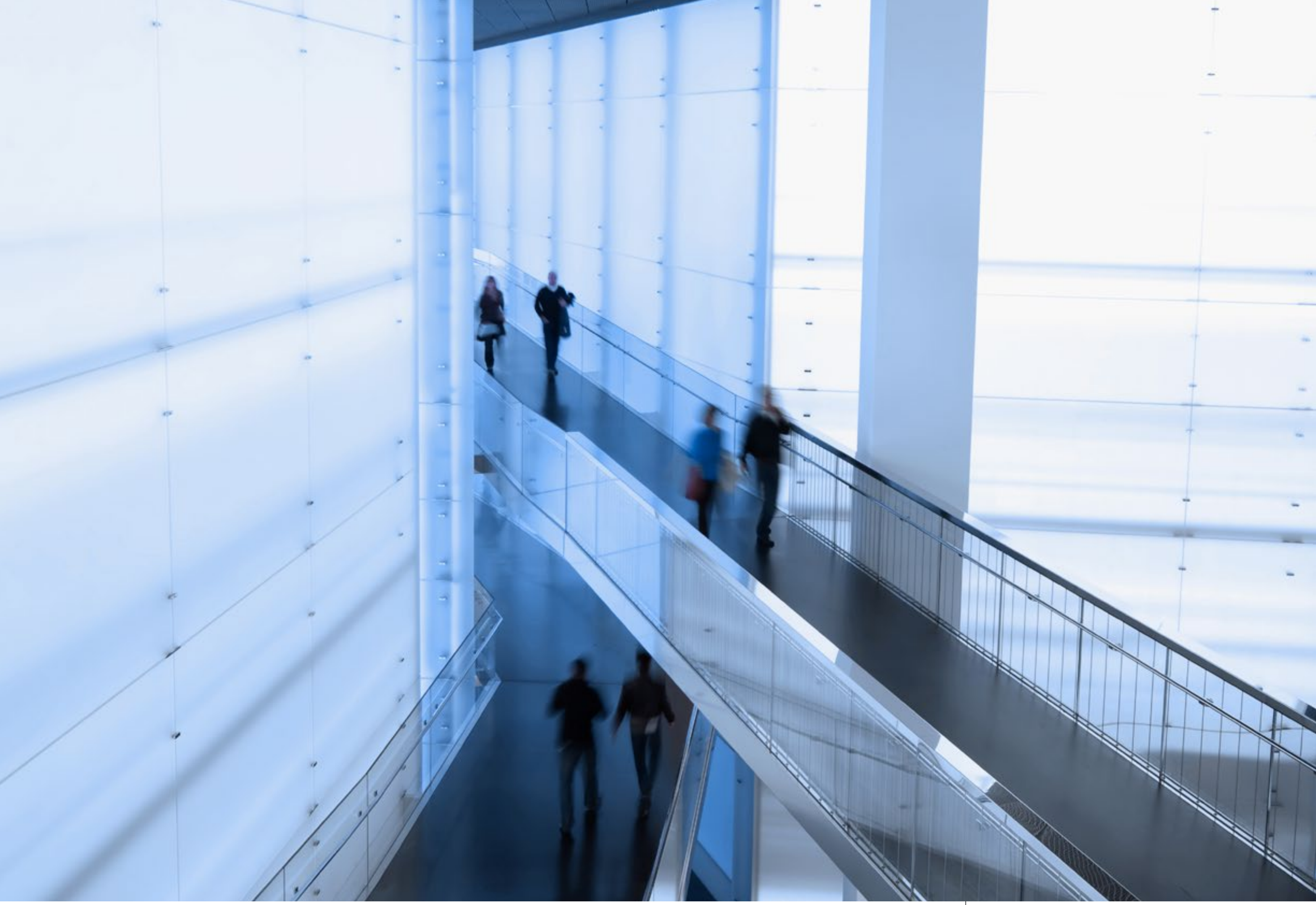


2015
ANNUAL
REPORT

POWER FINANCIAL
CORPORATION

Table of Contents

This Annual Report is intended to provide shareholders and other interested persons with selected information concerning Power Financial Corporation. For further information concerning the Corporation, shareholders and other interested persons should consult the Corporation's disclosure documents, such as its Annual Information Form and Management's Discussion and Analysis. Copies of the Corporation's continuous disclosure documents can be obtained from the Corporation's website at www.powerfinancial.com, from www.sedar.com, or from the Office of the Secretary at the addresses shown at the end of this report.

Readers should also review the note further in this report, in the section entitled Review of Financial Performance, concerning the use of Forward-Looking Statements, which applies to the entirety of this Annual Report.

In addition, selected information concerning the business, operations, financial condition, financial performance, priorities, ongoing objectives, strategies and outlook of Power Financial Corporation's subsidiaries and associates is derived from public information published by such subsidiaries and associates and is provided here for the convenience of the shareholders of Power Financial Corporation. For further information concerning such subsidiaries and associates, shareholders and other interested persons should consult the websites of, and other publicly available information published by, such subsidiaries and associates.

All figures mentioned in this report are in Canadian dollars and as of December 31, 2015, unless otherwise noted.

NON-IFRS FINANCIAL MEASURES AND PRESENTATION

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

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

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

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

ABBREVIATIONS

The following abbreviations are used throughout this report: Power Financial Corporation (Power Financial or the Corporation); Euronext Brussels (EBR); Euronext Paris (EPA); GDF Suez (Engie); Great-West Life & Annuity Insurance Company (Great-West Financial or Great-West Life & Annuity); Great-West Lifeco Inc. (Great-West Lifeco or Lifeco); Groupe Bruxelles Lambert (GBL); IGM Financial Inc. (IGM Financial or IGM); International Financial Reporting Standards (IFRS); Investment Planning Counsel Inc. (Investment Planning Counsel); Investors Group Inc. (Investors Group); Irish Life Group Limited (Irish Life); Lafarge SA (Lafarge); LafargeHolcim Ltd (LafargeHolcim); London Life Insurance Company (London Life); Mackenzie Financial Corporation (Mackenzie Investments or Mackenzie); Pargesa Holding SA (Pargesa); Parjointco N.V. (Parjointco); Power Corporation of Canada (Power Corporation); Putnam Investments, LLC (Putnam Investments or Putnam); SGS SA (SGS); Suez Environnement Company (Suez Environnement); Swiss Stock Exchange (SIX); The Canada Life Assurance Company (Canada Life); The Great-West Life Assurance Company (Great-West Life); Total SA (Total); Wealthsimple Financial Corp. (Wealthsimple).

This is Power Financial

Financial Highlights

FOR THE YEARS ENDED DECEMBER 31 [IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS]	2015	2014
Revenues	36,512	41,775
Net earnings – attributable to common shareholders	2,319	2,136
Net earnings – per common share	3.25	3.00
Operating earnings[1] – attributable to common shareholders	2,241	2,105
Operating earnings[1] – per common share	3.14	2.96
Dividends declared – per common share	1.49	1.40
Consolidated assets	417,630	373,843
Consolidated assets and assets under management	779,944	709,406
Shareholders' equity[2]	19,550	17,019
Total equity[3]	32,402	28,902
Book value per common share	23.79	20.29
Common shares outstanding [in millions]	713.2	711.7

[1] Non-IFRS financial measures. Please refer to the reconciliation of non-IFRS financial measures to financial measures in accordance with IFRS in the Review of Financial Performance.

[2] Represents preferred and common shareholders' equity.

[3] Includes non-controlling interests in the equity of subsidiaries.

$2.3 BILLION
of net earnings attributable to common shareholders

14.3%
return on equity[1]

THROUGH GREAT-WEST LIFECO AND IGM FINANCIAL

$780 BILLION
of assets under management

$1.4 TRILLION
of assets under administration

30 MILLION
customer relationships

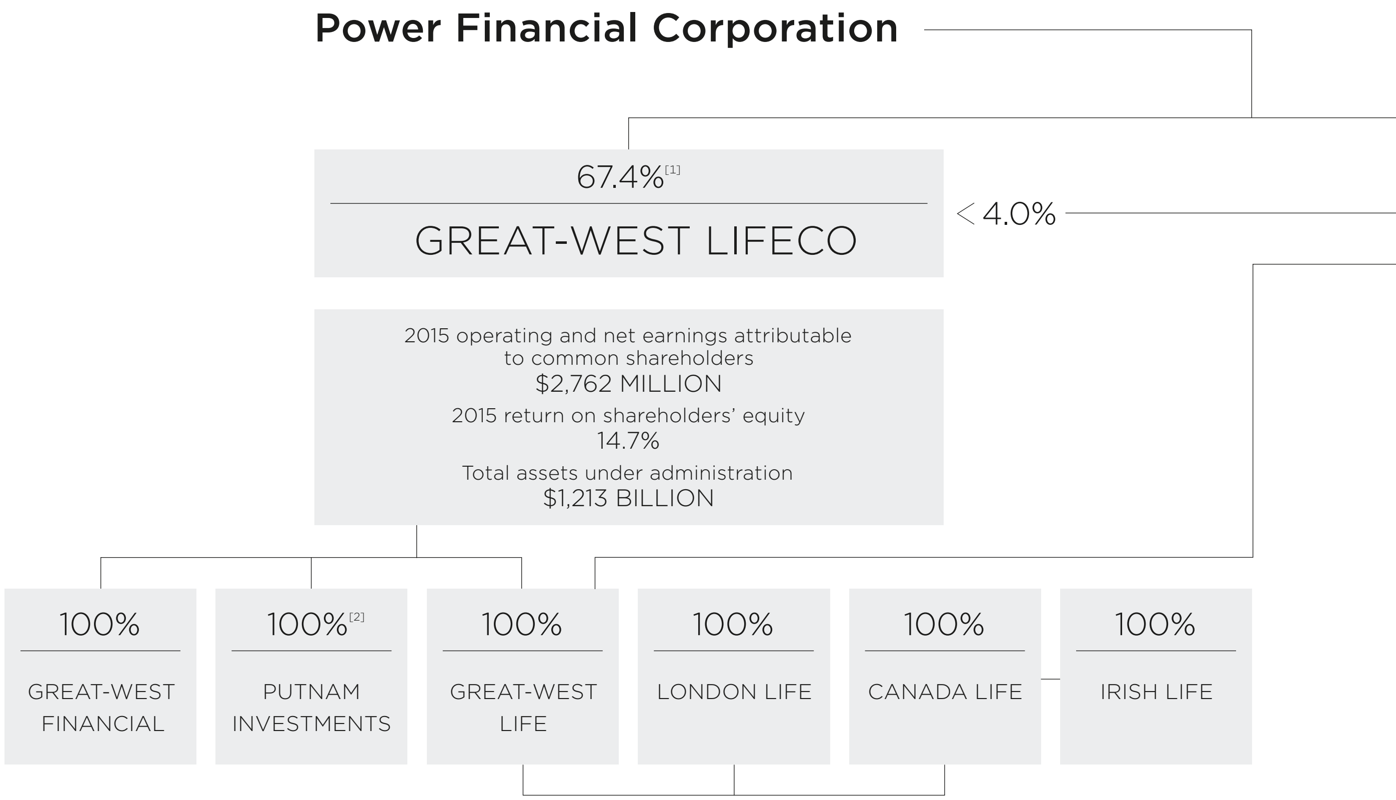
25,700
employees and
14,400
financial advisors

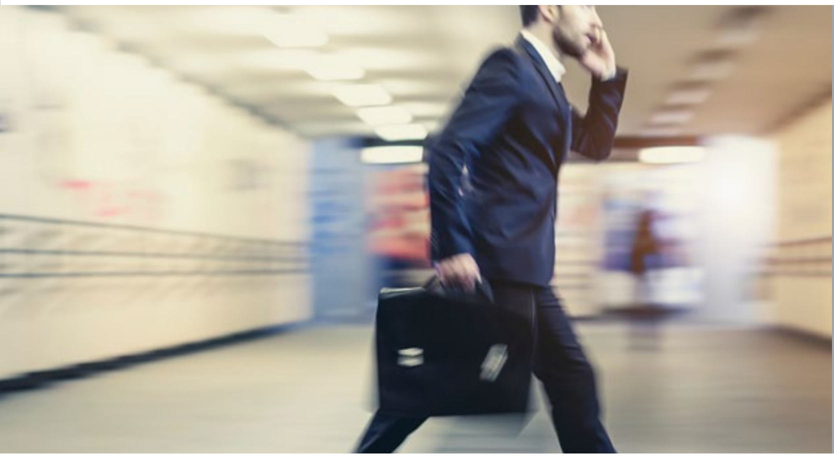
THROUGH THE PARGESA GROUP

Significant shareholdings in six leading European-based multinationals

[1] Return on equity is calculated using operating earnings.

Group Organization Chart





3.8% >

60.4%

IGM FINANCIAL

2015 net earnings available to common shareholders
$772 MILLION

2015 return on shareholders' equity
17.0%

2015 operating earnings available to common shareholders
$796 MILLION

Total assets under management
$134 BILLION

100%	100%	96.9%
INVESTORS GROUP	MACKENZIE INVESTMENTS	INVESTMENT PLANNING COUNSEL

PARGESA[3]

2015 net earnings
SF638 MILLION

2015 operating earnings
SF308 MILLION

Net asset value
SF8.0 BILLION

50.0%[4]

GROUPE BRUXELLES LAMBERT

Percentages denote participating equity interest as at December 31, 2015.

Return on shareholders' equity is calculated using operating earnings.

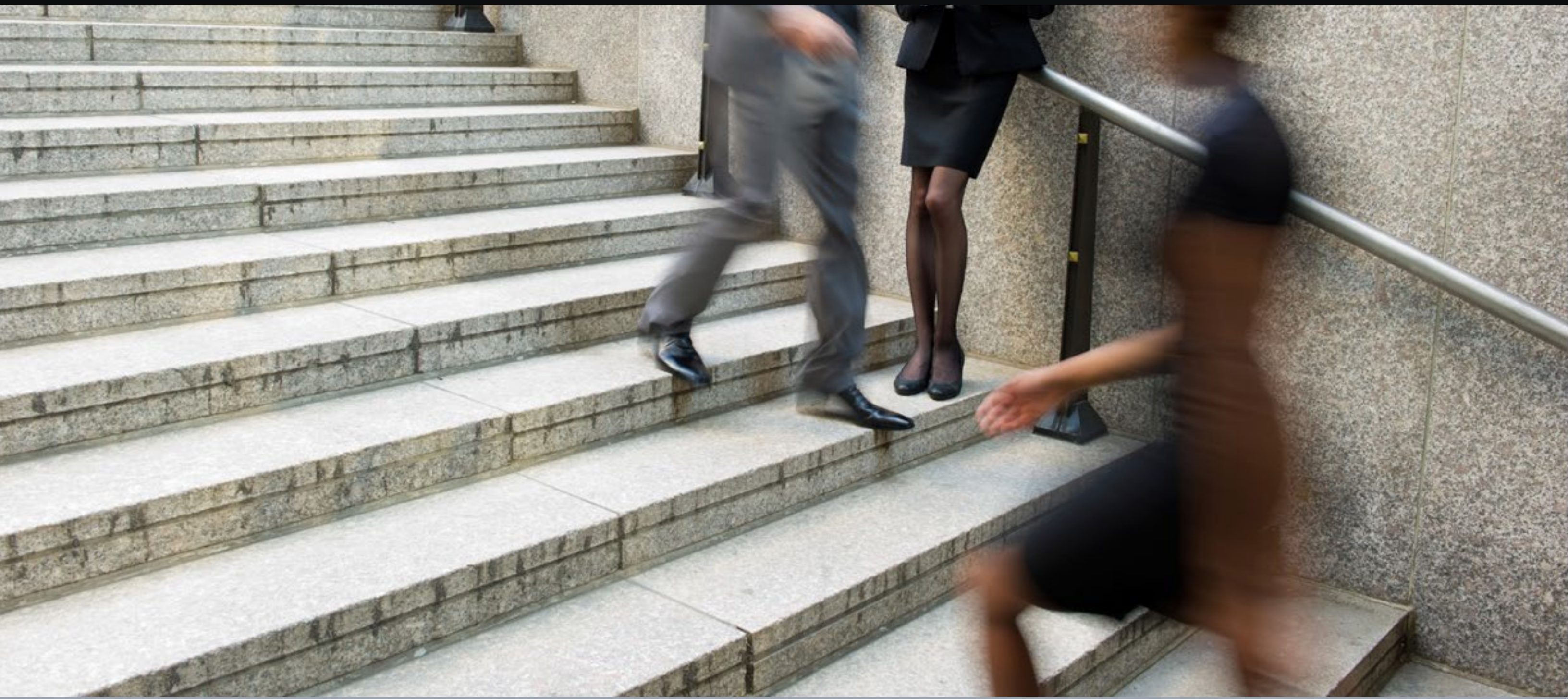
Operating earnings is a non-IFRS financial measure.

[1] Representing 65% of the voting rights.

[2] Denotes voting interest.

[3] Through its wholly owned subsidiary, Power Financial Europe B.V., Power Financial held a 50% interest in Parjointco. Parjointco held a voting interest of 75.4% and an equity interest of 55.5% in Pargesa.

[4] Representing 52% of the voting rights.



Directors' Report to Shareholders

Power Financial reported record earnings in 2015, driven by organic growth at its subsidiaries. The Corporation increased the quarterly dividend payable to common shareholders during the year, the first such increase since the financial crisis. The record earnings were realized while the Corporation's principal financial services subsidiaries invested heavily in products and services to meet the ever-evolving needs of their customers.

At Great-West Lifeco, the year 2015 saw solid sales across all lines of business in the Canadian operations. In Europe, the integration of Irish Life was completed during the year and, with a nod to the strength of the Empower Retirement brand in the United States, Irish Life adopted Empower as the marketing platform for its retirement services. Empower Retirement — the amalgam of the retirement businesses of Great-West Financial, Putnam Investments and J. P. Morgan's U.S.-based Retirement Plan Services, acquired in 2014 — continues to build its customer base. It is the second largest defined contribution retirement provider in the United States and celebrated its first anniversary with $50 billion in new business commitments.

At IGM Financial, the management team continues to focus on long-term growth and value creation. The company continues to invest energy and resources in product innovation and distribution channels. Investors Group used its exclusive consultant network, which reached an all-time high of 5,320 consultants by year-end, to enhance its financial planning capabilities and to further define its competitive advantage. Mackenzie Investments is transforming its business to be a leader among its peers by focusing on competitive risk-adjusted performance through its investment boutiques, product innovation and distribution excellence.

Consistent with the previous three years, the year 2015 at Pargesa was characterized by faster portfolio turnover, with the goal of increasing sector and geographic diversification. Many investments were made and GBL took advantage of the greater volatility in the financial markets to strengthen certain of its interests (Umicore) and acquire new positions (adidas AG, Ontex Group NV). GBL's portfolio restructuring activities continued with the progressive reduction of its holdings in Total, which occurred mainly in late 2015 and early 2016. While the reduction in its investment will have an impact on the dividends GBL receives from Total (for the most part beginning in 2016), the continuing implementation of its strategy through new investments is not expected to affect the group's dividend policy for 2016.

Power Financial and its subsidiaries all maintain strong balance sheets. Maintaining such positions of financial strength is a key priority for the Corporation, allowing us the flexibility to manage our financial affairs in a prudent fashion while remaining equipped to pursue strategic acquisitions to complement our existing operations.

As a group of companies, we continue to invest in our people, helping our consultants, advisors and employees develop their skills and earn professional designations that speak to their ability to provide practical and beneficial advice to clients. We are businesses enabled by personal relationships and trust. On our clients' behalf, we recruit and nurture the best professionals in the industry at every level in the group.

Power Financial is actively assessing emerging business models in the so-called "Fintech" space, with a view to identifying opportunities to either serve existing client groups more effectively or address the needs of new client segments. In this regard, in 2015 Power Financial announced an investment of $30 million in Wealthsimple, Canada's largest automated investing service, and in 2016 has made smaller investments in several other ventures.

During the course of 2015, Power Financial continued to evolve and strengthen its governance model. We play an active role in our companies' boards of directors as a long-term investor committed to their future success.

The principles of responsible management continue to guide the actions of Power Financial and its portfolio companies. To bring focus to these activities, we have included a section later in this report that outlines our commitments under the Corporation's responsible management philosophy. Of note in 2015, we launched a website that details our policies, programs and performance as it pertains to corporate social responsibility, www.PowerFinancialCSR.com.

Financial Results

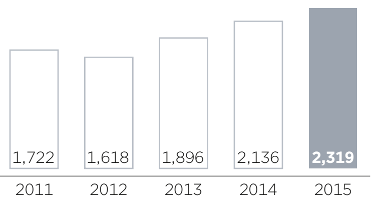
Power Financial's operating earnings attributable to common shareholders for the year ended December 31, 2015 were $2,241 million or $3.14 per share, compared with $2,105 million or $2.96 per share in 2014.

Other items represented a contribution of $78 million in 2015, compared with $31 million in 2014.

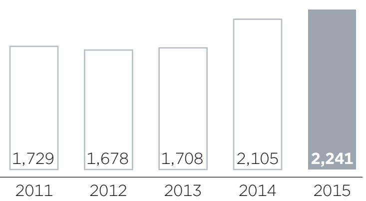
Net earnings attributable to common shareholders were $2,319 million or $3.25 per share, compared with $2,136 million or $3.00 per share in 2014.

In March of 2015, the Board of Directors increased the quarterly dividend from 35 cents to 37.25 cents per common share, the first quarterly increase since 2008. Dividends declared by Power Financial totalled $1.49 per common share in 2015, compared with $1.40 per share in 2014. In March of 2016, the Board of Directors announced a further increase in the quarterly dividend to 39.25 cents per common share.

Net earnings attributable to common shareholders [in millions of dollars]



Operating earnings attributable to common shareholders [in millions of dollars]



Results of Group Companies

GREAT-WEST LIFECO

Great-West Lifeco's operating and net earnings attributable to common shareholders were $2.8 billion or $2.774 per share in 2015, compared with $2.5 billion or $2.549 per share in 2014.

Great-West Lifeco maintained a strong return on equity of 14.7 per cent based on net earnings.

Total assets under administration at December 31, 2015 grew to over $1.2 trillion, up $149 billion from December 31, 2014.

In February of 2016, Great-West Lifeco announced a 6.1 per cent increase in its quarterly dividend, to 34.60 cents per common share.

IGM FINANCIAL

Operating earnings available to common shareholders, excluding other items, were $796 million or $3.21 per share in 2015, compared with $826 million or $3.27 per share in 2014.

Net earnings available to common shareholders were $772 million or $3.11 per share in 2015, compared with $753 million or $2.98 per share in 2014.

Total assets under management at December 31, 2015 totalled $134 billion, compared with $142 billion at December 31, 2014.

PARGESA

Pargesa's operating earnings were SF308 million in 2015, compared with SF339 million in 2014. Including non-operating earnings consisting primarily of gains on the partial disposals by GBL of its interest in Total and mark-to-market gains related to the LafargeHolcim merger, Pargesa's net earnings in 2015 were SF638 million, compared with SF637 million in 2014.

Executive Changes in the Group

Murray J. Taylor, President and Chief Executive Officer of Investors Group for the past 12 years, will retire from the company at IGM Financial's upcoming annual meeting after a 40-year career with the Power Financial group of companies. Under his leadership, Investors Group greatly enhanced the products, services and advice given to clients and expanded its network of consultants.

Jeffrey R. Carney, CFA, will be appointed President and Chief Executive Officer of Investors Group. Since May 2013, he has served as President and Chief Executive Officer of Mackenzie Financial Corporation. Mr. Carney will also become President and Chief Executive Officer of IGM Financial, a position he has shared with Mr. Taylor for the past three years.

Board of Directors

At the May 2016 Annual Meeting of the Corporation, shareholders will be asked to elect Mr. Gary A. Doer to the Board. Mr. Doer served as Canada's Ambassador to the United States from 2009 to 2015. Prior to that, he was Premier of the Province of Manitoba after serving in a number of roles in the Legislative Assembly of Manitoba. Mr. Doer has also been nominated for election to the boards of Power Corporation, Lifeco and IGM at their upcoming annual meetings of shareholders.

