and sectors through portfolios customized to meet their objectives.

IG Wealth Management monitors its investment performance by comparing to certain benchmarks. Morningstar† fund ranking service is one of the rankings monitored when determining fund performance.

At March 31, 2019, 55.7% of IG Wealth Management mutual funds had a rating of three stars or better from the Morningstar† fund ranking service and 16.2% had a rating of four or five stars.

This compared to the Morningstar† universe of 68.8% for three stars or better and 35.0% for four and five star funds at March 31, 2019. Morningstar Ratings† are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

ASSETS UNDER MANAGEMENT

At March 31, 2019, IG Wealth Management's mutual fund assets under management were $89.4 billion, an all-time quarter end high. The level of assets under management is influenced by three factors: sales, redemptions and investment returns of our funds. Changes in mutual fund assets under management for the periods under review are reflected in Table 7.

HIGH NET WORTH OFFERINGS

IG Wealth Management has several offerings to address the needs of high net worth clients, which represent a growing segment of our client base, and continues to look at ways to provide further offerings to this segment. Assets under management for clients in this category totalled $45.4 billion at March 31, 2019, an increase of 10.3% from one year ago, and represented 51% of total assets under management. Sales to high net worth clients totalled $1.1 billion for the first quarter of 2019 and represented 46% of total sales up from 42% in 2018.

- Series U is currently available for households with investments in IG Wealth Management funds in excess of $500,000 and provides a pricing structure which separates the advisory fee, which is charged directly to a client's account, from the fees charged to the underlying investment funds. At March 31, 2019, Series U assets under management had increased to $18.2 billion, compared to $15.4 billion at March 31, 2018, an increase of 18.2%.
- Series J is available for households with investments in IG Wealth Management funds in excess of $500,000 and had assets of $16.4 billion at March 31, 2019, a decrease of 14.2% from $19.2 billion at March 31, 2018, largely as a result of transfer activity from Series J to Series U. Series J pricing structure bundles the cost of asset management and advice into one fee.
- *i*Profile™ – is a unique portfolio management program that is available for households with investments held at IG Wealth Management in excess of $250,000. The *i*Profile program has a pricing structure which separates the advisory fee, which is charged directly to a client's account, from the fees charged to the underlying investment funds. At March 31, 2019, the *i*Profile program assets under management were $10.8 billion, an increase of 63.0% from $6.6 billion at March 31, 2018.

Unbundled Fee Structures

A growing portion of IG Wealth Management's client assets are in Series U and *i*Profile, which are products with unbundled fee structures where a separate advisory fee is charged to the client account by the dealer. At March 31, 2019, $29.0 billion, or 32% of IG Wealth Management's mutual fund assets under management, were in products with unbundled fee structures, up 31.6% from $22.0 billion at March 31, 2018 which represented 25% of assets under management. Sales of these products to high net worth clients totalled $816 million for the first quarter of 2019, a decrease of $34 million from the first quarter of 2018, representing 76% of total high net worth sales and 35% of total mutual fund sales.

In 2019, the Company will begin migrating all clients to unbundled fee products, which separate the advisory fee that is charged directly to a client's account from the fees charged

TABLE 7: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – IG WEALTH MANAGEMENT

THREE MONTHS ENDED *($ millions)*	**2019 MAR. 31**	2018 DEC. 31	2018 MAR. 31	% CHANGE 2018 DEC. 31	% CHANGE 2018 MAR. 31
Sales	**$ 2,350**	$ 2,118	$ 2,859	11.0 %	(17.8) %
Redemptions	**2,364**	2,243	2,075	5.4	13.9
Net sales (redemptions)	**(14)**	(125)	784	88.8	N/M
Investment returns	**6,288**	(5,730)	(1,689)	N/M	N/M
Net change in assets	**6,274**	(5,855)	(905)	N/M	N/M
Beginning assets	**83,137**	88,992	88,008	(6.6)	(5.5)
Ending assets	**$ 89,411**	$ 83,137	$ 87,103	7.5 %	2.6 %
Average daily assets	**$ 86,989**	$ 85,128	$ 87,845	2.2 %	(1.0) %

to the underlying investment funds. Following this transition, IG Wealth Management will discontinue offering bundled purchase options for investment funds.

CHANGE IN ASSETS UNDER MANAGEMENT – Q1 2019 VS. Q1 2018

IG Wealth Management's mutual fund assets under management were $89.4 billion at March 31, 2019, representing an increase of 2.6% from $87.1 billion at March 31, 2018. Average daily mutual fund assets were $87.0 billion in the first quarter of 2019, down 1.0% from $87.8 billion in the first quarter of 2018.

For the quarter ended March 31, 2019, sales of IG Wealth Management mutual funds through its Consultant network were $2.4 billion, a decrease of 17.8% from the comparable period in 2018. Mutual fund redemptions totalled $2.4 billion, an increase of 13.9% from 2018. IG Wealth Management mutual fund net redemptions for the first quarter of 2019 were $14 million compared with net sales of $784 million in 2018. During the first quarter, investment returns resulted in an increase of $6.3 billion in mutual fund assets compared to a decrease of $1.7 billion in the first quarter of 2018.

IG Wealth Management's annualized quarterly redemption rate for long-term funds was 10.4% in the first quarter of 2019, compared to 9.0% in the first quarter of 2018. IG Wealth Management's twelve month trailing redemption rate for long-term funds was 9.5% at March 31, 2019, compared to 8.4% at March 31, 2018, and remains well below the corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 17.1% at March 31, 2019.

CHANGE IN ASSETS UNDER MANAGEMENT – Q1 2019 VS. Q4 2018

IG Wealth Management's mutual fund assets under management were $89.4 billion at March 31, 2019, an increase of 7.5% from $83.1 billion at December 31, 2018. Average daily mutual fund assets were $87.0 billion in the first quarter of 2019 compared to $85.1 billion in the fourth quarter of 2018, an increase of 2.2%.

For the quarter ended March 31, 2019, sales of IG Wealth Management mutual funds through its Consultant network were $2.4 billion, an increase of 11.0% from the fourth quarter of 2018. Mutual fund redemptions, which totalled $2.4 billion for the first quarter, increased 5.4% from the previous quarter and the annualized quarterly redemption rate was 10.4% in the first quarter compared to 9.7% in the fourth quarter of 2018. IG Wealth Management mutual fund net redemptions were $14 million for the current quarter compared to net redemptions of $125 million in the previous quarter.

OTHER PRODUCTS AND SERVICES

SEGREGATED FUNDS

IG Wealth Management offers segregated funds which include the IG Series of Guaranteed Investment Funds (GIFs). Select GIF policies allow for a Lifetime Income Benefit (LIB) option to provide guaranteed retirement income for life. The investment components of these segregated funds are managed by IG Wealth Management. At March 31, 2019, total segregated fund assets were $1.7 billion, compared to $1.8 billion at March 31, 2018.

INSURANCE

IG Wealth Management distributes insurance products through I.G. Insurance Services Inc. The average number of policies sold by each insurance-licensed Consultant was 2.2 for the quarter ended March 31, 2019, unchanged from 2018. Distribution of insurance products is enhanced through IG Wealth Management's Insurance Planning Specialists, located throughout Canada, who assist Consultants with advanced estate planning solutions for high net worth clients.

SECURITIES OPERATIONS

Investors Group Securities Inc. is an investment dealer registered in all Canadian provinces and territories providing clients with securities services to complement their financial and investment planning. IG Wealth Management Consultants can refer clients to one of our Wealth Planning Specialists available through Investors Group Securities Inc. In addition, there are a growing number of IIROC licensed Consultants using this platform.

MORTGAGE AND BANKING OPERATIONS

IG Wealth Management Mortgage Planning Specialists are located throughout each province in Canada, and work with our clients and their Consultants to develop mortgage and other lending strategies that meet the individual needs and goals of each client as part of their comprehensive financial plan.

Mortgages are offered to clients by IG Wealth Management, a national mortgage lender, and through IG Wealth Management's Solutions Banking†, provided by National Bank of Canada under a long-term distribution agreement. An All-in-One product, a comprehensive cash management solution that integrates the features of a mortgage, term loan, revolving line of credit and deposit account, is also offered through Solutions Banking†.

Mortgage fundings offered through IG Wealth Management and through Solutions Banking† for the first quarter ended March 31, 2019 were $203 million compared to $195 million in 2018, an increase of 4.1%. At March 31, 2019, mortgages offered through both sources totalled $10.6 billion, compared to $10.7 billion at March 31, 2018, a decrease of 0.9%.

Available credit associated with Solutions Banking† All-in-One accounts originated for the quarter ended March 31, 2019 were $135 million compared to $199 million in 2018. At March 31, 2019, the balance outstanding of Solutions Banking† All-in-One products was $2.6 billion, compared to $2.3 billion one year ago, and represented approximately 51% of total available credit associated with these accounts.

Other products and services offered through IG Wealth Management's Solutions Banking† include investment loans, lines of credit, personal loans, creditor insurance, deposit accounts, and credit cards. Through Solutions Banking†, clients have access to a network of banking machines, as well as a private labeled client website and client service centre. The Solutions Banking† offering supports IG Wealth Management's approach to delivering total financial solutions for our clients through a broad financial planning platform. Total lending products of IG Wealth Management clients in the Solutions Banking† offering, including Solutions Banking† mortgages totalled $4.2 billion at March 31, 2019, compared to $3.6 billion at March 31, 2018.

ADDITIONAL PRODUCTS AND SERVICES

IG Wealth Management also provides its clients with guaranteed investment certificates offered by Investors Group Trust Co. Ltd., as well as a number of other financial institutions.

REVIEW OF SEGMENT OPERATING RESULTS

IG Wealth Management's earnings before interest and taxes are presented in Table 8.

Q1 2019 VS. Q1 2018

FEE INCOME

Fee income is generated from the management, administration and distribution of IG Wealth Management mutual funds. The distribution of insurance and Solutions Banking† products and the provision of securities services provide additional fee income.

IG Wealth Management earns management fees for investment management services provided to its mutual funds, which depend largely on the level and composition of mutual fund assets under management. Management fees were $358.2 million in the first quarter of 2019, a decrease of $2.6 million or 0.7% from $360.8 million in 2018. The net decrease in management fees in the first quarter of 2019 was primarily due to the decrease in average assets under management of 1.0%, as shown in Table 7. The average management fee rate for the first quarter was 167.1 basis points of average assets under management compared to 166.6 basis points in 2018.

IG Wealth Management receives administration fees for providing administrative services to its mutual funds and trusteeship services to its unit trust mutual funds, which also depend largely on the level and composition of mutual fund assets under management. Administration fees totalled $73.9 million in the current quarter compared to $78.1 million a year ago, a decrease of 5.4%. This 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.

Distribution fees are earned from:

- Redemption fees on mutual funds that were sold with a deferred sales charge.
- Portfolio fund distribution fees.
- Distribution of insurance products through I.G. Insurance Services Inc.
- Securities trading services provided through Investors Group Securities Inc.
- Banking services provided through Solutions Banking†.

Distribution fee income of $41.1 million for the first quarter of 2019 decreased by $2.2 million from $43.3 million in 2018. The decrease was primarily due to a decrease in distribution fee income from insurance products and lower redemption fees. IG Wealth Management no longer offers the deferred sales purchase option for its mutual funds. Redemption fee income varies depending on the level of deferred sales charge attributable to fee-based redemptions.

NET INVESTMENT INCOME AND OTHER

Net investment income and other includes income related to mortgage banking operations and net interest income related to intermediary operations.

Net investment income and other was $10.0 million in the first quarter of 2019, a decrease of $0.3 million from $10.3 million in 2018.

Net investment income related to IG Wealth Management's mortgage banking operations totalled $7.3 million for the first quarter of 2019 compared to $8.9 million in 2018, a decrease of $1.6 million. A summary of mortgage banking operations for

TABLE 8: OPERATING RESULTS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2019 MAR. 31	2018 DEC. 31	2018 MAR. 31	% CHANGE 2018 DEC. 31	% CHANGE 2018 MAR. 31
Revenues					
Management fees	**$ 358.2**	$ 356.7	$ 360.8	0.4 %	(0.7) %
Administration fees	**73.9**	75.2	78.1	(1.7)	(5.4)
Distribution fees	**41.1**	45.1	43.3	(8.9)	(5.1)
	473.2	477.0	482.2	(0.8)	(1.9)
Net investment income and other	**10.0**	11.0	10.3	(9.1)	(2.9)
	483.2	488.0	492.5	(1.0)	(1.9)
Expenses					
Commission					
Commission amortization	**4.8**	4.4	2.9	9.1	65.5
Mutual fund sales commissions expensed as incurred	**23.4**	22.2	35.9	5.4	(34.8)
Other commissions	**29.6**	30.4	30.4	(2.6)	(2.6)
	57.8	57.0	69.2	1.4	(16.5)
Asset-based compensation	**99.2**	99.3	95.6	(0.1)	3.8
Non-commission	**162.9**	159.6	144.7	2.1	12.6
	319.9	315.9	309.5	1.3	3.4
Earnings before interest and taxes	**$ 163.3**	$ 172.1	$ 183.0	(5.1) %	(10.8) %

the quarter under review is presented in Table 9. The changes in mortgage banking income were due to:

- Net interest income on securitized loans – decreased by $1.9 million for the first quarter ended March 31, 2019 to $8.5 million, compared to 2018. The decrease resulted from lower margins on securitized loans.
- Gains realized on the sale of residential mortgages – decreased by $0.5 million for the three months ended March 31, 2019 to $0.3 million, compared to 2018. The decrease in gains was primarily due to lower sales activity.

EXPENSES

IG Wealth Management incurs commission expense in connection with the distribution of its mutual funds and other financial services and products. Commissions are paid on the sale of these products and fluctuate with the level of sales. Commissions paid on the sale of investment products are capitalized and amortized over their estimated useful lives where the Company receives a fee directly from the client. All other commissions paid on investment product sales are expensed as incurred.

Commission expense was $57.8 million for the first quarter of 2019, a decrease of $11.4 million from $69.2 million in 2018. The decrease in mutual fund commissions was due to lower mutual fund sales in the quarter and lower compensation related to the distribution of insurance products.

Asset-based compensation, which is based on the value of assets under management, increased by $3.6 million for the first quarter ended March 31, 2019 to $99.2 million, compared to 2018. The increase was primarily due to the increase in assets under management.

Non-commission expenses incurred by IG Wealth Management primarily relate to the support of the Consultant network, the administration, marketing and management of its mutual funds and other products, as well as sub-advisory fees related to mutual fund assets under management. Non-commission expenses were $162.9 million for the first quarter of 2019 compared to $144.7 million in 2018, an increase of $18.2 million or 12.6%, primarily due to increased technology expenses relating to the migration of clients to our new dealer platform and unbundled fee arrangements, as well as continued expenses associated with the brand re-launch.

Q1 2019 VS. Q4 2018

FEE INCOME

Management fee income increased by $1.5 million or 0.4% to $358.2 million in the first quarter of 2019 compared with the fourth quarter of 2018. The increase in management fees in the first quarter was primarily due to the increase in average assets under management of 2.2% for the quarter, as shown in Table 7,

TABLE 9: MORTGAGE BANKING OPERATIONS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2019 MAR. 31	2018 DEC. 31	2018 MAR. 31	% CHANGE 2018 DEC. 31	% CHANGE 2018 MAR. 31
Total mortgage banking income					
Net interest income on securitized loans					
Interest income	**$ 52.6**	$ 51.7	$ 50.3	1.7 %	4.6 %
Interest expense	**44.1**	42.5	39.9	3.8	10.5
Net interest income	**8.5**	9.2	10.4	(7.6)	(18.3)
Gains on sales[1]	**0.3**	–	0.8	N/M	(62.5)
Fair value adjustments	**(3.5)**	(6.1)	(3.9)	42.6	10.3
Other	**2.0**	2.9	1.6	(31.0)	25.0
	$ 7.3	$ 6.0	$ 8.9	21.7 %	(18.0) %
Average mortgages serviced					
Securitizations	**$ 7,402**	$ 7,264	$ 7,529	1.9 %	(1.7) %
Other	**2,855**	3,104	3,236	(8.0)	(11.8)
	$ 10,257	$ 10,368	$ 10,765	(1.1) %	(4.7) %
Mortgage sales to:[2]					
Securitizations	**$ 437**	$ 550	$ 379	(20.5) %	15.3 %
Other[1]	**66**	81	96	(18.5)	(31.3)
	$ 503	$ 631	$ 475	(20.3) %	5.9 %

(1) Represents sales to institutional investors through private placements, to Investors Mortgage and Short Term Income Fund, and to Investors Canadian Corporate Bond Fund as well as gains realized on those sales.

(2) Represents principal amounts sold.

and was offset by a decrease of approximately $6.5 million resulting from two fewer calendar days in the first quarter compared to the fourth quarter of 2018.

Administration fees decreased to $73.9 million in the first quarter of 2019 from $75.2 million in the fourth quarter of 2018. This decrease resulted primarily from changes in the composition of average assets under management.

Distribution fee income of $41.1 million in the first quarter of 2019 decreased by $4.0 million from $45.1 million in the fourth quarter primarily due to a decrease in distribution fee income from insurance product sales, offset in part by higher redemption fees.

NET INVESTMENT INCOME AND OTHER

Net investment income and other was $10.0 million in the first quarter of 2019 compared to $11.0 million in the previous quarter, a decrease of $1.0 million.

Net investment income related to IG Wealth Management's mortgage banking operations totalled $7.3 million in the first quarter of 2019, an increase of $1.3 million from $6.0 million in the previous quarter as shown in Table 9. The change in mortgage banking income was due to:

- Fair value adjustments – increased by $2.6 million in the first quarter of 2019 to ($3.5) million compared to ($6.1) million in the previous quarter primarily due to larger unfavorable fair value adjustments on certain securitization related financial instruments in the previous quarter.

EXPENSES

Commission expense in the current quarter was $57.8 million compared with $57.0 million in the previous quarter. The increase related primarily to higher cash commissions paid being expensed in the quarter primarily due to higher mutual fund sales and the distribution of other financial services offset in part by lower compensation related to the distribution of insurance product sales.

Non-commission expenses were $162.9 million in the current quarter compared to $159.6 million in the prior quarter, reflecting seasonality of expenses and the implementation of certain strategic initiatives.

MACKENZIE STRATEGY

Mackenzie seeks to be Canada's preferred global asset management solutions provider and business partner.

Mackenzie's vision: We are committed to the financial success of investors, through *their* eyes. This impacts the strategic priorities we select to fulfil that commitment and drive future business growth. Our strategic mandate is two-fold: win in the Canadian retail space and build meaningful strategic relationships. We aim to achieve this mandate by attracting and fostering the best minds in the investment industry, responding to changing needs of financial advisors and investors with distinctive and innovative solutions, and continuing to deliver institutional quality in everything we do.

Supporting this vision and strategic mandate are six key foundational capabilities that our employees strive to achieve:

- Delivering competitive and consistent risk-adjusted performance
- Offering innovative and high quality investment solutions
- Accelerating distribution
- Advancing brand leadership
- Driving operational excellence and discipline
- Enabling a high-performing and diverse culture

Mackenzie seeks to maximize returns on business investment by focusing resources in areas that directly impact the success of our strategic mandate: investment management, distribution and client experience.

Founded in 1967, Mackenzie continues to build an investment advisory business through proprietary investment research and portfolio management while utilizing strategic partners in a selected sub-advisory capacity. Our business focuses on multiple distribution channels: Retail, Strategic Alliances and Institutional.

Mackenzie primarily distributes its retail investment products through third party financial advisors. Mackenzie's sales teams work with many of the more than 30,000 independent financial advisors and their firms across Canada. In addition to its retail distribution team, Mackenzie also has specialty teams focused on strategic alliances and the institutional marketplace. Within the strategic alliance channel, Mackenzie offers certain series of its mutual funds and provides sub-advisory services to third party and related party investment programs offered by banks, insurance companies and other investment companies. Strategic alliances with related parties include providing advisory services to IG Wealth Management, Investment Planning Counsel and Great-West Lifeco Inc. (Lifeco) subsidiaries, and also include a private label mutual fund arrangement with Lifeco subsidiary Quadrus. Within the strategic alliance channel, Mackenzie's primary distribution relationship is with the head office of the respective bank, insurance company or investment company. In the institutional channel, Mackenzie provides investment management services to pension plans, foundations and other institutions. Mackenzie attracts new institutional business through its relationships with pension and management consultants.