Mr. V. Peter Harder will not stand for re-election to the Corporation's Board of Directors. Mr. Harder was a member of the Board since 2009; he served on the Compensation Committee and the Related Party and Conduct Review Committee, of which he had been the Chairman since May 2010. The Directors wish to thank Mr. Harder, on behalf of the shareholders, for his important contribution to the Board.

The Power Financial Group

Our financial services businesses are focused upon providing financial security and peace of mind to millions of people through various investment, retirement and insurance solutions. These are provided to our clients through one-on-one relationships with their financial advisors and through workplace programs. Excellence and innovation in products and services and value to the customer are critical factors in meeting client needs. Financial strength and the ability to honour long-term commitments are equally important.

The need for these products and services is expected to continue to grow in the future. The strategies being pursued by our group companies to serve these growing markets are focused upon organic growth, based upon delivering ever-improving client outcomes and experiences. Acquisitions are expected to continue to complement these strategies as opportunities arise.

Power Financial and its subsidiaries are committed to creating long-term value for shareholders based upon the success of our clients, our employees and our business partners, while contributing positively to the communities in which we operate.

Your Directors wish to express gratitude, on behalf of all shareholders, for the important contribution of the management and employees of our Corporation and its associated companies to the successful results achieved in 2015.

On behalf of the Board of Directors,

Signed,	Signed,	Signed,
R. Jeffrey Orr President and Chief Executive Officer	Paul Desmarais, Jr., O.C., O.Q. Executive Co-Chairman of the Board	André Desmarais, O.C., O.Q. Executive Co-Chairman of the Board

March 23, 2016

2015 at a Glance

During 2015, the companies in the Power Financial group celebrated important milestones, expanded the reach and variety of their products and services, and worked diligently to protect and grow the financial security and health of their millions of customers. They also distinguished themselves with their corporate responsibility practices.

GREAT-WEST LIFE

Breaking new ground for health and wellness delivery

Great-West Life piloted an online health and wellness platform that supports its commitment to helping improve the physical and mental well-being of Canadians, while helping reduce associated health plan costs for plan sponsors. The pilot project was the first major initiative for the company's new innovation team, launched last year to embed innovative thinking across the organization and support the incubation of new ideas.

PUTNAM INVESTMENTS

Strong long-term investment performance

Long-term investment performance continues to be strong at Putnam with nearly two thirds of the firm's mutual funds performing above Lipper median and almost forty per cent of the funds' assets performing in the top quartile for the three-year period at the end of 2015. Putnam has been focusing on helping advisors and their clients "maneuver in markets" by providing an array of traditional and non-traditional products including multi-asset strategies and alternative solutions.

INVESTORS GROUP

New Maestro Portfolios™ attractive to clients

Investors Group has seen an increase in the number of clients with more than $500K invested with the company, in part due to its expanded product offering.

Their new Maestro Portfolios combine a long-term investment management outlook with dynamic asset allocation strategies to better manage volatility and help clients continue to build wealth. Since their launch in July 2015, Maestro Portfolios' assets under management grew to $720 million at December 31, 2015.

EMPOWER RETIREMENT

Innovation helps customers reach goals

Empower Retirement, a combination of three U.S. retirement businesses, celebrated its first anniversary with $50 billion in new business commitments. Forward-thinking and focused on client needs, Empower launched a new customer experience with unique online and mobile features in 2015. Social media tools and simplified communications help guide participants to better retirement outcomes. Empower's state-of-the-art record-keeping platform created efficiencies and provided scalability.

MACKENZIE INVESTMENTS

A bold new look brings a message of confidence

In October 2015, Mackenzie Investments launched a new brand identity and tagline "Confidence in a Changing World", to inspire both advisors and investors. The new identity and messaging reflects the strong heritage of thought leadership and innovation while reflecting a modernized yet sound, established company.

The branding and tagline reinforce that Mackenzie Investments is focused on helping its clients confidently navigate the changing world.

GREAT-WEST LIFE, LONDON LIFE, CANADA LIFE

HelloLife driving organic growth in retirement income market

HelloLife symbolizes a new approach to helping Canadians achieve their best possible retirement while driving organic growth. Reflecting in-depth consumer feedback, HelloLife made its public debut last year in television, newspaper and magazine ads. The product name was spotlighted and, for the first time, the Great-West Life, London Life and Canada Life brands were advertised together.

IGM FINANCIAL

Recognized for corporate responsibility

JSI
JANTZI SOCIAL INDEX

As a result of enhanced reporting and the introduction of a number of initiatives demonstrating a long-standing commitment to corporate responsibility, IGM Financial was recognized as one of the top five-performing Canadian diversified financial services companies by Sustainalytics — a global environmental, social and governance research firm — and was named to the Jantzi Social Index (JSI).

IGM Financial's addition to the JSI demonstrates its leadership in corporate responsibility.

PUTNAM INVESTMENTS

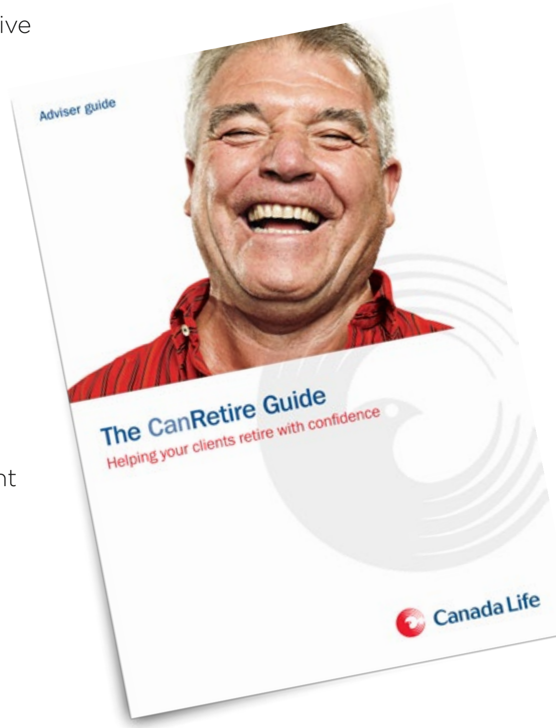
Leader in the digital revolution

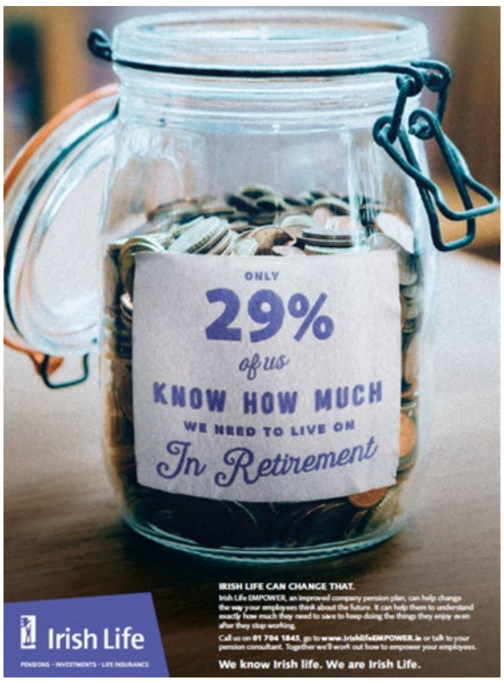
Putnam has distinguished itself in the financial services industry as a leader in the digital revolution, from its highly acclaimed website and innovative practice management offerings to the firm's trailblazing use of social media. In 2015, Putnam's advisor website was ranked No. 1 by DALBAR and kasina, two well-regarded industry consultants.

CANADA LIFE

New CanRetire suite launched in the U.K.

Responding to pension legislation changes that became effective in 2015, Canada Life in the U.K. launched its CanRetire suite of products — its largest U.K. product launch in many years. Under its distinctive brand, the four new products are engaging customers to rethink their view of retirement planning, as they mix and match products to suit their needs. CanRetire also supports advisors to become subject matter experts in guiding their clients' retirement planning decisions.





IRISH LIFE

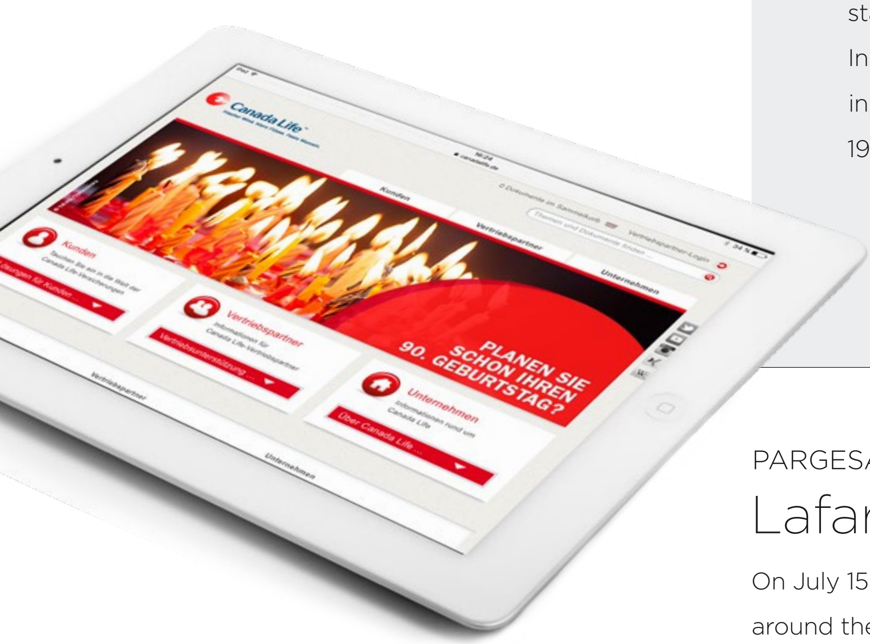
Empowering better retirement outcomes

Leveraging expertise from Great-West Lifeco's businesses in North America, Irish Life Empower is helping customers make retirement planning decisions that will lead them closer to financial security. No matter what mobile platform they use, plan members can create their own unique service experience. They can also draw on strategies to help them decide where to invest or how much to contribute, or use budgeting and planning tools to help them boost their retirement savings.

CANADA LIFE

Marking 15 years in Germany

The Canada Life Cologne office began operations in 2000, as the opening of the cross-border life insurance market in Europe led to expansion from Ireland. Today, employees based in Dublin, Ireland, Cologne and Frankfurt serve 325,000 German customers. Canada Life continues to be one of the leading insurers for unit-linked pension savings products distributed by independent brokers and is well recognized for its service and technology capabilities.



PUTNAM INVESTMENTS

Key international partnership

Putnam and Nissay Asset Management (NAM) extended their strategic alliance to manage and provide investment products and services to Japanese institutional and retail investors through the year 2020. NAM, in which Putnam holds a 10 per cent ownership stake, is the asset management arm of Nippon Life Insurance Company, the largest life insurance company in Japan. The partnership was originally established in 1998 and last renewed in 2010.

PARGESA

Lafarge, Holcim join forces

On July 15, 2015, LafargeHolcim was officially launched around the world following the successful completion of the merger between Lafarge and Holcim. The new entity has dedicated itself to becoming the highest-performing company in the building materials industry.

GREAT-WEST LIFE

Minimizing its carbon footprint

The Carbon Disclosure Project (CDP) once again included Great-West Life's Canadian operations on the Canada 200 Climate Disclosure Leadership Index in 2015, with the top score amongst insurers in Canada. The designation was based on the company's disclosure of high-quality data on greenhouse gas emissions. Also in 2015, real estate subsidiary, GWL Realty Advisors, achieved a Green Star ranking in its first submission to the Global Real Estate Sustainability Benchmark (GRESB) survey.

GREAT-WEST FINANCIAL

GREAT-WEST FINANCIAL

New U.S. brand identity points the way

Building on its history of strength and stability, Great-West Financial launched a new brand identity in the U.S. that positions it for the future. A bold, modern logo evokes a compass, projecting progress toward new horizons. A redesigned website and digital, social media and print advertising campaign highlighted the new visual identity. With a focus on retirement income, life insurance and wealth transfer products, Great-West Financial championed the freedoms that come from preparing for financial independence.

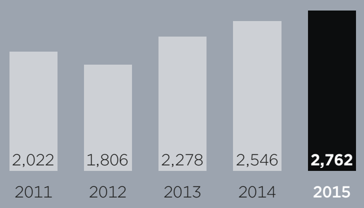
LafargeHolcim will be organized along a new operating model oriented to serve local customers, while leveraging the group's size, footprint, and capabilities on a global scale. Pargesa, through its subsidiary GBL, owns 9.4 per cent of LafargeHolcim.

LafargeHolcim

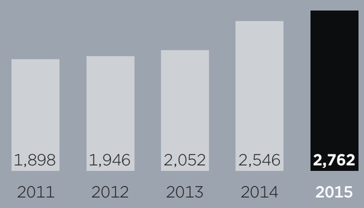
Great-West Lifeco

Great-West Lifeco Inc. is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses. Great-West Lifeco has operations in Canada, the United States, Europe and Asia through Great-West Life, London Life, Canada Life, Irish Life, Great-West Financial and Putnam Investments. Great-West Lifeco and its companies have over $1.2 trillion in total assets under administration.

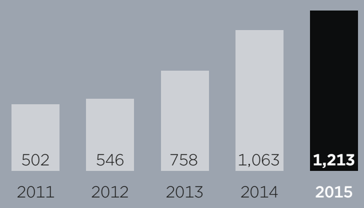
Net earnings attributable to common shareholders
[in millions of dollars]



Operating earnings attributable to common shareholders
[in millions of dollars]



Total assets under administration
[in billions of dollars]



2015 total assets under administration

$1,213 BILLION

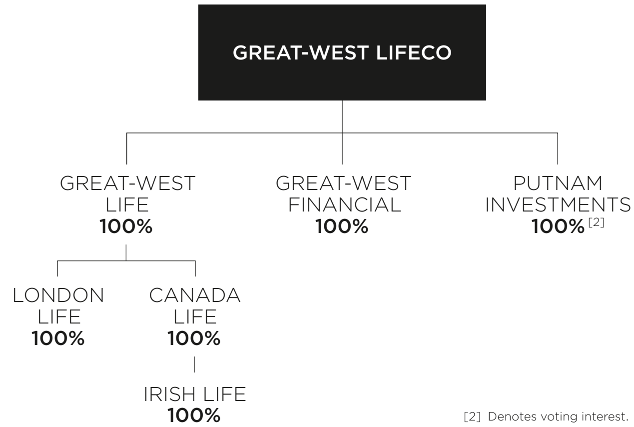
2015 operating earnings attributable to common shareholders

$2,762 MILLION

2015 return on shareholders' equity[1]

14.7%

[1] Return on shareholders' equity is calculated using operating earnings.



[2] Denotes voting interest.

Canada

Great-West Life is a leading Canadian insurer, with interests in life insurance, health insurance, investment, savings and retirement income and reinsurance businesses, primarily in Canada and Europe.

In Canada, Great-West Life and its subsidiaries, London Life and Canada Life, offer a broad portfolio of financial and benefit plan solutions and serve the financial security needs of more than 12 million people.

$166 billion Total assets under administration

$12.6 billion 2015 sales

$1,195 million 2015 net earnings

Europe

Canada Life and its Irish Life subsidiary in Europe provide a broad range of protection and wealth management products, including: payout annuities, investments and group insurance in the United Kingdom; investments and individual insurance in the Isle of Man; insurance, pension and investment products in Ireland; and pensions, critical illness and disability insurance in Germany.

$238 billion Total assets under administration

$19.5 billion 2015 insurance and annuities sales

$1,174 million 2015 net earnings

United States

Great-West Financial® provides life insurance, annuities, executive benefits products and investment services. Its Empower Retirement arm is the second-largest retirement services provider in the U.S. by participants. Empower serves all segments of the employer-sponsored retirement plan market: small, mid-size and large corporate clients, government plans, non-profit entities and private-label record-keeping clients. It also offers individual retirement accounts and advisory services.

US$436 billion Total assets under administration

Over 8 million retirement, insurance and annuity customers

No. 1 in government deferred compensation market by assets and participants

No. 2 defined contribution record keeper in the U.S. by participants

United States • Europe • Asia

Putnam Investments is a U.S.-based global asset manager, offering investment management services across a range of asset classes, including fixed income, equity—both U.S. and global—global asset allocation and alternatives, including absolute return, risk parity and hedge funds.

Putnam, including its subsidiary PanAgora Asset Management, Inc., distributes services through financial advisors, institutional investors and retirement plan sponsors via its offices and strategic alliances in the United States, Europe, and Asia.

US$148 billion Assets under management

200+ investment professionals

100+ mutual funds available

75+ years of investment experience

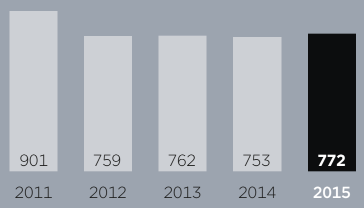
150+ institutional mandates

158,000 advisors distribute Putnam products

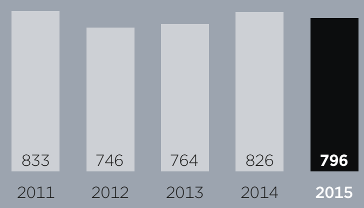
IGM Financial

IGM Financial Inc. is one of Canada's premier personal financial services companies with $134 billion in total assets under management. The company serves the financial needs of Canadians through multiple businesses, each operating distinctly within the advice segment of the financial services market. The company is committed to building on its record of delivering long-term growth and value to its clients and shareholders.

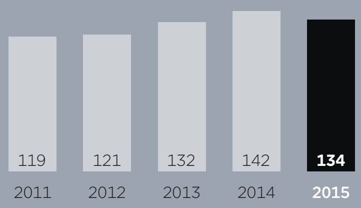
Net earnings available to common shareholders
[in millions of dollars]



Operating earnings available to common shareholders
[in millions of dollars]



Total assets under management
[in billions of dollars]



Total assets under management

$134 BILLION

2015 operating earnings available to common shareholders

$796 MILLION

2015 return on shareholders' equity[1]

17.0%

[1] Return on shareholders' equity is calculated using operating earnings.

IGM FINANCIAL

INVESTORS GROUP **100%**

MACKENZIE INVESTMENTS **100%**

INVESTMENT PLANNING COUNSEL **96.9%**

Investors Group is committed to comprehensive planning delivered through long-term client and consultant relationships. The company provides advice and services through a network of over 5,300 consultants to nearly one million Canadians.

$74.9 billion Total assets under management

$7.9 billion Mutual fund sales

114 region offices across Canada

5,320 consultants

Mackenzie Investments provides investment management and related services through diversified investment solutions using proprietary investment research and experienced investment professionals to deliver its various product offerings. The company distributes its investment services through distribution channels to both retail and institutional investors.

$61.7 billion Total assets under management

$7.0 billion Mutual fund sales

Investment products offered through 30,000 independent financial advisors

60% of Mackenzie Funds rated 3, 4 or 5 Star by Morningstar

Investment Planning Counsel is an integrated financial services company focused on providing Canadians with high-quality financial products, services and advice. The company is dedicated to providing independent financial advisors with the tools, products, and support they need to build a successful business and serve a wide range of clients.

$4.2 billion Assets under management in Counsel Portfolio Services

$24.5 billion Assets under administration

Partners with over 850 advisors across the country

Pargesa Group

Power Financial, through its wholly owned subsidiary, Power Financial Europe B.V., and the Frère family group of Belgium each hold a 50 per cent interest in Parjointco, a Netherlands-based company. Parjointco's principal holding is a 55.5 per cent equity interest (75.4 per cent of the voting rights) in Pargesa Holding SA, the Pargesa group's parent company based in Geneva, Switzerland.

Pargesa, through its affiliated Belgian holding company, Groupe Bruxelles Lambert, has holdings in major global companies based in Europe.

2015 operating earnings

SF308 MILLION

Net asset value

SF8.0 BILLION

PARGESA

50.0%[1]
GROUPE
BRUXELLES LAMBERT

IMERYS **53.9%**

LAFARGE HOLCIM **9.4%**

TOTAL **2.4%**

PERNOD RICARD **7.5%**

SGS **15.0%**

ENGIE **2.3%**

[1] Representing 52% of the voting rights.

IMERYS

Imerys is the world leader in specialty minerals. The company extracts, transforms, develops and combines a unique range of minerals to provide functionalities that are vital to its customers' products and production processes. These specialties have a very wide range of uses and are becoming more common in growing markets.

Value of investment	Capital/voting rights
€2,761 million	53.9% / 69.8%

Key 2015 financial data

Market capitalization	5,126
Turnover	4,087
Operating income (EBIT)	538

LafargeHolcim

LafargeHolcim, the product of the merger between Lafarge and Holcim in July 2015, is the world leader in construction materials, including cement, aggregates and concrete, with a presence in 90 countries. LafargeHolcim is the industry benchmark in R&D and serves every segment from the individual homebuilder to the largest and most complex project with the widest range of value-adding products, innovative services and comprehensive building solutions.

Value of investment	Capital/voting rights
€2,674 million	9.4% / 9.4%

Key 2015 financial data [SF million]

Market capitalization	30,528
Turnover [pro-forma]	29,483
Operating income (EBIT) [pro-forma]	4,645

TOTAL

Total is one of the leading global oil and gas groups. The company operates in more than 130 countries and covers every oil industry segment, from upstream to downstream. Total is also a major player in chemicals and is committed to the development of renewable energies.

Value of investment	Capital/voting rights
€2,463 million	2.4% / 2.2%

Key 2015 financial data

Market capitalization	100,689
Turnover [US$ million]	165,357
Adjusted net operating income from business segments [US$ million]	11,362

Pernod Ricard

Since its inception in 1975, Pernod Ricard has built up the most premium portfolio in the industry and become the world's co-leader in the Wine & Spirits market through significant organic growth and numerous acquisitions, including Seagram in 2001, Allied Domecq in 2005 and Vin & Sprit in 2008. This portfolio includes in particular 14 strategic brands, 18 key local brands and 5 premium wine brands, produced and distributed by the group through its own worldwide distribution network.

Value of investment	Capital/voting rights
€2,093 million	7.5% / 6.9%

Key 2015 financial data

Market capitalization	27,498
Turnover	8,558[1]
Operating income	2,238[1]

[1] June 30, 2015 year-end

SGS

SGS is the world leader in inspection, verification, testing and certification. SGS provides tailored solutions to its customers to make their commercial activities faster, simpler and more efficient. Its worldwide network consists of more than 85,000 employees at more than 1,800 offices and laboratories.

Value of investment	Capital/voting rights
€2,067 million	15.0% / 15.0%

Key 2015 financial data [SF million]

Market capitalization	14,949
Turnover	5,712
Adjusted operating income (EBIT)	917

ENGIE

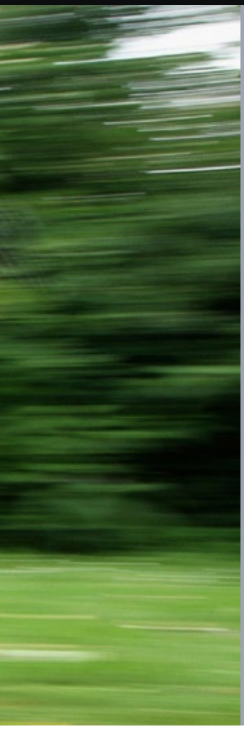
Created from the merger between Suez and Gaz de France in 2008, ENGIE covers the entire energy chain, in electricity, natural gas and services. Its acquisition of International Power in 2011 strengthened its leading position in the European and international energy market.

Value of investment	Capital/voting rights
€893 million	2.3% / 2.3%

Key 2015 financial data

Market capitalization	39,756
Turnover	69,883
Operating income (EBIT)	6,326

Key 2015 financial data in millions of euros, unless otherwise indicated.



Responsible Management

Our approach to corporate social responsibility (CSR) is about more than just good business sense – it is also about contributing to economic and social progress. As an investor, employer and contributor to the communities where we operate, we recognize that our actions can influence how others view and act on corporate responsibility. Our responsible management philosophy is embedded in our business and defines our approach to creating a more sustainable world.

Reinforcing Our CSR Commitments

More than a year ago, Power Financial became a signatory to the United Nations Global Compact (UNGC), along with 13,000 participants around the globe. Through the UNGC, we pledged our commitment to act responsibly in the areas of human rights, labour, the environment and anti-corruption. The UNGC is helping us to guide our efforts in these areas and to strengthen our responsible management commitments, programs and performance.