Gross sales and redemption activity in strategic alliance and institutional accounts can be more pronounced than in the retail channel given the relative size and the nature of the distribution relationships of these accounts. These accounts are also subject to ongoing reviews and rebalance activities which may result in a significant change in the level of assets under management.

Mackenzie is positioned to continue to build and enhance its distribution relationships given its team of experienced investment professionals, strength of its distribution network, broad product shelf, competitively priced products and its focus on client experience and investment excellence.

ASSETS UNDER MANAGEMENT

The changes in investment fund assets under management are summarized in Table 10 and the changes in total assets under management are summarized in Table 11.

At March 31, 2019, Mackenzie's investment fund assets under management were $60.1 billion, an all-time high, and total assets under management were $67.8 billion. The change in Mackenzie's assets under management is determined by investment returns generated for our clients and net contributions from our clients.

FUND PERFORMANCE

Long-term investment performance is a key measure of Mackenzie's ongoing success. At March 31, 2019, 59.7% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 49.2% for the three year time frame and 53.9% for the five year time frame. Mackenzie also monitors its fund performance relative to the ratings it receives on its mutual funds from the Morningstar† fund ranking service. At March 31, 2019, 73.0% of Mackenzie mutual fund assets measured by Morningstar† had a rating of three stars or better and 45.4% had a rating of four or five stars. This compared to the Morningstar† universe of 78.9% for three stars or better and 45.8% for four and five star funds at March 31, 2019. These ratings exclude the Quadrus Group of Funds†.

CHANGES TO PRODUCT OFFERINGS

Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their clients. In 2019, Mackenzie launched the Mackenzie Global Growth Balanced Fund, and three new liquid alternative funds

TABLE 10: CHANGE IN INVESTMENT FUND ASSETS UNDER MANAGEMENT – MACKENZIE[1]

THREE MONTHS ENDED ($ millions)	2019 MAR. 31	2018 DEC. 31	2018 MAR. 31	% CHANGE 2018 DEC. 31	% CHANGE 2018 MAR. 31
Sales	**$ 2,505**	$ 2,328	$ 2,630	7.6 %	(4.8) %
Redemptions	**2,357**	2,474	2,344	(4.7)	0.6
Mutual fund net sales (redemptions)	**148**	(146)	286	N/M	(48.3)
ETF net creations	**228**	137	715	66.4	(68.1)
Inter-product eliminations	**–**	(82)	(233)	100.0	100.0
Investment fund net sales (redemptions)[2]	**376**	(91)	768	N/M	(51.0)
Investment returns	**4,242**	(3,894)	(317)	N/M	N/M
Net change in assets	**4,618**	(3,985)	451	N/M	N/M
Beginning assets	**55,508**	59,493	56,543	(6.7)	(1.8)
Ending assets	**$ 60,126**	$ 55,508	$ 56,994	8.3 %	5.5 %
Consists of:					
Mutual funds	**$ 57,694**	$ 53,407	$ 55,586	8.0 %	3.8 %
ETFs	**3,330**	2,949	2,004	12.9	66.2
Inter-product eliminations	**(898)**	(848)	(596)	(5.9)	(50.7)
Investment funds[2]	**$ 60,126**	$ 55,508	$ 56,994	8.3 %	5.5 %
Daily average investment fund assets	**$ 58,184**	$ 57,138	$ 57,070	1.8 %	2.0 %

(1) Mackenzie segment excludes investments into Mackenzie mutual funds by IG Wealth Management mutual funds from its assets under management and net sales.
(2) Total investment fund net sales and assets under management exclude Mackenzie mutual fund investments in ETFs.

for Investors to diversify sources of returns and improve portfolio stability. Mackenzie also announced fund mergers to streamline and strengthen its product shelf.

Exchange Traded Funds

The addition of Exchange Traded Funds (ETF) has complemented Mackenzie's broad and innovative fund line-up and reflects its investor-focused vision to provide advisors and investors with new solutions to drive investor outcomes and achieve their personal goals. These ETFs offer investors another investment option to utilize in building long-term diversified portfolios. Mackenzie's current line-up consists of twenty-eight ETFs: fifteen active and strategic beta ETFs and thirteen traditional index ETFs. Since the launch in April 2016, Mackenzie's ETF assets under management have grown to $3.3 billion at the end of March 31, 2019, an all-time high, inclusive of $898 million in investments from Mackenzie mutual funds. This ranks Mackenzie in seventh place in the Canadian ETF industry for assets under management.

Mutual Funds

On January 22, 2019, Mackenzie launched the Mackenzie Global Growth Balanced Fund to give investors increased access to global markets. The Fund is managed by the award-winning Mackenzie Bluewater Team and Mackenzie Fixed Income Team.

On February 26, 2019, Mackenzie launched three new liquid alternative funds designed to manage the impact of market volatility and improve portfolio stability:

- Mackenzie Credit Absolute Return Fund
- Mackenzie Global Macro Fund
- Mackenzie Global Long/Short Equity Alpha Fund

These funds join the Mackenzie Multi-Strategy Absolute Return Fund and the Mackenzie Diversified Alternatives Fund to form a suite of alternative solutions that can be used to help clients solve investment challenges by providing uncorrelated sources of return, mitigating volatility and improving portfolio stability over the long term. Assets under management in alternative solutions passed $1 billion during the first quarter of 2019.

During the first quarter of 2019, Mackenzie merged two mutual funds to streamline and strengthen its product shelf and make it easier to navigate: Mackenzie Canadian All Cap Dividend Fund into the Mackenzie Canadian Large Cap Dividend Fund, and the Mackenzie Canadian All Cap Dividend Class into the Mackenzie Canadian Large Cap Dividend Class.

TABLE 11: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – MACKENZIE[1]

THREE MONTHS ENDED ($ millions)	2019 MAR. 31	2018 DEC. 31	2018 MAR. 31	% CHANGE 2018 DEC. 31	% CHANGE 2018 MAR. 31
Net sales (redemptions)					
Mutual funds	**$ 148**	$ (146)	$ 286	N/M %	(48.3) %
ETF net creations	**228**	137	715	66.4	(68.1)
Inter-product eliminations	**–**	(82)	(233)	100.0	100.0
Investment funds[2]	**376**	(91)	768	N/M	(51.0)
Sub-advisory, institutional and other accounts	**(103)**	(224)	229	54.0	N/M
Total net sales (redemptions)	**273**	(315)	997	N/M	(72.6)
Investment returns	**4,775**	(4,304)	(345)	N/M	N/M
Net change in assets	**5,048**	(4,619)	652	N/M	N/M
Beginning assets	**62,728**	67,347	64,509	(6.9)	(2.8)
Ending assets	**$ 67,776**	$ 62,728	$ 65,161	8.0 %	4.0 %
Consists of:					
Mutual funds	**$ 57,694**	$ 53,407	$ 55,586	8.0 %	3.8 %
ETFs	**3,330**	2,949	2,004	12.9	66.2
Inter-product eliminations	**(898)**	(848)	(596)	(5.9)	(50.7)
Investment funds[2]	**60,126**	55,508	56,994	8.3	5.5
Sub-advisory, institutional and other accounts	**7,650**	7,220	8,167	6.0	(6.3)
Total assets under management	**$ 67,776**	$ 62,728	$ 65,161	8.0 %	4.0 %
Average total assets[3]	**$ 65,613**	$ 64,628	$ 65,233	1.5 %	0.6 %

(1) Mackenzie segment excludes investments into Mackenzie mutual funds by IG Wealth Management mutual funds from its assets under management and net sales.

(2) Total investment fund net sales and assets under management exclude Mackenzie mutual fund investments in ETFs.

(3) Based on daily average investment fund assets and month-end average sub-advisory, institutional and other assets.

CHANGE IN ASSETS UNDER MANAGEMENT – Q1 2019 VS. Q1 2018

Mackenzie's total assets under management at March 31, 2019 were $67.8 billion, an increase of 4.0% from $65.2 billion at March 31, 2018. Mackenzie's sub-advisory, institutional and other accounts at March 31, 2019 were $7.7 billion, a decrease of 6.3% from $8.2 billion last year.

Mackenzie's investment fund assets under management were $60.1 billion at March 31, 2019, an increase of 5.5% from March 31, 2018. Mackenzie's mutual fund assets under management were $57.7 billion at March 31, 2019, an increase of 3.8% from $55.6 billion at March 31, 2018. Mackenzie's ETF assets were $3.3 billion at March 31, 2019, inclusive of $898 million in investments from Mackenzie mutual funds, compared to $2.0 billion at March 31, 2018, inclusive of $596 million in investments from Mackenzie mutual funds.

In the three months ended March 31, 2019, Mackenzie's mutual fund gross sales were $2.5 billion, a decrease of 4.8% from $2.6 billion in the comparative period last year. Mutual fund redemptions in the current quarter were $2.4 billion, an increase of 0.6% from last year. Mutual fund net sales for the three months ended March 31, 2019 were $148 million, as compared to net sales of $286 million last year. In the three months ended March 31, 2019, ETF net creations were $228 million compared to ETF net creations of $715 million last year, inclusive of $233 million in investments from Mackenzie mutual funds. Investment fund net sales in the current quarter were $376 million compared to net sales of $768 million last year. During the current quarter, investment returns resulted in investment fund assets increasing by $4.2 billion compared to a decrease of $317 million last year.

Total net sales for the three months ended March 31, 2019 were $273 million, compared to net sales of $997 million last year. During the current quarter, investment returns resulted in assets increasing by $4.8 billion compared to a decrease of $345 million last year.

Redemptions of long-term mutual funds in the three months ended March 31, 2019, were $2.2 billion, consistent with last

year. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 16.4% in the first quarter of 2019, compared to 16.5% in the first quarter of 2018. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 17.0% at March 31, 2019, as compared to 13.7% last year. Mackenzie's twelve-month trailing redemption rate for long-term funds, excluding rebalance transactions, was 15.6% at March 31, 2019 and 13.7% at March 31, 2018. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 16.6% at March 31, 2019. Mackenzie's twelve-month trailing redemption rate is comprised of the weighted average redemption rate for front-end load assets, deferred sales charge and low load assets with redemption fees, and deferred sales charge assets without redemption fees (matured assets). Generally, redemption rates for front-end load assets and matured assets are higher than the redemption rates for deferred sales charge and low load assets with redemption fees.

CHANGE IN ASSETS UNDER MANAGEMENT – Q1 2019 VS. Q4 2018

Mackenzie's total assets under management at March 31, 2019, were $67.8 billion, an increase of 8.0% from $62.7 billion at December 31, 2018. Mackenzie's sub-advisory, institutional and other accounts at March 31, 2019 were $7.7 billion, an increase of 6.0% from $7.2 billion at December 31, 2018.

Mackenzie's investment fund assets under management were $60.1 billion at March 31, 2019, an increase of 8.3% from $55.5 billion at December 31, 2018. Mackenzie's mutual fund assets under management were $57.7 billion at March 31, 2019, an increase of 8.0% from $53.4 billion at December 31, 2018. Mackenzie's ETF assets were $3.3 billion at March 31, 2019, inclusive of $898 million in investments from Mackenzie mutual funds compared to $2.9 billion at December 31, 2018, inclusive of $848 million investments from Mackenzie mutual funds.

For the quarter ended March 31, 2019, Mackenzie mutual fund gross sales were $2.5 billion, an increase of 7.6% from the fourth quarter of 2018. Mutual fund redemptions, which totalled $2.4 billion for the first quarter, decreased by 4.7% from the previous quarter. Net sales of Mackenzie mutual funds for the current quarter were $148 million compared with net redemptions of $146 million in the previous quarter.

Redemptions of long-term mutual fund assets in the current quarter were $2.2 billion, compared to $2.4 billion in the fourth quarter of 2018. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 16.4% compared to 17.1% for the fourth quarter of 2018. Net sales of long-term funds for the current quarter were $135 million compared to net redemptions of $136 million in the previous quarter.

For the quarter ended March 31, 2019, Mackenzie ETF net creations were $228 million, an increase of 66.4% from $137 million in the fourth quarter of 2018. ETF net creations were inclusive of $82 million in investments from Mackenzie mutual funds in the fourth quarter.

Investment fund net sales in the current quarter were $376 million compared to net redemptions of $91 million in the fourth quarter.

The investment management functions of IG Wealth Management and Mackenzie form a single global investment management organization under Mackenzie to support both companies. Mackenzie's segment excludes investment advisory mandates to IG Wealth Management funds and investments into Mackenzie mutual funds by IG Wealth Management mutual funds and revenue earned on these mandates are not reflected within Mackenzie's segment revenues. Mackenzie's segment reflects its proportionate share of the expenses of the investment management function and aligns with internal management reporting.

Mackenzie's earnings before interest and taxes are presented in Table 12.

Q1 2019 VS. Q1 2018

REVENUES

The largest component of Mackenzie's revenues is management fees. The amount of management fees depends on the level and composition of assets under management. Management fee rates vary depending on the investment objective and the account type of the underlying assets under management. For example, equity-based mandates have higher management fee rates than fixed income mandates and retail mutual fund accounts have higher management fee rates than sub-advised and institutional accounts. The majority of Mackenzie's mutual fund assets are purchased on a retail basis.

Within Mackenzie's retail mutual fund offering, certain series are offered for fee-based programs of participating dealers whereby dealer compensation on such series is charged directly by the dealer to a client (primarily Series F). As Mackenzie does not pay the dealer compensation, these series have lower management fees. At March 31, 2019, these series had $9.2 billion in assets, an increase of 23.9% from the prior year.

Management fees were $168.3 million for the three months ended March 31, 2019, a decrease of $7.6 million or 4.3% from $175.9 million last year. The net decrease in management fees was due to a decline in the average management fee rate, partially offset by an increase in average assets under management of 0.6%. Mackenzie's average management fee rate was 104.0 basis points during the current quarter compared to 109.4 basis points in 2018. The decrease in the average management fee rate in the current quarter was due to a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products and Series F and the impact of the pricing changes implemented during 2018. These changes included switching of qualified investors into its Private Wealth Series and the reduction of management fees on mutual funds and ETFs.

Mackenzie earns administration fees primarily from providing services to its investment funds. Administration fees were $23.3 million for the three months ended March 31, 2019, a decrease of $1.6 million or 6.4% from last year.

TABLE 12: OPERATING RESULTS – MACKENZIE

THREE MONTHS ENDED *($ millions)*	**2019 MAR. 31**	2018 DEC. 31	2018 MAR. 31	% CHANGE 2018 DEC. 31	% CHANGE 2018 MAR. 31
Revenues					
Management fees	**$ 168.3**	$ 169.9	$ 175.9	(0.9) %	(4.3) %
Administration fees	**23.3**	23.8	24.9	(2.1)	(6.4)
Distribution fees	**1.4**	1.4	2.1	–	(33.3)
	193.0	195.1	202.9	(1.1)	(4.9)
Net investment income and other	**4.2**	(3.1)	(0.2)	N/M	N/M
	197.2	192.0	202.7	2.7	(2.7)
Expenses					
Commission	**7.6**	5.7	9.9	33.3	(23.2)
Trailing commission	**64.9**	64.0	65.4	1.4	(0.8)
Non-commission	**88.8**	86.9	85.8	2.2	3.5
	161.3	156.6	161.1	3.0	0.1
Earnings before interest and taxes	**$ 35.9**	$ 35.4	$ 41.6	1.4 %	(13.7) %

Mackenzie earns distribution fee income on redemptions of mutual fund assets sold on a deferred sales charge purchase option and on a low load purchase option. Redemption fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Redemption fees for low load assets range from 2.0% to 3.0% in the first year and decrease to zero after two or three years, depending on the purchase option. Distribution fee income in the three months ended March 31, 2019 was $1.4 million, a decrease of $0.7 million from $2.1 million last year.

Net investment income and other includes investment returns related to Mackenzie's investments in proprietary funds. These investments are generally made in the process of launching a fund and are sold as third party investors subscribe. Net investment income and other was $4.2 million for the three months ended March 31, 2019 compared to ($0.2) million last year.

EXPENSES

Mackenzie's expenses were $161.3 million for the three months ended March 31, 2019, an increase of $0.2 million or 0.1% from $161.1 million in 2018.

Mackenzie pays selling commissions to the dealers that sell its mutual funds on a deferred sales charge and low load purchase option. Commissions paid are expensed as incurred.

Commission expense was $7.6 million in the three months ended March 31, 2019, as compared to $9.9 million last year.

Trailing commissions paid to dealers are paid on certain classes of retail mutual funds and are calculated as a percentage of mutual fund assets under management. These fees vary depending on the fund type and the purchase option upon which the fund was sold: front-end, deferred sales charge or low load. Trailing commissions were $64.9 million in the three months ended March 31, 2019, a decrease of $0.5 million or 0.8% from $65.4 million last year. The decline in trailing commissions in the three months ended March 31, 2019 was due to the decline in the effective trailing commission rate. Trailing commissions as a percentage of average mutual fund assets under management were 46.4 basis points in the three months ended March 31, 2019 compared to 46.8 basis points in the three months ended March 31, 2018. The decline was due to a change in composition of mutual fund assets towards those series within mutual funds that do not pay trailing commissions.

Non-commission expenses are incurred by Mackenzie in the administration, marketing and management of its assets under management. Non-commission expenses were $88.8 million in the three months ended March 31, 2019, an increase of $3.0 million or 3.5% from $85.8 million in 2018.

Q1 2019 VS. Q4 2018

REVENUES

Mackenzie's revenues were $197.2 million for the current quarter, an increase of $5.2 million or 2.7% from $192.0 million in the fourth quarter.

Management fees were $168.3 million for the current quarter, a decrease of $1.6 million or 0.9% from $169.9 million in the fourth quarter. Factors contributing to the decrease in management fees are as follows:

- Average assets under management were $65.6 billion in the current quarter, a 1.5% increase from $64.6 billion in the prior quarter.
- Mackenzie's average management fee rate was 104.0 basis points in the current quarter compared to 104.3 basis points in the prior quarter.
- There were two fewer calendar days in the first quarter of 2019 compared to the fourth quarter of 2018, which resulted in a decrease of $3.7 million.

Administration fees were $23.3 million in the current quarter, a decrease of 2.1% from $23.8 million in the fourth quarter.

Net investment income and other includes investment returns related to Mackenzie's investments in proprietary funds. Net investment income and other was $4.2 million for the current quarter compared to ($3.1) million in the fourth quarter.

EXPENSES

Mackenzie's expenses were $161.3 million for the current quarter, an increase of $4.7 million or 3.0% from $156.6 million in the fourth quarter.

Commission expense related to selling commissions paid was $7.6 million in the quarter ended March 31, 2019, as compared to $5.7 million in the fourth quarter.

Trailing commissions were $64.9 million in the current quarter, an increase of $0.9 million or 1.4% from $64.0 million in the fourth quarter. The change in trailing commissions reflects the 1.8% period over period increase in average mutual fund assets under management, offset in part, by a decline in the effective trailing commission rate. The effective trailing commission rate was 46.4 basis points in the current quarter compared to 46.6 basis points in the fourth quarter.

Non-commission expenses were $88.8 million in the current quarter, compared to $86.9 million in the fourth quarter. The increase was partially due to the seasonal nature of certain expenses normally incurred in the first quarter.

CORPORATE AND OTHER

REVIEW OF SEGMENT OPERATING RESULTS

The Corporate and Other segment includes net investment income not allocated to the IG Wealth Management or Mackenzie segments, the Company's proportionate share of earnings of its associates, Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (China AMC) and Personal Capital Corporation (Personal Capital), operating results for Investment Planning Counsel Inc., other income, as well as consolidation elimination entries.

In January 2019, the Company invested an additional amount of $66.8 million (USD $50.0 million) in Personal Capital which increased its voting interest to 22.7% (March 31, 2018 – 15.5%). The Company uses the equity method to account for its investment in Personal Capital as it exercises significant influence. Significant influence arises from its voting interest and board representation.

The Company also has investments in Wealthsimple Financial Corporation and Portag3 Ventures LP.

Corporate and other earnings before interest and taxes are presented in Table 13.

Q1 2019 VS. Q1 2018

The proportionate share of associates' earnings decreased by $5.3 million in the first quarter of 2019, compared to 2018. These earnings reflect equity earnings from Lifeco and China AMC for all periods under review and from Personal Capital beginning in the first quarter 2019, as discussed in the Consolidated Financial Position section of this MD&A. The decrease resulted primarily from the inclusion of the Company's proportionate share of Personal Capital's losses of $3.4 million in the first quarter of 2019 as well as a decrease in Lifeco's earnings of $1.5 million. Net investment income and other increased to $6.0 million in the first quarter of 2019 compared to $4.0 million in 2018.

Earnings before interest and taxes related to Investment Planning Counsel were $0.8 million higher in the first quarter of 2019 compared to the same period in 2018.

Q1 2019 VS. Q4 2018

The proportionate share of associates' earnings were $32.7 million in the first quarter of 2019, a decrease of $1.9 million from the fourth quarter of 2018. The decrease resulted from the inclusion of the proportionate share of Personal Capital's net losses of $3.4 million in the first quarter of 2019, which were offset by an increase of $1.3 million in Lifeco's earnings from the fourth quarter of 2018. Net investment income and other was $6.0 million in the first quarter of 2019, compared to $5.3 million in the fourth quarter of 2018.

Earnings before interest and taxes related to Investment Planning Counsel were $1.5 million higher in the first quarter of 2019 compared to the prior quarter.

TABLE 13: OPERATING RESULTS – CORPORATE AND OTHER

THREE MONTHS ENDED ($ millions)	2019 MAR. 31	2018 DEC. 31	2018 MAR. 31	% CHANGE 2018 DEC. 31	% CHANGE 2018 MAR. 31
Revenues					
Fee income	**$ 70.0**	$ 71.6	$ 72.4	(2.2) %	(3.3) %
Net investment income and other	**6.0**	5.3	4.0	13.2	50.0
Proportionate share of associates' earnings	**32.7**	34.6	38.0	(5.5)	(13.9)
	108.7	111.5	114.4	(2.5)	(5.0)
Expenses					
Commission	**45.2**	46.4	46.0	(2.6)	(1.7)
Non-commission	**22.7**	22.5	22.6	0.9	0.4
	67.9	68.9	68.6	(1.5)	(1.0)
Earnings before interest and taxes	**$ 40.8**	$ 42.6	$ 45.8	(4.2) %	(10.9) %

IGM Financial's total assets were $16.0 billion at March 31, 2019, compared to $15.6 billion at December 31, 2018.

OTHER INVESTMENTS

The composition of the Company's securities holdings is detailed in Table 14.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

Gains and losses on FVTOCI investments are recorded in Other comprehensive income.

Corporate Investments

Corporate investments is primarily comprised of the Company's investments in Wealthsimple Financial Corporation (Wealthsimple), and Portag3 Ventures LP and Portag3 Ventures II LP (Portag3). In January 2019, the Company made an additional investment of $66.8 million (USD $50.0 million) in Personal Capital Corporation which increased its voting interest to 22.7% resulting in the reclassification of $217.0 million on the Consolidated Balance Sheet from Corporate investments to Investment in associates.

Portag3 Ventures LP and Portag3 Ventures II LP (Portag3) are early-stage investment funds dedicated to backing innovating financial services companies and are controlled by the Corporation's parent, Power Financial Corporation. As at March 31, 2019, the Corporation had invested a total of $34.1 million in Portag3, including $16.2 million during 2018.

Wealthsimple Financial Corporation ("Wealthsimple") is an online investment manager that provides financial investment guidance. As at March 31, 2019, the Corporation had invested a total of $152.9 million in Wealthsimple through a limited partnership controlled by the Corporation's parent, Power Financial Corporation. The Corporation invested $17.9 million in the first quarter of 2019 and $72.3 million during 2018.

FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Securities classified as FVTPL include equity securities and proprietary investment funds. Gains and losses are recorded in Net investment income and other in the Consolidated Statements of Earnings.

Certain proprietary investment funds are consolidated where the Company has made the assessment that it controls the investment fund. The underlying securities of these funds are classified as FVTPL.

LOANS

The composition of the Company's loans is detailed in Table 15.

Loans consisted of residential mortgages and represented 48.1% of total assets at March 31, 2019, compared to 49.6% at December 31, 2018.

Loans measured at amortized cost are primarily comprised of residential mortgages sold to securitization programs sponsored by third parties that in turn issue securities to investors. An offsetting liability, Obligations to securitization entities, has been recorded and totalled $7.5 billion at March 31, 2019, compared to $7.4 billion at December 31, 2018.

The Company holds loans pending sale or securitization. Loans measured at fair value through profit or loss are residential mortgages held temporarily by the Company pending sale. Loans held for securitization are carried at amortized cost. Total loans being held pending sale or securitization are $206.9 million at March 31, 2019 compared to $363.9 million at December 31, 2018.

Residential mortgages originated by IG Wealth Management are funded primarily through sales to third parties on a fully serviced basis, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization programs.

TABLE 14: OTHER INVESTMENTS

	MARCH 31, 2019		DECEMBER 31, 2018	
($ millions)	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income				
Corporate investments	$ 196.2	$ 231.9	$ 303.6	$ 372.4
Fair value through profit or loss				
Equity securities	17.0	15.6	17.0	12.9
Proprietary investment funds	81.7	81.5	78.5	74.6
	98.7	97.1	95.5	87.5
	$ 294.9	$ 329.0	$ 399.1	$ 459.9

TABLE 15: LOANS

($ millions)	2019 MARCH 31	2018 DECEMBER 31
Amortized cost	**$ 7,683.2**	$ 7,734.5
Less: Allowance for expected credit losses	**0.8**	0.8
	7,682.4	7,733.7
Fair value through profit or loss	**5.3**	4.3
	$ 7,687.7	$ 7,738.0

IG Wealth Management services $12.6 billion of residential mortgages, including $2.4 billion originated by subsidiaries of Lifeco.

SECURITIZATION ARRANGEMENTS

Through the Company's mortgage banking operations, residential mortgages originated by IG Wealth Management mortgage planning specialists are sold to securitization trusts sponsored by third parties that in turn issue securities to investors. The Company securitizes residential mortgages through the CMHC sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) and the Canada Mortgage Bond Program (CMB Program) and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. The Company retains servicing responsibilities and certain elements of credit risk and prepayment risk associated with the transferred assets. The Company's credit risk on its securitized mortgages is partially mitigated through the use of insurance. Derecognition of financial assets in accordance with IFRS is based on the transfer of risks and rewards of ownership. As the Company has retained prepayment risk and certain elements of credit risk associated with the Company's securitization transactions through the CMB and ABCP programs, they are accounted for as secured borrowings. The Company records the transactions under these programs as follows: (i) the mortgages and related obligations are carried at amortized cost, with interest income and interest expense, utilizing the effective interest rate method, recorded over the term of the mortgages, (ii) the component of swaps entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal, are recorded at fair value, and (iii) cash reserves held under the ABCP program are carried at amortized cost.

In the first quarter of 2019, the Company securitized loans through its mortgage banking operations with cash proceeds of $428.7 million compared to $369.4 million in 2018. Additional information related to the Company's securitization activities, including the Company's hedges of related reinvestment and interest rate risk, can be found in the Financial Risk section of this MD&A and in Note 5 to the Interim Financial Statements.

INVESTMENT IN ASSOCIATES

Great-West Lifeco Inc. (Lifeco)

At March 31, 2019, the Company held a 4% equity interest in Lifeco. IGM Financial and Lifeco are controlled by Power Financial Corporation.

The equity method is used to account for IGM Financial's investment in Lifeco, as it exercises significant influence. Changes in the carrying value for the quarter ended March 31, 2019 compared with 2018 are shown in Table 16.

Subsequent to March 31, 2019, the Company participated on a proportionate basis in the Lifeco substantial issuer bid by selling 2,400,255 of its shares in Lifeco for proceeds of $80.4 million. The Company's 4% interest in Lifeco remains substantially unchanged.

China Asset Management Co., Ltd. (China AMC)

Founded in 1998 as one of the first fund management companies in China, China AMC has developed and maintained a position among the market leaders in China's asset management industry.

China AMC's total assets under management, excluding subsidiary assets under management, were RMB¥ 879.7 billion ($174.5 billion) at December 31, 2018, representing a decrease of 2.9% (CAD$ decrease of 3.1%) from RMB¥ 906.0 billion ($180.0 billion) at June 30, 2018.

The equity method is used to account for the Company's 13.9% equity interest in China AMC, as it exercises significant influence. Changes in the carrying value for the quarter ended March 31, 2019 are shown in Table 16.

TABLE 16: INVESTMENT IN ASSOCIATES

THREE MONTHS ENDED	MARCH 31, 2019				MARCH 31, 2018		
($ millions)	LIFECO	CHINA AMC	PERSONAL CAPITAL	TOTAL	LIFECO	CHINA AMC	TOTAL
Carrying value, beginning of period	**$ 967.8**	**$ 683.5**	**$ –**	**$ 1,651.3**	$ 901.4	$ 647.9	$ 1,549.3
Transfer from corporate investments (FVTOCI)	**–**	**–**	**217.0**	**217.0**			
Dividends received	**(16.4)**	**–**	**–**	**(16.4)**	(15.5)	–	(15.5)
Proportionate share of:							
Earnings[1]	**28.7**	**7.4**	**(3.4)**	**32.7**	30.2	7.8	38.0
Other comprehensive income (loss) and other adjustments	**19.4**	**1.9**	**0.1**	**21.4**	5.9	38.8	44.7
Carrying value, end of period	**$ 999.5**	**$ 692.8**	**$ 213.7**	**$ 1,906.0**	$ 922.0	$ 694.5	$ 1,616.5

(1) The proportionate share of earnings from the Company's investments in associates is recorded in Net investment income and other in the Corporate and other reportable segment (Tables 2-3).

Personal Capital Corporation (Personal Capital)

Founded in 2009 in the United States, Personal Capital is a leading digital wealth manager that has experienced significant growth since its inception.

As at March 31, 2019, Personal Capital had 2.12 million registered users, individuals who have signed up to use Personal Capital's free dashboard platform, representing an increase of 22.2% from 1.74 million at March 31, 2018 and an increase of 5.4% from 2.01 million at December 31, 2018.

Personal Capital's total assets under management were USD $9.2 billion as at March 31, 2019, representing an increase of 39.2% from USD $6.6 billion at March 31, 2018 and an increase of 18.0% from USD $7.8 billion as at December 31, 2018.

Tracked Account Value (TAV), the net value of assets and liabilities aggregated by registered users, was USD $703 billion as at March 31, 2019, representing an increase of 32.2% from USD $532 billion at March 31, 2018 and an increase of 10.4% from USD $637 billion as at December 31, 2018.

The equity method is used to account for the Company's 25.2% equity interest in Personal Capital, as it exercises significant influence. IGM Financial's equity earnings from Personal Capital includes its proportionate share of Personal Capital's net income adjusted by IGM Financial's amortization of intangible assets that it recognized as part of its investment in the company. Changes in the carrying value for the quarter ended March 31, 2019 are shown in Table 16.

LIQUIDITY

Cash and cash equivalents totalled $837.1 million at March 31, 2019 compared with $650.2 million at December 31, 2018 and $778.2 million at March 31, 2018. Cash and cash equivalents related to the Company's deposit operations were $3.3 million at March 31, 2019, compared to $2.4 million at December 31, 2018 and $2.4 million at March 31, 2018, as shown in Table 17.

Working capital, which consists of current assets less current liabilities, totalled $583.1 million at March 31, 2019 compared with $366.1 million at December 31, 2018 and $561.8 million at March 31, 2018 (Table 18). The increase in working capital is due to the issuance of debentures in the first quarter of 2019 totalling $250 million.

Working capital is utilized to:

- Finance ongoing operations, including the funding of sales commissions.
- Temporarily finance mortgages in its mortgage banking operations.
- Pay interest and dividends related to long-term debt and preferred shares.
- Maintain liquidity requirements for regulated entities.
- Pay quarterly dividends on its outstanding common shares.
- Finance common share repurchases, retirement of long-term debt and redemption of preferred shares.

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization before sales commissions (EBITDA before sales commissions) totalled $295.9 million in the first quarter of 2019 compared to $333.2 million in the first quarter of 2018 and $296.8 million in the fourth quarter of 2018. EBITDA before sales commissions excludes the impact of both commissions paid and commission amortization (refer to Table 1).

Earnings before interest, taxes, depreciation and amortization after sales commissions (EBITDA after sales commissions) totalled $252.2 million in the first quarter of 2019 compared to $270.9 million in the first quarter of 2018 and $255.6 million in the fourth quarter of 2018. EBITDA after sales commissions excludes the impact of commission amortization (refer to Table 1).

Refer to the Financial Instruments Risk section of this MD&A for information related to other sources of liquidity and to the Company's exposure to and management of liquidity and funding risk.

CASH FLOWS

Table 19 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Interim Financial Statements for the quarter ended March 31, 2019. Cash and cash equivalents increased by $186.9 million in the first quarter of 2019 compared to a decrease of $188.6 million in 2018.

Adjustments to determine net cash from operating activities during the three month period of 2019 compared to 2018 consist of non-cash operating activities offset by cash operating activities:

- The add-back of amortization of capitalized sale commissions offset by the deduction of capitalized sales commissions paid.
- The add-back of amortization of capital and intangible assets.
- The deduction of investment in associates' equity earnings offset by dividends received.
- The add-back of pension and other post-employment benefits offset by cash contributions.

TABLE 17: DEPOSIT OPERATIONS – FINANCIAL POSITION

($ millions)	**2019 MAR. 31**	2018 DEC. 31	2018 MAR. 31
Assets			
Cash and cash equivalents	**$ 3.3**	$ 2.4	$ 2.4
Client funds on deposit	**507.6**	546.8	454.8
Accounts and other receivables	**9.6**	8.8	4.2
Loans	**21.9**	21.3	22.5
Total assets	**$ 542.4**	$ 579.3	$ 483.9
Liabilities and shareholders' equity			
Deposit liabilities	**$ 531.6**	$ 568.8	$ 473.1
Other liabilities	**0.5**	0.5	0.5
Shareholders' equity	**10.3**	10.0	10.3
Total liabilities and shareholders' equity	**$ 542.4**	$ 579.3	$ 483.9

TABLE 18: WORKING CAPITAL

($ millions)	2019 MAR. 31	2018 DEC. 31	2018 MAR. 31
Current Assets			
Cash and cash equivalents	**$ 837.1**	$ 650.2	$ 777.9
Client funds on deposit	**507.6**	546.8	454.8
Accounts receivable and other assets	**301.4**	311.9	368.4
Current portion of mortgages and other	**1,326.1**	1,280.1	1,253.3
	2,972.2	2,789.0	2,854.4
Current Liabilities			
Accounts and other payables	**560.0**	644.7	599.2
Deposits and certificates	**524.5**	562.4	465.8
Current portion of long-term liabilities	**1,304.6**	1,215.8	1,227.6
	2,389.1	2,422.9	2,292.6
Working Capital	**$ 583.1**	$ 366.1	$ 561.8

- Changes in operating assets and liabilities and other.
- The deduction of restructuring provision cash payments.

Financing activities during the first quarter of 2019 compared to 2018 related to:

- An increase in obligations to securitization entities of $426.3 million and repayments of obligations to securitization entities of $321.0 million in 2019 compared to an increase in obligations to securitization entities of $361.5 million and repayments of obligations to securitization entities of $352.8 million in 2018.
- Issuance of debentures of $250.0 million in the first quarter of 2019.
- Repayment of debentures of $150.0 million in the first quarter of 2018.
- The purchase of 266,093 common shares in 2019 under IGM Financial's normal course issuer bid at a cost of $9.2 million. There were no purchases in 2018.
- The payment of perpetual preferred share dividends which totalled $2.2 million in 2019, unchanged from 2018.
- The payment of regular common share dividends which totalled $135.5 million in 2019 compared to $135.4 million in 2018.

Investing activities during the first quarter of 2019 compared to 2018 primarily related to:

- The purchases of other investments totalling $35.4 million and sales of other investments with proceeds of $20.2 million in 2019 compared to $50.2 million and $25.8 million, respectively, in 2018.

TABLE 19: CASH FLOWS

THREE MONTHS ENDED ($ millions)	2019 MAR. 31	2018 MAR. 31	% CHANGE
Operating activities			
Earnings before income taxes	**$ 214.8**	$ 240.1	(10.5) %
Income taxes paid	**(96.6)**	(38.4)	(151.6)
Adjustments to determine net cash from operating activities	**(89.3)**	(83.8)	(6.6)
	28.9	117.9	(75.5)
Financing activities	**207.4**	(273.8)	N/M
Investing activities	**(49.4)**	(32.7)	(51.1)
Change in cash and cash equivalents	**186.9**	(188.6)	N/M
Cash and cash equivalents, beginning of period	**650.2**	966.8	(32.7)
Cash and cash equivalents, end of period	**$ 837.1**	$ 778.2	7.6 %

- An increase in loans of $293.3 million with repayments of loans and other of $341.3 million in 2019 compared to $383.6 million and $403.0 million, respectively, in 2018 primarily related to residential mortgages in the Company's mortgage banking operations.
- Net cash used in additions to intangible assets and acquisitions was $10.2 million in 2019 compared to $23.1 million in 2018.
- An additional investment in Personal Capital of $66.8 million in 2019.

CAPITAL RESOURCES

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory capital requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt, perpetual preferred shares and common shareholders' equity which totalled $6.6 billion at March 31, 2019, compared to $6.4 billion at December 31, 2018. The Company regularly assesses its capital management practices in response to changing economic conditions.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company, business expansion and other strategic objectives. Subsidiaries subject to regulatory capital requirements include investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. These subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. The Company's subsidiaries have complied with all regulatory capital requirements.

The total outstanding long-term debt was $2.1 billion at March 31, 2019, compared to $1.9 billion at December 31, 2018. Long-term debt is comprised of debentures which are senior unsecured debt obligations of the Company subject to standard covenants, including negative pledges, but which do not include any specified financial or operational covenants. The net increase in long-term debt resulted from the issuance on March 20, 2019 of $250.0 million 4.206% debentures maturing March 21, 2050.

Perpetual preferred shares of $150 million at March 31, 2019 remain unchanged from December 31, 2018.

The net proceeds from the issuance of the debenture was used by the Company in part to fund the redemption of $150 million 5.90% Non-Cumulative First Preferred Shares, Series B and for general corporate purposes. The Company redeemed the Series B Preferred Shares on April 30, 2019.

The Company purchased 266,093 common shares during the first quarter of 2019 at a cost of $9.2 million under its normal course issuer bid (refer to Note 8 to the Interim Financial Statements). The Company commenced a normal course issuer bid on March 26, 2019 to purchase up to 4 million of its common shares to provide the flexibility to manage its capital position while generating value for shareholders.

In connection with its normal course issuer bid, the Company has established an automatic securities purchase plan for its common shares. The automatic securities purchase plan provides standard instructions regarding how IGM Financial's common shares are to be purchased under its normal course issuer bid during certain pre-determined trading blackout periods. Outside of these pre-determined trading blackout periods, purchases under the Company's normal course issuer bid will be completed based upon management's discretion.