In 2015, we launched a new website to report on our progress in the various aspects of CSR. The content of the website aligns with the Global Reporting Initiative, an international standards organization that provides guidance on CSR reporting. It also includes our first UNGC Communication on Progress. We encourage you to visit us at www.PowerFinancialCSR.com for more information.

We have also developed a Code of Conduct for our third-party suppliers which we are deploying in 2016.

Responsibly Managing Our Investments

We are long-term investors and believe in investing in quality companies with sustainable franchises and attractive growth prospects, and that are managed in a responsible manner. Environmental, social and governance factors are considered through our investment analysis process to help us mitigate risks and identify potential growth opportunities.

As part of our governance model, we take an active-ownership approach through the boards of directors of our group companies. We also engage regularly with our major operating subsidiaries through a CSR committee and through other informal communication channels to share knowledge and best practices on CSR.

Through these engagements, we ensure our investments are managed in a manner consistent with our responsible management philosophy, which is reflected in our Code of Business Conduct and Ethics, our CSR Statement and our commitment to the UNGC.

Contributing to Economic and Social Progress

Power Financial and its group companies have a long and proud history of contributing positively to economic and social progress. We provide fulfilling and rewarding careers for our people and invest in products and services that benefit society by enabling financial security, addressing climate change and investing in building stronger, healthier communities.

PROVIDING FULFILLING AND REWARDING CAREERS

The commitment, motivation and talent of our people help us build sustainable, value-creating companies. In 2015, Power Financial and its group companies employed 25,700 individuals and contributed $3.4 billion in employee salaries and benefits.

Programs are in place at many of our companies to strengthen how we empower and promote employees, and reward their performance. We are proud of the accomplishments of our companies. For example, our subsidiary Great-West Life was selected as one of Canada's Top 100 Employers in 2015 and 2016, and one of Manitoba's Top Employers for 2016.

ADDRESSING CLIMATE CHANGE

In line with the Paris Agreement at COP 21, we reiterate our commitment to playing our part in accelerating climate action and finding suitable financial solutions. From an investment standpoint, we are helping finance cleaner and more renewable energy projects through our subsidiary Great-West Life.

Despite our limited environmental impact as a holding company, we make every effort to conserve resources, improve energy efficiency, and manage waste effectively. Together with our group companies, we continued to reduce our greenhouse gas emissions and implemented innovative environmental initiatives. In 2015, Power Financial, Great-West Lifeco, and IGM Financial were recognized for their efforts through the Carbon Disclosure Project (CDP). Furthermore, Great-West Life's Canadian operations received the top score among insurers in Canada as part of the CDP's 2015 Canada 200 Climate Disclosure Leadership Index. GWL Realty Advisors — a subsidiary of Great-West Life — was also recognized for its property management excellence, obtaining leadership standing on the Global Real Estate Sustainability Benchmark (GRESB).

ENABLING FINANCIAL SECURITY FOR OUR CUSTOMERS

With more than 30 million customer relationships in Canada, the United States and Europe, our financial services companies represent a positive force in society by enabling financial security through life and health insurance, retirement savings programs, and a suite of investment products. Our group's 14,400 financial consultants and advisors provide financial advice and guidance to our clients, thus promoting financial literacy.

Great-West Lifeco and IGM Financial offer a range of responsible investment offerings. This includes specific socially responsible investment products which help clients ensure their investments promote environmental sustainability, social responsibility and corporate governance. In 2015, IGM Financial was recognized by Sustainalytics as one of the top five-performing Canadian diversified financial companies and was added to the Jantzi Social Index.

INVESTING TO BUILD STRONGER, HEALTHIER COMMUNITIES

Our investments in the communities where we operate are creating positive impacts in the areas of community development, arts and culture, the environment, education, and health. Our employees also play an active role in both charitable giving and volunteering, and sit on the boards of a number of non-profit organizations. As a result, our parent company Power Corporation has been designated a "Caring Company" by Imagine Canada. For more information on some of the charitable organizations we support, please refer to Power Corporation's community investment website at www.PowerCorporationCommunity.com.

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

MARCH 23, 2016

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

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

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

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

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

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

Readers are reminded that a list of the abbreviations used throughout can be found on the inside front cover of this report. In addition, the following abbreviations are used in the Review of Financial Performance and in the Financial Statements and Notes thereto: Audited Consolidated Financial Statements of Power Financial and Notes thereto for the year ended December 31, 2015 (the 2015 Consolidated Financial Statements or the Financial Statements); International Financial Reporting Standards (IFRS).

Overview

Power Financial, a subsidiary of Power Corporation, is a diversified management and holding company with substantial operations in the financial services sector in Canada, the United States and Europe, through its controlling interests in Lifeco and IGM. Power Financial also holds, together with the Frère Group, of Belgium, a controlling interest in Pargesa, a holding company which focuses on a limited number of significant and strategic core holdings, held through its subsidiary, GBL. 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).

LIFECO

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

As at December 31, 2015, Power Financial and IGM held 67.4% and 4.0%, respectively, of Lifeco's common shares, representing approximately 65% of the voting rights attached to all outstanding Lifeco voting shares. Voting rights of a life insurance company are limited by law to 65%.

During 2015, Lifeco completed two acquisitions in its Europe segment. In the first quarter of 2015, Lifeco acquired the assets and liabilities associated with The Equitable Life Assurance Society's annuity business in the U.K. The transaction involved the initial reinsurance of approximately 31,000 policies with liabilities and supporting assets of approximately $1.6 billion. The initial reinsurance arrangement was effective January 1, 2015 and the ultimate transfer is expected to be completed in 2016, subject to final court approval. In the third quarter of 2015, Lifeco completed the acquisition of Legal & General International (Ireland) Limited (LGII), a provider of investment and wealth management solutions for high-net-worth individuals in the U.K.

IGM FINANCIAL

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

As at December 31, 2015, Power Financial and Great-West Life, a subsidiary of Lifeco, held 60.4% and 3.8%, respectively, of IGM's common shares. Power Financial's equity interest in IGM increased by 1.6% from 58.8% as at December 31, 2014 to 60.4% as at December 31, 2015 as a result of IGM's repurchases and subsequent cancellation of its common shares. Great-West Life's equity interest increased from 3.7% to 3.8% over the same period.

PARGESA AND GBL

Power Financial Europe B.V., a wholly owned subsidiary of Power Financial, and the Frère Group of Belgium each hold a 50% interest in Parjointco, which, as at December 31, 2015, held a 55.5% interest in Pargesa, representing 75.4% of the voting rights in that company.

Pargesa is a holding company, which at December 31, 2015, held a 50% interest in GBL, representing 52% of the voting rights in that company. GBL, a Belgian holding company, is listed on the Brussels Stock Exchange (EBR: GBLB).

As at December 31, 2015, GBL's portfolio was mainly comprised of investments in: Imerys – mineral-based specialty solutions for industry (EPA: NK); LafargeHolcim – cement, aggregates and concrete (SIX: HOLN and EPA: LHN); Total – oil, gas and alternative energies (EPA: FP); Pernod Ricard – wines and spirits (EPA: RI); SGS – testing, inspection and certification (SIX: SGSN); and Engie (formerly called GDF Suez) – electricity, natural gas, and energy and environmental services (EPA: GSZ).

On June 1, 2015, Holcim Ltd (Holcim) launched a public exchange offer for all the shares of Lafarge. The offer closed on July 3, 2015. Shares representing 87.46% of the share capital of Lafarge were tendered to the offer. Holcim and Lafarge announced on July 10, 2015, that they had completed their global merger and officially launched LafargeHolcim, whose shares are traded on the Swiss Exchange and on the Euronext in Paris. The exchange offer was subsequently reopened from July 15 to July 28, 2015, resulting in LafargeHolcim holding 96.4% of the share capital of Lafarge. In September 2015, LafargeHolcim implemented a "squeeze-out" procedure for the Lafarge shares not tendered to the public exchange offer, which closed on October 23, 2015. LafargeHolcim also distributed in September 2015 a post-closing stock dividend of one new LafargeHolcim share for 20 existing shares (with no impact on the earnings of GBL).

On June 30, 2015, in accordance with IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*, GBL classified its investment in Lafarge as held for sale. On July 10, 2015, GBL classified its resulting investment in LafargeHolcim as available for sale and consequently the investment was recorded at fair value. Accordingly, mark-to-market gains representing reversals of a portion of a previously recorded impairment charge were recorded by GBL (see "Other Items" below).

At December 31, 2015, GBL held a 9.4% economic and voting interest in LafargeHolcim, and the LafargeHolcim share price was lower than the carrying value of the investment. Under IFRS, available-for-sale investments are marked to market and impairment charges are recorded if the loss is significant or prolonged. As these criteria were not present at December 31, 2015, GBL did not record an impairment charge on LafargeHolcim. The share price has continued to decline in 2016 and was €38.8 per share on March 11, 2016, a price where the above mentioned criteria are present. GBL has indicated, should the March 31, 2016 share price be the same as the March 11 share price, they would record a non-cash impairment charge of €1,584 million, of which the Corporation's share is approximately C$340 million.

In 2015, GBL disposed of a 0.5% equity interest in Total, which resulted in gains of SF225 million for Pargesa. As at December 31, 2015, GBL held a 2.4% equity interest in Total. In February 2016, GBL sold an additional 1% equity interest in Total, resulting in a gain to be recorded in the first quarter of 2016. Following this transaction, GBL held a 1.4% equity interest in Total.

WEALTHSIMPLE

In 2015, Power Financial, through a wholly owned subsidiary, invested in Wealthsimple, a technology-driven investment manager. Power Financial's investment amounted to $17 million at December 31, 2015. Subsequent to December 31, 2015, Power Financial made a second equity investment in Wealthsimple, bringing the total investment to date to $30 million, representing a 60.4% equity interest.

Basis of Presentation

The 2015 Consolidated Financial Statements of the Corporation have been prepared in accordance with IFRS and are presented in Canadian dollars.

Lifeco and IGM are controlled by Power Financial and their financial statements are consolidated with those of Power Financial. Consolidated financial statements present, as a single economic entity, the assets, liabilities, revenues, expenses and cash flows of the parent company and its operating subsidiaries. The consolidated financial statements present the financial results of Power Financial (parent) and Lifeco and IGM (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. Parjointco's only investment is its interest in Pargesa. Power Financial's investment in Parjointco is accounted for using the equity method, in which:

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

Power Financial's investment in Wealthsimple is accounted for using the equity method.

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

CONTROL	BASIS OF ACCOUNTING	EARNINGS AND OTHER COMPREHENSIVE INCOME	IMPAIRMENT TESTING	IMPAIRMENT REVERSAL
Controlling interest in the entity	▪ Consolidation	▪ Consolidated with non-controlling interests	▪ Goodwill and indefinite life intangible assets are tested annually for impairment	▪ Impairment of goodwill cannot be reversed ▪ Impairment of intangible assets is reversed if there is evidence of recovery of value
Significant influence or joint control	▪ Equity method of accounting	▪ Corporation's share of earnings and other comprehensive income	▪ Entire investment is tested for impairment	▪ Reversed if there is evidence the investment has recovered its value
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	▪ Cannot be reversed even if there is a subsequent recovery of value ▪ A share price decrease subsequent to an impairment leads to a further impairment

As at December 31, 2015, the Corporation's holdings were as follows:

HOLDINGS	% ECONOMIC INTEREST	BASIS OF ACCOUNTING	METHOD OF ACCOUNTING
Lifeco[1]	67.4	Controlling interest	Consolidation
IGM[2]	60.4	Controlling interest	Consolidation
Pargesa[3]	27.8	Joint control	Equity method of accounting
Wealthsimple[4]	33.2	Significant influence	Equity method of accounting

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

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

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

[4] On February 4, 2016, Power Financial made an additional investment in Wealthsimple; the Corporation now holds a 60.4% equity interest.

As at December 31, 2015, Pargesa's holdings were as follows:

HOLDINGS	% ECONOMIC INTEREST	BASIS OF ACCOUNTING	METHOD OF ACCOUNTING
GBL	50.0	Controlling interest	Consolidation
Imerys	53.9	Controlling interest	Consolidation
LafargeHolcim[1]	9.4	Portfolio investment	Available for sale
Total	2.4	Portfolio investment	Available for sale
Pernod Ricard	7.5	Portfolio investment	Available for sale
SGS	15.0	Portfolio investment	Available for sale
Engie	2.3	Portfolio investment	Available for sale

[1] Until June 30, 2015, the investment in Lafarge, in which GBL had significant influence with an equity interest of 21.0%, was accounted for using the equity method. On June 30, 2015, the investment in Lafarge was classified as held for sale. Following the merger of Lafarge and Holcim on July 10, 2015, the investment in LafargeHolcim was classified as available for sale.

This summary of accounting presentation should be read in conjunction with the following notes to the Corporation's 2015 Consolidated Financial Statements:

- Basis of presentation and summary of significant accounting policies;
- Investments;
- Investments in jointly controlled corporations and associates;
- Goodwill and intangible assets; and
- Non-controlling interests.

NON-IFRS FINANCIAL MEASURES AND PRESENTATION

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

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

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

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

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

Results of Power Financial Corporation

EARNINGS SUMMARY — CONDENSED SUPPLEMENTARY NON-CONSOLIDATED STATEMENTS OF EARNINGS

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

TWELVE MONTHS ENDED DECEMBER 31	2015	2014
Operating earnings		
Lifeco	1,862	1,710
IGM	474	488
Pargesa	112	112
	2,448	2,310
Corporate operations	(77)	(73)
Dividends on perpetual preferred shares	(130)	(132)
Operating earnings (attributable to common shareholders)	2,241	2,105
Other items (non-operating earnings)[1]		
Lifeco	(1)	(1)
IGM	(14)	(43)
Pargesa	93	75
	78	31
Net earnings (attributable to common shareholders)	2,319	2,136
Earnings per share (attributable to common shareholders)		
Operating earnings	3.14	2.96
Non-operating earnings	0.11	0.04
Net earnings	3.25	3.00

[1] See "Other Items" below

NET EARNINGS

(attributable to common shareholders)

Net earnings attributable to common shareholders for the twelve-month period ended December 31, 2015 were $2,319 million or $3.25 per share, compared with $2,136 million or $3.00 per share in the corresponding period in 2014, an increase of 8.3% on a per share basis.

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

OPERATING EARNINGS

(attributable to common shareholders)

Operating earnings attributable to common shareholders for the twelve-month period ended December 31, 2015 were $2,241 million or $3.14 per share, compared with $2,105 million or $2.96 per share in the corresponding period in 2014, an increase of 6.1% on a per share basis.

CONTRIBUTION TO OPERATING EARNINGS — LIFECO, IGM AND PARGESA

Power Financial's share of operating earnings from Lifeco, IGM and Pargesa increased by 6% for the year ended December 31, 2015, compared with the same period in 2014, from $2,310 million to $2,448 million.

Lifeco

Lifeco's contribution to Power Financial's operating earnings for the twelve-month period ended December 31, 2015, was $1,862 million, compared with $1,710 million for the corresponding period in 2014.

- Lifeco reported operating earnings attributable to Lifeco common shareholders of $2,762 million or $2.774 per share for the twelve-month period ended December 31, 2015, compared with $2,546 million or $2.549 per share in the corresponding period in 2014, an increase of 8.8% on a per share basis.

- Summary of Lifeco's operating segment results:

TWELVE MONTHS ENDED DECEMBER 31	2015	2014
CANADA		
Individual Insurance	307	395
Wealth Management	479	383
Group Insurance	432	422
Canada Corporate	(23)	28
	1,195	1,228
UNITED STATES		
Financial Services	384	382
Asset Management	32	(71)
U.S. Corporate	(7)	(5)
	409	306
EUROPE		
Insurance and Annuities	886	810
Reinsurance	313	265
Europe Corporate	(25)	(37)
	1,174	1,038
LIFECO CORPORATE	(16)	(26)
Operating earnings (attributable to Lifeco common shareholders)	2,762	2,546
Power Financial's share	1,862	1,710

For the twelve months ended December 31, 2015, Lifeco's operating earnings attributable to Lifeco common shareholders increased by 8.5% from the previous year, reflecting earnings growth in the Europe and U.S. segments.

CANADA

Operating earnings for the twelve months ended December 31, 2015 were $1,195 million, compared to $1,228 million for the corresponding period in 2014. The results of 2014 included changes to actuarial standards related to economic reinvestment assumptions that positively impacted operating earnings in the twelve-month period ended December 31, 2014 that did not recur in 2015.

UNITED STATES

Operating earnings for the twelve months ended December 31, 2015 were US$318 million (C$409 million), compared to US$274 million (C$306 million) for the corresponding period in 2014. This increase in the twelve-month period is primarily due to higher net investment income and the positive impact of an adjustment to certain income tax estimates of US$27 million in 2015, partially offset by lower fee income.

EUROPE

Operating earnings for the twelve months ended December 31, 2015 were $1,174 million, an increase of $136 million compared to the same period in 2014, primarily due to the impact of currency movements, higher contributions from insurance contract liability basis changes, and higher asset management fees, partially offset by lower contributions from investment experience.

IGM Financial

IGM's contribution to Power Financial's operating earnings was $474 million for the twelve-month period ended December 31, 2015, compared with $488 million for the corresponding period in 2014.

- IGM reported operating earnings available to IGM common shareholders of $796 million or $3.21 per share for the twelve-month period ended December 31, 2015, compared with $826 million or $3.27 per share in the corresponding period in 2014.
- Operating earnings before interest and taxes of IGM's segments (a non-IFRS measure) and operating earnings available to IGM common shareholders were as follows:

TWELVE MONTHS ENDED DECEMBER 31	2015	2014
Investors Group	761	777
Mackenzie	216	246
Corporate and other	140	133
Operating earnings (before interest, income taxes, preferred share dividends and other)	1,117	1,156
Interest expense, income taxes, preferred share dividends and other	(321)	(330)
Operating earnings (available to IGM common shareholders)	796	826
Power Financial's share	474	488

INVESTORS GROUP

Operating earnings decreased in the twelve-month period ended December 31, 2015, compared to the same period in 2014, due to higher expenses principally resulting from consultant network expansion, other business development efforts, pension expense, as well as the timing of certain expenditures, partially offset by higher revenue primarily due to higher assets under management.

MACKENZIE

Operating earnings decreased in the twelve-month period ended December 31, 2015, compared to the same period in 2014, due to a combination of lower total assets under management, as well as higher expenses related to the enhancement of future operating capabilities (systems and technology) and the investment in revenue-generating initiatives to further grow its business.

- Total assets under management were as follows:

[IN BILLIONS OF DOLLARS]	DECEMBER 31, 2015	SEPTEMBER 30, 2015	DECEMBER 31, 2014	SEPTEMBER 30, 2014
Investors Group	74.9	73.5	73.5	72.7
Mackenzie	61.7	60.3	70.9	70.0
Corporate and other[1]	(3.0)	(2.9)	(2.5)	(2.1)
Total	133.6	130.9	141.9	140.6

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

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

	2015				2014			
[IN BILLIONS OF DOLLARS]	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investors Group	75.3	75.4	76.8	75.5	72.5	73.1	71.5	69.3
Mackenzie	48.5	49.2	50.6	50.5	48.3	49.3	48.5	47.0
Corporate and other[1]	4.0	4.0	4.0	3.9	3.8	3.8	3.6	3.4
Total	127.8	128.6	131.4	129.9	124.6	126.2	123.6	119.7

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

Pargesa

Pargesa's contribution to Power Financial's operating earnings was $112 million for the twelve-month period ended December 31, 2015, same as in the corresponding period in 2014.

The components of Pargesa's operating earnings were:

TWELVE MONTHS ENDED DECEMBER 31 [IN MILLIONS OF SWISS FRANCS]	2015	2014
Contribution from principal holdings		
Share of earnings of:		
Imerys	102	113
Lafarge[1]	13	55
Dividends from:		
Total	85	97
SGS	37	40
Pernod Ricard	20	20
Engie	26	35
Suez Environnement	–	2
	283	362
Contribution from private equity activities and other investment funds	14	34
Net financing charges	34	(33)
Other operating income from holding company activities	10	6
General expenses and taxes	(33)	(30)
Operating earnings	308	339
Power Financial's share [in millions of Canadian dollars]	112	112

[1] Share of earnings of Lafarge until June 30, 2015.

Results for twelve-month period ended December 31, 2015 reflect the impact of the euro's depreciation relative to the Swiss franc since the beginning of the year on GBL's contribution to Pargesa. GBL's functional currency is the euro and its contribution constitutes most of Pargesa's earnings. As there has not been a significant depreciation of the euro relative to the Canadian dollar in 2015, Power Financial's share of GBL's earnings in 2015 is the same as in 2014.

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

	2015	2014	CHANGE %
Euro/SF	SF1.07	SF1.21	(12)
SF/CAD	C$1.33	C$1.21	10

Pargesa's operating earnings decreased in the twelve-month period ended December 31, 2015, mainly due to:

- As of July 1, 2015, the investment in Lafarge was no longer being accounted for using the equity method (see "Overview" above); the contribution from Lafarge in 2015 is therefore not comparable with the same period in 2014;
- A decrease in the contribution from private equity activities and other investment funds; and
- A decrease in the contribution from GBL to Pargesa's operating earnings due to the depreciation of the euro relative to the Swiss franc (see table above).

A significant portion of Pargesa's earnings consists of dividends received from:

- Total (regularly declared in the second, third and fourth quarters);
- SGS (regularly declared in the first quarter);
- Pernod Ricard (regularly declared in the second and fourth quarters); and
- Engie (regularly declared in the second and third quarters).

In addition to the effect of exchange rates discussed above, the changes in dividends received reflect the 0.5% decrease in GBL's equity interest in Total in 2015 and the decrease in the dividend declared by Engie.

Net financing charges include interest income and expenses and the result of the mark to market of derivative financial instruments. Net financing charges for the twelve-month period ended December 31, 2015 include Pargesa's share of:

- Net gains (losses) are related to call options embedded in bonds exchangeable for Suez Environnement shares and Engie shares and in bonds issued by GBL in 2013 which are convertible for GBL shares. GBL has issued in the past bonds exchangeable for Suez Environnement (issued in 2012 and now expired) and Engie (issued in 2013 and expiring in 2017) shares. Net gains for the twelve-month period ended December 31, 2015, recorded by GBL in the amount of SF56 million, compared to a loss of SF6 million in the corresponding period of 2014.

CORPORATE OPERATIONS OF POWER FINANCIAL

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

TWELVE MONTHS ENDED DECEMBER 31	2015	2014
Income from investments		
Interest on cash and cash equivalents and foreign exchange gains (losses)	24	14
Six-month equity put options on S&P 500	–	(3)
Other	(3)	1
	21	12
Operating and other expenses	(98)	(85)
Corporate operations	(77)	(73)

Operating and other expenses

Operating and other expenses were $98 million for the twelve-month period ended December 31, 2015, compared with $85 million in the corresponding period of 2014. The increase in the twelve-month periods is primarily due to a deferred income tax expense relating to withholding taxes applicable to an expected repatriation of cash held by Power Financial Europe B.V. to Power Financial.

OTHER ITEMS (non-operating earnings)

The following table presents the Corporation's share of Lifeco's, IGM's and Pargesa's Other items:

TWELVE MONTHS ENDED DECEMBER 31	2015	2014
IGM		
Restructuring and other charges	(15)	(8)
Distribution to clients	–	(36)
Pargesa		
Total – Gain on partial disposal	57	70
Suez Environnement – Gain on exchange	4	17
LafargeHolcim – Mark-to-market gains and reversal of impairment charges related to the merger	88	–
Lafarge – Impairment and restructuring charges	(23)	–
Imerys – Impairment and restructuring charges	(26)	–
Other (charge) income	(7)	(12)
	78	31

Other items in 2015 were mainly comprised of the Corporation's share of:

IGM Financial

FOURTH QUARTER

- Restructuring and other charges: reflecting severance and payments to third parties related to exiting certain investment management activities and third-party back office relationships associated with Mackenzie and Investors Group, for an amount of $15 million.