Other activities in the first quarter of 2019 included the declaration of perpetual preferred share dividends of $2.2 million or $0.36875 per share and common share dividends of $135.5 million or $0.5625 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

Standard & Poor's (S&P) current rating on the Company's senior unsecured debentures is "A" with a stable outlook. Dominion Bond Rating Service's (DBRS) current rating on the Company's senior unsecured debentures is "A (High)" with a stable rating trend.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a company and are indicators of the likelihood of payment and the capacity of a company to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites.

These ratings are not a recommendation to buy, sell or hold the securities of the Company 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 IGM Financial's senior unsecured debentures by S&P is the sixth highest of the 22 ratings used for long-term debt. This rating indicates S&P's view that the Company's capacity to meet its financial commitment on the obligation is strong, but the obligation is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories.

The A (High) rating assigned to IGM Financial's senior unsecured debentures by DBRS is the fifth highest of the 26 ratings used for long-term debt. Under the DBRS long-term rating scale, debt securities rated A (High) are of good credit quality and the capacity for the payment of financial obligations is substantial. While this is a favourable rating, entities in the A (High) category may be vulnerable to future events, but qualifying negative factors are considered manageable.

FINANCIAL INSTRUMENTS

Table 20 presents the carrying amounts and fair values of financial assets and financial liabilities. 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 fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities and certain other financial liabilities.

Fair value is determined using the following methods and assumptions:

- Other investments and other financial assets and liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.
- Loans classified as held for trading are valued using market interest rates for loans with similar credit risk and maturity, specifically lending rates offered to retail borrowers by financial institutions.
- Loans classified as amortized cost are valued by discounting the expected future cash flows at prevailing market yields.
- Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.
- Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.
- Long-term debt is valued using quoted prices for each debenture available in the market.
- Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

See Note 13 of the Interim Financial Statements which provides additional discussion on the determination of fair value of financial instruments.

Although there were changes to both the carrying values and fair values of financial instruments, these changes did not have a material impact on the financial condition of the Company for the three months ended March 31, 2019.

TABLE 20: FINANCIAL INSTRUMENTS

	MARCH 31, 2019		DECEMBER 31, 2018	
($ millions)	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets recorded at fair value				
Other investments				
– Fair value through other comprehensive income	$ 231.9	$ 231.9	$ 372.4	$ 372.4
– Fair value through profit or loss	97.1	97.1	87.5	87.5
Loans				
– Fair value through profit or loss	5.3	5.3	4.3	4.3
Derivative financial instruments	15.8	15.8	16.4	16.4
Financial assets recorded at amortized cost				
Loans				
– Amortized cost	7,682.4	7,767.4	7,733.7	7,785.5
Financial liabilities recorded at fair value				
Derivative financial instruments	26.2	26.2	29.0	29.0
Other financial liabilities	9.5	9.5	8.2	8.2
Financial liabilities recorded at amortized cost				
Deposits and certificates	531.6	532.0	568.8	569.0
Obligations to securitization entities	7,462.7	7,578.2	7,370.2	7,436.9
Long-term debt	2,100.0	2,397.8	1,850.0	2,050.3

The Company is exposed to a variety of risks that are inherent in its business activities. Its ability to manage these risks is key to its ongoing success. The Company emphasizes a strong risk management culture and the implementation of an effective risk management approach. The risk management approach coordinates risk management across the organization and its business units and seeks to ensure prudent and measured risk-taking in order to achieve an appropriate balance between risk and return. Fundamental to our enterprise risk management program is protecting and enhancing our reputation.

RISK MANAGEMENT FRAMEWORK

The Company's risk management approach is undertaken through its Enterprise Risk Management (ERM) Framework which includes five core elements: risk governance, risk appetite, risk principles, a defined risk management process, and risk management culture. The ERM Framework is established under the Company's ERM Policy, which is approved by the Risk Management Committee.

RISK GOVERNANCE

The Company's risk governance structure emphasizes a comprehensive and consistent framework throughout the Company and its subsidiaries, with identified ownership of risk management in each business unit and oversight by an executive Risk Management Committee accountable to the Board of Directors. Additional oversight is provided by the Enterprise Risk Management (ERM) Department, compliance groups, and the Company's Internal Audit Department.

The Board of Directors provides primary oversight and carries out its risk management mandate. The Board is responsible for the oversight of enterprise risk management by: i) ensuring that appropriate procedures are in place to identify and manage risks and establish risk tolerances, ii) ensuring that appropriate policies, procedures and controls are implemented to manage risks, and iii) reviewing the risk management process on a regular basis to ensure that it is functioning effectively.

Other specific risks are managed with the support of the following Board committees:

- The Audit Committee has specific risk oversight responsibilities in relation to financial disclosure, internal controls and the control environment as well as the Company's compliance activities.
- Other committees having specific risk oversight responsibilities include: i) the Human Resource Committee which oversees compensation policies and practices, ii) the Governance and Nominating Committee which oversees corporate governance practices, and iii) the Related Party and Conduct Review Committee which oversees conflicts of interest as well as the administration of the Code of Business Conduct and Ethics for Directors, Officers and Employees (Code of Conduct).

Management oversight for risk management resides with the executive Risk Management Committee which is comprised of the President and Chief Executive Officer, IGM Financial and IG Wealth Management, the President and Chief Executive Officer, Mackenzie Investments, the Chief Financial Officer, the General Counsel, the Chief Operating Officer and the Executive Vice President Chief Strategy and Corporate Development Officer. The committee is responsible for providing oversight of the Company's risk management process by: i) establishing and maintaining the risk framework and policy, ii) defining the Company's risk appetite, iii) ensuring the Company's risk profile and processes are aligned with corporate strategy and risk appetite, and iv) establishing "tone at the top" and reinforcing a strong culture of risk management.

The Chief Executive Officers of the operating companies have overall responsibility for overseeing risk management of their respective companies.

The Company has assigned responsibility for risk management using the Three Lines of Defence model, with the First Line reflecting the business units having primary responsibility for risk management, supported by Second Line risk management functions and a Third Line Internal Audit function providing assurance and validation of the design and effectiveness of the ERM Framework.

First Line of Defence

The leaders of the various business units and support functions have primary ownership and accountability for the ongoing risk management associated with their respective activities. Responsibilities of business unit and support function leaders include: i) establishing and maintaining procedures for the identification, assessment, documentation and escalation of risks, ii) implementing control activities to mitigate risks, iii) identifying opportunities for risk reduction or transfer, and iv) aligning business and operational strategies with the risk culture and risk appetite of the organization as established by the Risk Management Committee.

Second Line of Defence

The Enterprise Risk Management (ERM) Department provides oversight, analysis and reporting to the Risk Management Committee on the level of risks relative to the established risk appetite for all activities of the Company. Other responsibilities include: i) developing and maintaining the enterprise risk management program and framework, ii) managing the enterprise risk management process, and iii) providing guidance and training to business unit and support function leaders.

The Company has a number of committees of senior business leaders which provide oversight of specific business risks, including the Financial Risk Management and Operational Risk Management committees. These committees perform critical reviews of risk assessments, risk management practices and risk response plans developed by business units and support functions.

Other oversight accountabilities reside with the Company's corporate and compliance groups which are responsible for ensuring compliance with policies, laws and regulations.

Third Line of Defence

The Internal Audit Department is the third line of defence and provides independent assurance to senior management and the Board of Directors on the effectiveness of risk management policies, processes and practices.

RISK APPETITE AND RISK PRINCIPLES

The Risk Management Committee establishes the Company's appetite for different types of risk through the Risk Appetite Framework. Under the Risk Appetite Framework, one of four appetite levels is established for each risk type and business activity of the Company. These appetite levels range from those where the Company has no appetite for risk and seeks to minimize any losses, to those where the Company readily accepts exposure while seeking to ensure that risks are well understood and managed. These appetite levels guide our business units as they engage in business activities, and inform them in establishing policies, limits, controls and risk transfer activities.

A Risk Appetite Statement and Risk Principles provide further guidance to business leaders and employees as they conduct risk management activities. The Risk Appetite Statement's emphasis is to maintain the Company's reputation and brand, ensure financial flexibility, and focus on mitigating operational risk.

RISK MANAGEMENT PROCESS

The Company's risk management process is designed to foster:

- Ongoing assessment of risks and tolerance in a changing operating environment.
- Appropriate identification and understanding of existing and emerging risks and risk response.
- Timely monitoring and escalation of risks based upon changing circumstances.

Significant risks that may adversely affect the Company's ability to achieve its strategic and business objectives are identified through the Company's ongoing risk management process.

We use a consistent methodology across our organizations and business units for identification and assessment of risks.

Risks are assessed by evaluating the impact and likelihood of the potential risk event after consideration of controls and any risk transfer activities. The results of these assessments are considered relative to risk appetite and tolerances and may result in action plans to adjust the risk profile.

Risk assessments are monitored and reviewed on an ongoing basis by business units and by oversight areas including the ERM Department. The ERM Department promotes and coordinates communication and consultation to support effective risk management and escalation. The ERM Department regularly reports on the results of risk assessments and on the assessment process to the Risk Management Committee and to the Board of Directors.

RISK MANAGEMENT CULTURE

Risk management is intended to be everyone's responsibility within the organization. The ERM Department engages all business units in workshops to foster awareness and incorporation of our risk framework into our business activities.

We have an established business planning process which reinforces our risk management culture. Our compensation programs are typically objectives-based, and do not encourage or reward excessive or inappropriate risk taking, and often are aligned specifically with risk management objectives.

Our risk management program emphasizes integrity, ethical practices, responsible management and measured risk-taking with a long-term view. Our standards of integrity and ethics are reflected within our Code of Conduct which applies to directors, officers and employees.

KEY RISKS OF THE BUSINESS

The Company identifies risks to which its businesses and operations could be exposed considering factors both internal and external to the organization. These risks are broadly grouped into six categories.

1) FINANCIAL RISK

LIQUIDITY AND FUNDING RISK

Liquidity and funding risk is the risk of the inability to generate or obtain sufficient cash in a timely and cost-effective manner to meet contractual or anticipated commitments as they come due or arise.

The Company's liquidity management practices include:

- Maintaining liquid assets and lines of credit to satisfy near term liquidity needs.
- Ensuring effective controls over liquidity management processes.

- Performing regular cash forecasts and stress testing.
- Regular assessment of capital market conditions and the Company's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity management by the Financial Risk Management Committee, a committee of finance business leaders.

A key funding requirement for the Company is the funding of commissions paid on the sale of investment funds. Commissions on the sale of investment funds continue to be paid from operating cash flows.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources and to manage any derivative collateral requirements related to the mortgage banking operation. Through its mortgage banking operations, residential mortgages are sold to third parties including certain mutual funds, institutional investors through private placements, Canadian bank-sponsored securitization trusts, and by issuance and sale of National Housing Act Mortgage-Backed Securities (NHA MBS) securities including sales to Canada Housing Trust under the CMB Program. The Company maintains committed capacity within certain Canadian bank-sponsored securitization trusts. Capacity for sales under the CMB Program consists of participation in new CMB issues and reinvestment of principal repayments held in the Principal Reinvestment Accounts. The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions and government regulations that are subject to change. A condition of the NHA MBS and CMB Program is that securitized loans be insured by an insurer that is approved by CMHC. The availability of mortgage insurance is dependent upon market conditions and is subject to change.

As part of ongoing liquidity management during 2019 and 2018, the Company:

- Continued to expand our funding channels by issuing NHA MBS to multiple purchasers.
- Continued to assess and identify additional funding sources for the Company's mortgage banking operations, including the launch of a new residential mortgage product suite through our partners at National Bank in the fourth quarter of 2017, which complements our current mortgage offerings.
- Repaid the $150 million 6.58% debentures in March 2018.
- Issued $200 million of 30 year 4.174% debentures in July 2018. The net proceeds were used by IGM Financial, together with a portion of IGM Financial's existing internal cash resources, to fund the early redemption in August of all of its $375 million aggregate principal amount of 7.35% debentures due April 8, 2019.
- Issued $250 million 4.206% debentures in March 2019 maturing March 21, 2050. The net proceeds were used by the Company to fund the redemption of $150 million 5.90% Non-Cumulative First Preferred Shares, Series B and for general corporate purposes. The Company redeemed the Series B Preferred Shares on April 30, 2019.

The Company's contractual obligations are reflected in Table 21.

In addition to IGM Financial's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various

TABLE 21: CONTRACTUAL OBLIGATIONS

AS AT MARCH 31, 2019 *($ millions)*	DEMAND	LESS THAN 1 YEAR	1-5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	$ –	$ 7.6	$ 18.2	$ 0.4	$ 26.2
Deposits and certificates	516.9	7.6	5.7	1.4	531.6
Obligations to securitization entities	–	1,274.0	6,163.9	24.8	7,462.7
Long-term debt	–	–	–	2,100.0	2,100.0
Leases[1]	–	27.9	63.1	30.3	121.3
Pension funding[2]	–	20.2	–	–	20.2
Total contractual obligations	$ 516.9	$ 1,337.3	$ 6,250.9	$ 2,156.9	$ 10,262.0

(1) Includes future minimum lease payments related to office space and equipment used in the normal course of business.

(2) The next required actuarial valuation will be completed based on a measurement date of December 31, 2020. Pension funding requirements beyond 2019 are subject to significant variability and will be determined based on future actuarial valuations. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

Schedule I Canadian chartered banks totalled $825 million at March 31, 2019, unchanged from December 31, 2018. The lines of credit at March 31, 2019 consisted of committed lines of $650 million and uncommitted lines of $175 million, unchanged from December 31, 2018. The Company has accessed its uncommitted lines of credit in the past; however, any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at March 31, 2019 and December 31, 2018, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2017, was completed in May 2018. The valuation determines the plan surplus or deficit on both a solvency and going concern basis. The solvency basis determines the relationship between the plan assets and its liabilities assuming that the plan is wound up and settled on the valuation date. A going concern valuation compares the relationship between the plan assets and the present value of the expected future benefit cash flows, assuming the plan will be maintained indefinitely. Based on the actuarial valuation, the registered pension plan had a solvency deficit of $47.2 million compared to $82.7 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2016. The decrease in the solvency deficit resulted primarily from higher assets due to contribution and investment returns, and is required to be funded over five years. The registered pension plan had a going concern surplus of $46.1 million compared to $24.4 million in the previous valuation. The next required actuarial valuation will be based on a measurement date of December 31, 2020. The Company has made contributions of $5.5 million in 2019 (2018 – $23.4 million). The Company utilized $10.5 million of the payments made during 2018 to reduce its solvency deficit and increase its going concern surplus. The Company expects to make further contributions of approximately $20.2 million in 2019. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above are sufficient to meet the Company's liquidity needs. The Company continues to have the ability to meet its operational cash flow requirements, its contractual obligations, and its declared dividends. The current practice of the Company is to declare and pay dividends to common shareholders on a quarterly basis at the discretion of the Board of Directors. The declaration of dividends by the Board of Directors is dependent on a variety of factors, including earnings which are significantly influenced by the impact that debt and equity market performance has on the Company's fee income and commission and certain other expenses. The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2018.

CREDIT RISK

Credit risk is the potential for financial loss to the Company if a counterparty to a transaction fails to meet its obligations.

The Company's cash and cash equivalents, other investment holdings, mortgage portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

Cash and Cash Equivalents

At March 31, 2019, cash and cash equivalents of $837.1 million (December 31, 2018 – $650.2 million) consisted of cash balances of $56.1 million (December 31, 2018 – $81.8 million) on deposit with Canadian chartered banks and cash equivalents of $781.0 million (December 31, 2018 – $568.4 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $86.1 million (December 31, 2018 – $103.5 million), provincial government treasury bills and promissory notes of $230.0 million (December 31, 2018 – $76.2 million), bankers' acceptances and other short-term notes issued by Canadian chartered banks of $450.4 million (December 31, 2018 – $364.3 million), and highly rated corporate commercial paper of $14.5 million (December 31, 2018 – $24.4 million).

The Company manages credit risk related to cash and cash equivalents by adhering to its Investment Policy that outlines credit risk parameters and concentration limits. The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

The Company's exposure to and management of credit risk related to cash and cash equivalents and fixed income securities have not changed materially since December 31, 2018.

Mortgage Portfolio

As at March 31, 2019, residential mortgages, recorded on the Company's balance sheet, of $7.7 billion (December 31, 2018 – $7.7 billion) consisted of $7.5 billion sold to securitization programs (December 31, 2018 – $7.3 billion), $206.9 million held pending sale or securitization (December 31, 2018 – $363.9 million) and $26.3 million related to the Company's intermediary operations (December 31, 2018 – $25.6 million).

The Company manages credit risk related to residential mortgages through:

- Adhering to its lending policy and underwriting standards;
- Its loan servicing capabilities;
- Use of client-insured mortgage default insurance and mortgage portfolio default insurance held by the Company; and
- Its practice of originating its mortgages exclusively through its own network of Mortgage Planning Specialists and IG Wealth Management Consultants as part of a client's IG Living Plan.

In certain instances, credit risk is also limited by the terms and nature of securitization transactions as described below:

- Under the NHA MBS program totalling $4.3 billion (December 31, 2018 – $4.2 billion), the Company is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling $3.2 billion (December 31, 2018 – $3.1 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $75.4 million (December 31, 2018 – $74.1 million) and $37.6 million (December 31, 2018 – $35.6 million), respectively, at March 31, 2019. Cash reserve accounts are reflected on the balance sheet, whereas rights to future net interest income are not reflected on the balance sheet and will be recorded over the life of the mortgages. This risk is further mitigated by insurance with 7.5% of mortgages held in ABCP Trusts insured at March 31, 2019 (December 31, 2018 – 8.3%).

At March 31, 2019, residential mortgages recorded on balance sheet were 60.9% insured (December 31, 2018 – 61.5%). As at March 31, 2019, impaired mortgages on these portfolios were $2.9 million, compared to $3.3 million at December 31, 2018. Uninsured non-performing mortgages over 90 days on these portfolios were $1.3 million at March 31, 2019, compared to $1.8 million at December 31, 2018.

The Company also retains certain elements of credit risk on mortgage loans sold to the Investors Mortgage and Short Term Income Fund and to the Investors Canadian Corporate Bond Fund through an agreement to repurchase mortgages in certain circumstances benefiting the funds. These loans are not recorded on the Company's balance sheet as the Company has transferred substantially all of the risks and rewards of ownership associated with these loans.

The Company regularly reviews the credit quality of the mortgages and the adequacy of the allowance for expected credit losses.

The Company's allowance for expected credit losses was $0.8 million at March 31, 2019, unchanged from December 31, 2018, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience and recent trends, ii) current portfolio credit metrics and other relevant characteristics, and iii) regular stress testing of losses under adverse real estate market conditions.

The Company's exposure to and management of credit risk related to mortgage portfolios have not changed materially since December 31, 2018.

Derivatives

The Company is exposed to credit risk through derivative contracts it utilizes to hedge interest rate risk, to facilitate securitization transactions and to hedge market risk related to certain stock-based compensation arrangements. These derivatives are discussed more fully under the Market Risk section of this MD&A.

To the extent that the fair value of the derivatives is in a gain position, the Company is exposed to credit risk that its counterparties fail to fulfil their obligations under these arrangements.

The Company's derivative activities are managed in accordance with its Investment Policy which includes counterparty limits and other parameters to manage counterparty risk. The aggregate credit risk exposure related to derivatives that are in a gain position of $16.5 million (December 31, 2018 – $19.4 million) does not give effect to any netting agreements or collateral arrangements. The exposure to credit risk, considering netting agreements and collateral arrangements and including rights to future net interest income, was $0.6 million at March 31, 2019 (December 31, 2018 – nil). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at March 31, 2019. Management of credit risk related to derivatives has not changed materially since December 31, 2018.

Additional information related to the Company's securitization activities and utilization of derivative contracts can be found in Note 5 to the Interim Financial Statements and Notes 2, 6 and 21 to the Annual Financial Statements.

MARKET RISK

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in foreign exchange rates, interest rates or equity prices.

Interest Rate Risk

The Company is exposed to interest rate risk on its mortgage portfolio and on certain of the derivative financial instruments used in the Company's mortgage banking operations.

The Company manages interest rate risk associated with its mortgage banking operations by entering into interest rate swaps with Canadian Schedule I chartered banks as follows:

- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As previously discussed, as part of the CMB Program, the Company is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is obligated to pay Canada Mortgage Bond coupons. This swap had a negative fair value of $5.5 million (December 31, 2018 – positive $4.9 million) and an outstanding notional amount of $1.0 billion at March 31, 2019 (December 31, 2018 – $0.9 billion). The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The negative fair value of these swaps totalled $2.8 million (December 31, 2018 – negative $11.0 million), on an outstanding notional amount of $1.9 billion at March 31, 2019 (December 31, 2018 – $1.7 billion). The net fair value of these swaps of negative $8.3 million at March 31, 2019 (December 31, 2018 – negative $6.1 million) is recorded on the balance sheet and has an outstanding notional amount of $2.9 billion (December 31, 2018 – $2.6 billion).
- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. The Company enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by the Company pending sale or securitization. Beginning in 2018, hedge accounting is applied to the cost of funds on certain securitization activities. The effective portion of fair value changes of the associated interest rate swaps are initially recognized in Other comprehensive income and subsequently recognized in Net investment income and other over the term of the related Obligations to securitization entities. The fair value of these swaps was negative $0.7 million (December 31, 2018 – negative $1.8 million) on an outstanding notional amount of $95.9 million at March 31, 2019 (December 31, 2018 – $249.9 million).

As at March 31, 2019, the impact to annual net earnings of a 100 basis point increase in interest rates would have been an increase of approximately $1.2 million (December 31, 2018 – decrease of $0.5 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2018.

Equity Price Risk

The Company is exposed to equity price risk on its equity investments which are classified as either fair value through other comprehensive income or fair value through profit or loss. The fair value of the equity investments was $329.0 million at March 31, 2019 (December 31, 2018 – $459.9 million), as shown in Table 14.

The Company sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of IGM Financial Inc. The Company hedges its exposure to this risk through the use of forward agreements and total return swaps.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk on its investments in Personal Capital and China AMC. Changes to the carrying value due to changes in foreign exchange rates on both of these investments are recognized in Other comprehensive income. A 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately $42.9 million ($47.4 million).

The Company's proportionate share of China AMC's and Personal Capital's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statement of Earnings, is also affected by changes in foreign exchange rates. A 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the Company's proportionate share of earnings by approximately $0.2 million ($0.2 million).

RISKS RELATED TO ASSETS UNDER MANAGEMENT

At March 31, 2019, IGM Financial's total assets under management were $160.5 billion compared to $149.1 billion at December 31, 2018.

The Company's primary sources of revenues are management, administration and other fees which are applied as an annual percentage of the level of assets under management. As a result, the level of the Company's revenues and earnings are indirectly exposed to a number of financial risks that affect the value of assets under management on an ongoing basis. These include market risks, such as changes in equity prices, interest rates and

foreign exchange rates, as well as credit risk on debt securities, loans and credit exposures from other counterparties within our client portfolios.

Changing financial market conditions may also lead to a change in the composition of the Company's assets under management between equity and fixed income instruments, which could result in lower revenues depending upon the management fee rates associated with different asset classes and mandates.

The Company's exposure to the value of assets under management aligns it with the experience of its clients. Assets under management are broadly diversified by asset class, geographic region, industry sector, investment team and style. The Company regularly reviews the sensitivity of its assets under management, revenues, earnings and cash flow to changes in financial markets. The Company believes that over the long term, exposure to investment returns on its client portfolios is beneficial to the Company's results and consistent with stakeholder expectations, and generally it does not engage in risk transfer activities such as hedging in relation to these exposures.

2) OPERATIONAL RISK

Operational risks relating to people and processes are mitigated through policies and process controls. Oversight of risks and ongoing evaluation of the effectiveness of controls is provided by the Company's Compliance Department, ERM Department and Internal Audit Department.

The Company has an insurance review process where it assesses and determines the nature and extent of insurance that is appropriate to provide adequate protection against unexpected losses, and where it is required by law, regulators or contractual agreements.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, human interaction or external events, but excludes business risk.

Operational risk affects all business activities, including the processes in place to manage other risks. As a result, operational risk can be difficult to measure, given that it forms part of other risks of the Company and may not always be separately identified. Our Company is exposed to a broad range of operational risks, including information technology security and system failures, errors relating to transaction processing, financial models and valuations, fraud and misappropriation of assets, and inadequate application of internal control processes. The impact can result in significant financial loss, reputational harm or regulatory actions.

The Company's risk management framework emphasizes operational risk management and internal control. The Company has a very low appetite for risk in this area.

The business unit leaders are responsible for management of the day to day operational risks of their respective business units. Specific programs, policies, training, standards and governance processes have been developed to support the management of operational risk.

The Company has a business continuity management program to support the sustainment, management and recovery of critical operations and processes in the event of a business disruption.

TECHNOLOGY AND CYBER RISK

Technology and cyber risk driven by systems are managed through controls over technology development and change

TABLE 22: IGM FINANCIAL ASSETS UNDER MANAGEMENT – ASSET AND CURRENCY MIX

AS AT MARCH 31, 2019	INVESTMENT FUNDS	TOTAL
Cash	0.6 %	1.0 %
Short-term fixed income and mortgages	6.4	6.3
Other fixed income	25.8	25.4
Domestic equity	22.0	22.3
Foreign equity	42.0	41.9
Real Property	3.2	3.1
	100.0 %	100.0 %
CAD	57.8 %	57.6 %
USD	28.0	27.3
Other	14.2	15.1
	100.0 %	100.0 %

management. Information security is a significant risk to our industry and our Company's operations. The Company uses systems and technology to support its business operations and the client and financial advisor experience. As a result, we are exposed to risks relating to technology and cyber security such as data breaches, identity theft and hacking, including the risk of denial of service or malicious software attacks. Such attacks could compromise confidential information of the Company and that of clients or other stakeholders, and could result in negative consequences including lost revenue, litigation, regulatory scrutiny or reputational damage. To remain resilient to such threats, the Company has established enterprise-wide cyber security programs, benchmarked capabilities to sound industry practices, and has implemented threat and vulnerability assessment and response capabilities.

THIRD PARTY SERVICE PROVIDERS

The Company regularly engages third parties to provide expertise and efficiencies that support our operational activities. Our exposure to third party service provider risk could include reputational, regulatory and other operational risks. Policies, standard operating procedures and dedicated resources, including a supplier code of conduct, have been developed and implemented to specifically address third party service provider risk. Due diligence and monitoring activities are performed by the Company prior to entering into contractual relationships with third party service providers and on an ongoing basis. As our reliance on external service providers continues to grow, we continue to enhance resources and processes to support third party risk management.

MODEL RISK

The Company uses a variety of models to assist in: the valuation of financial instruments, operational scenario testing, management of cash flows, capital management, and assessment of potential acquisitions. These models incorporate internal assumptions, observable market inputs and available market prices. Effective controls exist over the development, implementation and application of these models. However, changes in the internal assumptions or other factors affecting the models could have an adverse effect on the Company's consolidated financial position.

LEGAL AND REGULATORY COMPLIANCE

Legal and Regulatory Compliance Risk is the risk of not complying with laws, contractual agreements or regulatory requirements. This includes distribution compliance, investment management compliance, accounting and internal controls, and reporting and communications.

IGM Financial is subject to complex and changing legal, taxation and regulatory requirements, including the requirements of agencies of the federal, provincial and territorial governments in Canada which regulate the Company and its activities. The Company and its subsidiaries are also subject to the requirements of self-regulatory organizations to which they belong. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company and its subsidiaries. These requirements include those that apply to IGM Financial as a publicly traded company and those that apply to the Company's subsidiaries based on the nature of their activities. They include regulations related to the management and provision of financial products and services, including securities, insurance and mortgages, and other activities carried on by the Company in the markets in which it operates. Regulatory standards affecting the Company and the financial services industry are significant and are being continually changed. The Company and its subsidiaries are subject to reviews as part of the normal ongoing process of oversight by the various regulators.

Failure to comply with laws, rules or regulations could lead to regulatory sanctions and civil liability, and may have an adverse reputational or financial effect on the Company. The Company manages legal and regulatory compliance risk through its efforts to promote a strong culture of compliance. The monitoring of regulatory developments and their impact on the Company is overseen by the Regulatory Initiatives Committee chaired by the Executive Vice-President, General Counsel. The Company also continues to develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the Company receives regular reporting on compliance initiatives and issues.

IGM Financial promotes a strong culture of ethics and integrity through its Code of Conduct approved by the Board of Directors, which outlines standards of conduct that apply to all IGM Financial directors, officers and employees. The Code of Conduct incorporates many policies relating to the conduct of directors, officers and employees, and covers a variety of relevant topics, such as anti-money laundering and privacy. Individuals subject to the Code of Conduct attest annually that they understand the requirements and have complied with its provisions.

Business units are responsible for management of legal and regulatory compliance risk, and implementing appropriate policies, procedures and controls. The Company's Compliance Departments are responsible for providing oversight of all regulated compliance activities. The Internal Audit Department also provides oversight and investigations concerning regulatory compliance matters.

CONTINGENCIES

The Company is subject to legal actions arising in the normal course of its business. In December 2018, a proposed class action was filed in the Ontario Superior Court against Mackenzie which alleges that the company should not have paid mutual fund trailing commissions to order execution only dealers. Although it is difficult to predict the outcome of any such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

3) GOVERNANCE, OVERSIGHT AND STRATEGIC RISK

Governance, oversight and strategic risk is the risk of potential adverse impacts resulting from inadequate or inappropriate governance, oversight, management of incentives and conflicts, and strategic planning.

IGM Financial believes in the importance of good corporate governance and the central role played by directors in the governance process. We believe that sound corporate governance is essential to the well-being of the Company and its shareholders.

Oversight of IGM Financial is performed by the Board of Directors directly and through its five committees. The Company's President and Chief Executive Officer has overall responsibility for management of the Company. The Company's activities are carried out principally by three operating companies – Investors Group Inc., Mackenzie Financial Corporation and Investment Planning Counsel Inc. – each of which are managed by a President and Chief Executive Officer.

The Company has a business planning process that supports development of an annual business plan, approved by the Board of Directors, which incorporates objectives and targets for the Company. Components of management compensation are associated with the achievement of earnings targets and other objectives associated with the plan. Strategic plans and direction are part of this planning process and are integrated into the Company's risk management program.

ACQUISITION RISK

The Company is also exposed to risks related to its acquisitions. The Company undertakes thorough due diligence prior to completing an acquisition, but there is no assurance that the Company will achieve the expected strategic objectives or cost and revenue synergies subsequent to an acquisition. Subsequent changes in the economic environment and other unanticipated factors may affect the Company's ability to achieve expected earnings growth or expense reductions. The success of an acquisition is dependent on retaining assets under management, clients, and key employees of an acquired company.

4) REGULATORY DEVELOPMENTS

Regulatory development risk is the potential for changes to regulatory, legal, or tax requirements that may have an adverse impact upon the Company's business activities or financial results.

The Company is exposed to the risk of changes in laws, taxation and regulation that could have an adverse impact on the Company. Particular regulatory initiatives may have the effect of making the products of the Company's subsidiaries appear to be less competitive than the products of other financial service providers, to third party distribution channels and to clients. Regulatory differences that may impact the competitiveness of the Company's products include regulatory costs, tax treatment, disclosure requirements, transaction processes or other differences that may be as a result of differing regulation or application of regulation. Regulatory developments may also impact product structures, pricing, and dealer and advisor compensation. While the Company and its subsidiaries actively monitor such initiatives, and where feasible comment upon or discuss them with regulators, the ability of the Company and its subsidiaries to mitigate the imposition of differential regulatory treatment of financial products or services is limited.

5) BUSINESS RISK

GENERAL BUSINESS CONDITIONS

General Business Conditions Risk refers to the potential for an unfavourable impact on IGM Financial resulting from competitive or other external factors relating to the marketplace.

Global economic conditions, changes in equity markets, demographics and other factors including geopolitical risk and government instability, can affect investor confidence, income levels and savings decisions. This could result in reduced sales of IGM Financial's products and services and/or result in investors redeeming their investments. These factors may also affect the level and volatility of financial markets and the value of the Company's assets under management, as described more fully under the Risks Related to Assets Under Management section of this MD&A.

The Company, across its operating subsidiaries, is focused on communicating with clients and emphasizing the importance of financial planning across economic cycles. The Company and the industry continue to take steps to educate Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility, Consultants and independent financial advisors play a key role in assisting investors in maintaining perspective and focus on their long-term objectives.

Redemption rates for long-term funds are summarized in Table 23 and are discussed in the IG Wealth Management and Mackenzie Segment Operating Results sections of this MD&A.

TABLE 23: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

	2019 MAR. 31	2018 MAR. 31
IGM Financial Inc.		
IG Wealth Management	**9.5 %**	8.4 %
Mackenzie	**17.0 %**	13.7 %
Counsel	**20.1 %**	16.7 %

PRODUCT/SERVICE OFFERING

There is potential for unfavourable impacts on IGM Financial resulting from inadequate product or service performance, quality or breadth.

IGM Financial and its subsidiaries operate in a highly competitive environment, competing with other financial service providers, investment managers and product and service types. Client development and retention can be influenced by a number of factors, including products and services offered by competitors, relative service levels, relative pricing, product attributes, reputation and actions taken by competitors. This competition could have an adverse impact upon the Company's financial position and operating results. Please refer to The Competitive Landscape section of this MD&A for further discussion.

The Company provides Consultants, independent financial advisors, as well as retail and institutional clients with a high level of service and support and a broad range of investment products, with a focus on building enduring relationships. The Company's subsidiaries also continually review their respective product and service offering and pricing to ensure competitiveness in the marketplace.

The Company strives to deliver strong investment performance on its products relative to benchmarks and peers. Poor investment performance relative to benchmarks or peers could reduce the level of assets under management and sales and asset retention, as well as adversely impact our brands. Meaningful and/or sustained underperformance could affect the Company's results. The Company's objective is to cultivate investment processes and disciplines that provide it with a competitive advantage, and does so by diversifying its assets under management and product shelf by investment team, brand, asset class, mandate, style and geographic region.

BUSINESS/CLIENT RELATIONSHIPS

Business/Client relationships risk refers to the risk potential for unfavourable impacts on IGM Financial resulting from changes to other key relationships. These relationships primarily include IG Wealth Management clients and Consultants, Mackenzie retail distribution, strategic and significant business partners, clients of Mackenzie funds, and sub-advisors and other product suppliers.

IG Wealth Management Consultant network – IG Wealth Management derives all of its mutual fund sales through its Consultant network. IG Wealth Management Consultants have regular direct contact with clients which can lead to a strong and personal client relationship based on the client's confidence in that individual Consultant. The market for financial advisors is extremely competitive. The loss of a significant number of key Consultants could lead to the loss of client accounts which could have an adverse effect on IG Wealth Management's results of operations and business prospects. IG Wealth Management is focused on strengthening its distribution network of Consultants and on responding to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice, as discussed in the IG Wealth Management Review of the Business section of this MD&A.

Mackenzie – Mackenzie derives the majority of its mutual fund sales through third party financial advisors. Financial advisors generally offer their clients investment products in addition to, and in competition with Mackenzie. Mackenzie also derives sales of its investment products and services from its strategic alliance and institutional clients. Due to the nature of the distribution relationship in these relationships and the relative size of these accounts, gross sale and redemption activity can be more pronounced in these accounts than in a retail relationship. Mackenzie's ability to market its investment products is highly dependent on continued access to these distribution networks. The inability to have such access could have a material adverse effect on Mackenzie's operating results and business prospects. Mackenzie is well positioned to manage this risk and to continue to build and enhance its distribution relationships. Mackenzie's diverse portfolio of financial products and its long-term investment performance record, marketing, educational and service support has made Mackenzie one of Canada's leading investment management companies. These factors are discussed further in the Mackenzie Review of the Business section of this MD&A.

PEOPLE RISK

People risk refers to the potential inability to attract or retain key employees or Consultants, develop to an appropriate level of proficiency, or manage personnel succession or transition.

Management, investment and distribution personnel play an important role in developing, implementing, managing and distributing products and services offered by IGM Financial. The loss of these individuals or an inability to attract, retain and motivate sufficient numbers of qualified personnel could affect IGM Financial's business and financial performance.

6) ENVIRONMENTAL AND SOCIAL RISKS

Environmental and social risk is the risk of financial loss or reputational damage resulting from environmental or social issues arising from our business operations or investment activities.

Environmental risks include issues such as climate change, biodiversity, pollution, waste, and the unsustainable use of water and other resources. Social risks include issues such as human rights, diversity, and community impacts.

IGM Financial has a long-standing commitment to responsible management, as articulated in the Company's Corporate Responsibility Statement approved by the Board of Directors. The Board's risk management oversight includes environmental and social risks.

Our commitment to responsible management is demonstrated through various mechanisms – including our Code of Conduct for our employees, contractors, and directors; our Supplier Code of Conduct for the firms that do business with us; our Respectful Workplace Policy; our Diversity Policy; our Environmental Policy; and other related policies.

IG Wealth Management and Mackenzie Investments are signatories to the Principles for Responsible Investment (PRI). Under the PRI, investors formally commit to incorporate environmental, social and governance (ESG) issues into their investment decision making and active ownership processes. In addition, IG Wealth Management, Mackenzie Investments and Investment Planning Counsel have implemented Responsible Investing Policies outlining the practices at each company.

We believe that financial services companies have an important role to play in addressing climate change. IGM Financial is a long-standing participant in the CDP (formerly Carbon Disclosure Project), which promotes corporate disclosures on greenhouse gas emissions and climate change management and includes reporting of our emissions and targets. For the 2018 survey, IGM was recognized by CDP as a corporate leader in climate change disclosure with a position on their Climate Change A List. IGM Financial also reports annually on its environmental, social and governance management and performance in its Corporate Responsibility Report available on our website. The information in these reports does not form a part of this document. The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) was established in response to investor demand for information on climate-related risks and opportunities. We are evaluating the TCFD recommendations which include a framework for consistent, voluntary climate-related financial disclosures that provide decision-useful information to investors and other stakeholders.

THE FINANCIAL SERVICES ENVIRONMENT

Canadians held $4.5 trillion in discretionary financial assets with financial institutions at December 31, 2017 based on the most recent report from Investor Economics. The nature of holdings was diverse, ranging from demand deposits held for short-term cash management purposes to longer-term investments held for retirement purposes. Approximately 66% ($3.0 trillion) of these financial assets are held within the context of a relationship with a financial advisor, and this is the primary channel serving the longer-term savings needs of Canadians. Of the $1.5 trillion held outside of a financial advisory relationship, approximately 63% consisted of bank deposits.

Financial advisors represent the primary distribution channel for the Company's products and services, and the core emphasis of the Company's business model is to support these financial advisors as they work with clients to plan for and achieve their financial goals. Multiple sources of emerging research show significantly better financial outcomes for Canadians who use financial advisors compared to those who do not. The Company actively promotes the value of financial advice and the importance of a relationship with an advisor to develop and remain focused on long-term financial plans and goals.

Approximately 41% of Canadian discretionary financial assets or $1.8 trillion resided in investment funds at December 31, 2017, making it the largest financial asset class held by Canadians. Other asset types include deposit products and direct securities such as stocks and bonds. Approximately 77% of investment funds are comprised of mutual fund products, with other product categories including segregated funds, hedge funds, pooled funds, closed end funds and exchange traded funds. With $154 billion in investment fund assets under management at March 31, 2019, the Company is among the country's largest investment fund managers. Management believes that investment funds are likely to remain the preferred savings vehicle of Canadians. Investment funds provide investors with the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

Competition and technology have fostered a trend towards financial service providers offering a comprehensive range of proprietary products and services. Traditional distinctions between bank branches, full service brokerages, financial planning firms and insurance agent sales forces have become obscured as many of these financial service providers strive to offer comprehensive financial advice implemented through access to a broad product shelf. Accordingly, the Canadian financial services industry is characterized by a number of large, diversified, vertically-integrated participants, similar to IGM Financial, who offer both financial planning and investment management services.