Pargesa

FIRST QUARTER

- Total – Gain on partial disposal: GBL disposed of a 0.1% equity interest in Total for a gain of $9 million.
- Suez Environnement – Gain on exchange: a gain of $2 million, resulting from delivery of Suez Environnement shares pursuant to the exercise of exchange rights by certain holders of Suez Environnement's exchangeable bonds.

SECOND QUARTER

- Suez Environnement – Gain on exchange: a gain of $2 million, as described in the first quarter above.
- Lafarge – Impairment and restructuring charges: a charge of $23 million, representing non-operating items recorded by Lafarge, comprised of impairment charges and charges recorded in connection with the merger with Holcim.
- LafargeHolcim – Mark-to-market gains of $80 million representing the partial reversal of previous impairment charges recorded by GBL on its investment in Lafarge, resulting from its merger with Holcim.

THIRD QUARTER

- LafargeHolcim – Mark-to-market gains of $8 million as described in the second quarter above.

FOURTH QUARTER

- Total – Gain on partial disposal: GBL disposed of an additional 0.4% equity interest in Total for a gain of $48 million.
- Imerys – Impairment and restructuring charges: a charge of $26 million, representing non-operating items recorded by Imerys, comprised of the impairment charge on its Oilfield Solutions division and restructuring charges relating to the integration of S&B's activities (S&B is a global provider of mineral-based specialties).

Other items in 2014 were mainly comprised of the Corporation's share of:

IGM Financial

SECOND QUARTER

- Restructuring and other charges: primarily reflecting severance and other one-time costs associated with Mackenzie cost rationalization activities as well as senior management changes announced and implemented during the second quarter of 2014, for an amount of $8 million.

FOURTH QUARTER

- Distribution to clients: in the amount of $36 million. In the third quarter of 2012, Investors Group introduced investment solutions for clients with household account balances in excess of $500,000. At December 31, 2014, an accrual was recorded related to these lower-fee investment solutions. This amount primarily reflects distributions to clients who did not transfer to these lower-priced solutions when eligible.

Pargesa

FIRST QUARTER

- Total – Gain on partial disposal: GBL disposed of a 0.2% equity interest in Total for an amount of $26 million.

SECOND QUARTER

- Total – Gain on partial disposal: GBL disposed of an additional 0.2% equity interest in Total for an amount of $17 million.
- Suez Environnement – Gain on exchange: a gain of $17 million, resulting from the delivery of Suez Environnement shares pursuant to the exercise of exchange rights by certain holders of Suez Environnement's exchangeable bonds.

THIRD QUARTER

- Total – Gain on partial disposal: GBL disposed of an additional portion of its interest in Total for an amount of $2 million.

FOURTH QUARTER

- Total – Gain on partial disposal: GBL disposed of an additional 0.2% equity interest in Total for an amount of $25 million.

Financial Position

CONSOLIDATED BALANCE SHEETS (condensed)

The condensed balance sheet 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 as of December 31, 2015.

					POWER FINANCIAL CONSOLIDATED BALANCE SHEETS	
	POWER FINANCIAL	LIFECO	IGM	CONSOLIDATION ADJUSTMENTS[1]	DECEMBER 31, 2015	DECEMBER 31, 2014
ASSETS						
Cash and cash equivalents	870	2,813	983	(478)	4,188	3,989
Investments	55	158,133	7,443	381	166,012	150,842
Investments in Lifeco and IGM	16,631	358	904	(17,893)	–	–
Investment in Parjointco	2,610	–	–	–	2,610	2,440
Investments in jointly controlled corporations and associates	–	277	–	18	295	237
Funds held by ceding insurers	–	15,512	–	–	15,512	12,154
Reinsurance assets	–	5,131	–	–	5,131	5,151
Other assets	123	9,568	894	(90)	10,495	9,418
Intangible assets	–	4,036	1,947	–	5,983	5,497
Goodwill	–	5,913	2,660	637	9,210	9,149
Interest on account of segregated fund policyholders	–	198,194	–	–	198,194	174,966
Total assets	20,289	399,935	14,831	(17,425)	417,630	373,843
LIABILITIES						
Insurance and investment contract liabilities	–	160,672	–	–	160,672	146,055
Obligations to securitization entities	–	–	7,092	–	7,092	6,754
Debentures and other debt instruments	250	5,395	1,325	(43)	6,927	6,887
Other liabilities	489	10,414	1,566	(126)	12,343	10,279
Insurance and investment contracts on account of segregated fund policyholders	–	198,194	–	–	198,194	174,966
Total liabilities	739	374,675	9,983	(169)	385,228	344,941
EQUITY						
Perpetual preferred shares	2,580	2,514	150	(2,664)	2,580	2,580
Common shareholders' equity	16,970	19,940	4,698	(24,638)	16,970	14,439
Non-controlling interests[2, 3]	–	2,806	–	10,046	12,852	11,883
Total equity	19,550	25,260	4,848	(17,256)	32,402	28,902
Total liabilities and equity	20,289	399,935	14,831	(17,425)	417,630	373,843

[1] Consolidation adjustments include eliminations and reclassifications.

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

[3] Non-controlling interests for consolidation adjustments represents non-controlling interests in the equity of Lifeco and IGM.

Total assets of the Corporation increased to $417.6 billion at December 31, 2015, compared with $373.8 billion at December 31, 2014, mainly due to the following:

- Investments at December 31, 2015 were $166 billion, a $15.2 billion increase from December 31, 2014, primarily due to the impact of currency movements as the U.S. dollar and British pound strengthened against the Canadian dollar.
- Interest on account of segregated fund policyholders increased by $23.2 billion, primarily due to the impact of currency movements and the impact of the acquisition of Legal & General International (Ireland) Limited (LGII).

Liabilities increased to $385.2 billion at December 31, 2015, compared with $344.9 billion at December 31, 2014, mainly due to the following, as disclosed by Lifeco:

- Insurance and investment contract liabilities increased by $14.6 billion, primarily due to the strengthening of the U.S. dollar, euro and British pound against the Canadian dollar and Lifeco's acquisition of Equitable Life's annuity business and a block of investment contract liabilities in the form of structured settlements with fixed terms and amounts.
- Insurance and investment contract liabilities on account of segregated fund policyholders increased by $23.2 billion, primarily due to the impact of currency movements of $12.9 billion, the $5.5 billion impact of the acquisition of LGII, and the combined impact of market value gains and investment income of $4.7 billion, partially offset by net withdrawals of $0.3 billion.

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, assist the reader by identifying changes in Power Financial's non-consolidated balance sheets, which include its investments in Lifeco and IGM at equity.

DECEMBER 31	2015	2014
ASSETS		
Cash and cash equivalents[1]	870	786
Investments	55	31
Investments in Lifeco and IGM, at equity	16,631	14,342
Investment in Parjointco at equity	2,610	2,440
Other assets	123	135
Total assets	20,289	17,734
LIABILITIES		
Debentures	250	250
Other liabilities	489	465
Total liabilities	739	715
EQUITY		
Perpetual preferred shares	2,580	2,580
Common shareholders' equity	16,970	14,439
Total equity	19,550	17,019
Total liabilities and equity	20,289	17,734

[1] In these non-consolidated balance sheets, cash equivalents include $478 million ($511 million at December 31, 2014) of fixed income securities with maturities of more than 90 days. In the 2015 Consolidated Financial Statements, this amount is classified in investments.

Cash and cash equivalents

Cash and cash equivalents held by Power Financial amounted to $870 million at December 31, 2015, compared with $786 million at the end of December 2014. The fourth quarter dividend declared by the Corporation and paid on February 1, 2016, amounted to $298 million. Dividends declared in the fourth quarter by IGM and received by the Corporation on January 29, 2016, amounted to $83 million (see "Non-consolidated Statements of Cash Flows" below for details).

Investment in subsidiaries and Parjointco

The carrying value of Power Financial's investments in Lifeco, IGM and Parjointco, at equity, increased to $19,241 million at December 31, 2015, compared with $16,782 million at December 31, 2014:

	LIFECO	IGM	PARJOINTCO	TOTAL
Carrying value, at the beginning of the year	11,548	2,794	2,440	16,782
Share of operating earnings	1,862	474	112	2,448
Share of other items	(1)	(14)	93	78
Share of other comprehensive income	1,243	51	24	1,318
Dividends	(873)	(333)	(69)	(1,275)
Other, mainly related to effects of change in ownership	(30)	(90)	10	(110)
Carrying value, at December 31, 2015	13,749	2,882	2,610	19,241

EQUITY

Preferred shares

Preferred Shares of the Corporation consist of 10 series of Non-Cumulative Fixed Rate First Preferred Shares and two series of Non-Cumulative 5-year Rate Reset Preferred Shares, with an aggregate stated capital of $2,580 million as at December 31, 2015 (same as at December 31, 2014). All series are perpetual preferred shares and are redeemable in whole or in part solely at the Corporation's option from specified dates.

On February 1, 2016, 2,234,515 of its outstanding 11,200,000 Non-Cumulative 5-year Rate Reset First Preferred Shares, Series P were converted, on a one-for-one basis, into Non-Cumulative Floating Rate First Preferred Shares, Series Q.

The terms and conditions of the outstanding First Preferred Shares are described in Note 17 to the Corporation's Consolidated Financial Statements.

Common shareholders' equity

Common shareholders' equity was $16,970 million at December 31, 2015, compared with $14,439 million at December 31, 2014:

TWELVE MONTHS ENDED DECEMBER 31	2015
Common shareholders' equity, at the beginning of the year	14,439
Changes in retained earnings	
Net earnings	2,449
Dividends declared	(1,193)
Effects of changes in ownership in subsidiaries and other	(137)
	1,119
Changes in reserves	
Other comprehensive income (loss)	
Foreign currency translation adjustments	1,370
Available-for-sale assets and cash flow hedges	(184)
Actuarial gains (losses) related to benefit plans	105
Share of Pargesa's and other associates' other comprehensive income	60
	1,351
Issuance of 1,515,000 common shares under the Corporation's Employee Stock Option Plan[1]	61
Common shareholders' equity at December 31	16,970

[1] Issued for $49 million and including an amount of $12 million representing the cumulative expenses related to these options.

The book value per common share of the Corporation was $23.79 at December 31, 2015, compared with $20.29 at the end of 2014.

Outstanding number of common shares

As of the date hereof, there were 713,238,680 common shares of the Corporation outstanding, compared with 711,723,680 as at December 31, 2014. The increase in the number of outstanding common shares reflects the options exercised under the Corporation's Employee Stock Option Plan. As of the date hereof, options were outstanding to purchase up to an aggregate of 8,773,932 common shares of the Corporation under the Corporation's Employee Stock Option Plan.

The Corporation filed a short-form base shelf prospectus dated November 24, 2014, 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.

Cash Flows

CONSOLIDATED STATEMENTS OF CASH FLOWS (condensed)

The condensed cash flow of Lifeco and IGM, and Power Financial's non-consolidated cash flow, are presented below. This table reconciles the non-consolidated statement of cash flows, which is not in accordance with IFRS, to the condensed consolidated statement of cash flows of the Corporation for the twelve-month period ended December 31, 2015.

					POWER FINANCIAL CONSOLIDATED CASH FLOWS	
TWELVE MONTHS ENDED DECEMBER 31	POWER FINANCIAL	LIFECO	IGM	CONSOLIDATION ADJUSTMENTS	2015	2014
Cash flow from:						
Operating activities	1,229	5,123	622	(1,278)	5,696	6,136
Financing activities	(1,127)	(1,683)	(420)	1,278	(1,952)	(1,136)
Investing activities	(18)	(3,424)	(435)	33	(3,844)	(5,433)
Effect of changes in exchange rates on cash and cash equivalents	–	299	–	–	299	78
Increase (decrease) in cash and cash equivalents	84	315	(233)	33	199	(355)
Cash and cash equivalents, at the beginning of the year	786	2,498	1,216	(511)	3,989	4,344
Cash and cash equivalents, at December 31	870	2,813	983	(478)	4,188	3,989

On a consolidated basis, cash and cash equivalents increased by $199 million in the twelve-month period ended December 31, 2015, compared with a decrease of $355 million in the corresponding period of 2014.

Operating activities produced a net inflow of $5,696 million in the twelve-month period ended December 31, 2015, compared with a net inflow of $6,136 million in the corresponding period of 2014.

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 $1,952 million in the twelve-month period ended December 31, 2015, compared with a net outflow of $1,136 million in the corresponding period of 2014.

Cash flows from investing activities resulted in a net outflow of $3,844 million in the twelve-month period ended December 31, 2015, compared with a net outflow of $5,433 million in the corresponding period of 2014.

The Corporation decreased its level of fixed income securities with maturities of more than 90 days, resulting in a net inflow of $33 million in the twelve-month period ended December 31, 2015, compared with a net outflow of $57 million in the corresponding period of 2014.

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 from investments, less operating expenses, financing charges, income taxes and preferred and common share dividends.

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

TWELVE MONTHS ENDED DECEMBER 31	2015	2014
OPERATING ACTIVITIES		
Net earnings before dividends on perpetual preferred shares	2,449	2,268
Adjusting items		
Earnings from Lifeco, IGM and Parjointco not received in cash	(1,251)	(1,123)
Other	31	17
	1,229	1,162
FINANCING ACTIVITIES		
Dividends paid on preferred shares	(130)	(132)
Dividends paid on common shares	(1,046)	(996)
Repurchase of preferred shares	–	(175)
Issuance of common shares	49	17
	(1,127)	(1,286)
INVESTING ACTIVITIES		
Investment in Wealthsimple	(17)	–
Other	(1)	(15)
	(18)	(15)
Increase (decrease) in cash and cash equivalents	84	(139)
Cash and cash equivalents, at the beginning of the year	786	925
Cash and cash equivalents, at December 31	870	786

On a non-consolidated basis, cash and cash equivalents increased by $84 million in the twelve-month period ended December 31, 2015, compared with a decrease of $139 million in the corresponding period in 2014.

Operating activities produced a net inflow of $1,229 million in the twelve-month period ended December 31, 2015, compared with a net inflow of $1,162 million in the corresponding period in 2014.

- In the twelve-month period ended December 31, 2015, the Corporation received dividends from Lifeco of $873 million, compared with $824 million in the corresponding period of 2014. Dividends declared by Lifeco on its common shares during the twelve-month period ended December 31, 2015 were $1.3040 per share, compared with $1.2300 per share in the corresponding period of 2014. On February 11, 2016, Lifeco announced an increase of its quarterly dividend from $0.3260 to $0.3460 per common share, an increase of 6.1%, payable March 31, 2016.
- In the twelve-month period ended December 31, 2015, the Corporation received dividends from IGM of $333 million, compared with $322 million in the corresponding period of 2014. Dividends declared by IGM on its common shares during the twelve-month period ended December 31, 2015 were $2.2500 per share, compared with $2.1750 per share in the corresponding period of 2014.
- Pargesa declares and pays an annual dividend in the second quarter ending June 30. The dividend paid by Pargesa to Parjointco in 2015 amounted to SF2.27 per bearer share, compared with SF2.64 in 2014. The Corporation received dividends of $69 million (SF53 million) from Parjointco in 2015, compared with $75 million (SF62 million) in the corresponding period of 2014. At its upcoming annual meeting in May, Pargesa's board of directors will propose for shareholder approval a 2015 dividend of SF2.38 per bearer share, to be paid on May 10, 2016.

The Corporation's financing activities during the twelve-month period ended December 31, 2015 were a net outflow of $1,127 million, compared with a net outflow of $1,286 million in the corresponding period in 2014, and included:

- Dividends paid on preferred and common shares by the Corporation of $1,176 million, compared with $1,128 million in the corresponding period of 2014. In the twelve-month period ended December 31, 2015, dividends declared on the Corporation's common shares were $1.49 per share, compared with $1.40 per share in the corresponding period of 2014.
- Repurchase of First Preferred Shares, Series M, for an amount of $175 million in the first quarter of 2014.
- Issuance of common shares of the Corporation for $49 million pursuant to the Corporation's Employee Stock Option Plan, compared with $17 million in the corresponding period of 2014.

The Corporation's investing activities during the twelve-month period ended December 31, 2015 represented a net outflow of $18 million, compared to a net outflow of $15 million in the corresponding period of 2014.

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; 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 public subsidiaries, as well as those of Pargesa and GBL, are responsible for their respective company's capital management.

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

In the following table, consolidated capitalization reflects the consolidation of the Corporation's subsidiaries. The Corporation's consolidated capitalization includes the debentures and other debt instruments of its consolidated subsidiaries. Debentures and other debt instruments issued by Lifeco and IGM are non-recourse to the Corporation. Perpetual preferred shares and total equity account for 82% of consolidated capitalization at December 31, 2015.

DECEMBER 31	2015	2014
DEBENTURES AND OTHER DEBT INSTRUMENTS		
Power Financial	250	250
Lifeco	5,395	5,355
IGM	1,325	1,325
Consolidating adjustments	(43)	(43)
	6,927	6,887
PREFERRED SHARES		
Power Financial	2,580	2,580
Lifeco	2,514	2,514
IGM	150	150
	5,244	5,244
EQUITY		
Common shareholders' equity	16,970	14,439
Non-controlling interests [1]	10,188	9,219
	27,158	23,658
	39,329	35,789

[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.

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

RATINGS

The current rating by Standard & Poor's (S&P) of the Corporation's debentures is "A+" with a stable outlook. Dominion Bond Rating Service's (DBRS) current rating on the Corporation's debentures is "A (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 the Corporation and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

The "A+" rating assigned to the Corporation's debentures by S&P is the 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 the repayment is substantial, but of lesser credit quality than AA, and may be vulnerable to future events, although qualifying negative factors are considered manageable. On December 17, 2015, DBRS adopted a new Global Insurance Methodology and the Corporation's rating changed from "AA (Low)" to "A (High)".

Risk Management

Power Financial is a holding company that holds substantial interests in the financial services sector through its controlling interest in each of Lifeco and IGM. As a result, the Corporation bears the risks associated with being a significant shareholder of these operating companies. The respective boards of directors of 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. Pargesa, a holding company, is also subject to risks due to the nature of its activities and also those of its direct subsidiary GBL. These risks relate to credit, liquidity and market risk as described in Pargesa's consolidated financial statements for the year ended December 31, 2015.

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

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

- The Audit Committee addresses risks related to financial reporting.
- 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 oversees the risks related to transactions with related parties of the Corporation.

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

OWNERSHIP OF COMMON AND PREFERRED SHARES

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

LAWS, RULES AND REGULATIONS

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

FINANCIAL INSTRUMENTS RISK

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

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

Liquidity risk

As a holding company, Power Financial's ability to meet its obligations, including payment of interest, other operating expenses and dividends, and to complete current or desirable future enhancement opportunities or acquisitions generally depends upon dividends from its principal subsidiaries (Lifeco and IGM) and Pargesa, and its ability to raise additional capital. Dividends to shareholders of Power Financial will be dependent on the operating performance, profitability, financial position and creditworthiness of the subsidiaries of Power Financial and on their ability to pay dividends to Power Financial. The ability of Lifeco and IGM, which are also holding companies, to meet their obligations and pay dividends is dependent upon receipt of dividends from their subsidiaries. The payment of interest and dividends by Lifeco's principal subsidiaries is subject to restrictions set out in relevant corporate and insurance laws and regulations, which require that solvency and capital ratios be maintained. The payment of interest and dividends by IGM's principal subsidiaries is subject to corporate laws and regulations which require that solvency standards be maintained. In addition, certain subsidiaries of IGM must also comply with capital and liquidity requirements established by regulatory authorities.

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

Power Financial's management of liquidity risk has not changed materially since December 31, 2014.

Credit risk

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

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

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

Power Financial's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and derivatives have not changed materially since December 31, 2014.

Market risk

Power Financial's financial instruments are comprised of cash and cash equivalents, fixed income securities and debentures.

CURRENCY RISK

In managing its own cash and cash equivalents and fixed income securities, Power Financial may hold cash balances denominated in foreign currencies and thus be exposed to fluctuations in exchange rates. In order to protect against such fluctuations, Power Financial may from time to time enter into currency-hedging transactions with highly rated financial institutions. As at December 31, 2015, approximately 88% of Power Financial's cash and cash equivalents and fixed income securities were denominated in Canadian dollars.

Power Financial is exposed through Parjointco to foreign exchange risk as a result of Parjointco's investment in Pargesa, a company whose functional currency is the Swiss franc. Foreign currency translation gains and losses from Pargesa are recorded in other comprehensive income.

INTEREST RATE RISK

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

EQUITY PRICE RISK

Power Financial's financial instruments do not have significant exposure to equity price risk.

Power Financial's management of financial instruments risk has not changed materially since December 31, 2014. For a further discussion of Power Financial's financial instruments risk management, refer to Note 21 to the Corporation's 2015 Consolidated Financial Statements. Lifeco's and IGM's management of financial instruments risk has not changed materially since December 31, 2014.

Financial Instruments

FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments held by the Corporation and its subsidiaries include investments, derivative financial instruments, debentures and other debt instruments, investment contract liabilities and certain other assets and liabilities.

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

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

- Level 1 inputs utilize observable, unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.
- Level 2 inputs utilize other-than-quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability.

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

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

	2015		2014	
AS AT DECEMBER 31	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
FINANCIAL ASSETS				
Financial assets recorded at fair value				
Bonds				
Fair value through profit or loss	86,460	86,460	79,957	79,957
Available for sale	12,014	12,014	10,501	10,501
Mortgage loans				
Fair value through profit or loss	384	384	366	366
Shares				
Fair value through profit or loss	6,692	6,692	6,697	6,697
Available for sale	63	63	60	60
Investment properties	5,237	5,237	4,613	4,613
Derivative instruments	520	520	693	693
Other assets	599	599	421	421
	111,969	111,969	103,308	103,308
Financial assets recorded at amortized cost				
Bonds				
Loans and receivables	16,905	18,253	13,178	14,659
Mortgage loans				
Loans and receivables	29,029	30,712	27,199	29,016
Shares				
Available for sale[1]	534	534	560	560
	46,468	49,499	40,937	44,235
Total financial assets	158,437	161,468	144,245	147,543
FINANCIAL LIABILITIES				
Financial liabilities recorded at fair value				
Investment contract liabilities	2,180	2,180	857	857
Derivative instruments	2,682	2,682	1,225	1,225
Other liabilities	4	4	16	16
	4,866	4,866	2,098	2,098
Financial liabilities recorded at amortized cost				
Obligations to securitization entities	7,092	7,272	6,754	6,859
Debentures and other debt instruments	6,927	7,964	6,887	8,065
Capital trust debentures	161	215	162	220
Deposits and certificates	310	312	223	225
	14,490	15,763	14,026	15,369
Total financial liabilities	19,356	20,629	16,124	17,467

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

Refer to Note 26 to the Corporation's 2015 Consolidated Financial Statements for additional disclosure of the Corporation's fair value measurement of financial instruments at December 31, 2015.

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

There were no major changes to the Corporation and its subsidiaries' policies and procedures with respect to the use of derivative instruments in the twelve-month period ended December 31, 2015. The following table provides a summary of the Corporation and its subsidiaries' derivatives portfolio:

	2015			2014		
DECEMBER 31	NOTIONAL	MAXIMUM CREDIT RISK	TOTAL FAIR VALUE	NOTIONAL	MAXIMUM CREDIT RISK	TOTAL FAIR VALUE
Power Financial	11	1	1	8	1	1
Lifeco	16,712	461	(2,163)	15,460	652	(543)
IGM	2,702	58	–	2,621	40	10
	19,425	520	(2,162)	18,089	693	(532)

During the twelve-month period ended December 31, 2015, there was an increase of $1.3 billion in the notional amount outstanding and a decrease in the maximum credit risk that represents the market value of those instruments, which are in a gain position, primarily as a result of regular hedging activities.

See Note 25 to the Corporation's 2015 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 Lifeco's 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 Note 31 to the Corporation's 2015 Consolidated Financial Statements.)