Canadian banks distribute financial products and services through their traditional bank branches, as well as through their full service and discount brokerage subsidiaries. Bank branches continue to place increased emphasis on both financial planning and mutual funds. In addition, each of the "big six" banks has one or more mutual fund management subsidiaries. Collectively, mutual fund assets of the "big six" bank-owned mutual fund managers and affiliated firms represented 45% of total industry long-term mutual fund assets at March 31, 2019.

The Canadian mutual fund industry continues to be very concentrated, with the ten largest firms and their subsidiaries representing 75% of industry long-term mutual fund assets and 75% of total mutual fund assets under management at March 31, 2019. Management anticipates continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

Management believes that the financial services industry will continue to be influenced by the following trends:

- Shifting demographics as the number of Canadians in their prime savings and retirement years continue to increase.
- Changes in investor attitudes based on economic conditions.
- Continued importance of the role of the financial advisor.
- Public policy related to retirement savings.
- Changes in the regulatory environment.
- An evolving competitive landscape.
- Advancing and changing technology.

THE COMPETITIVE LANDSCAPE

IGM Financial and its subsidiaries operate in a highly competitive environment. IG Wealth Management and Investment Planning Counsel compete directly with other retail financial service providers, including other financial planning firms, as well as full service brokerages, banks and insurance companies. IG Wealth Management, Mackenzie and Investment Planning Counsel compete directly with other investment managers for assets under management, and their products compete with stocks, bonds and other asset classes for a share of the investment assets of Canadians.

Competition from other financial service providers, alternative product types or delivery channels, and changes in regulations or public preferences could impact the characteristics of product and service offerings of the Company, including pricing, product structures, dealer and advisor compensation and disclosure. The Company monitors developments on an ongoing basis, and

engages in policy discussions and develops product and service responses as appropriate.

IGM Financial continues to focus on its commitment to provide quality investment advice and financial products, service innovations, effective management of the Company and long-term value for its clients and shareholders. Management believes that the Company is well-positioned to meet competitive challenges and capitalize on future opportunities.

The Company enjoys several competitive strengths, including:

- Broad and diversified distribution with an emphasis on those channels emphasizing comprehensive financial planning through a relationship with a financial advisor.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.
- Benefits of being part of the Power Financial group of companies.

BROAD AND DIVERSIFIED DISTRIBUTION

IGM Financial's distribution strength is a competitive advantage. In addition to owning two of Canada's largest financial planning organizations, IG Wealth Management and Investment Planning Counsel, IGM Financial has, through Mackenzie, access to distribution through over 30,000 independent financial advisors. Mackenzie also, in its growing strategic alliance business, partners with Canadian and U.S. manufacturing and distribution complexes to provide investment management to a number of retail investment fund mandates.

BROAD PRODUCT CAPABILITIES

IGM Financial's subsidiaries continue to develop and launch innovative products and strategic investment planning tools to assist advisors in building optimized portfolios for clients.

ENDURING RELATIONSHIPS

IGM Financial enjoys significant advantages as a result of the enduring relationships that advisors enjoy with clients. In addition, the Company's subsidiaries have strong heritages and cultures which are challenging for competitors to replicate.

BENEFITS OF BEING PART OF THE POWER FINANCIAL GROUP OF COMPANIES

As part of the Power Financial group of companies, IGM Financial benefits through expense savings from shared service arrangements, as well as through access to distribution, products and capital.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

There were no changes to the Company's assumptions related to critical accounting estimates from those reported at December 31, 2018.

CHANGES IN ACCOUNTING POLICIES

IFRS 16 *LEASES* (IFRS 16)

As of January 1, 2019, the Company adopted IFRS 16 using the modified retrospective method with no restatement of comparative financial information. Under this approach, the Company recognized a lease liability of $105.6 million equal to the present value of the remaining lease payments discounted using the Company's incremental borrowing rate at January 1, 2019. The weighted average discount rate applied was 4.4%. A right-of-use asset of $96.1 million representing the Company's property leases was also recognized at its carrying amount as if IFRS 16 had been applied since each lease commencement date, net of the accumulated amortization that would have been recognized up to January 1, 2019. The difference between the right-of-use asset and the lease liability of $9.5 million was recognized as an adjustment to retained earnings as at January 1, 2019. The following practical expedients were applied on transition:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Accounted for leases for which the remaining lease term ends within 12 months of the date of initial application as a short-term lease.
- Relied on its assessment of whether leases are onerous applying IAS 37, Provisions, Contingent Liabilities and Contingent Assets, immediately before the date of initial application as an alternative to performing an impairment review.

Amortization expense increased due to the amortization of the right-of-use asset and interest expense increased due to the imputed interest on the lease liability; however total expenses are not noticeably different due to the offsetting decrease to operating lease expense.

Table 24 details the impact of IFRS 16 on the Consolidated Balance Sheet as at January 1, 2019.

FUTURE ACCOUNTING CHANGES

The Company continuously monitors the potential changes proposed by the International Accounting Standards Board (IASB) and analyzes the effect that changes in the standards may have on the Company's operations.

OTHER

The IASB is currently undertaking a number of projects which will result in changes to existing IFRS standards that may affect the Company. Updates will be provided as the projects develop.

TABLE 24: IMPACT OF IFRS 16 ON BALANCE SHEET

($ millions)	DECEMBER 31, 2018	ADJUSTMENT DUE TO ADOPTION OF IFRS 16	JANUARY 1, 2019
Assets			
Other assets[1]	$ 46.5	$ (0.1)	$ 46.4
Capital assets	138.6	96.1	234.7
		$ 96.0	
Liabilities			
Accounts payable and accrued liabilities[1]	$ 397.4	$ (2.0)	$ 395.4
Lease obligations	–	105.6	105.6
Deferred income taxes	295.7	(2.0)	293.7
Retained earnings	2,840.6	(5.6)	2,835.0
		$ 96.0	

(1) Write-off of free rent inducement on capitalized leases.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the first quarter of 2019, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OTHER INFORMATION

TRANSACTIONS WITH RELATED PARTIES

There were no changes to the types of related party transactions from those reported at December 31, 2018. For further information on transactions involving related parties, see Notes 8 and 25 to the Company's Annual Financial Statements.

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at March 31, 2019 totalled 240,757,822. Outstanding stock options as at March 31, 2019 totalled 10,975,380, of which 5,672,049 were exercisable. As at April 30, 2019, outstanding common shares totalled 239,320,382 and outstanding stock options totalled 10,975,380 of which 5,672,049 were exercisable.

Perpetual preferred shares of $150 million were outstanding as at March 31, 2019. On April 30, the Company redeemed the $150 million perpetual preferred shares.

SEDAR

Additional information relating to IGM Financial, including the Company's most recent financial statements and Annual Information Form, is available at www.sedar.com.

CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited) *(in thousands of Canadian dollars, except per share amounts)*	THREE MONTHS ENDED MARCH 31 **2019**	2018
Revenues		
Management fees	**$ 545,224**	$ 556,601
Administration fees	**101,699**	107,534
Distribution fees	**89,274**	93,320
Net investment income and other	**20,233**	14,209
Proportionate share of associates' earnings *(Note 6)*	**32,650**	37,984
	789,080	809,648
Expenses		
Commission	**274,666**	286,098
Non-commission	**274,438**	253,145
Interest	**25,216**	30,264
	574,320	569,507
Earnings before income taxes	**214,760**	240,141
Income taxes	**45,044**	52,390
Net earnings	**169,716**	187,751
Perpetual preferred share dividends	**2,213**	2,213
Net earnings available to common shareholders	**$ 167,503**	$ 185,538
Earnings per share *(in dollars) (Note 14)*		
– Basic	**$ 0.70**	$ 0.77
– Diluted	**$ 0.70**	$ 0.77

(See accompanying notes to interim condensed consolidated financial statements.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) *(in thousands of Canadian dollars)*	THREE MONTHS ENDED MARCH 31 **2019**	 2018
Net earnings	**$ 169,716**	$ 187,751
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to Net earnings		
Fair value through other comprehensive income investments		
Other comprehensive income (loss), *net of tax of $1,113 and $429*	**(7,138)**	(2,746)
Employee benefits		
Net actuarial gains (losses), *net of tax of $7,388 and $1,269*	**(19,980)**	(3,427)
Investment in associates – employee benefits and other		
Other comprehensive income (loss), *net of tax of nil*	**(6,691)**	(2,875)
Items that may be reclassified subsequently to Net earnings		
Investment in associates and other		
Other comprehensive income (loss), *net of tax of $(646) and $(4,422)*	**29,358**	40,937
	(4,451)	31,889
Total comprehensive income	**$ 165,265**	$ 219,640

(See accompanying notes to interim condensed consolidated financial statements.)

CONSOLIDATED BALANCE SHEETS

(unaudited) *(in thousands of Canadian dollars)*	MARCH 31 2019	DECEMBER 31 2018
Assets		
Cash and cash equivalents	$ 837,089	$ 650,228
Other investments *(Note 3)*	328,987	459,911
Client funds on deposit	507,553	546,787
Accounts and other receivables	341,445	319,609
Income taxes recoverable	42,517	9,316
Loans *(Note 4)*	7,687,685	7,738,031
Derivative financial instruments	15,809	16,364
Other assets	44,487	46,531
Investment in associates *(Note 6)*	1,906,020	1,651,304
Capital assets *(Note 2)*	233,678	138,647
Capitalized sales commissions	112,813	105,044
Deferred income taxes	58,471	75,607
Intangible assets	1,193,401	1,191,068
Goodwill	2,660,267	2,660,267
	$ 15,970,222	$ 15,608,714
Liabilities		
Accounts payable and accrued liabilities	$ 368,741	$ 397,379
Income taxes payable	3,011	51,894
Derivative financial instruments	26,191	28,990
Deposits and certificates	531,583	568,799
Other liabilities	538,542	444,173
Obligations to securitization entities	7,462,680	7,370,193
Lease obligations *(Note 2)*	104,873	–
Deferred income taxes	296,024	295,719
Long-term debt *(Note 7)*	2,100,000	1,850,000
	11,431,645	11,007,147
Shareholders' Equity		
Share capital		
Perpetual preferred shares	150,000	150,000
Common shares	1,613,388	1,611,263
Contributed surplus	46,247	45,536
Retained earnings	2,800,659	2,840,566
Accumulated other comprehensive income (loss)	(71,717)	(45,798)
	4,538,577	4,601,567
	$ 15,970,222	$ 15,608,714

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 3, 2019.

(See accompanying notes to interim condensed consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	THREE MONTHS ENDED MARCH 31					
	SHARE CAPITAL					
(unaudited) *(in thousands of Canadian dollars)*	PERPETUAL PREFERRED SHARES *(Note 8)*	COMMON SHARES *(Note 8)*	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) *(Note 11)*	TOTAL SHAREHOLDERS' EQUITY
2019						
Balance, beginning of period						
As previously reported	**$ 150,000**	**$ 1,611,263**	**$ 45,536**	**$ 2,840,566**	**$ (45,798)**	**$ 4,601,567**
Change in accounting policy *(Note 2)*						
IFRS 16	**–**	**–**	**–**	**(5,568)**	**–**	**(5,568)**
As restated	**150,000**	**1,611,263**	**45,536**	**2,834,998**	**(45,798)**	**4,595,999**
Net earnings	**–**	**–**	**–**	**169,716**	**–**	**169,716**
Other comprehensive income (loss), net of tax	**–**	**–**	**–**	**–**	**(4,451)**	**(4,451)**
Total comprehensive income	**–**	**–**	**–**	**169,716**	**(4,451)**	**165,265**
Common shares						
Issued under stock option plan	**–**	**3,908**	**–**	**–**	**–**	**3,908**
Stock options						
Current period expense	**–**	**–**	**923**	**–**	**–**	**923**
Exercised	**–**	**–**	**(212)**	**–**	**–**	**(212)**
Perpetual preferred share dividends	**–**	**–**	**–**	**(2,213)**	**–**	**(2,213)**
Common share dividends	**–**	**–**	**–**	**(135,498)**	**–**	**(135,498)**
Transfer out of fair value through other comprehensive income	**–**	**–**	**–**	**21,468**	**(21,468)**	**–**
Common share cancellation excess & other	**–**	**(1,783)**	**–**	**(87,812)**	**–**	**(89,595)**
Balance, end of period	**$ 150,000**	**$ 1,613,388**	**$ 46,247**	**$ 2,800,659**	**$ (71,717)**	**$ 4,538,577**
2018						
Balance, beginning of period	$ 150,000	$ 1,602,726	$ 42,633	$ 2,620,797	$ (71,113)	$ 4,345,043
Net earnings	–	–	–	187,751	–	187,751
Other comprehensive income (loss), net of tax	–	–	–	–	31,889	31,889
Total comprehensive income	–	–	–	187,751	31,889	219,640
Common shares						
Issued under stock option plan	–	6,234	–	–	–	6,234
Stock options						
Current period expense	–	–	906	–	–	906
Exercised	–	–	(662)	–	–	(662)
Perpetual preferred share dividends	–	–	–	(2,213)	–	(2,213)
Common share dividends	–	–	–	(135,451)	–	(135,451)
Other	–	–	–	(562)	–	(562)
Balance, end of period	$ 150,000	$ 1,608,960	$ 42,877	$ 2,670,322	$ (39,224)	$ 4,432,935

(See accompanying notes to interim condensed consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) *(in thousands of Canadian dollars)*	THREE MONTHS ENDED MARCH 31 2019	2018
Operating activities		
Earnings before income taxes	$ 214,760	$ 240,141
Income taxes paid	(96,629)	(38,373)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	4,781	2,928
Capitalized sales commissions paid	(12,550)	(16,275)
Amortization of capital and intangible assets	19,968	13,872
Proportionate share of associates' earnings, net of dividends received	(16,239)	(22,526)
Pension and other post-employment benefits	799	(17,882)
Changes in operating assets and liabilities and other	(66,419)	(27,786)
Cash from operating activites before restructuring provision payments	48,471	134,099
Restructuring provision cash payments	(19,625)	(16,234)
	28,846	117,865
Financing activities		
Net increase (decrease) in deposits and certificates	870	(551)
Increase in obligations to securitization entities	426,284	361,544
Repayments of obligations to securitization entities and other	(320,989)	(352,802)
Repayments of lease obligations	(5,570)	–
Issue of debentures	250,000	–
Repayment of debentures	–	(150,000)
Issue of common shares	3,696	5,572
Common shares purchased for cancellation	(9,152)	–
Perpetual preferred share dividends paid	(2,213)	(2,213)
Common share dividends paid	(135,498)	(135,375)
	207,428	(273,825)
Investing activities		
Purchase of other investments	(35,351)	(50,240)
Proceeds from the sale of other investments	20,219	25,805
Increase in loans	(293,324)	(383,643)
Repayment of loans and other	341,255	403,007
Net additions to capital assets	(5,250)	(4,512)
Net cash used in additions to intangible assets and acquisitions	(10,151)	(23,057)
Investment in Personal Capital Corporation	(66,811)	–
	(49,413)	(32,640)
Increase (decrease) in cash and cash equivalents	186,861	(188,600)
Cash and cash equivalents, beginning of period	650,228	966,843
Cash and cash equivalents, end of period	$ 837,089	$ 778,243
Cash	$ 56,119	$ 49,566
Cash equivalents	780,970	728,677
	$ 837,089	$ 778,243
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	$ 72,066	$ 69,925
Interest paid	$ 64,169	$ 65,917

(See accompanying notes to interim condensed consolidated financial statements.)

NOTE 1 CORPORATE INFORMATION

IGM Financial Inc. (the Company) is a publicly listed company (TSX: IGM), incorporated and domiciled in Canada. The registered address of the Company is 447 Portage Avenue, Winnipeg, Manitoba, Canada. The Company is controlled by Power Financial Corporation.

IGM Financial Inc. is a wealth and asset management company which serves the financial needs of Canadians through its principal subsidiaries, each operating distinctly within the advice segment of the financial services market. The Company's wholly-owned principal subsidiaries are Investors Group Inc. and Mackenzie Financial Corporation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited Interim Condensed Consolidated Financial Statements of the Company (Interim Financial Statements) have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the accounting policies as set out in this note and in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2018. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2018 IGM Financial Inc. Annual Report.

CHANGES IN ACCOUNTING POLICIES

IFRS 16 LEASES (IFRS 16)

As of January 1, 2019, the Company adopted IFRS 16 using the modified retrospective method with no restatement of comparative financial information. Under this approach, the Company recognized a lease liability of $105.5 million equal to the present value of the remaining lease payments discounted using the Company's incremental borrowing rate at January 1, 2019. The weighted average discount rate applied was 4.4%. A right-of-use asset of $96.1 million representing the Company's property leases was also recognized at its carrying amount as if IFRS 16 had been applied since each lease commencement date, net of the accumulated amortization that would have been recognized up to January 1, 2019. The difference between the right-of-use asset and the lease liability of $9.4 million was recognized as an adjustment to retained earnings as at January 1, 2019. The following practical expedients were applied on transition:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Accounted for leases for which the remaining lease term ends within 12 months of the date of initial application as a short-term lease.
- Relied on its assessment of whether leases are onerous applying IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, immediately before the date of initial application as an alternative to performing an impairment review.

Amortization expense increased due to the amortization of the right-of-use asset and interest expense increased due to the imputed interest on the lease liability; however total expenses are not materially different due to the offsetting decrease to operating lease expense.

CHANGES IN ACCOUNTING POLICIES *(continued)*

IFRS 16 LEASES (IFRS 16) *(continued)*

Impact of the changes in accounting policies on the Consolidated Balance Sheet:

	DECEMBER 31, 2018	ADJUSTMENT DUE TO ADOPTION OF IFRS 16	JANUARY 1, 2019
Assets			
Other assets[1]	$ 46,531	$ (61)	$ 46,470
Capital assets	138,647	96,065	234,712
		$ 96,004	
Liabilities & Shareholders' Equity			
Accounts payable and accrued liabilities[1]	$ 397,379	$ (1,958)	$ 395,421
Lease obligations	–	105,539	105,539
Deferred income taxes	295,719	(2,009)	293,710
Retained earnings	2,840,566	(5,568)	2,834,998
		$ 96,004	

(1) Write-off of free rent inducement on capitalized leases

LEASES

For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term and is recorded in Non-commission expense. Imputed interest on the lease liability is recorded in Interest expense.

Lease payments included in the measurement of the lease liability comprises fixed payments less any lease incentives receivable, variable payments that depend on an index or a rate, and payments or penalties for terminating the lease, if any. The lease payments are discounted using the Company's incremental borrowing rate, which is applied to portfolios of leases with reasonably similar characteristics.

The Company does not recognize a right-of-use asset or lease liability for leases that, at commencement date, have a lease term of 12 months or less, and leases for which the underlying asset is of low value. The Company recognizes the payments associated with these leases as an expense on a straight-line basis over the term of the lease.

COMPARATIVE FIGURES

The Company reclassified certain comparative figures in its Statements of Cash Flows to conform to the current year's presentation. The reclassifications are intended to provide additional details on the nature of the Company's cash flows and had no impact on the net earnings of the Company.

NOTE 3 OTHER INVESTMENTS

	MARCH 31, 2019		DECEMBER 31, 2018	
	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	$ 196,187	$ 231,895	$ 303,619	$ 372,396
Fair value through profit or loss (FVTPL)				
Equity securities	17,009	15,549	16,976	12,915
Proprietary investment funds	81,719	81,543	78,504	74,600
	98,728	97,092	95,480	87,515
	$ 294,915	$ 328,987	$ 399,099	$ 459,911

In January 2019, the Company invested an additional amount of $66.8 million (USD $50.0 million) in Personal Capital Corporation which increased its voting interest to 22.7% and resulted in reclassification of the investment in Personal Capital Corporation from FVTOCI to the equity method (Note 6).

In the first quarter of 2019, the Company invested an additional $17.9 million in Wealthsimple Financial Corporation.

On April 15, 2019 the Company invested an additional $11.0 million in Portag3 Ventures II LP.

NOTE 4 LOANS

	CONTRACTUAL MATURITY				
	1 YEAR OR LESS	1 – 5 YEARS	OVER 5 YEARS	MARCH 31 2019 TOTAL	DECEMBER 31 2018 TOTAL
Amortized cost					
Residential mortgages	$ 1,315,873	$ 6,356,866	$ 10,427	$ 7,683,166	$ 7,734,529
Less: Allowance for expected credit losses				811	801
				7,682,355	7,733,728
Fair value through profit or loss				5,330	4,303
				$ 7,687,685	$ 7,738,031

The change in the allowance for expected credit losses is as follows:		
Balance, beginning of period	$ 801	$ 806
Write-offs, net of recoveries	(398)	(326)
Provision for credit losses	408	321
Balance, end of period	$ 811	$ 801

Total credit impaired loans as at March 31, 2019 were $2,921 (December 31, 2018 – $3,271).

Total interest income on loans was $54.5 million (2018 – $52.2 million). Total interest expense on obligations to securitization entities, related to securitized loans, was $44.1 million (2018 – $39.9 million). Gains realized on the sale of residential mortgages totalled $0.3 million (2018 – $0.8 million). Fair value adjustments related to mortgage banking operations totalled negative $3.4 million (2018 – negative $3.9 million). These amounts were included in Net investment income and other. Net investment income and other also includes other mortgage banking related items including portfolio insurance, issue costs, and other items.

NOTE 5 SECURITIZATIONS

The Company securitizes residential mortgages through the Canada Mortgage and Housing Corporation (CMHC) sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) Program and Canada Mortgage Bond (CMB) Program and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. These transactions do not meet the requirements for derecognition as the Company retains prepayment risk and certain elements of credit risk. Accordingly, the Company has retained these mortgages on its balance sheets and has recorded offsetting liabilities for the net proceeds received as Obligations to securitization entities which are recorded at amortized cost.

The Company earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, the Company enters into a swap transaction whereby the Company pays coupons on CMBs and receives investment returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, is recorded as a derivative and had a negative fair value of $5.5 million at March 31, 2019 (December 31, 2018 – positive $4.9 million).

Under the NHA MBS and CMB Program, the Company has an obligation to make timely payments to security holders regardless of whether amounts are received from mortgagors. All mortgages securitized under the NHA MBS and CMB Program are insured by CMHC or another approved insurer under the program. As part of the ABCP transactions, the Company has provided cash reserves for credit enhancement which are recorded at cost. Credit risk is limited to these cash reserves and future net interest income as the ABCP Trusts have no recourse to the Company's other assets for failure to make payments when due. Credit risk is further limited to the extent these mortgages are insured.

MARCH 31, 2019	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
Carrying value			
NHA MBS and CMB Program	**$ 4,301,389**	**$ 4,288,284**	**$ 13,105**
Bank sponsored ABCP	**3,153,738**	**3,174,396**	**(20,658)**
Total	**$ 7,455,127**	**$ 7,462,680**	**$ (7,553)**
Fair value	**$ 7,540,808**	**$ 7,578,167**	**$ (37,359)**

DECEMBER 31, 2018			
Carrying value			
NHA MBS and CMB Program	$ 4,246,668	$ 4,250,641	$ (3,973)
Bank sponsored ABCP	3,102,498	3,119,552	(17,054)
Total	$ 7,349,166	$ 7,370,193	$ (21,027)
Fair value	$ 7,405,170	$ 7,436,873	$ (31,703)

The carrying value of Obligations to securitization entities, which is recorded net of issue costs, includes principal payments received on securitized mortgages that are not due to be settled until after the reporting period. Issue costs are amortized over the life of the obligation on an effective interest rate basis.

NOTE 6 INVESTMENT IN ASSOCIATES

	LIFECO	CHINA AMC	PERSONAL CAPITAL	TOTAL
MARCH 31, 2019				
Balance, beginning of period	$ 967,830	$ 683,475	$ –	$ 1,651,305
Transfer from corporate investments (FVTOCI)	–	–	216,952	216,952
Dividends received	(16,411)	–	–	(16,411)
Proportionate share of:				
Earnings (losses)	28,642	7,369	(3,361)	32,650
Other comprehensive income (loss) and other adjustments	19,445	1,936	143	21,524
Balance, end of period	$ 999,506	$ 692,780	$ 213,734	$ 1,906,020
MARCH 31, 2018				
Balance, beginning of period	$ 901,405	$ 647,880	$ –	$ 1,549,285
Dividends received	(15,458)	–	–	(15,458)
Proportionate share of:				
Earnings	30,181	7,803	–	37,984
Other comprehensive income (loss) and other adjustments	5,836	38,842	–	44,678
Balance, end of period	$ 921,964	$ 694,525	$ –	$ 1,616,489

The Company uses the equity method to account for its investments in Great-West Lifeco Inc., China Asset Management Co., Ltd. and Personal Capital Corporation as it exercises significant influence.

GREAT-WEST LIFECO INC. (LIFECO)

At March 31, 2019, the Company held 39,737,388 (December 31, 2018 – 39,737,388) shares of Lifeco, which represented an equity interest of 4.0% (December 31, 2018 – 4.0%).

Subsequent to March 31, 2019, the Company participated on a proportionate basis in the Lifeco substantial issuer bid by selling 2,400,255 of its shares in Lifeco for proceeds of $80.4 million.

CHINA ASSET MANAGEMENT CO., LTD. (CHINA AMC)

China AMC is an asset management company established in Beijing, China and is controlled by CITIC Securities Company Limited.

As at March 31, 2019, the Company held a 13.9% equity interest in China AMC (2018 – 13.9%).

PERSONAL CAPITAL CORPORATION (PERSONAL CAPITAL)

In January 2019, the Company invested an additional amount of $66.8 million (USD $50.0 million) in Personal Capital which increased its voting interest to 22.7% (March 31, 2018 – 15.5%) and, combined with its board representation, resulted in the Company exercising significant influence.

As at March 31, 2019, the Company held a 25.2% equity interest in Personal Capital. IGM Financial's equity earnings from Personal Capital includes its proportionate share of Personal Capital's net income adjusted by IGM Financial's amortization of intangible assets that it recognized as part of its investment in the company.

NOTE 7 LONG-TERM DEBT

On March 20, 2019, the Company issued $250.0 million 4.206% debentures maturing March 21, 2050. The net proceeds were used by the Company to fund the redemption of $150.0 million of its issued and outstanding 5.90% Non-Cumulative First Preferred Shares, Series B and for general corporate purposes. The Company redeemed the Series B Preferred Shares on April 30, 2019.

NOTE 8 SHARE CAPITAL

AUTHORIZED

Unlimited number of:

- First preferred shares, issuable in series
- Second preferred shares, issuable in series
- Class 1 non-voting shares
- Common shares, no par value

ISSUED AND OUTSTANDING

	MARCH 31, 2019		MARCH 31, 2018	
	SHARES	STATED VALUE	SHARES	STATED VALUE
Perpetual preferred shares – classified as equity:				
First preferred shares, Series B	**6,000,000**	**$ 150,000**	6,000,000	$ 150,000
Common shares:				
Balance, beginning of period	**240,885,317**	**$ 1,611,263**	240,666,131	$ 1,602,726
Issued under Stock Option Plan	**138,598**	**3,908**	139,776	$ 6,234
Purchased for cancellation	**(266,093)**	**(1,783)**	–	–
Balance, end of period	**240,757,822**	**$ 1,613,388**	240,805,907	$ 1,608,960

PERPETUAL PREFERRED SHARES

The company redeemed the $150.0 million First preferred shares, Series B on April 30, 2019.

NORMAL COURSE ISSUER BID

In the first quarter of 2019, there were 266,093 shares (2018 – nil) purchased at a cost of $9.2 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

The Company commenced a normal course issuer bid on March 26, 2019 which is effective until the earlier of March 25, 2020 and the date on which the Corporation has purchased the maximum number of common shares permitted under the Normal Course Issuer Bid. Pursuant to this bid, the Company may purchase up to 4.0 million or 1.7% of its common shares outstanding as at March 14, 2019. The Company's previous normal course issuer bid expired on March 19, 2018.

In connection with its normal course issuer bid, the Company has established an automatic securities purchase plan for its common shares. The automatic securities purchase plan provides standard instructions regarding how the Company's common shares are to be purchased under its normal course issuer bid during certain pre-determined trading blackout periods. Outside of these pre-determined trading blackout periods, purchases under the Company's normal course issuer bid will be completed based upon management's discretion.

NOTE 9 CAPITAL MANAGEMENT

The capital management policies, procedures and activities of the Company are discussed in the Capital Resources section of the Company's Management's Discussion and Analysis contained in the First Quarter 2019 Report to Shareholders and in Note 17 to the Consolidated Financial Statements in the 2018 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2018.

NOTE 10 SHARE-BASED PAYMENTS

STOCK OPTION PLAN

	MARCH 31 2019	DECEMBER 31 2018
Common share options		
– Outstanding	**10,975,380**	9,701,894
– Exercisable	**5,672,049**	4,742,050

In the first quarter of 2019, the Company granted 1,485,310 options to employees (2018 – 1,318,390). The fair value of options granted during the three months ended March 31, 2019 has been estimated at $1.82 per option (2018 – $2.56) using the Black-Scholes option pricing model. The closing share price at the grant date was $34.30. The assumptions used in these valuation models include:

	THREE MONTHS ENDED MARCH 31	
	2019	2018
Exercise price	**$ 34.29**	$ 39.29
Risk-free interest rate	**2.07%**	2.35%
Expected option life	**7 years**	6 years
Expected volatility	**18.00%**	17.00%
Expected dividend yield	**6.56%**	5.73%

Expected volatility has been estimated based on the historic volatility of the Company's share price over seven years which is reflective of the expected option life. Options vest over a period of up to 7.5 years from the grant date and are exercisable no later than 10 years after the grant date.

NOTE 11 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

MARCH 31, 2019	EMPLOYEE BENEFITS	OTHER INVESTMENTS	INVESTMENT IN ASSOCIATES AND OTHER	TOTAL
Balance, beginning of period	**$ (149,052)**	**$ 57,234**	**$ 46,020**	**$ (45,798)**
Other comprehensive income (loss)	**(19,980)**	**(7,138)**	**22,667**	**(4,451)**
Transfer out of FVTOCI	**–**	**(21,468)**	**–**	**(21,468)**
Balance, end of period	**$ (169,032)**	**$ 28,628**	**$ 68,687**	**$ (71,717)**
MARCH 31, 2018				
Balance, beginning of period	$ (132,529)	$ 39,068	$ 22,348	$ (71,113)
Other comprehensive income (loss)	(3,427)	(2,746)	38,062	31,889
Balance, end of period	$ (135,956)	$ 36,322	$ 60,410	$ (39,224)

Amounts are recorded net of tax.

NOTE 12 RISK MANAGEMENT

The risk management policies and procedures of the Company are discussed in the Financial Instruments Risk section of the Company's Management's Discussion and Analysis contained in the First Quarter 2019 Report to Shareholders and in Note 20 to the Consolidated Financial Statements in the 2018 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2018.

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values are management's estimates and are calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and are matters of significant judgment.

All financial instruments measured at fair value and those for which fair value is disclosed are classified into one of three levels that distinguish fair value measurements by the significance of the inputs used for valuation.

Fair value is determined based on the price that would be received for an asset or paid to transfer a liability in the most advantageous market, utilizing a hierarchy of three different valuation techniques, based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity. Valuation techniques are primarily model-based.

Markets are considered inactive when transactions are not occurring with sufficient regularity. Inactive markets may be characterized by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In those instances where traded markets are not considered sufficiently active, fair value is measured using valuation models which may utilize predominantly observable market inputs (Level 2) or may utilize predominantly non-observable market inputs (Level 3). Management considers all reasonably available information including indicative broker quotations, any available pricing for similar instruments, recent arm's length market transactions, any relevant observable market inputs, and internal model-based estimates. Management exercises judgment in determining the most appropriate inputs and the weighting ascribed to each input as well as in the selection of valuation methodologies.

Fair value is determined using the following methods and assumptions:

Other investments and other financial assets and financial liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.

Loans classified as Level 2 are valued using market interest rates for loans with similar credit risk and maturity.

Loans classified as Level 3 are valued by discounting the expected future cash flows at prevailing market yields.

Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.

Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

Long-term debt is valued using quoted prices for each debenture available in the market.

Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

Level 1 financial instruments include exchange-traded equity investments and open-end investment fund units and other financial liabilities in instances where there are quoted prices available from active markets.

Level 2 assets and liabilities include fixed income securities, loans, derivative financial instruments, deposits and certificates and long-term debt. The fair value of fixed income securities is determined using quoted market prices or independent dealer price quotes. The fair value of derivative financial instruments and deposits and certificates are determined using valuation models, discounted cash flow methodologies, or similar techniques using primarily observable market inputs. The fair value of long-term debt is determined using indicative broker quotes.

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

Level 3 assets and liabilities include investments with little or no trading activity valued using broker-dealer quotes, loans, other financial assets, obligations to securitization entities and derivative financial instruments. Derivative financial instruments consist of principal reinvestment account swaps which represent the component of a swap entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal. Fair value is determined by discounting the projected cashflows of the swaps. The notional amount, which is an input used to determine the fair value of the swap, is determined using an average unobservable prepayment rate of 15% which is based on historical prepayment patterns. An increase (decrease) in the assumed mortgage prepayment rate increases (decreases) the notional amount of the swap.

The following table presents the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The table distinguishes between those financial instruments recorded at fair value and those recorded at amortized cost. The table also excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities and certain other financial liabilities.

					FAIR VALUE
	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
MARCH 31, 2019					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	$ 231,895	$ –	$ –	$ 231,895	$ 231,895
– FVTPL	97,092	96,473	–	619	97,092
Loans					
– FVTPL	5,330	–	5,330	–	5,330
Derivative financial instruments	15,809	–	11,247	4,562	15,809
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	7,682,355	–	226,563	7,540,808	7,767,371
Financial liabilities recorded at fair value					
Derivative financial instruments	26,191	–	16,103	10,088	26,191
Other financial liabilities	9,522	9,423	99	–	9,522
Financial liabilities recorded at amortized cost					
Deposits and certificates	531,583	–	531,966	–	531,966
Obligations to securitization entities	7,462,680	–	–	7,578,167	7,578,167
Long-term debt	2,100,000	–	2,397,774	–	2,397,774
DECEMBER 31, 2018					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	$ 372,396	$ –	$ –	$ 372,396	$ 372,396
– FVTPL	87,515	86,963	–	552	87,515
Loans					
– FVTPL	4,303	–	4,303	–	4,303
Derivative financial instruments	16,364	–	7,179	9,185	16,364
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	7,733,728	–	380,372	7,405,170	7,785,542
Financial liabilities recorded at fair value					
Derivative financial instruments	28,990	–	24,704	4,286	28,990
Other financial liabilities	8,237	8,235	2	–	8,237
Financial liabilities recorded at amortized cost					
Deposits and certificates	568,799	–	569,048	–	569,048
Obligations to securitization entities	7,370,193	–	–	7,436,873	7,436,873
Long-term debt	1,850,000	–	2,050,299	–	2,050,299

There were no significant transfers between Level 1 and Level 2 in 2019 and 2018.

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

The following table provides a summary of changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

	BALANCE JANUARY 1	GAINS/ (LOSSES) INCLUDED IN NET EARNINGS[1]	GAINS/(LOSSES) INCLUDED IN OTHER COMPREHENSIVE INCOME	PURCHASES AND ISSUANCES	SETTLEMENTS	TRANSFERS IN/OUT	BALANCE MARCH 31
MARCH 31, 2019							
Other investments							
– FVTOCI	**$ 372,396**	**$ –**	**$ (8,251)**	**$ 17,891**	**$ –**	**$ (150,141)[2]**	**$ 231,895**
– FVTPL	**552**	**67**	**–**	**–**	**–**	**–**	**619**
Derivative financial instruments, net	**4,899**	**(9,148)**	**–**	**(973)**	**304**	**–**	**(5,526)**
MARCH 31, 2018							
Other investments							
– FVTOCI	$ 262,825	$ –	$ (3,175)	$ 47,132	$ –	$ –	$ 306,782
– FVTPL	661	20	–	–	–	–	681
Derivative financial instruments, net	4,095	(2,685)	–	194	(3,820)	–	5,424

(1) Included in Net investment income in the Consolidated Statements of Earnings.

(2) Reclassification of investment in Personal Capital from Other investments (FVTOCI) to Investment in associates (equity method).

NOTE 14 EARNINGS PER COMMON SHARE

	THREE MONTHS ENDED MARCH 31	
	2019	2018
Earnings		
Net earnings	**$ 169,716**	$ 187,751
Perpetual preferred share dividends	**2,213**	2,213
Net earnings available to common shareholders	**$ 167,503**	$ 185,538
Number of common shares *(in thousands)*		
Weighted average number of common shares outstanding	**240,941**	240,759
Add: Potential exercise of outstanding stock options[1]	**–**	322
Average number of common shares outstanding – Diluted basis	**240,941**	241,081
Earnings per common share *(in dollars)*		
Basic	**$ 0.70**	$ 0.77
Diluted	**$ 0.70**	$ 0.77

(1) Excludes 3,013 thousand shares for the three months ended March 31, 2019 (2018 – 720 thousand) related to outstanding stock options that were anti-dilutive.

NOTE 15 SEGMENTED INFORMATION

The Company's reportable segments are:

- IG Wealth Management
- Mackenzie Investments
- Corporate and Other

These segments reflect the Company's internal financial reporting and performance measurement. In the third quarter of 2018, the Company announced that it has rebranded Investors Group as IG Wealth Management.

IG Wealth Management earns fee-based revenues in the conduct of its core business activities which are primarily related to the distribution, management and administration of its investment funds. It also earns fee revenues from the provision of brokerage services and the distribution of insurance and banking products. In addition, IG Wealth Management earns intermediary revenues primarily from mortgage banking and servicing activities and from the assets funded by deposit and certificate products.

Mackenzie Investments earns fee-based revenues from services it provides as fund manager to its investment funds and as investment advisor to sub-advisory and institutional accounts.

Corporate and Other includes Investment Planning Counsel, equity income from its investment in Lifeco, China AMC and Personal Capital (Note 6), net investment income on unallocated investments, other income, and also includes consolidation elimination entries.

2019

THREE MONTHS ENDED MARCH 31	IG WEALTH MANAGEMENT	MACKENZIE INVESTMENTS	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 358,153	$ 168,278	$ 18,793	$ 545,224
Administration fees	73,949	23,272	4,478	101,699
Distribution fees	41,112	1,439	46,723	89,274
Net investment income and other	10,038	4,179	6,016	20,233
Proportionate share of associates' earnings	–	–	32,650	32,650
	483,252	197,168	108,660	789,080
Expenses				
Commission	156,984	72,448	45,234	274,666
Non-commission	162,926	88,790	22,722	274,438
	319,910	161,238	67,956	549,104
Earnings before undernoted	$ 163,342	$ 35,930	$ 40,704	239,976
Interest expense[1]				25,216
Earnings before income taxes				214,760
Income taxes				45,044
Net earnings				169,716
Perpetual preferred share dividends				2,213
Net earnings available to common shareholders				$ 167,503
Identifiable assets	$ 9,065,689	$ 1,183,641	$ 3,060,625	$ 13,309,955
Goodwill	1,347,781	1,168,580	143,906	2,660,267
Total assets	$ 10,413,470	$ 2,352,221	$ 3,204,531	$ 15,970,222

(1) Interest expense includes interest on long-term debt and, beginning January 1, 2019, includes interest on leases as a result of the Company's adoption of IFRS 16, Leases.