Contingent Liabilities

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

Commitments and Contractual Obligations

PAYMENTS DUE BY PERIOD	LESS THAN 1 YEAR	1–5 YEARS	MORE THAN 5 YEARS	TOTAL
Debentures and other debt instruments [1]	467	1,525	4,957	6,949
Capital trust debentures	–	–	150	150
Deposits and certificates	299	8	3	310
Obligations to securitization entities	1,235	5,799	58	7,092
Operating leases [2]	144	356	116	616
Purchase obligations [3]	85	135	7	227
Pension contributions [4]	229	–	–	229
Contractual commitments [5]	203	–	–	203
Total	2,662	7,823	5,291	15,776
Power Financial [6]	6	3	251	260
Lifeco	1,069	1,414	4,183	6,666
IGM	1,587	6,406	857	8,850
Total	2,662	7,823	5,291	15,776

[1] Please refer to Note 14 to the Corporation's 2015 Consolidated Financial Statements for further information.

[2] Includes office space and equipment used in the normal course of business. Lease payments are charged to operations over the period of use. Subsequent to year-end, Lifeco's subsidiaries signed an office lease for 15 years commencing in 2018, for an additional commitment of $271 million over the period of the lease.

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

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

[5] Represents commitments by Lifeco. These contractual commitments are essentially commitments to investment transactions made in the normal course of operations, in accordance with its policies and guidelines, which are to be disbursed upon fulfilment of certain contract conditions.

[6] Includes debentures of the Corporation of $250 million.

Income Taxes (Non-Consolidated Basis)

The Corporation had, at December 31, 2015, non-capital losses of $76 million available to reduce future taxable income (including capital gains). These losses expire in 2028 and 2029 and are net of losses that will be transferred to IGM under a tax loss consolidation program. In addition, the Corporation has capital losses of $81 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 enters into various transactions with related companies which include providing group insurance benefits 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 reinsurance, 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.

On November 14, 2013, the Board of Directors approved a tax loss consolidation program with IGM. This program allows Power Financial to generate sufficient taxable income to use its non-capital losses which would otherwise expire, while IGM receives tax deductions which are used to reduce its taxable income.

As of December 31, 2015, under this program, the Corporation owned $2 billion of 4.50% secured debentures of IGM. These debentures represent the consideration obtained from the sale to IGM of $2 billion of 4.51% preferred shares issued to Power Financial from a wholly owned subsidiary. The Corporation has legally enforceable rights to settle these financial instruments on a net basis and the Corporation intends to exercise these rights.

See Note 29 to the Corporation's 2015 Consolidated Financial Statements for more information.

Summary of Critical Accounting Estimates and Judgments

In the preparation of the financial statements, management of the Corporation and the managements of its subsidiaries — Lifeco and IGM — are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Key sources of estimation uncertainty and areas where significant judgments made by the management of the Corporation and the managements of its subsidiaries are: the entities to be consolidated, insurance and investment contract liabilities, fair value measurements, investment impairment, goodwill and intangible assets (including deferred selling commissions), income taxes and employee future benefits. These are described in the notes to the Corporation's 2015 Consolidated Financial Statements.

CONSOLIDATION

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

INSURANCE AND INVESTMENT CONTRACT LIABILITIES

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

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality and morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

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

Additional details regarding these estimates can be found in Note 12 to the Corporation's 2015 Consolidated Financial Statements.

FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

Fair values for publicly traded shares are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values for shares for which there is no active market are determined by discounting expected future cash flows. The Corporation and its subsidiaries maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Corporation and its subsidiaries obtain quoted prices in active markets, when available, for identical assets at the balance sheet dates to measure shares at fair value in its fair value through profit or loss and available-for-sale portfolios.

MORTGAGE LOANS AND BONDS CLASSIFIED AS LOANS AND RECEIVABLES

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

INVESTMENT PROPERTIES

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

INVESTMENT IMPAIRMENT

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

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

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

Impairment losses on available-for-sale shares are recorded if the loss is significant or prolonged and subsequent losses are recorded in net earnings.

GOODWILL AND INDEFINITE LIFE INTANGIBLES IMPAIRMENT TESTING

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

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

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

DEFERRED SELLING COMMISSIONS

Commissions paid by IGM on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. IGM regularly reviews the carrying value of deferred selling commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by IGM to assess recoverability is the comparison of the future economic benefits derived from the deferred selling commission asset in relation to its carrying value. At December 31, 2015, there were no indications of impairment to deferred selling commissions.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

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

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

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

INCOME TAXES

Current income tax

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

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

Deferred income tax

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

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

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

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

Changes in Accounting Policies

There were no changes to the Corporation's accounting policies for the year ended December 31, 2015.

Future Accounting Changes

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

IFRS 4 — INSURANCE CONTRACTS

In June 2013, the IASB issued a revised IFRS 4, *Insurance Contracts* exposure draft proposing changes to the accounting standard for insurance contracts. The IASB continues to deliberate the proposals in this exposure draft. The proposed standard differs significantly from Lifeco's current accounting and actuarial practices under the Canadian Asset Liability Method (CALM) and is expected to produce more volatile financial results.

Lifeco has disclosed that it is actively monitoring developments in this area and that it will continue to measure insurance contract liabilities under current accounting and actuarial policies, including CALM, until a new IFRS for insurance contract measurement is issued and effective.

IFRS 9 — FINANCIAL INSTRUMENTS

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

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

In December 2015, the IASB published an exposure draft with proposed amendments to IFRS 4, *Insurance Contracts* to alleviate the temporary consequences of the different effective dates with IFRS 9. Companies whose business model is to predominantly issue insurance contracts are allowed the option to defer the effective date of IFRS 9 until the earliest of the mandatory effective date of IFRS 4 or January 1, 2021. For companies that do not issue insurance contracts, the effective date of January 1, 2018 should remain. The Corporation and its subsidiaries are evaluating the impact of the adoption of this standard.

IFRS 15 — REVENUE FROM CONTRACTS WITH CUSTOMERS

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

The standard will be effective January 1, 2018. The Corporation and its subsidiaries are evaluating the impact of the adoption of this standard.

IFRS 16 — LEASES

In January 2016, the IASB issued IFRS 16, *Leases*, which requires a lessee to recognize a right-of-use asset representing its right to use the underlying leased asset and a corresponding lease liability representing its obligation to make lease payments for all leases. A lessee recognizes the related expense as depreciation on the right-of-use asset and interest on the lease liability. Short-term (less than 12 months) and low-value asset leases are exempt from these requirements.

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

Disclosure Controls and Procedures

Based on their evaluations as at December 31, 2015, the Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures were effective as at December 31, 2015.

Internal Control Over Financial Reporting

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

The Corporation's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Corporation's internal control over financial reporting as at December 31, 2015, based on the Internal Control – Integrated Framework (COSO 2013 Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Corporation's internal control over financial reporting was effective as at December 31, 2015.

There have been no changes in the Corporation's internal control over financial reporting during the year ended December 31, 2015 which have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Selected Annual Information

FOR THE YEARS ENDED DECEMBER 31	2015	2014	2013
Total revenue	36,512	41,775	28,830
Operating earnings (attributable to common shareholders)[1]	2,241	2,105	1,708
per share – basic	3.14	2.96	2.40
Net earnings (attributable to common shareholders)	2,319	2,136	1,896
per share – basic	3.25	3.00	2.67
per share – diluted	3.24	3.00	2.63
Consolidated assets	417,630	373,843	341,682
Total financial liabilities	22,327	18,800	17,562
Debentures and other debt instruments	6,927	6,887	7,275
Shareholders' equity	19,550	17,019	15,993
Book value per common share	23.79	20.29	18.61
Number of common shares outstanding [millions]	713.2	711.7	711.2
Dividends per share [declared]			
Common shares	1.4900	1.4000	1.4000
First preferred shares			
Series A[2]	0.4887	0.5250	0.5250
Series D	1.3750	1.3750	1.3750
Series E	1.3125	1.3125	1.3125
Series F	1.4750	1.4750	1.4750
Series H	1.4375	1.4375	1.4375
Series I	1.5000	1.5000	1.5000
Series K	1.2375	1.2375	1.2375
Series L	1.2750	1.2750	1.2750
Series O	1.4500	1.4500	1.4500
Series P[3]	1.1000	1.1000	1.1000
Series R	1.3750	1.3750	1.3750
Series S[4]	1.2000	1.2000	1.1006
Series T[5]	1.0500	1.1902	–

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

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

[3] On February 1, 2016, 2,234,515 of its outstanding 11,200,000 Non-Cumulative 5-year Rate Reset First Preferred Shares, Series P were converted, on a one-for-one basis, into Non-Cumulative Floating Rate First Preferred Shares, Series Q. The Series Q First Preferred shares are entitled to an annual non-cumulative dividend, payable quarterly at a floating rate equal to the 3-month Government of Canada Treasury Bill rate plus 1.60%. The dividend rate for the remaining 8,965,485 Series P shares was reset to an annual fixed rate of 2.31% or $0.144125 per share in cash dividends payable quarterly.

[4] Issued in February 2013. The first dividend payment was made in April 30, 2013, in the amount of $0.2006 per share.

[5] Issued in December 2013. The first dividend payment was made on April 30, 2014 in the amount of $0.4027 per share.

Consolidated Balance Sheets

DECEMBER 31 [IN MILLIONS OF CANADIAN DOLLARS]	2015	2014
ASSETS		
Cash and cash equivalents [Note 4]	4,188	3,989
Investments [Note 5]		
Bonds	115,379	103,636
Mortgage loans	29,413	27,565
Shares	7,289	7,317
Investment properties	5,237	4,613
Loans to policyholders	8,694	7,711
	166,012	150,842
Funds held by ceding insurers [Note 6]	15,512	12,154
Reinsurance assets [Note 12]	5,131	5,151
Investments in jointly controlled corporations and associates [Note 7]	2,905	2,677
Owner-occupied properties and capital assets [Note 8]	1,106	986
Derivative financial instruments [Note 25]	520	693
Other assets [Note 9]	6,908	6,032
Deferred tax assets [Note 16]	1,961	1,707
Intangible assets [Note 10]	5,983	5,497
Goodwill [Note 10]	9,210	9,149
Investments on account of segregated fund policyholders [Note 11]	198,194	174,966
Total assets	417,630	373,843
LIABILITIES		
Insurance contract liabilities [Note 12]	158,492	145,198
Investment contract liabilities [Note 12]	2,180	857
Obligation to securitization entities [Note 13]	7,092	6,754
Debentures and other debt instruments [Note 14]	6,927	6,887
Derivative financial instruments [Note 25]	2,682	1,225
Other liabilities [Note 15]	7,686	7,293
Deferred tax liabilities [Note 16]	1,975	1,761
Insurance and investment contracts on account of segregated fund policyholders [Note 11]	198,194	174,966
Total liabilities	385,228	344,941
EQUITY		
Stated capital [Note 17]		
Perpetual preferred shares	2,580	2,580
Common shares	804	743
Retained earnings	14,283	13,164
Reserves	1,883	532
Total shareholders' equity	19,550	17,019
Non-controlling interests [Note 19]	12,852	11,883
Total equity	32,402	28,902
Total liabilities and equity	417,630	373,843

Approved by the Board of Directors

Signed,
Raymond Royer

Director

Signed,
R. Jeffrey Orr

Director

Consolidated Statements of Earnings

FOR THE YEARS ENDED DECEMBER 31 [IN MILLIONS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS]	2015	2014
REVENUES		
Premium income		
Gross premiums written	28,129	24,686
Ceded premiums	(3,628)	(3,464)
Premium income, net	24,501	21,222
Net investment income [Note 5]		
Regular net investment income	6,332	6,038
Change in fair value through profit or loss	(2,013)	7,525
Investment income, net	4,319	13,563
Fee income	7,692	6,990
Total revenues	36,512	41,775
EXPENSES		
Policyholder benefits		
Insurance and investment contracts		
Gross	22,553	19,363
Ceded	(2,000)	(1,928)
Total net policyholder benefits	20,553	17,435
Policyholder dividends and experience refunds	1,477	1,496
Change in insurance and investment contract liabilities	812	10,229
Total paid or credited to policyholders	22,842	29,160
Commissions	3,133	2,901
Operating and administrative expenses [Note 22]	5,883	5,162
Financing charges [Note 23]	413	413
Total expenses	32,271	37,636
Earnings before investments in jointly controlled corporations and associates, and income taxes	4,241	4,139
Share of earnings of investments in jointly controlled corporations and associates [Note 7]	224	211
Earnings before income taxes	4,465	4,350
Income taxes [Note 16]	679	834
Net earnings	3,786	3,516
ATTRIBUTABLE TO		
Non-controlling interests [Note 19]	1,337	1,248
Perpetual preferred shareholders	130	132
Common shareholders	2,319	2,136
	3,786	3,516
EARNINGS PER COMMON SHARE [Note 28]		
Net earnings attributable to common shareholders		
– Basic	3.25	3.00
– Diluted	3.24	3.00

Consolidated Statements of Comprehensive Income

FOR THE YEARS ENDED DECEMBER 31 [IN MILLIONS OF CANADIAN DOLLARS]	2015	2014
Net earnings	3,786	3,516
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net earnings		
Net unrealized gains (losses) on available-for-sale assets		
Unrealized gains (losses)	(15)	313
Income tax (expense) benefit	6	(62)
Realized (gains) losses transferred to net earnings	(106)	(52)
Income tax expense (benefit)	18	10
	(97)	209
Net unrealized gains (losses) on cash flow hedges		
Unrealized gains (losses)	(253)	(110)
Income tax (expense) benefit	95	42
Realized (gains) losses transferred to net earnings	2	2
Income tax expense (benefit)	(1)	(1)
	(157)	(67)
Net unrealized foreign exchange gains (losses) on translation of foreign operations		
Unrealized gains (losses) on translation arising during the year	2,038	543
Unrealized gains (losses) on euro debt designated as hedge of net investments in foreign operations	(50)	35
Income tax (expense) benefit	9	–
	1,997	578
Share of other comprehensive income (losses) of jointly controlled corporations and associates	45	(86)
Total – items that may be reclassified	1,788	634
Items that will not be reclassified subsequently to net earnings		
Actuarial gains (losses) on benefit plans [Note 24]	194	(601)
Income tax (expense) benefit	(36)	150
Share of other comprehensive income (losses) of jointly controlled corporations and associates	1	(31)
Total – items that will not be reclassified	159	(482)
Other comprehensive income	1,947	152
Total comprehensive income	5,733	3,668
ATTRIBUTABLE TO		
Non-controlling interests	1,953	1,347
Perpetual preferred shareholders	130	132
Common shareholders	3,650	2,189
	5,733	3,668

Consolidated Statements of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2015 [IN MILLIONS OF CANADIAN DOLLARS]	STATED CAPITAL			RESERVES				
	PERPETUAL PREFERRED SHARES	COMMON SHARES	RETAINED EARNINGS	SHARE-BASED COMPENSATION	OTHER COMPREHENSIVE INCOME [NOTE 27]	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance, beginning of year	2,580	743	13,164	142	390	532	11,883	28,902
Net earnings	–	–	2,449	–	–	–	1,337	3,786
Other comprehensive income	–	–	–	–	1,331	1,331	616	1,947
Total comprehensive income	–	–	2,449	–	1,331	1,331	1,953	5,733
Dividends to shareholders								
Perpetual preferred shares	–	–	(130)	–	–	–	–	(130)
Common shares	–	–	(1,063)	–	–	–	–	(1,063)
Dividends to non-controlling interests	–	–	–	–	–	–	(711)	(711)
Share-based compensation	–	–	–	48	–	48	19	67
Stock options exercised	–	61	–	(48)	–	(48)	36	49
Effects of changes in ownership of subsidiaries, capital and other	–	–	(137)	–	20	20	(328)	(445)
Balance, end of year	2,580	804	14,283	142	1,741	1,883	12,852	32,402

FOR THE YEAR ENDED DECEMBER 31, 2014 [IN MILLIONS OF CANADIAN DOLLARS]	STATED CAPITAL			RESERVES				
	PERPETUAL PREFERRED SHARES	COMMON SHARES	RETAINED EARNINGS	SHARE-BASED COMPENSATION	OTHER COMPREHENSIVE INCOME [NOTE 27]	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance, beginning of year	2,755	721	12,085	95	337	432	10,941	26,934
Net earnings	–	–	2,268	–	–	–	1,248	3,516
Other comprehensive income	–	–	–	–	53	53	99	152
Total comprehensive income	–	–	2,268	–	53	53	1,347	3,668
Redemption of perpetual preferred shares	(175)	–	–	–	–	–	–	(175)
Dividends to shareholders								
Perpetual preferred shares	–	–	(132)	–	–	–	–	(132)
Common shares	–	–	(996)	–	–	–	–	(996)
Dividends to non-controlling interests	–	–	–	–	–	–	(693)	(693)
Share-based compensation	–	–	–	35	–	35	15	50
Stock options exercised	–	22	–	(11)	–	(11)	6	17
Effects of changes in ownership of subsidiaries, capital and other	–	–	(61)	23	–	23	267	229
Balance, end of year	2,580	743	13,164	142	390	532	11,883	28,902

Consolidated Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31 [IN MILLIONS OF CANADIAN DOLLARS]	2015	2014
OPERATING ACTIVITIES		
Earnings before income taxes	4,465	4,350
Income tax paid, net of refunds received	(543)	(660)
Adjusting items		
Change in insurance and investment contract liabilities	(1,088)	9,726
Change in funds held by ceding insurers	821	428
Change in funds held under reinsurance contracts	28	(34)
Change in reinsurance assets	367	(160)
Change in fair value through profit or loss	2,013	(7,525)
Other	(367)	11
	5,696	6,136
FINANCING ACTIVITIES		
Dividends paid		
By subsidiaries to non-controlling interests	(715)	(691)
Perpetual preferred shares	(130)	(132)
Common shares	(1,046)	(996)
	(1,891)	(1,819)
Issue of common shares by the Corporation [Note 17]	49	17
Redemption of preferred shares by the Corporation	–	(175)
Issue of common shares by subsidiaries	113	44
Issue of preferred shares by subsidiaries	–	200
Repurchase of common shares by subsidiaries	(509)	(175)
Changes in debt instruments	(137)	(446)
Change in obligations to securitization entities	336	1,185
Other	87	33
	(1,952)	(1,136)
INVESTMENT ACTIVITIES		
Bond sales and maturities	29,591	27,263
Mortgage loan repayments	2,926	2,525
Sale of shares	2,274	3,171
Business acquisitions, net of cash and cash equivalents acquired	(4)	(43)
Investment in bonds	(32,491)	(31,462)
Investment in mortgage loans	(3,394)	(4,703)
Investment in shares	(2,551)	(2,156)
Investment in investment properties and other	(195)	(28)
	(3,844)	(5,433)
Effect of changes in exchange rates on cash and cash equivalents	299	78
Increase (decrease) in cash and cash equivalents	199	(355)
Cash and cash equivalents, beginning of year	3,989	4,344
Cash and cash equivalents, end of year	4,188	3,989
NET CASH FROM OPERATING ACTIVITIES INCLUDES		
Interest and dividends received	5,881	5,479
Interest paid	533	533

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

NOTE 1
Corporate Information

Power Financial Corporation (Power Financial or the Corporation) is a publicly listed company (TSX: PWF) incorporated and domiciled in Canada whose registered address of the Corporation is 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 based in Europe.

The Consolidated Financial Statements (financial statements) of Power Financial for the year ended December 31, 2015 were approved by its Board of Directors on March 23, 2016. The Corporation is controlled by Power Corporation of Canada.

NOTE 2
Basis of Presentation and Summary of Significant Accounting Policies

The financial statements of Power Financial at December 31, 2015 have been prepared in accordance with International Financial Reporting Standards.

BASIS OF PRESENTATION

The financial statements include the accounts of Power Financial and all its subsidiaries on a consolidated basis after elimination of intercompany transactions and balances. Subsidiaries are entities the Corporation controls, when the Corporation has power over the entity, it is exposed, or has rights, to variable returns from its involvement and 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 that such control ceases. The Corporation will reassess 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 operating subsidiaries of the Corporation are:

- Great-West Lifeco Inc., a public company in which the Corporation and IGM Financial Inc. hold 67.4% and 4.0% of the common shares, respectively (2014 – 67.2% and 4.0%, respectively). Lifeco's major operating subsidiary companies are The Great-West Life Assurance Company, Great-West Life & Annuity Insurance Company, London Life Insurance Company, The Canada Life Assurance Company, Irish Life Group Limited and Putnam Investments, LLC.
- IGM Financial Inc., a public company in which the Corporation and The Great-West Life Assurance Company hold 60.4% and 3.8% of the common shares, respectively (2014 – 58.8% and 3.7%, respectively). IGM's major operating subsidiary companies are Investors Group Inc. and Mackenzie Financial Corporation.

These financial statements of Power Financial include the results of Great-West Lifeco Inc. and IGM Financial Inc. on a consolidated basis; the amounts shown in 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 derived from the publicly disclosed consolidated financial statements of Great-West Lifeco Inc. and IGM Financial Inc., both as at and for the year ended December 31, 2015. The notes to Power Financial's financial statements are derived from the notes to the financial statements of Great-West Lifeco Inc. and IGM Financial Inc.

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 share of net earnings, other comprehensive income and the changes in equity of the jointly controlled corporations and associates are recognized in the consolidated statements of earnings, consolidated statements of comprehensive income and consolidated statements of changes in equity, respectively.

The Corporation holds a 50% (2014 – 50%) interest in Parjointco N.V., a jointly controlled corporation that is considered to be a joint venture. Parjointco holds a 55.5% (2014 – 55.5%) equity interest in Pargesa Holding SA. Accordingly, the Corporation accounts for its investment in Parjointco using the equity method.

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 estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Key sources of estimation uncertainty and areas where significant judgments have been made are listed below and are discussed throughout the notes in these financial statements, including:

- Management consolidates all subsidiaries and entities in which it has determined that the Corporation has control. Control is evaluated according to the ability of the Corporation to direct the relevant activities of the subsidiary or other structured entity in order to derive variable returns. Management of the Corporation and of each of its subsidiaries exercise judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Corporation or its subsidiaries have the ability to exercise the power to generate variable returns.
- The actuarial assumptions made by management of Lifeco, including in regard to the behaviour, mortality and morbidity of policyholders, used in the valuation of insurance and certain investment contract liabilities in accordance with the CALM, require judgment and estimation (Note 12).

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

- Management of Lifeco uses judgment to evaluate the classification of insurance and reinsurance contracts to determine whether these arrangements should be accounted for as insurance, investment or service contracts.
- In the determination of the fair value of financial instruments, management of the Corporation and of its subsidiaries exercise judgment in the determination of fair value inputs, particularly those items categorized within Level 3 of the fair value hierarchy (Note 26).
- Management of the Corporation and of its subsidiaries evaluate the synergies and future benefits for initial recognition and measurement of goodwill and intangible assets, as well as testing for impairment. The determination of the carrying value and recoverable amount of the cash generating units (to which goodwill and intangible assets are assigned to) relies upon the determination of fair value using valuation methodologies (Note 10).
- Cash generating units for which goodwill and indefinite life intangible assets have been determined by management of the Corporation and of its subsidiaries as the lowest level at which goodwill is monitored for internal reporting purposes. Management of the Corporation and of its subsidiaries use judgment in determining the lowest level of monitoring (Note 10).
- The determination by IGM's management of the estimated useful lives of deferred selling commissions (Note 10).
- The actuarial assumptions used in determining the expense and defined benefit obligation for the Corporation and its subsidiaries' pension plans and other post-employment benefits require significant judgment and estimation. Management of the Corporation and of its subsidiaries review the previous experience of its plan members and market conditions, including interest rates and inflation rates, in evaluating the assumptions used in determining the expense for the current year (Note 24).
- The Corporation and its subsidiaries operate within various tax jurisdictions where significant management judgments and estimates are required when interpreting the relevant tax laws, regulations and legislation in the determination of the Corporation and of its subsidiaries' tax provisions and the carrying amounts of its tax assets and liabilities (Note 16).
- Legal and other provisions are recognized resulting from a past event which, in the judgment of management of the Corporation and of its subsidiaries, has resulted in a probable outflow of economic resources which would be passed onto a third party to settle the obligation. Management of the Corporation and of its subsidiaries use judgment to evaluate the possible outcomes and risks and determine the best estimate of the provision at the balance sheet date (Note 30).
- Management of Lifeco uses independent qualified appraisal services which include judgments and estimates. These appraisals are adjusted by applying management judgments and estimates for material changes in property cash flows, capital expenditures or general market conditions in determining the fair value of investment properties (Note 5).
- The determination by IGM's management as to whether securitized mortgages are derecognized is based on the extent to which the risks and rewards of ownership are transferred (Note 13).
- In the consolidated statements of cash flows, purchases and sales of portfolio investments are recorded within investment activities due to the long-term nature of these investing activities.
- Management of Lifeco exercises judgment, such as the determination of the risks and benefits associated with the transaction, that are used in determining whether Lifeco retains the primary obligation with a client in sub-advisor arrangements. Where Lifeco retains the risks and benefits, revenue and expenses are recorded on a gross basis.
- The provision for future credit losses within Lifeco's insurance contract liabilities relies upon investment credit ratings. Lifeco's practice is to use third-party independent credit ratings where available. Lifeco management's judgment is required when setting credit ratings for instruments that do not have a third-party rating.