NOTE 15 SEGMENTED INFORMATION *(continued)*

2018

THREE MONTHS ENDED MARCH 31	IG WEALTH MANAGEMENT	MACKENZIE INVESTMENTS	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 360,807	$ 175,930	$ 19,864	$ 556,601
Administration fees	78,041	24,882	4,611	107,534
Distribution fees	43,318	2,066	47,936	93,320
Net investment income and other	10,336	(174)	4,047	14,209
Proportionate share of associates' earnings	–	–	37,984	37,984
	492,502	202,704	114,442	809,648
Expenses				
Commission	164,758	75,273	46,067	286,098
Non-commission	144,726	85,830	22,589	253,145
	309,484	161,103	68,656	539,243
Earnings before undernoted	$ 183,018	$ 41,601	$ 45,786	270,405
Interest expense				30,264
Earnings before income taxes				240,141
Income taxes				52,390
Net earnings				187,751
Perpetual preferred share dividends				2,213
Net earnings available to common shareholders				$ 185,538
Identifiable assets	$ 8,855,206	$ 1,203,987	$ 2,976,020	$ 13,035,213
Goodwill	1,347,781	1,168,580	143,906	2,660,267
Total assets	$ 10,202,987	$ 2,372,567	$ 3,119,926	$ 15,695,480

Pargesa Holding SA

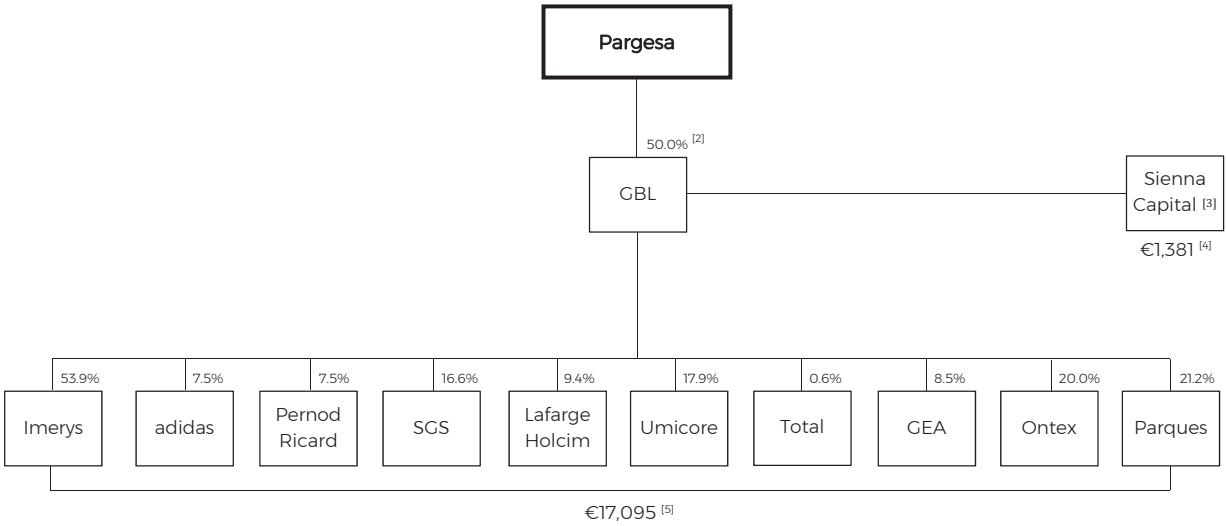
PART E

The attached document discloses information relating to the financial results of Pargesa Holding SA as issued by Pargesa Holding SA.

Pargesa Holding SA

Power Financial Corporation and the Frère Group of Charleroi, Belgium, each hold a 50.0% interest in Parjointco N.V., a Netherlands-based company that, at March 31, 2019, held a 55.5% interest in Pargesa Holding SA (Pargesa), the Pargesa group's parent company, representing 75.4% of the voting rights in the company. Pargesa has its head office in Geneva, Switzerland and its shares are listed on the Swiss Exchange (SIX: PARG). The Pargesa group holds interests in a limited number of large European companies.

The organization chart below reflects the group's structure at March 31, 2019 [1]:



[1] The chart shows the main shareholdings of the portfolio. Shareholdings are expressed as a percentage of the capital held.

[2] 51.0% of voting rights (and of economic interest), taking into account the suspended voting rights related to GBL treasury shares.

[3] Comprising significant investments in private equity, debt or specific thematic funds.

[4] Estimated value in millions of euros at March 31, 2019.

[5] Market value in millions of euros of the main investments held by GBL at March 31, 2019.

Pargesa holds an interest in Groupe Bruxelles Lambert (GBL), a holding company whose head office is in Brussels, Belgium, and which is listed on the Euronext Exchange (EBR: GBLB). At March 31, 2019, the GBL portfolio was comprised of investments in the following publicly traded companies:

- 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
- Parques (BME: PQR) – operation of regional leisure parks

Key Financial Data

[in millions of Swiss francs] [unaudited]	March 31 2019	March 31 2018	December 31 2018	Variation [1] 2019/2018
Consolidated net result (group share)	91	61	361	30
Net debt [2]	178	228	175	3
Loan to value [3]	1.7%	2.0%	1.9%	
Net asset value	10,179	11,033	8,973	13.4 %
Market capitalization	6,607	7,172	6,001	10.1 %

[1] Variation between March 2019 and March 2018 for the consolidated net result, and between March 2019 and December 2018 for net debt, net asset value and market capitalization.

[2] Pargesa's net debt (including 50% of GBL's net debt; the net debt amounts to SF428 million at end of March 2019 against SF566 million at end of December 2018 – see "Net asset value" section for details).

[3] The loan to value ratio is calculated on the basis of (i) Pargesa's direct net debt relative to (ii) Pargesa's portfolio value.

Pargesa's consolidated net result (group share) stands at SF91 million in the first quarter of 2019. The increase in the contribution of private equity and other funds as well as net financial income more than offset the decrease in Imerys' contribution. Pargesa's financial position remains sound, with a net financial debt of SF178 million. Pargesa's net asset value rose 13.4% since the beginning of the year to SF10.2 billion at the end of March 2019.

Highlights

- In a favourable market context, GBL finalized, in March and April 2019, its exit from the energy sector initiated in 2013, by selling 0.6% of Total's capital through forward sales maturing in January 2020. Sales were executed at an average spot price of €50.52 per share and at an average forward price of €48.37 per share. They have been prepaid[1] on May 2, 2019 for a total amount of €771 million. The capital gain generated by these sales will amount to €411 million at GBL's level and will not impact the consolidated net income in 2020, in accordance with IFRS 9. At maturity of these sales, on January 24, 2020, GBL's ownership in Total will be reduced to 0.01%. GBL will continue to receive dividends on the disposed shares until this date.

- GBL has also seized this market window to monetize 0.3% of adidas' capital for a net amount of €139 million and generate a capital gain of €86 million which does not impact the income statement under the accounting standard IFRS 9. GBL thus returns to its ownership level of 7.5% of the capital of adidas (7.8% as of December 31, 2018), prior to the passive relution consecutive to the cancellation of shares by adidas in October 2018. At the end of March 2019, the participation in adidas was valued at €3,256 million.

- During the first quarter of 2019, GBL continued to strengthen its position in Umicore. At March 31, 2019, GBL holds a 17.9% stake in Umicore (17.7% at the end of 2018), representing a market value of €1,747 million.

- Pursuant to GBL's share buyback program, as announced on October 31, 2018, 0.6 million shares have been bought during the first quarter of 2019. The economic interest of Pargesa in GBL stands at 51.0% following these purchases at March 31, 2019 against 50.8% at December 31, 2018. Between April 1 and April 22, 2019, 0.4 million supplementary shares have been purchased. This share buyback program is executed up to 44% to date.

- GBL through Piolin Bidco, S.A.U. (Piolin) announced, on April 26, 2019, its intention to launch a voluntary public takeover bid paid in cash for the shares of Parques (the Bid). Piolin is indirectly held at 23.96% by Miles Capital, a subsidiary indirectly wholly owned by GBL, the remainder of the capital being indirectly held by EQT AB and Corporación Financiera Alba (Alba) at 50.01% and 26.03% respectively. The Bid still has to be approved by the Spanish Market Authority, the CNMV (*Comisión Nacional del Mercado de Valores*). A cash consideration of €14.00 per share is offered, representing a 31.6%[2] premium over the volume weighted average price observed over the last six months before the launch. The Bid is subject to the following conditions: (i) the acceptance by Parques' shareholders, other than GBL and Alba, owning at least 30.79% of the capital and (ii) merger control authorizations. GBL and Alba irrevocably undertook to contribute their Parques shares to Piolin if the Bid is successful.

[1] The prepayment of the forward sales of Total shares will not impact GBL's net financial position until their maturity in January 2020.

[2] 29.2% compared to the closing price of April 25, 2019 observed before its launch and 33.4% and 34.9% compared to the average prices observed over the periods of one and three months before its launch.

- At the level of Sienna Capital:
  - In December 2017, Ergon Capital Partners launched a new fund, Ergon Capital Partners IV, which successfully closed at the end of March 2019, with total commitments of €580 million, beyond the fundraising objective of €500 million. In 2017, Sienna Capital committed €200 million in this new fund.
  - At March 31, 2019, GBL's commitments with respect to Sienna Capital amounted to €504 million (€528 million at December 31, 2018).

Presentation of Results in Accordance with IFRS

The simplified income statement in accordance with IFRS is as follows:

[in millions of Swiss francs] [unaudited]	March 31, 2019	March 31, 2018
Operating income	1,458.6	1,428.9
Operating expenses	(1,383.4)	(1,314.1)
Other income and expenses	8.8	–
Operating profit	84.0	114.8
Dividends and interest from long-term investments	100.1	95.8
Other financial income and expenses	43.3	(44.4)
Taxes	(37.6)	(40.2)
Income from associates and joint ventures	11.2	14.2
Net profit from continuing operations	201.0	140.2
Net profit from discontinued operations	–	21.0
Consolidated net profit [before non-controlling interests]	201.0	161.2
Attributable to non-controlling interests	(110.0)	(100.6)
Attributable to Pargesa shareholders [group share]	91.0	60.6
Basic earnings per share attributable to Pargesa shareholders [SF]	*1.07*	*0.72*
Average number of shares [in thousands]	84,699	84,665
€/SF average exchange rate	1.132	1.165

The operating profit amounts to SF84.0 million, compared to SF114.8 million in the first quarter of 2018. This change reflects the decrease in Imerys' operating profit (loss).

The dividends and interest from long-term investments item of SF100.1 million in the first quarter of 2019 against SF95.8 million in the first quarter of 2018 comprises mainly the net dividend recorded on SGS of SF98.7 million (non-consolidated investment). The variation is primarily due to the increase in the dividend per share paid by SGS to GBL. The contribution of the other dividends will intervene starting from the second quarter.

Other financial income and expenses were SF43.3 million in the first quarter of 2019 compared with -SF44.4 million in the corresponding period of 2018. The increase in the first quarter reflects in particular the positive impact of GBL's trading activity in 2019, the decrease in interest expenses and the variation in fair value of private equity and other non-consolidated funds.

The net profit from discontinued operations represents the contribution from Imerys' Roofing division, which was sold in October 2018.

Economic Presentation of Pargesa's Financial Results

The presentation of the economic result that follows makes it possible to assess differently the formation of the group results.

The economic results at March 31, 2019 can be analyzed as follows:

[in millions of Swiss francs] [unaudited]		March 31, 2019	March 31, 2018
Contribution from the portfolio to operating income			
Consolidated shareholdings (full consolidation or equity accounting):			
Imerys	share of operating income	23.6	31.2
Parques	share of operating income [1]	–	–
Non-consolidated shareholdings:			
SGS	net dividend	50.4	49.6
Other	net dividend	0.6	–
Contribution from private equity and other funds		11.0	(3.9)
Contribution from the portfolio to operating income		85.6	76.9
per share [SF]		*1.01*	*0.91*
Contribution from holding companies to operating income			
Net financial income and expenses		16.6	(6.5)
General expenses and taxes		(8.7)	(8.6)
Economic operating income		93.5	61.8
per share [SF]		*1.10*	*0.73*
Non-operating income (loss) from consolidated shareholdings		(2.5)	(1.2)
Net income		91.0	60.6
per share [SF]		*1.07*	*0.72*
Average number of shares [in thousands]		84,699	84,665
€/SF average exchange rate		1.132	1.165

[1] Information not available at the time of publication of the results for the three-month periods ended March 31, 2019 and 2018.

Most income comes from GBL, whose results are denominated in euros. In the first quarter of 2019, the average €/SF exchange rate is 1.132, compared with 1.165 in the first quarter of 2018, meaning a decrease of 2.8%. Furthermore, following the acquisition of treasury shares by GBL in late 2018 and in 2019 (please refer to the section "Highlights" for more details) and the conversion in 2018 of convertible bonds issued by GBL, Pargesa's share of GBL's earning (excluding the portion attributable to non-controlling shareholders) stands at 51.0% at March 31, 2019, compared to 50.8% at December 31, 2018 and 51.8% at March 31, 2018.

Consolidated Holdings (full consolidation or equity accounting)

Imerys

Imerys' (which is fully consolidated) net income from current operations (group share) decreases by 2.6% to €75 million in the first quarter of 2019 compared to €77 million in the first quarter of 2018. Including in the first quarter of 2018 the contribution from its Roofing division classified as discontinued operations in the IFRS presentation (€18 million), Imerys' net operating income as defined by Pargesa amounted to €95 million. Including the effect of the decline of the average €/SF exchange rate, Pargesa's share of Imerys' net income from current operations, in Swiss francs, was SF23.6 million in the first quarter of 2019, compared with SF31.2 million in the first quarter of 2018. After taking into account "Other operating income and expenses" of -€8 million net of taxes[3], Imerys' net income (group share) was €67 million in the first quarter of 2019. In the first quarter of 2018, Imerys' net income (group share) amounted to €92 million after taking into account "Other operating income and expenses" of -€3 million net of taxes.

[3] Pargesa's share of "Other operating income and expenses" recorded by Imerys appears under "Non-operating income (loss) from consolidated shareholdings".

Parques

The contribution of Parques, which is accounted for under the equity method, has not been included in the first quarter of 2019, as the company publishes its earnings for the period only after those of the group. As a result, Parques' first quarter 2019 contribution will be included in the group's 2019 first-half results.

Non-Consolidated Holdings

The contributions from SGS, LafargeHolcim, Pernod Ricard, Total, adidas, Umicore, GEA, and Ontex, represent Pargesa's share of net dividends recorded by GBL. Usually, the only contribution to operating income recorded in the first quarter of the financial year comes from SGS, as dividends from other shareholdings are recorded from the second quarter on.

The contribution from SGS came in at SF50.4 million at March 31, 2019, compared with SF49.6 million for the corresponding period in 2018. The change of the contribution year-over-year is due to the increase in the dividend per share paid by SGS to GBL (SF78 compared with SF75 in 2018, up 4.0%) offset by the currency effects.

Contributions from Private Equity and Other Funds

The contribution from private equity and other investment fund activities comes primarily from the funds held by GBL through its subsidiary Sienna Capital, and also includes general expenses and management fees. In the first quarter of 2019, the net contribution from these activities came in at SF11.0 million, compared to -SF3.9 million in the first quarter of 2018, and includes changes in fair value during the period of the funds that are not fully consolidated for SF14.2 million (-SF2.6 million in the first quarter of 2018).

Net Financial Income and Expenses

Net financial income and expenses, which include interest income and expenses, as well as other financial income and expenses, amounted to SF16.6 million in the first quarter of 2019, compared with –SF6.5 million in the first quarter of 2018. Interest income and expenses recorded by Pargesa as well as its share of those recorded by GBL represented –SF1.7 million in the first quarter of 2019, compared with –SF3.8 million in the first quarter of 2018. Other financial income and expenses include in particular Pargesa's share of the realized and unrealized results recorded by GBL from trading activities (including dividends) and from derivatives used in managing its portfolio. Pargesa's share of results from these activities was SF9.1 million in the first quarter of 2019, compared with SF1.3 million in the first quarter of 2018.

General Expenses and Taxes

The general expenses and taxes line item represents Pargesa's own general expenses and taxes as well as its share of those of GBL.

Non-Operating Income (loss)

Non-operating loss from consolidated shareholdings of SF2.5 million (loss of SF1.2 million in the first quarter of 2018) includes Pargesa's share of Imerys' "Other operating income and expenses", which, as indicated above, amounted to a loss of €8 million in the first quarter of 2019, against a loss of €3 million in the first quarter of 2018.

It should be noted that, pursuant to IFRS 9, the gain resulting from the sale by GBL of 0.3% of adidas' capital during the first quarter of 2019 amounting to SF49 million (Pargesa's share) has not been recorded in the income statement, but directly in shareholders' equity.

Net Asset Value

The table below offers a detailed view of Pargesa's net asset value (on a flow-through basis) at March 31, 2019. The net asset value is calculated by taking, on one hand, the assets and liabilities of Pargesa (excluding Pargesa's participation in GBL) and, on the other hand, Pargesa's share in the value of the portfolio, the net cash or net debt position and the other assets and liabilities of GBL. The net asset value is calculated based on current market values and exchange rates for the listed shareholdings, and on the fair value and current exchange rates for private equity and other investment funds (Sienna Capital).

Pargesa's net asset value per share was SF102.2 per share at March 31, 2019, an increase of 13.4% compared with the level at the end of 2018 (SF105.9 per share). It was SF127.1 per share on May 3, 2019 (+20.0% since the end of 2018).

Pargesa's share price was SF78.0 on March 31, 2019, compared with SF70.9 at the end of 2018, an increase of 10.1%. At May 3, 2019, the share price closed at SF81.6 (+15.2% since end of 2018).

The net asset value at March 31, 2019 is broken down as follows:

Net asset value of Pargesa				March 31, 2019		December 31, 2018
[in millions of Swiss francs, except as otherwise noted] [unaudited]	% of capital[1]	% of economic interest[1]	Share price & currency	Flow-through value	Weighting as a % of total	Flow-through value
Listed companies:						
adidas	7.5	3.8	€216.6	1,820	18	1,613
Pernod Ricard	7.5	3.8	€160.0	1,779	17	1,606
SGS	16.6	8.3	SF2,478.0	1,570	16	1,400
LafargeHolcim	9.4	4.7	€44.0	1,409	14	1,156
Imerys	53.9	27.0	€44.4	1,065	10	1,014
Umicore	17.9	9.0	€39.6	977	10	856
Total [2]	0.6	0.3	€49.5	449	4	422
GEA	8.5	4.3	€23.4	201	2	195
Ontex	20.0	10.0	€20.1	184	2	166
Parques	21.2	10.6	€10.8	104	1	104
Other				102	1	96
Other investments:						
Sienna Capital				772	8	774
Other Pargesa				24	-	24
Total portfolio				10,456	103	9,426
GBL treasury assets				151	1	113
Net cash (debt) [3]				(428)	(4)	(566)
Net asset value				10,179	100	8,973
Net asset value per share				*120.2*		*105.9*
Share price Pargesa				*78.0*		*70.9*
€/SF exchange rate				1.118		1.127

[1] The % of capital represents the % of capital held by GBL in the shareholdings; the % of economic interest represents Pargesa's share (50%) of the % of capital held by GBL.

[2] The ownership percentage as well as the market value of the investment do not take into account yet the forward sales of Total shares will mature in January 2020. The fair value of these contracts is included in the item Net cash (debt).

[3] This item includes also Pargesa's share in the market value of GBL's trading portfolio.

The net asset value is published on a weekly basis on the company's website.

On May 8, 2019, Pargesa declared a dividend of SF2.56 per bearer share, an increase of 2.4% over the previous year.

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STOCK LISTINGS

Shares of Power Corporation of Canada are listed on the Toronto Stock Exchange:

Subordinate Voting Shares: POW
Participating Preferred Shares: POW.PR.E

First Preferred Shares, 1986 Series: POW.PR.F
First Preferred Shares, Series A: POW.PR.A
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First Preferred Shares, Series G: POW.PR.G

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Shareholders with questions relating to the payment of dividends, change of address, share certificates, direct registration and estate transfers should contact the Transfer Agent:

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