REVENUE RECOGNITION

Interest income is accounted for on an accrual basis using the effective interest method for bonds and mortgage loans. Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed shares and usually the notification date or date when the shareholders have approved the dividend for private equity instruments. Interest income and dividend income are recorded in net investment income in the Consolidated Statements of Earnings (statements of earnings).

Lifeco

Premiums for all types of insurance contracts and contracts with limited mortality or morbidity risk are generally recognized as revenue when due and collection is reasonably assured.

Investment property income includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Rental income leases with contractual rent increases and rent-free periods are recognized on a straight-line basis over the term of the lease. Investment property income is included in net investment income in the statement of earnings.

Fee income primarily includes fees earned from the management of segregated fund assets, proprietary mutual fund assets, fees earned on administrative services only for Group health contracts and fees earned from management services. Fee income is recognized when the service is performed, the amount is collectible and can be reasonably estimated.

Lifeco has sub-advisor arrangements where Lifeco retains the primary obligation with the client. As a result, fee income earned is reported on a gross basis, with the corresponding sub-advisor expense recorded in operating and administrative expenses.

IGM Financial

Management fees are based on the net asset value of the investment fund or other assets under management and are recognized on an accrual basis as the service is performed. Administration fees are also recognized on an accrual basis as the service is performed. Distribution fees derived from investment fund and securities transactions are recognized on a trade-date basis. Distribution fees derived from insurance and other financial services transactions are recognized on an accrual basis. These management, administration and distribution fees are included in fee income in the statements of earnings.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, current operating accounts, overnight bank and term deposits and fixed income securities with an original term to maturity of three months or less.

NOTE 2

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

INVESTMENTS

Investments include bonds, mortgage loans, shares, investment properties, and loans to policyholders of Lifeco. Investments are classified as either fair value through profit or loss, available for sale, held to maturity, loans and receivables, or as non-financial instruments based on management's intention relating to the purpose and nature of the instruments or the characteristics of the investments. The Corporation and its subsidiaries currently have not classified any investments as held to maturity.

Investments in bonds (including fixed income securities), mortgage loans and shares normally actively traded on a public market are either designated or classified as fair value through profit or loss or classified as available for sale and are recorded on a trade-date basis.

A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch. For Lifeco, 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.

Fair value through profit or loss investments are recorded at fair value on the Consolidated Balance Sheets (balance sheets) with realized and unrealized gains and losses reported in the statements of earnings. Available-for-sale investments are recorded at fair value on the balance sheets with unrealized gains and losses recorded in other comprehensive income. Realized gains and losses are reclassified from other comprehensive income and recorded in the statements of earnings when the available-for-sale investment is sold or impaired.

Investments in mortgage loans and bonds not normally actively traded on a public market are classified as loans and receivables and are carried at amortized cost net of any allowance for credit losses. Impairments and realized gains and losses on the sale of investments classified as loans and receivables are recorded in net investment income in the statements of earnings.

Investment properties are real estate held to earn rental income or for capital appreciation. Investment properties are initially measured at cost and subsequently carried at fair value on the balance sheets. Changes in fair value are recorded as net investment income in the statements of earnings. Properties held to earn rental income or for capital appreciation that have an insignificant portion that is owner occupied or where there is no intent to occupy on a long-term basis are classified as investment properties. Properties that do not meet these criteria are classified as owner-occupied properties.

Loans to policyholders of Lifeco are classified as loans and receivables and measured at amortized cost. Loans to policyholders are shown at their unpaid principal balance and are fully secured by the cash surrender values of the policies. The carrying value of loans to policyholders approximates fair value.

Fair value measurement

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

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

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

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

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

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

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

Fair values for publicly traded shares are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values for shares for which there is no active market are determined by discounting expected future cash flows. The Corporation and its subsidiaries maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Corporation and its subsidiaries obtain quoted prices in active markets, when available, for identical assets at the balance sheet dates to measure shares at fair value in its fair value through profit or loss and available-for-sale portfolios.

MORTGAGE LOANS AND BONDS CLASSIFIED AS LOANS AND RECEIVABLES

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

INVESTMENT PROPERTIES

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

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

Impairment

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

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

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

Impairment losses on available-for-sale shares are recorded if the loss is significant or prolonged and subsequent losses are recorded in net earnings.

Securities lending

Lifeco engages in securities lending through its securities custodians as lending agents. Loaned securities are not derecognized, and continue to be reported within investments, as Lifeco retains substantial risks and rewards and economic benefits related to the loaned securities.

TRANSACTION COSTS

Transaction costs are expensed as incurred for financial instruments classified or designated as fair value through profit or loss. Transaction costs for financial assets classified as available for sale or loans and receivables are added to the value of the instrument at acquisition, and taken into net earnings using the effective interest rate method for those allocated to loans and receivables. Transaction costs for financial liabilities classified as other than fair value through profit or loss are deducted from the value of the instrument issued and taken into net earnings using the effective interest rate method.

FUNDS HELD BY CEDING INSURERS/ FUNDS HELD UNDER REINSURANCE CONTRACTS

On the asset side, funds held by ceding insurers are assets that would normally be paid to Lifeco but are retained by the cedant to reduce potential credit risk. Under certain forms of reinsurance contracts it is customary for the cedant to retain amounts on a funds-withheld basis supporting the insurance or investment contract liabilities ceded. For the funds-withheld assets where the underlying asset portfolio is managed by Lifeco, the credit risk is retained by Lifeco. The funds-withheld balance where Lifeco assumes the credit risk is measured at the fair value of the underlying asset portfolio with the change in fair value recorded in net investment income. See Note 6 for funds held by ceding insurers that are managed by Lifeco. Other funds held by ceding insurers are general obligations of the cedant and serve as collateral for insurance contract liabilities assumed from cedants. Funds-withheld assets on these contracts do not have fixed maturity dates, their release generally being dependent on the run-off of the corresponding insurance contract liabilities.

On the liability side, funds held under reinsurance contracts consist mainly of amounts retained by Lifeco from ceded business written on a funds-withheld basis. Lifeco withholds assets related to ceded insurance contract liabilities in order to reduce credit risk.

REINSURANCE CONTRACTS

Lifeco, in the normal course of business, is a user of reinsurance in order to limit the potential for losses arising from certain exposures and a provider of reinsurance. Assumed reinsurance refers to the acceptance of certain insurance risks by Lifeco underwritten by another company. Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share the risks. To the extent that assuming reinsurers are unable to meet their obligations, Lifeco remains liable to its policyholders for the portion reinsured. Consequently, allowances are made for reinsurance contracts which are deemed uncollectible.

Reinsurance contracts are insurance contracts and undergo the classification as described within the Insurance and Investment Contract Liabilities section of this note. Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance assets associated with insurance and investment contracts, are accounted for in accordance with the terms and conditions of the underlying reinsurance contract. Reinsurance assets are reviewed for impairment on a regular basis for any events that may trigger impairment. Lifeco considers various factors in the impairment evaluation process, including, but not limited to, collectability of amounts due under the terms of the contract. The carrying amount of a reinsurance asset is adjusted through an allowance account with any impairment loss being recorded in the statements of earnings.

Any gains or losses on buying reinsurance are recognized in the statement of earnings immediately at the date of purchase in accordance with the CALM.

Assets and liabilities related to reinsurance are reported on a gross basis in the balance sheets. The amount of liabilities ceded to reinsurers is estimated in a manner consistent with the claim liability associated with reinsured risks.

OWNER-OCCUPIED PROPERTIES AND CAPITAL ASSETS

Owner-occupied properties and capital assets are carried at cost less accumulated depreciation and impairments. Capital assets include equipment, furniture and fixtures. Depreciation is charged to write off the cost of assets, using the straight-line method, over their estimated useful lives, on the following bases:

▪ Owner-occupied properties	10–50 years
▪ Capital assets	3–17 years

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted if necessary. Owner-occupied properties and capital assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

OTHER ASSETS

Other assets include premiums in course of collection, accounts receivable, prepaid expenses, deferred acquisition costs and miscellaneous other assets which are measured at amortized cost. Deferred acquisition costs relating to investment contracts are recognized as assets if the costs are incremental and incurred due to the contract being issued. Deferred acquisition costs are amortized on a straight-line basis over the term of the policy, not exceeding 20 years.

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

BUSINESS COMBINATIONS, GOODWILL AND INTANGIBLE ASSETS

Business combinations are accounted for using the acquisition method. Goodwill represents the excess of purchase consideration over the fair value of net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets comprise finite life and indefinite life intangible assets. Finite life intangible assets include the value of technology and software, customer contract-related and deferred selling commissions. Finite life intangible assets are reviewed at least annually to determine if there are indicators of impairment and assess whether the amortization period and method are appropriate. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives on the following basis: i) technology and software (5 to 10 years); and ii) customer contract-related (9 to 20 years).

Commissions paid by IGM on the sale of certain mutual funds are deferred and amortized over their estimated useful lives, not exceeding a period of seven years. Commissions paid on the sale of deposits are deferred and amortized over their estimated useful lives, not exceeding a period of five years. When a client redeems units in mutual funds that are subject to a deferred sales charge, a redemption fee is paid by the client and is recorded as revenue by IGM. Any unamortized deferred selling commission asset recognized on the initial sale of these investment fund units or shares is recorded as a disposal. IGM regularly reviews the carrying value of deferred selling commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by IGM to assess recoverability is the comparison of the future economic benefits derived from the deferred selling commission asset in relation to its carrying value.

Indefinite life intangible assets include brands, trademarks and trade names, some customer contracts, mutual fund management contracts and the shareholders' portion of acquired future participating account profit. Amounts are classified as indefinite life intangible assets when based on an analysis of all the relevant factors, and when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. The identification of indefinite life intangible assets is made by reference to relevant factors such as product life cycles, potential obsolescence, industry stability and competitive position. Following initial recognition, indefinite life intangible assets are measured at cost less accumulated impairment losses.

Impairment testing

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

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

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

SEGREGATED FUNDS

Segregated fund assets and liabilities arise from contracts where all financial risks associated with the related assets are borne by policyholders and are presented separately in the balance sheets. The assets and liabilities are set equal to the fair value of the underlying asset portfolio. Investment income and changes in fair value of the segregated fund assets are offset by corresponding changes in the segregated fund liabilities.

INSURANCE AND INVESTMENT CONTRACT LIABILITIES

Contract classification

When significant insurance risk exists, Lifeco's products are classified at contract inception as insurance contracts, in accordance with IFRS 4, *Insurance Contracts* (IFRS 4). Significant insurance risk exists when Lifeco agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown. Refer to Note 12 for a discussion of insurance risk.

In the absence of significant insurance risk, the contract is classified as an investment contract or service contract. Investment contracts with discretionary participating features are accounted for in accordance with IFRS 4 and investment contracts without discretionary participating features are accounted for in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. Lifeco has not classified any contracts as investment contracts with discretionary participating features.

Investment contracts may be reclassified as insurance contracts after inception if insurance risk becomes significant. A contract that is classified as an insurance contract at contract inception remains as such until all rights and obligations under the contract are extinguished or expire.

Investment contracts are contracts that carry financial risk, which is the risk of a possible future change in one or more of the following: interest rate, commodity price, foreign exchange rate, or credit rating. Refer to Note 21 for a discussion on risk management.

Measurement

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

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality and morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

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

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

DERECOGNITION OF SECURITIZED MORTGAGES

IGM enters into transactions where it transfers financial assets recognized on its balance sheets. The determination of whether the financial assets are derecognized is based on the extent to which the risks and rewards of ownership are transferred.

If substantially all of the risks and rewards of a financial asset are not retained, IGM derecognizes the financial asset. The gains or losses and the servicing fee revenue for financial assets that are derecognized are reported in net investment income in the statements of earnings.

If all or substantially all risks and rewards are retained, the financial assets are not derecognized and the transactions are accounted for as secured financing transactions.

OTHER FINANCIAL LIABILITIES

Debentures and other debt instruments, and capital trust debentures are initially recorded on the balance sheets at fair value and subsequently carried at amortized cost using the effective interest rate method with amortization expense recorded in financing charges in the statements of earnings. These liabilities are derecognized when the obligation is cancelled or redeemed.

Accounts payable, dividends and interest payable, and deferred income reserves are measured at amortized cost. Deferred income reserves related to investment contracts are amortized on a straight-line basis to recognize the initial policy fees over the policy term, not exceeding 20 years.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

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

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

The Corporation and its subsidiaries determine the net interest component of the pension expense for the period by applying the discount rate used to measure the accrued benefit liability at the beginning of the annual period to the net accrued benefit liability. The discount rate used to value liabilities is determined using a yield curve of AA corporate debt securities.

If the plan benefits are changed, or a plan is curtailed, any past service costs or curtailment gains or losses are recognized immediately in net earnings.

Net interest costs, current service costs, past service costs and curtailment gains or losses are included in operating and administrative expenses.

Remeasurements arising from defined benefit plans represent actuarial gains and losses, and the actual return on plan assets, less interest calculated at the discount rate and changes in the asset ceiling. Remeasurements are recognized immediately through other comprehensive income and are not reclassified to net earnings.

The accrued benefit asset (liability) represents the plan surplus (deficit) and is included in other assets or other liabilities.

Payments to the defined contribution plans are expensed as incurred.

INCOME TAXES

The income tax expense for the period represents the sum of current income tax and deferred income tax. Income tax is recognized as an expense or income in the statements of earnings, except to the extent that it relates to items that are not recognized in the statements of earnings (whether in other comprehensive income or directly in equity), in which case the income tax is also recognized in other comprehensive income or directly in equity.

Current income tax

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

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

Deferred income tax

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation and its subsidiaries use derivative products as risk management instruments to hedge or manage asset, liability and capital positions, including revenues. The Corporation and its subsidiaries' policy guidelines prohibit the use of derivative instruments for speculative trading purposes.

Derivatives are recorded at fair value on the balance sheets. The method of recognizing unrealized and realized fair value gains and losses depends on whether the derivatives are designated as hedging instruments. For derivatives that are not designated as hedging instruments, unrealized and realized gains and losses are recorded in net investment income on the statements of earnings. For derivatives designated as hedging instruments, unrealized and realized gains and losses are recognized according to the nature of the hedged item.

Derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contractual terms of, and specific risks inherent in, the instrument, as well as the availability of pricing information in the market. The Corporation and its subsidiaries generally use similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs.

To qualify for hedge accounting, the relationship between the hedged item and the hedging instrument must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, then the relationship does not qualify for hedge accounting treatment and both the hedged item and the hedging instrument are reported independently, as if there was no hedging relationship.

Where a hedging relationship exists, the Corporation and its subsidiaries document all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. This process includes linking derivatives that are used in hedging transactions to specific assets and liabilities on the balance sheets or to specific firm commitments or forecasted transactions. The Corporation and its subsidiaries also assess, both at the hedge's inception and on an ongoing basis, whether derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. Hedge effectiveness is reviewed quarterly through correlation testing.

Fair value hedges

Fair value hedges are used to manage the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, changes in fair value of both the hedging instrument and the hedged item are recorded in net investment income and consequently any ineffective portion of the hedge is recorded immediately in net investment income.

Cash flow hedges

Cash flow hedges are used to manage the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. For cash flow hedges, the effective portion of the change in fair value of the hedging instrument is recorded in other comprehensive income, while the ineffective portion is recognized immediately in net investment income. Gains and losses on cash flow hedges that accumulate in other comprehensive income are recorded in net investment income in the same period the hedged item affects net earnings. Gains and losses on cash flow hedges are immediately reclassified from other comprehensive income to net investment income if and when it is probable that a forecasted transaction is no longer expected to occur.

Net investment hedges

Net investment hedges are used to manage the exposure to changes in the reporting entity's share in the net share of a foreign operation. For net investment hedges, the effective portion of changes in the fair value of the hedging instrument is recorded in other comprehensive income while the ineffective portion is recognized immediately in net investment income. The unrealized foreign exchange gains (losses) on the instruments are recorded within other comprehensive income and will be reclassified into net earnings when the instruments are derecognized. Hedge accounting is discontinued when the hedge no longer qualifies for hedge accounting.

EMBEDDED DERIVATIVES

An embedded derivative is a component of a host contract that modifies the cash flows of the host contract in a manner similar to a derivative, according to a specified interest rate, financial instrument price, foreign exchange rate, underlying index or other variable. Embedded derivatives are treated as separate contracts and are recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself recorded at fair value through the statement of earnings. Embedded derivatives that meet the definition of an insurance contract are accounted for and measured as an insurance contract.

EQUITY

Financial instruments issued by Power Financial are classified as stated capital if they represent a residual interest in the assets of the Corporation. Preferred shares are classified as equity if they are non-redeemable, or retractable only at the Corporation's option and any dividends are discretionary. Costs that are directly attributable to the issue of share capital are recognized as a deduction from retained earnings, net of income tax.

Reserves are composed of share-based compensation and other comprehensive income. Share-based compensation reserves represent the vesting of options less options exercised. Other comprehensive income represents the total of the unrealized foreign exchange gains (losses) on translation of foreign operations, the actuarial gains (losses) on benefit plans, the unrealized gains (losses) on available-for-sale assets, the unrealized gains (losses) on cash flow hedges, and the share of other comprehensive income of jointly controlled corporations and associates.

Non-controlling interests represent the proportion of equity that is attributable to minority shareholders.

SHARE-BASED PAYMENTS

The fair value-based method of accounting is used for the valuation of compensation expense for options granted to employees. Compensation expense is recognized as an increase to operating and administrative expenses in the statements of earnings over the vesting period of the granted options, with a corresponding increase in share-based compensation reserves. When the stock options are exercised, the proceeds received, together with the amount recorded in share-based compensation reserve, are added to the stated capital of the entity issuing the corresponding shares.

The Corporation and its subsidiaries recognize a liability for cash-settled awards, including those granted under Performance Share Unit plans and Deferred Share Unit plans. Compensation expense is recognized as an increase to operating and administrative expenses in the statements of

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

earnings, net of related hedges, and a liability is recognized on the balance sheets over the period, if any. The liability is remeasured at fair value at each reporting period with the change in the liability recorded in operating and administrative expenses.

FOREIGN CURRENCY TRANSLATION

The Corporation and its subsidiaries operate with multiple functional currencies. The Corporation's financial statements are prepared in Canadian dollars, which is the functional and presentation currency of the Corporation.

Assets and liabilities denominated in foreign currencies are translated into each entity's functional currency at exchange rates prevailing at the balance sheet dates for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenues and expenses denominated in foreign currencies are translated into each entity's functional currency at an average of daily rates. Realized and unrealized exchange gains and losses are included in net investment income.

Translation of net investment in foreign operations

Assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all revenues and expenses are translated at an average of daily rates. Unrealized foreign currency translation gains and losses on the Corporation's net investment in its foreign operations, jointly controlled corporations and associates are presented as a component of other comprehensive income. Unrealized foreign currency translation gains and losses are recognized in earnings when there has been a disposal of a foreign operation, jointly controlled corporation or associate.

POLICYHOLDER BENEFITS

Policyholder benefits include benefits and claims on life insurance contracts, maturity payments, annuity payments and surrenders. Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

LEASES

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases, where the Corporation and its subsidiaries are the lessee, are charged to net earnings over the period of use.

Where the Corporation and its subsidiaries are the lessor under an operating lease for its investment property, the assets subject to the lease arrangement are presented within the balance sheets. Income from these leases is recognized in the statements of earnings on a straight-line basis over the lease term.

Investments in a lease that transfers substantially all the risks and rewards of ownership to the lessee are classified as a finance lease. Under a finance lease, the investment is recognized as a receivable at an amount equal to the net investment in the lease, which is represented as the present value of the minimum lease payments due from the lessee and is presented within the balance sheets. Payments received from the lessee are apportioned between the recognition of finance lease income and the reduction of the finance lease receivable. Income from the finance leases is recognized in the statements of earnings at a constant periodic rate of return on net investment in the finance lease.

EARNINGS PER COMMON SHARE

Basic earnings per common share is determined by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding for the year. Diluted earnings per common share is determined using the same method as basic earnings per common share, except that the weighted average number of common shares outstanding includes the potential dilutive effect of outstanding stock options granted by the Corporation and its subsidiaries, as determined by the treasury stock method.

FUTURE ACCOUNTING CHANGES

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

IFRS 9 — Financial Instruments

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

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

In December 2015, the IASB published an exposure draft with proposed amendments to IFRS 4, *Insurance Contracts* to alleviate the temporary consequences of the different effective dates with IFRS 9. Companies whose business model is to predominantly issue insurance contracts are allowed the option to defer the effective date of IFRS 9 until the earliest of the mandatory effective date of IFRS 4 or January 1, 2021. For companies that do not issue insurance contracts, the effective date of January 1, 2018 should remain. The Corporation and its subsidiaries are evaluating the impact of the adoption of this standard.

IFRS 15 — Revenue from Contracts with Customers

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

The standard will be effective January 1, 2018. The Corporation and its subsidiaries are evaluating the impact of the adoption of this standard.

IFRS 16 — Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which requires a lessee to recognize a right-of-use asset representing its right to use the underlying leased asset and a corresponding lease liability representing its obligation to make lease payments for all leases. A lessee recognizes the related expense as depreciation on the right-of-use asset and interest on the lease liability. Short-term (less than 12 months) and low-value asset leases are exempt from these requirements.

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

COMPARATIVE FIGURES

During the year, the Corporation and its subsidiaries reclassified certain comparative figures to conform to the current year's presentation (Notes 5, 9, 16 and 25). The reclassifications had no impact on equity or net earnings.

NOTE 3
Business Acquisition

LEGAL & GENERAL INTERNATIONAL (IRELAND) LIMITED

On July 1, 2015, Lifeco, through its indirect wholly owned subsidiary The Canada Life Group (UK) Ltd., acquired Legal & General International (Ireland) Limited (LGII), a provider of investment and wealth management solutions for high net worth individuals primarily in the United Kingdom.

At the date of acquisition, Lifeco recognized $5,465 million of unit-linked funds within investments on account of segregated fund policyholders and insurance and investment contracts on account of segregated fund policyholders (Note 11).

Revenues and net earnings from LGII, along with the goodwill from the acquisition, were not significant.

NOTE 4
Cash and Cash Equivalents

DECEMBER 31	2015	2014
Cash	1,900	1,698
Cash equivalents	2,288	2,291
Cash and cash equivalents	4,188	3,989

At December 31, 2015, cash amounting to $159 million was restricted for use by subsidiaries ($142 million at December 31, 2014).

NOTE 5
Investments

CARRYING VALUES AND FAIR VALUES

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

	2015		2014	
DECEMBER 31	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Bonds				
Designated as fair value through profit or loss [1, 3]	83,645	83,645	77,671	77,671
Classified as fair value through profit or loss [1, 3]	2,815	2,815	2,286	2,286
Available for sale	12,014	12,014	10,501	10,501
Loans and receivables	16,905	18,253	13,178	14,659
	115,379	116,727	103,636	105,117
Mortgage loans				
Loans and receivables	29,029	30,712	27,199	29,016
Designated as fair value through profit or loss[1]	384	384	366	366
	29,413	31,096	27,565	29,382
Shares				
Designated as fair value through profit or loss[1]	6,692	6,692	6,697	6,697
Available for sale[2]	597	597	620	620
	7,289	7,289	7,317	7,317
Investment properties	5,237	5,237	4,613	4,613
Loans to policyholders	8,694	8,694	7,711	7,711
	166,012	169,043	150,842	154,140

[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. For Lifeco, 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 of certain shares available for sale cannot be reliably measured, therefore these investments are held at cost.

[3] During the year, Lifeco reclassified $119 million of bonds from designated as fair value through profit or loss to classified as fair value through profit or loss at December 31, 2014 to conform to the current year's presentation.

NOTE 5
Investments (continued)

BONDS AND MORTGAGES

Carrying value of bonds and mortgages due over the current and non-current term is as follows:

				CARRYING VALUE
			TERM TO MATURITY	
DECEMBER 31, 2015	1 YEAR OR LESS	1-5 YEARS	OVER 5 YEARS	TOTAL
Bonds	12,041	25,901	77,070	115,012
Mortgage loans	2,522	11,879	14,600	29,001
	14,563	37,780	91,670	144,013

				CARRYING VALUE
			TERM TO MATURITY	
DECEMBER 31, 2014	1 YEAR OR LESS	1-5 YEARS	OVER 5 YEARS	TOTAL
Bonds	11,107	19,520	72,644	103,271
Mortgage loans	2,546	12,010	12,630	27,186
	13,653	31,530	85,274	130,457

The table shown above excludes the carrying value of impaired bonds and mortgages, as the ultimate timing of collectability is uncertain.

IMPAIRED INVESTMENTS AND ALLOWANCE FOR CREDIT LOSSES

Carrying amount of impaired investments is as follows:

DECEMBER 31	2015	2014
Impaired amounts by classification		
Fair value through profit or loss	355	355
Available for sale	11	14
Loans and receivables	33	17
Total	399	386

The carrying amount of impaired investments includes bonds and mortgages and other loans. The above carrying values for loans and receivables are net of allowances for credit losses of $21 million as at December 31, 2015 ($19 million as at December 31, 2014). The allowance for credit losses is supplemented by the provision for future credit losses included in insurance contract liabilities.

NET INVESTMENT INCOME

YEAR ENDED DECEMBER 31, 2015	BONDS	MORTGAGE LOANS	SHARES	INVESTMENT PROPERTIES	OTHER	TOTAL
Regular net investment income						
Investment income earned	4,259	1,021	280	356	398	6,314
Net realized gains	114	118	10	–	–	242
Other income (expenses)	–	(11)	–	(100)	(113)	(224)
	4,373	1,128	290	256	285	6,332
Changes in fair value through profit or loss	(1,987)	4	(412)	249	133	(2,013)
Net investment income	2,386	1,132	(122)	505	418	4,319

YEAR ENDED DECEMBER 31, 2014	BONDS	MORTGAGE LOANS	SHARES	INVESTMENT PROPERTIES	OTHER	TOTAL
Regular net investment income						
Investment income earned	4,115	996	239	319	457	6,126
Net realized gains	65	40	11	–	–	116
Net recovery (provision) for credit losses (loans and receivables)	(9)	(8)	–	–	–	(17)
Other income (expenses)	–	(15)	–	(75)	(97)	(187)
	4,171	1,013	250	244	360	6,038
Changes in fair value through profit or loss	6,605	2	482	262	174	7,525
Net investment income	10,776	1,015	732	506	534	13,563

NOTE 5
Investments (continued)

Investment income earned comprises income from investments that are classified as available for sale, loans and receivables and classified or designated as fair value through profit or loss. Investment income from bonds and mortgage loans includes interest income and premium and discount amortization. Income from shares includes dividends and distributions. 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.

INVESTMENT PROPERTIES

The carrying value of investment properties and changes in the carrying value of investment properties are as follows:

DECEMBER 31	2015	2014
Balance, beginning of year	4,613	4,288
Additions	278	127
Changes in fair value through profit or loss	249	262
Disposals	(282)	(98)
Transfer to owner-occupied properties	–	(13)
Foreign exchange rate changes and other	379	47
Balance, end of year	5,237	4,613

TRANSFERRED FINANCIAL ASSETS

Lifeco engages in securities lending to generate additional income. Lifeco's securities custodians are used as lending agents. Collateral, which exceeds the fair value of the loaned securities, is deposited by the borrower with Lifeco's lending agent and maintained by the lending agent until the underlying security has been returned. The fair value of the loaned securities is monitored on a daily basis by the lending agent, who obtains or refunds additional collateral as the fair value of the loaned securities fluctuates. There was no cash collateral included in the collateral deposited with Lifeco's lending agent as at December 31, 2015 ($16 million as at December 31, 2014). In addition, the securities lending agent indemnifies Lifeco against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. As at December 31, 2015, Lifeco had loaned securities (which are included in investments) having a fair value of $6,833 million ($5,890 million as at December 31, 2014).

NOTE 6
Funds Held by Ceding Insurers

Included in funds held by ceding insurers of $15,512 million at December 31, 2015 ($12,154 million at December 31, 2014) are the following agreements.

In 2015, Canada Life Limited, an indirect wholly owned subsidiary of Lifeco, entered into an agreement with The Equitable Life Assurance Society (Equitable Life) to assume, by way of indemnity reinsurance, the assets and liabilities of the annuity business of Equitable Life totalling $1,620 million.

In December 2015, an indirect wholly owned subsidiary of Lifeco entered into a retrocession agreement to assume a block of investment contract liabilities totaling $1,323 million in the form of structured settlements with fixed terms and amounts. Lifeco's subsidiary has assumed the credit risk on the portfolio of assets, included in funds held by the ceding reinsurer, that back the related investment contract liabilities. The ceding reinsurer has the right to recapture the retrocession transaction if certain conditions are not met.

In 2014, an indirect wholly owned reinsurance subsidiary of Lifeco entered into an agreement to assume by way of indemnity reinsurance a block of payout annuities. Under the agreement, Lifeco's subsidiary is required to put amounts on deposit with the counterparty and the subsidiary has assumed the credit risk on the portfolio of assets included in the amounts on deposit.

In 2008, Canada Life International Re Limited (CLIRE), Lifeco's indirect wholly owned Irish reinsurance subsidiary, signed an agreement with Standard Life, a U.K.-based provider of life, pension and investment products, to assume by way of indemnity reinsurance a large block of payout annuities. Under the agreement, CLIRE is required to put amounts on deposit with Standard Life and CLIRE has assumed the credit risk on the portfolio of assets included in the amounts on deposit.

The assets for these agreements are included in funds held by ceding insurers on the balance sheets. Revenue and expenses arising from the agreements are included in net investment income on the statements of earnings.

NOTE 6
Funds Held by Ceding Insurers (continued)

At December 31, 2015 Lifeco had amounts on deposit of $13,830 million ($10,758 million at December 31, 2014) for these four agreements. The details of the funds on deposit and related credit risk on the funds related to these agreements are as follows:

CARRYING VALUES AND ESTIMATED FAIR VALUES

	2015		2014	
DECEMBER 31	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Cash and cash equivalents	180	180	200	200
Bonds	13,472	13,472	10,397	10,397
Other assets	178	178	161	161
	13,830	13,830	10,758	10,758
Supporting:				
Reinsurance liabilities	13,222	13,222	10,386	10,386
Surplus	608	608	372	372
	13,830	13,830	10,758	10,758

FAIR VALUE BY HIERARCHY LEVEL

The following presents the amounts on deposit for funds held by ceding insurers measured at fair value on a recurring basis by hierarchy level:

	2015				2014			
DECEMBER 31	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and cash equivalents	180	–	–	180	200	–	–	200
Bonds	–	13,472	–	13,472	–	10,397	–	10,397
Total	180	13,472	–	13,652	200	10,397	–	10,597

CARRYING VALUE OF BONDS BY ISSUER AND INDUSTRY SECTOR

The following table provides details of the carrying value of bonds included in the funds on deposit by issuer and industry sector:

DECEMBER 31	2015	2014
Bonds issued or guaranteed by:		
Canadian federal government	–	49
Provincial, state and municipal governments	5	16
U.S. treasury and other U.S. agencies	72	25
Other foreign governments	3,224	1,923
Government-related	561	548
Supranationals	195	167
Asset-backed securities	319	260
Residential mortgage-backed securities	117	107
Banks	1,967	1,944
Other financial institutions	1,098	1,087
Basic materials	134	110
Communications	176	168
Consumer products	1,117	862
Industrial products/services	398	174
Natural resources	531	389
Real estate	932	778
Transportation	328	231
Utilities	1,762	1,411
Miscellaneous	512	130
Short-term bonds	24	18
Total bonds	13,472	10,397

NOTE 6
Funds Held by Ceding Insurers (continued)

ASSET QUALITY

The following table provides details of the carrying value of the bond portfolio by credit rating:

BOND PORTFOLIO BY CREDIT RATING DECEMBER 31	2015	2014
AAA	3,697	2,312
AA	3,405	2,944
A	5,186	4,194
BBB	798	596
BB and lower	386	351
Total bonds	13,472	10,397

NOTE 7
Investments in Jointly Controlled Corporations and Associates

Investments in jointly controlled corporations and associates are composed principally of the Corporation's 50% interest in Parjointco. As at December 31, 2015, Parjointco held a 55.5% equity interest in Pargesa (same as December 31, 2014), representing 75.4% of the voting rights.

Investments in jointly controlled corporations and associates also include Lifeco's 30.4% investment (same as December 31, 2014), held through its wholly owned subsidiary Irish Life, in Allianz Ireland, an unlisted general insurance company operating in Ireland.

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

			2015			2014
DECEMBER 31	PARJOINTCO	OTHER	TOTAL	PARJOINTCO	OTHER	TOTAL
Carrying value, beginning of year	2,440	237	2,677	2,437	227	2,664
Investments	–	18	18	–	–	–
Share of earnings	205	19	224	187	24	211
Share of other comprehensive income (loss)	24	22	46	(97)	(20)	(117)
Dividends	(69)	(4)	(73)	(75)	(24)	(99)
Other	10	3	13	(12)	30	18
Carrying value, end of year	2,610	295	2,905	2,440	237	2,677

The net asset value of the Corporation's indirect interest in Pargesa is approximately $3,056 million as at December 31, 2015. The carrying value of the investment in Pargesa is $2,610 million, or $2,290 million excluding the unrealized net gains of its underlying investments. Pargesa's financial information as at and for the year ended December 31, 2015 can be obtained in its publicly available information.

NOTE 8
Owner-Occupied Properties and Capital Assets

The carrying value and the changes in the carrying value of owner-occupied properties and capital assets are as follows:

	2015			2014		
DECEMBER 31	OWNER-OCCUPIED PROPERTIES	CAPITAL ASSETS	TOTAL	OWNER-OCCUPIED PROPERTIES	CAPITAL ASSETS	TOTAL
Cost, beginning of year	732	1,062	1,794	693	968	1,661
Additions	11	159	170	15	105	120
Transferred from investment properties	–	–	–	13	–	13
Disposal/retirements	(2)	(13)	(15)	–	(17)	(17)
Changes in foreign exchange rates	35	32	67	11	6	17
Cost, end of year	776	1,240	2,016	732	1,062	1,794
Accumulated amortization, beginning of year	(61)	(747)	(808)	(52)	(684)	(736)
Amortization	(12)	(88)	(100)	(9)	(72)	(81)
Disposal/retirements	1	8	9	–	–	–
Changes in foreign exchange rates	–	(11)	(11)	–	9	9
Accumulated amortization, end of year	(72)	(838)	(910)	(61)	(747)	(808)
Carrying value, end of year	704	402	1,106	671	315	986

The following table provides details of the carrying value of owner-occupied properties and capital assets by geographic location:

DECEMBER 31	2015	2014
Canada	680	638
United States	277	212
Europe	149	136
	1,106	986

NOTE 9
Other Assets

DECEMBER 31	2015	2014
Premiums in course of collection, accounts receivable and interest receivable	4,120	3,527
Deferred acquisition costs[1]	704	685
Pension benefits [Note 24]	250	275
Income taxes receivable	79	71
Trading account assets	590	405
Finance leases receivable	293	285
Prepaid expenses	146	132
Other[1]	726	652
	6,908	6,032

[1] During the year, Lifeco reclassified $41 million of other assets from other to deferred acquisition costs at December 31, 2014 to conform to the current year's presentation.

Total other assets of $5,636 million as at December 31, 2015 ($4,811 million as at December 31, 2014) are to be realized within 12 months.

NOTE 10
Goodwill and Intangible Assets

GOODWILL
The carrying value and changes in the carrying value of goodwill are as follows:

			2015			2014
DECEMBER 31	COST	ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED IMPAIRMENT	CARRYING VALUE
Balance, beginning of year	10,192	(1,043)	9,149	10,058	(953)	9,105
Business acquisitions	3	–	3	51	–	51
Changes in foreign exchange rates	256	(198)	58	83	(90)	(7)
Balance, end of year	10,451	(1,241)	9,210	10,192	(1,043)	9,149

INTANGIBLE ASSETS
The carrying value and changes in the carrying value of the intangible assets are as follows:

Indefinite life intangible assets

DECEMBER 31, 2015	BRANDS, TRADEMARKS AND TRADE NAMES	CUSTOMER CONTRACT-RELATED	MUTUAL FUND MANAGEMENT CONTRACTS	SHAREHOLDERS' PORTION OF ACQUIRED FUTURE PARTICIPATING ACCOUNT PROFIT	TOTAL
Cost, beginning of year	1,206	2,592	741	354	4,893
Additions	–	3	–	–	3
Changes in foreign exchange rates	99	424	–	–	523
Cost, end of year	1,305	3,019	741	354	5,419
Accumulated impairment, beginning of year	(140)	(939)	–	–	(1,079)
Changes in foreign exchange rates	(22)	(177)	–	–	(199)
Accumulated impairment, end of year	(162)	(1,116)	–	–	(1,278)
Carrying value, end of year	1,143	1,903	741	354	4,141

DECEMBER 31, 2014	BRANDS, TRADEMARKS AND TRADE NAMES	CUSTOMER CONTRACT-RELATED	MUTUAL FUND MANAGEMENT CONTRACTS	SHAREHOLDERS' PORTION OF ACQUIRED FUTURE PARTICIPATING ACCOUNT PROFIT	TOTAL
Cost, beginning of year	1,178	2,398	741	354	4,671
Changes in foreign exchange rates	28	194	–	–	222
Cost, end of year	1,206	2,592	741	354	4,893
Accumulated impairment, beginning of year	(132)	(858)	–	–	(990)
Changes in foreign exchange rates	(8)	(81)	–	–	(89)
Accumulated impairment, end of year	(140)	(939)	–	–	(1,079)
Carrying value, end of year	1,066	1,653	741	354	3,814

NOTE 10
Goodwill and Intangible Assets (continued)

Finite life intangible assets

DECEMBER 31, 2015	TECHNOLOGY AND SOFTWARE	CUSTOMER CONTRACT-RELATED	DEFERRED SELLING COMMISSIONS	OTHER	TOTAL
Cost, beginning of year	1,017	745	1,347	221	3,330
Additions	233	–	250	2	485
Disposal/redemption	–	–	(64)	(1)	(65)
Changes in foreign exchange rates	81	65	–	9	155
Other, including write-off of assets fully amortized	–	–	(177)	–	(177)
Cost, end of year	1,331	810	1,356	231	3,728
Accumulated amortization, beginning of year	(574)	(338)	(637)	(98)	(1,647)
Amortization	(101)	(49)	(203)	(11)	(364)
Impairment	(2)	–	–	–	(2)
Disposal/redemption	–	–	34	–	34
Changes in foreign exchange rates	(50)	(31)	–	(3)	(84)
Other, including write-off of assets fully amortized	–	–	177	–	177
Accumulated amortization, end of year	(727)	(418)	(629)	(112)	(1,886)
Carrying value, end of year	604	392	727	119	1,842

DECEMBER 31, 2014	TECHNOLOGY AND SOFTWARE	CUSTOMER CONTRACT-RELATED	DEFERRED SELLING COMMISSIONS	OTHER	TOTAL
Cost, beginning of year	825	707	1,379	221	3,132
Business acquisitions	–	18	–	–	18
Additions	157	–	256	1	414
Disposal/redemption	(16)	–	(69)	–	(85)
Changes in foreign exchange rates	32	20	–	(1)	51
Other, including write-off of assets fully amortized	19	–	(219)	–	(200)
Cost, end of year	1,017	745	1,347	221	3,330
Accumulated amortization, beginning of year	(474)	(280)	(691)	(87)	(1,532)
Amortization	(87)	(47)	(203)	(11)	(348)
Impairment	(7)	–	–	–	(7)
Disposal/redemption	14	–	38	–	52
Changes in foreign exchange rates	(20)	(11)	–	–	(31)
Other, including write-off of assets fully amortized	–	–	219	–	219
Accumulated amortization, end of year	(574)	(338)	(637)	(98)	(1,647)
Carrying value, end of year	443	407	710	123	1,683

NOTE 10
Goodwill and Intangible Assets (continued)

ALLOCATION TO CASH GENERATING UNITS

Goodwill and indefinite life intangible assets have been assigned to CGUs as follows:

	2015			2014		
DECEMBER 31	GOODWILL	INTANGIBLE ASSETS	TOTAL	GOODWILL	INTANGIBLE ASSETS	TOTAL
LIFECO						
Canada						
Group	1,156	–	1,156	1,156	–	1,156
Individual insurance/wealth management	3,028	973	4,001	3,028	973	4,001
Europe						
Insurance and annuities	1,978	246	2,224	1,950	221	2,171
Reinsurance	1	–	1	1	–	1
United States						
Financial services	210	–	210	180	–	180
Asset management	–	1,896	1,896	–	1,594	1,594
IGM						
Investors Group	1,443	–	1,443	1,443	–	1,443
Mackenzie	1,251	1,003	2,254	1,251	1,003	2,254
Other and corporate	143	23	166	140	23	163
	9,210	4,141	13,351	9,149	3,814	12,963

RECOVERABLE AMOUNT

Lifeco

For purposes of annual impairment testing, Lifeco allocates goodwill and indefinite life intangible assets to its CGUs. Any potential impairment of goodwill or indefinite life intangible assets is identified by comparing the recoverable amount to its carrying value. Recoverable amount is based on fair value less cost of disposal.

Fair value is initially assessed with reference to valuation multiples of comparable publicly traded financial institutions and previous business acquisition transactions. These valuation multiples may include price-to-earnings or price-to-book measures for life insurers and asset managers. This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value represent Level 2 inputs.

In the fourth quarter of 2015, Lifeco conducted its annual impairment testing of goodwill and indefinite life intangible assets based on September 30, 2015 asset balances. It was determined that the recoverable amounts of cash generating unit groupings were in excess of their carrying values and there was no evidence of impairment.

Any reasonable changes in assumptions and estimates used in determining the recoverable amounts of the CGUs is unlikely to cause the carrying values to exceed their recoverable amounts.

IGM Financial

IGM tests whether goodwill and indefinite life intangible assets are impaired by assessing the carrying amounts with the recoverable amounts. The recoverable amount of IGM's CGUs is based on the best available evidence of fair value less cost of disposal. Fair value is initially assessed with reference to valuation multiples of comparable publicly traded financial institutions and previous business acquisition transactions. These valuation multiples may include price-to-earnings or other conventionally used measures for investment managers or other financial service providers (multiples of value to assets under management, revenues, or other measures of profitability). This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value represent Level 2 fair value inputs.

The fair value less cost of disposal of IGM's CGUs was compared with the carrying amount and it was determined there was no impairment. Any reasonable changes in assumptions and estimates used in determining the recoverable amounts of the CGUs is unlikely to cause the carrying values to exceed their recoverable amounts.

NOTE 11
Segregated Funds and Other Structured Entities

Lifeco offers segregated fund products in Canada, the U.S. and Europe that are referred to as segregated funds, separate accounts and unit-linked funds in the respective markets. These funds are contracts issued by insurers to segregated fund policyholders where the benefit is directly linked to the performance of the investments, the risks or rewards of the fair value movements and net investment income is realized by the segregated fund policyholders. The segregated fund policyholders are required to select the segregated funds that hold a range of underlying investments. While Lifeco has legal title to the investments, there is a contractual obligation to pass along the investment results to the segregated fund policyholder and Lifeco segregates these investments from those of the corporation itself.

In Canada and the U.S., the segregated fund and separate account assets are legally separated from the general assets of Lifeco under the terms of the policyholder agreement and cannot be used to settle obligations of Lifeco. In Europe, the assets of the funds are functionally and constructively segregated from those of Lifeco. As a result of the legal and constructive arrangements of these funds, the assets and liabilities of these funds are presented as line items within the balance sheets titled investments on account of segregated fund policyholders and with an equal liability titled insurance and investment contracts on account of segregated fund policyholders.

In circumstances where the segregated funds are invested in structured entities and are deemed to control the entity, Lifeco has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts in the assets and liabilities. The amounts presented within are $1,390 million at December 31, 2015 ($1,012 million at December 31, 2014).

Within the statements of earnings, all segregated fund policyholders' income, including fair value changes and net investment income, is credited to the segregated fund policyholders and reflected in the assets and liabilities on account of segregated fund policyholders within the balance sheets. As these amounts do not directly impact the revenues and expenses of Lifeco, these amounts are not included separately in the statements of earnings.

SEGREGATED FUNDS AND GUARANTEE EXPOSURE

Lifeco offers retail segregated fund products, variable annuity products and unitized with profits products that provide for certain guarantees that are tied to the fair values of the investment funds. While these products are similar to mutual funds, there is a key difference from mutual funds as the segregated funds have certain guarantee features that protect the segregated fund policyholder from market declines in the underlying investments. These guarantees are Lifeco's primary exposure on these funds. Lifeco accounts for these guarantees within insurance and investment contract liabilities in the financial statements. In addition to Lifeco's exposure on the guarantees, the fees earned by Lifeco on these products are impacted by the fair value of these funds.

In Canada, Lifeco offers retail segregated fund products through Great-West Life, London Life and Canada Life. These products provide guaranteed minimum death benefits and guaranteed minimum accumulation on maturity benefits.

In the U.S., Lifeco offers variable annuities with guaranteed minimum death benefits through Great-West Financial. Most are a return of premium on death with the guarantee expiring at age 70.

In Europe, Lifeco offers unitized with profits products through Canada Life and unit-linked products with investment guarantees through Irish Life. These products are similar to segregated fund products, but include pooling of policyholders' funds and minimum credited interest rates.

Lifeco also offers guaranteed minimum withdrawal benefits products in Canada, the U.S. and Germany. The guaranteed minimum withdrawal benefits products offered by Lifeco offer levels of death and maturity guarantees. At December 31, 2015, the amount of guaranteed minimum withdrawal benefits products in force in Canada, the U.S., Ireland and Germany was $3,488 million ($3,016 million at December 31, 2014).

Lifeco's exposure to these guarantees is set out as follows:

	INVESTMENT DEFICIENCY BY BENEFIT TYPE			
DECEMBER 31, 2015	INCOME	MATURITY	DEATH	TOTAL [1]
Canada	–	48	213	213
United States	28	–	55	83
Europe	444	–	473	914
Total	472	48	741	1,210

	INVESTMENT DEFICIENCY BY BENEFIT TYPE			
DECEMBER 31, 2014	INCOME	MATURITY	DEATH	TOTAL [1]
Canada	–	30	97	97
United States	1	–	43	44
Europe	351	36	72	422
Total	352	66	212	563

[1] A policy can only receive a payout for one of the three trigger events (income election, maturity, or death).

NOTE 11

Segregated Funds and Other Structured Entities (continued)

The investment deficiency measures the point-in-time exposure to a trigger event (i.e. income election, maturity, or death) assuming it occurred on December 31, 2015. The actual cost to Lifeco will depend on the trigger event having occurred and the fair values at that time. The actual claims before tax associated with these guarantees were approximately $15 million for the year ended December 31, 2015 ($10 million in 2014), with the majority arising in the Europe segment.

For further details on Lifeco's risk and guarantee exposure and the management of these risks, refer to "Risk Management and Control Practices" in the Lifeco section of the Corporation's December 31, 2015 Management's Discussion and Analysis.

The following presents further 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

DECEMBER 31	2015	2014
Cash and cash equivalents	11,656	11,052
Bonds	42,160	37,912
Mortgage loans	2,596	2,508
Shares and units in unit trusts	80,829	68,911
Mutual funds	50,101	46,707
Investment properties	10,839	9,533
	198,181	176,623
Accrued income	382	364
Other liabilities	(1,759)	(3,033)
Non-controlling mutual fund interest	1,390	1,012
	198,194	174,966

INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

YEARS ENDED DECEMBER 31	2015	2014
Balance, beginning of year	174,966	160,779
Additions (deductions):		
Policyholder deposits	21,592	20,909
Net investment income	2,855	2,997
Net realized capital gains on investments	4,780	5,683
Net unrealized capital gains (losses) on investments	(2,938)	5,301
Unrealized gains due to changes in foreign exchange rates	12,933	826
Policyholder withdrawals	(21,934)	(21,057)
Business acquisition [Note 3]	5,465	–
Segregated fund investment in General Fund	43	(382)
General fund investment in Segregated Fund	(11)	(401)
Net transfer from General Fund	65	71
Non-controlling mutual fund interest	378	240
	23,228	14,187
Balance, end of year	198,194	174,966

INVESTMENT INCOME ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

YEARS ENDED DECEMBER 31	2015	2014
Net investment income	2,855	2,997
Net realized capital gains on investments	4,780	5,683
Net unrealized capital gains (losses) on investments	(2,938)	5,301
Unrealized gains due to changes in foreign exchange rates	12,933	826
Total	17,630	14,807
Change in insurance and investment contract liabilities on account of segregated fund policyholders	17,630	14,807
Net	–	–

NOTE 11
Segregated Funds and Other Structured Entities (continued)

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

DECEMBER 31, 2015	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments on account of segregated fund policyholders[1]	120,283	67,333	11,765	199,381

[1] Excludes other liabilities, net of other assets, of $1,187 million.

DECEMBER 31, 2014	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments on account of segregated fund policyholders[1]	112,189	54,942	10,390	177,521

[1] Excludes other liabilities, net of other assets, of $2,555 million.

In 2015 certain foreign equity holdings valued at $412 million have been transferred from Level 1 to Level 2 ($2,234 million were transferred from Level 1 to Level 2 at December 31, 2014), based on Lifeco's ability to utilize observable, quoted prices in active markets.

Level 2 assets include those assets where fair value is not available from normal market pricing sources and where Lifeco does not have visibility through to the underlying assets.

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 for the years ended December 31:

DECEMBER 31	2015	2014
Balance, beginning of year	10,390	9,298
Total gains included in segregated fund investment income	1,039	782
Purchases	944	919
Sales	(607)	(603)
Transfers into Level 3	–	4
Transfers out of Level 3	(1)	(10)
Balance, end of year	11,765	10,390

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.

In addition to the segregated funds, Lifeco has interests in a number of structured unconsolidated entities including mutual funds, open-ended investment companies, and unit trusts. These entities are created as investment strategies for its unit holders based on the directive of each individual fund.

Some of these funds are managed by related parties of Lifeco and Lifeco receives management fees related to these services. In addition, certain of these segregated funds are invested in mutual funds of related parties. Management fees can be variable due to the performance of factors—such as markets or industries—in which the fund invests. Fee income derived in connection with the management of investment funds generally increases or decreases in direct relationship with changes of assets under management, which is affected by prevailing market conditions, and the inflow and outflow of client assets.

Factors that could cause assets under management and fees to decrease include declines in equity markets, changes in fixed income markets, changes in interest rates and defaults, redemptions and other withdrawals, political and other economic risks, changing investment trends and relative investment performance. The risk is that fees may vary but expenses and recovery of initial expenses are relatively fixed, and market conditions may cause a shift in asset mix potentially resulting in a change in revenue.

Fee and other income earned by Lifeco resulting from Lifeco's interests in these structured entities was $4,291 million for the year ended December 31, 2015 ($3,813 million in 2014).

Included within other assets (Note 9) at December 31, 2015 is $501 million ($327 million at December 31, 2014) of investments by Lifeco in bonds and shares of Putnam-sponsored funds and $89 million ($78 million at December 31, 2014) of investments in shares of sponsored unit trusts in Europe.

NOTE 12

Insurance and Investment Contract Liabilities

INSURANCE AND INVESTMENT CONTRACT LIABILITIES

DECEMBER 31, 2015	GROSS LIABILITY	REINSURANCE ASSETS	NET
Insurance contract liabilities	158,492	5,131	153,361
Investment contract liabilities	2,180	–	2,180
	160,672	5,131	155,541

DECEMBER 31, 2014	GROSS LIABILITY	REINSURANCE ASSETS	NET
Insurance contract liabilities	145,198	5,151	140,047
Investment contract liabilities	857	–	857
	146,055	5,151	140,904

COMPOSITION OF INSURANCE AND INVESTMENT CONTRACT LIABILITIES AND RELATED SUPPORTING ASSETS

The composition of insurance and investment contract liabilities of Lifeco is as follows:

			2015			2014
DECEMBER 31	GROSS LIABILITY	REINSURANCE ASSETS	NET	GROSS LIABILITY	REINSURANCE ASSETS	NET
Participating						
Canada	32,072	(419)	32,491	31,181	(156)	31,337
United States	12,278	16	12,262	10,362	12	10,350
Europe	1,519	–	1,519	1,377	–	1,377
Non-participating						
Canada	28,162	794	27,368	28,094	832	27,262
United States	27,625	339	27,286	22,611	233	22,378
Europe	59,016	4,401	54,615	52,430	4,230	48,200
	160,672	5,131	155,541	146,055	5,151	140,904

The composition of the assets supporting liabilities and equity of Lifeco is as follows:

DECEMBER 31, 2015	BONDS	MORTGAGE LOANS	SHARES [1]	INVESTMENT PROPERTIES	OTHER	TOTAL
Participating liabilities						
Canada	15,332	7,816	4,112	1,341	3,471	32,072
United States	5,887	485	–	–	5,906	12,278
Europe	1,087	40	154	71	167	1,519
Non-participating liabilities						
Canada	18,848	3,839	1,732	7	3,736	28,162
United States	23,023	3,813	–	–	789	27,625
Europe	32,985	4,358	226	3,342	18,105	59,016
Other, including segregated funds	12,045	941	–	65	200,952	214,003
Total equity	5,736	729	1,649	411	16,735	25,260
Total carrying value	114,943	22,021	7,873	5,237	249,861	399,935
Fair value	116,291	23,446	7,305	5,237	249,861	402,140

[1] Fair value excludes shares classified as available for sale and carried at cost when a fair value cannot be reliably measured.

NOTE 12

Insurance and Investment Contract Liabilities (continued)

DECEMBER 31, 2014	BONDS	MORTGAGE LOANS	SHARES [1]	INVESTMENT PROPERTIES	OTHER	TOTAL
Participating liabilities						
Canada	13,856	7,810	4,270	1,167	4,078	31,181
United States	5,080	278	–	–	5,004	10,362
Europe	968	38	144	63	164	1,377
Non-participating liabilities						
Canada	18,991	3,941	1,740	5	3,417	28,094
United States	18,678	3,330	–	–	603	22,611
Europe	30,723	3,702	191	2,738	15,076	52,430
Other, including segregated funds	9,998	690	4	107	177,958	188,757
Total equity	4,874	757	1,471	533	14,262	21,897
Total carrying value	103,168	20,546	7,820	4,613	220,562	356,709
Fair value	104,649	22,167	7,331	4,613	220,562	359,322

[1] Fair value excludes shares classified as available for sale and carried at cost when a fair value cannot be reliably measured.

Cash flows of assets supporting insurance and investment contract liabilities are matched within reasonable limits. Changes in the fair values of these assets are essentially offset by changes in the fair value of insurance and investment contract liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus over time in accordance with investment accounting policies.

CHANGE IN INSURANCE CONTRACT LIABILITIES

The change in insurance contract liabilities during the year was the result of the following business activities and changes in actuarial estimates:

	PARTICIPATING			NON-PARTICIPATING			
DECEMBER 31, 2015	GROSS LIABILITY	REINSURANCE ASSETS	NET	GROSS LIABILITY	REINSURANCE ASSETS	NET	TOTAL NET
Balance, beginning of year	42,893	(144)	43,037	102,305	5,295	97,010	140,047
Impact of new business	23	–	23	4,380	126	4,254	4,277
Normal change in in-force business	1,046	(70)	1,116	(5,711)	(178)	(5,533)	(4,417)
Management actions and changes in assumptions	(276)	(192)	(84)	(489)	(78)	(411)	(495)
Business movement from/to external parties	–	–	–	1,588	(2)	1,590	1,590
Impact of foreign exchange rate changes	2,158	3	2,155	10,575	371	10,204	12,359
Balance, end of year	45,844	(403)	46,247	112,648	5,534	107,114	153,361

	PARTICIPATING			NON-PARTICIPATING			
DECEMBER 31, 2014	GROSS LIABILITY	REINSURANCE ASSETS	NET	GROSS LIABILITY	REINSURANCE ASSETS	NET	TOTAL NET
Balance, beginning of year	39,663	(121)	39,784	91,511	5,191	86,320	126,104
Impact of new business	20	–	20	6,062	152	5,910	5,930
Normal change in in-force business	2,312	8	2,304	2,588	162	2,426	4,730
Management actions and changes in assumptions	(42)	(32)	(10)	(440)	(24)	(416)	(426)
Business movement from/to external parties	–	–	–	(100)	(25)	(75)	(75)
Impact of foreign exchange rate changes	940	1	939	2,684	(161)	2,845	3,784
Balance, end of year	42,893	(144)	43,037	102,305	5,295	97,010	140,047

NOTE 12
Insurance and Investment Contract Liabilities (continued)

Under fair value accounting, movement in the fair value of the supporting assets is a major factor in the movement of insurance contract liabilities. Changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the insurance contract liabilities associated with the change in the value of the supporting assets is included in the normal change in force above.

On May 15, 2014, the Canadian Actuarial Standards Board published the Standards of Practice (Standards) effective October 15, 2014, reflecting revisions to economic reinvestment assumptions used in the valuation of insurance contract liabilities.

In 2015, the major contributors to the increase in net insurance contract liabilities were the impact of foreign exchange rate changes of $12,359 million, the impact of new business of $4,277 million, and business movement from/to external parties of $1,590 million, which was primarily due to the acquisition of Equitable Life's annuity business during the first quarter of 2015, partially offset by decreases due to the normal changes in the in-force business of $4,417 million, which were primarily due to the change in fair value, and management actions and assumption changes of $495 million.

Net non-participating insurance contract liabilities decreased by $411 million in 2015 due to management actions and assumption changes including a $50 million decrease in Canada, a $331 million decrease in Europe and a $30 million decrease in the United States.

The decrease in Canada was primarily due to updated mortality assumptions of $159 million, updated economic assumptions of $15 million and updated expense and tax assumptions of $12 million, partially offset by increases due to updated policyholder behaviour assumptions of $85 million, and modelling refinements of $49 million.

The decrease in Europe was primarily due to updated longevity assumptions of $292 million, updated economic assumptions of $184 million, updated morbidity assumptions of $12 million and updates to other provisions of $10 million, partially offset by increases due to updated mortality assumptions of $64 million, updated expense and tax assumptions of $55 million, modelling refinements of $37 million and updated policyholder behaviour assumptions of $11 million.

The decrease in the United States was primarily due to updated economic assumptions of $30 million and updated mortality assumptions of $8 million, partially offset by increases due to updated policyholder behaviour assumptions of $6 million.

Net participating insurance contract liabilities decreased by $84 million in 2015 due to management actions and assumption changes. The decrease was primarily due to provisions for future policyholder dividends of $4,991 million, updated expense and tax assumptions of $545 million and updated mortality assumptions of $412 million, partially offset by increases due to lower investment returns of $5,527 million, updated policyholder behaviour assumptions of $188 million, and modelling refinements of $149 million.

In 2014, the major contributors to the increase in net insurance contract liabilities were the impact of new business of $5,930 million, the normal change in the in-force business of $4,730 million which was primarily due to the change in fair value and the impact of foreign exchange rate changes of $3,784 million. This was partially offset by decreases due to management actions and assumption changes of $426 million.

Net non-participating insurance contract liabilities decreased by $416 million in 2014 due to management actions and assumption changes, including a $193 million decrease in Canada, a $135 million decrease in Europe and an $88 million decrease in the United States.

The decrease in Canada was primarily due to modelling refinements of $83 million, updated economic assumptions, including the change in Standards of $77 million, updated policyholder behaviour assumptions of $60 million, updated morbidity assumptions of $44 million, updated expenses and taxes of $10 million and updates to other provisions of $6 million, partially offset by increases due to updated mortality assumptions of $62 million and updated longevity assumptions of $25 million.

The decrease in Europe was primarily due to updated longevity assumptions of $110 million, updated economic assumptions, including the change in Standards of $107 million, modelling refinements of $63 million and updated morbidity assumptions of $22 million, partially offset by increases due to updated policyholder behaviour assumptions of $142 million, updated mortality assumptions of $20 million and updates to other provisions of $5 million.

The decrease in the United States was primarily due to updated mortality assumptions of $103 million, updated policyholder behaviour assumptions of $67 million and updated longevity assumptions of $6 million, partially offset by increases due to modelling refinements of $51 million and updated economic assumptions, including the change in Standards, of $37 million.

Net participating insurance contract liabilities decreased by $10 million in 2014 due to management actions and assumption changes. The decrease was primarily due to higher investment returns of $152 million, updated expenses and taxes of $144 million, modelling refinements of $68 million and updated mortality assumptions of $20 million, partially offset by increases due to increased provisions for future policyholder dividends of $360 million, updated policyholder behavior assumptions of $13 million and updated morbidity assumptions of $1 million.

NOTE 12
Insurance and Investment Contract Liabilities (continued)

CHANGE IN INVESTMENT CONTRACT LIABILITIES MEASURED AT FAIR VALUE

DECEMBER 31	2015	2014
Balance, beginning of year	857	889
Normal change in in-force business	(89)	(78)
Investment experience	18	43
Management actions and changes in assumptions	7	(10)
Business movement from/to external parties	1,330	–
Impact of foreign exchange rate changes	57	13
Balance, end of year	2,180	857

The carrying value of investment contract liabilities approximates their fair value. No investment contract liabilities have been reinsured.

In 2015, business movement from/to external parties is primarily due to a retrocession agreement to assume a block of investment contract liabilities in the form of structured settlements with fixed terms and amount. See Note 6 for more information.

PREMIUM INCOME

DECEMBER 31	2015	2014
Direct premiums	22,120	19,926
Assumed reinsurance premiums	6,009	4,760
Total	28,129	24,686

POLICYHOLDER BENEFITS

DECEMBER 31	2015	2014
Direct	15,880	14,892
Assumed reinsurance	6,673	4,471
Total	22,553	19,363

ACTUARIAL ASSUMPTIONS

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

The methods for arriving at these valuation assumptions are outlined below:

Mortality

A life insurance mortality study is carried out annually for each major block of insurance business. The results of each study are used to update Lifeco's experience valuation mortality tables for that business. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. The actuarial standards were amended in 2011 to remove the requirement that, for life insurance, any reduction in liabilities due to mortality improvement assumptions be offset by an equal amount of provision for adverse deviation. Appropriate provisions have been made for future mortality deterioration on term insurance.

Annuitant mortality is also studied regularly and the results are used to modify established industry experience annuitant mortality tables. Mortality improvement has been projected to occur throughout future years for annuitants.

Morbidity

Lifeco uses industry-developed experience tables modified to reflect emerging Lifeco experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation.

Property and casualty reinsurance

Insurance contract liabilities for property and casualty reinsurance written by London Reinsurance Group Inc. (LRG), a subsidiary of London Life, are determined using accepted actuarial practices for property and casualty insurers in Canada. The insurance contract liabilities have been established using cash flow valuation techniques, including discounting. The insurance contract liabilities are based on cession statements provided by ceding companies. In certain instances, LRG management adjusts cession statement amounts to reflect management's interpretation of the treaty. Differences will be resolved via audits and other loss mitigation activities. In addition, insurance contract liabilities also include an amount for incurred but not reported losses which may differ significantly from the ultimate loss development. The estimates and underlying methodology are continually reviewed and updated, and adjustments to estimates are reflected in earnings. LRG analyzes the emergence of claims experience against expected assumptions for each reinsurance contract separately and at the portfolio level. If necessary, a more in-depth analysis is undertaken of the cedant experience.

NOTE 12

Insurance and Investment Contract Liabilities (continued)

Investment returns

The assets which correspond to the different liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in the CALM to determine insurance contract liabilities. Cash flows from assets are reduced to provide for asset default losses. Testing under several interest rate and equity scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk (refer to Note 21).

Expenses

Contractual policy expenses (e.g., sales commissions) and tax expenses are reflected on a best estimate basis. Expense studies for indirect operating expenses are updated regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. Improvements in unit operating expenses are not projected. An inflation assumption is incorporated in the estimate of future operating expenses consistent with the interest rate scenarios projected under the CALM as inflation is assumed to be correlated with new money interest rates.

Policy termination

Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where Lifeco has no experience with specific types of policies or its exposure is limited. Lifeco has significant exposures in respect of the T-100 and Level Cost of Insurance Universal Life products in Canada and policy renewal rates at the end of term for renewable term policies in Canada and Reinsurance. Industry experience has guided Lifeco's assumptions for these products as Lifeco's own experience is very limited.

Utilization of elective policy options

There are a wide range of elective options embedded in the policies issued by Lifeco. Examples include term renewals, conversion to whole life insurance (term insurance), settlement annuity purchase at guaranteed rates (deposit annuities) and guarantee resets (segregated fund maturity guarantees). The assumed rates of utilization are based on Lifeco or industry experience when it exists and, when not, on judgment considering incentives to utilize the option. Generally, whenever it is clearly in the best interests of an informed policyholder to utilize an option, then it is assumed to be elected.

Policyholder dividends and adjustable policy features

Future policyholder dividends and other adjustable policy features are included in the determination of insurance contract liabilities with the assumption that policyholder dividends or adjustable benefits will change in the future in response to the relevant experience. The dividend and policy adjustments are determined consistent with policyholders' reasonable expectations, such expectations being influenced by the participating policyholder dividend policies and/or policyholder communications, marketing material and past practice. It is Lifeco's expectation that changes will occur in policyholder dividend scales or adjustable benefits for participating or adjustable business respectively, corresponding to changes in the best estimate assumptions, resulting in an immaterial net change in insurance contract liabilities. Where underlying guarantees may limit the ability to pass all of this experience back to the policyholder, the impact of this non-adjustability impacting shareholder earnings is reflected in the impact of changes in best estimate assumptions above.

RISK MANAGEMENT

Insurance risk

Insurance risk is the risk that the insured event occurs and that there are large deviations between expected and actual actuarial assumptions, including mortality, persistency, longevity, morbidity, expense variations and investment returns.

Lifeco is in the business of accepting risk associated with insurance contract liabilities. Lifeco's objective is to mitigate its exposure to risk arising from these contracts through product design, product and geographical diversification, the implementation of its underwriting strategy guidelines, and through the use of reinsurance arrangements.

The following table provides information about Lifeco's insurance contract liabilities' sensitivities to its management's best estimate of the approximate impact as a result of changes in assumptions used to determine Lifeco's liability associated with these contracts.

	IMPACT ON NET EARNINGS	
	2015	2014
Mortality – 2% increase	(282)	(238)
Annuitant mortality – 2% decrease	(314)	(272)
Morbidity – 5% adverse change	(225)	(220)
Investment returns		
Parallel shift in yield curve		
1% increase	–	–
1% decrease	–	–
Change in range of interest rates		
1% increase	109	41
1% decrease	(430)	(383)
Change in equity markets		
10% increase	45	34
10% decrease	(108)	(113)
Change in best estimate returns for equities		
1% increase	433	355
1% decrease	(457)	(372)
Expenses – 5% increase	(108)	(99)
Policy termination and renewal – 10% adverse change	(602)	(568)

NOTE 12
Insurance and Investment Contract Liabilities (continued)

Concentration risk may arise from geographic regions, accumulation of risks and market risk. The concentration of insurance risk before and after reinsurance by geographic region is described below.

DECEMBER 31	2015			2014		
	GROSS LIABILITY	REINSURANCE ASSETS	NET	GROSS LIABILITY	REINSURANCE ASSETS	NET
Canada	60,234	375	59,859	59,275	676	58,599
United States	39,903	355	39,548	32,973	245	32,728
Europe	60,535	4,401	56,134	53,807	4,230	49,577
	160,672	5,131	155,541	146,055	5,151	140,904

Reinsurance risk

Maximum limits per insured life benefit amount (which vary by line of business) are established for life and health insurance and reinsurance is purchased for amounts in excess of those limits.

Reinsurance costs and recoveries as defined by the reinsurance agreement are reflected in the valuation with these costs and recoveries being appropriately calibrated to the direct assumptions.

Reinsurance contracts do not relieve Lifeco from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to Lifeco. Lifeco evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Certain of the reinsurance contracts are on a funds-withheld basis where Lifeco retains the assets supporting the reinsured insurance contract liabilities, thus minimizing the exposure to significant losses from reinsurer insolvency on those contracts.

NOTE 13
Obligation to Securitization Entities

IGM 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 IGM retains prepayment risk and certain elements of credit risk. Accordingly, IGM 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 carried at amortized cost.

IGM earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, IGM enters into a swap transaction whereby IGM 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 $47 million at December 31, 2015 (a negative fair value of $26 million in 2014).

Under the NHA MBS and CMB Programs, IGM 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 Programs are insured by CMHC or another approved insurer under the program. As part of the ABCP transactions, IGM has provided cash reserves for credit enhancement which are carried at cost. Credit risk is limited to these cash reserves and future net interest income as the ABCP Trusts have no recourse to IGM's other assets for failure to make payments when due. Credit risk is further limited to the extent these mortgages are insured.

DECEMBER 31	2015			2014		
	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
Carrying value						
NHA MBS and CMB Programs	4,612	4,670	(58)	4,611	4,692	(81)
Bank-sponsored ABCP	2,369	2,422	(53)	2,013	2,062	(49)
Total	6,981	7,092	(111)	6,624	6,754	(130)
Fair value	7,238	7,272	(34)	6,820	6,859	(39)

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 14
Debentures and Other Debt Instruments

	2015		2014	
DECEMBER 31	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
DEBENTURES				
POWER FINANCIAL				
6.90% debentures, due March 11, 2033, unsecured	250	328	250	335
LIFECO				
5.25% subordinated debentures due February 8, 2017, including associated fixed to floating swap (€200 million), unsecured	311	324	298	313
6.14% debentures due March 21, 2018, unsecured	200	220	200	226
4.65% debentures due August 13, 2020, unsecured	499	561	498	557
2.50% debentures due April 18, 2023 (€500 million), unsecured	745	798	695	773
6.40% subordinated debentures due December 11, 2028, unsecured	100	127	100	129
6.74% debentures due November 24, 2031, unsecured	192	264	192	268
6.67% debentures due March 21, 2033, unsecured	391	527	391	536
6.625% deferrable debentures due November 15, 2034 (US$175 million), unsecured	238	282	200	230
5.998% debentures due November 16, 2039, unsecured	342	438	342	450
Subordinated debentures due May 16, 2046, bearing an interest rate of 7.153% until May 16, 2016 and, thereafter, a rate of 2.538% plus the 3-month LIBOR rate (US$300 million), unsecured	414	412	348	354
Subordinated debentures due June 21, 2067, bearing an interest rate of 5.691% until June 21, 2017 and, thereafter, at a rate equal to the Canadian 90-day bankers' acceptance rate plus 1.49%, unsecured	998	1,052	997	1,087
Subordinated debentures due June 26, 2068, bearing an interest rate of 7.127% until June 26, 2018 and, thereafter, at a rate equal to the Canadian 90-day bankers' acceptance rate plus 3.78%, unsecured	498	560	498	583
IGM FINANCIAL				
6.58% debentures 2003 Series, due March 7, 2018, unsecured	150	166	150	171
7.35% debentures 2009 Series, due April 8, 2019, unsecured	375	439	375	450
6.65% debentures 1997 Series, due December 13, 2027, unsecured	125	160	125	160
7.45% debentures 2001 Series, due May 9, 2031, unsecured	150	207	150	208
7.00% debentures 2002 Series, due December 31, 2032, unsecured	175	234	175	236
7.11% debentures 2003 Series, due March 7, 2033, unsecured	150	202	150	205
6.00% debentures 2010 Series, due December 10, 2040, unsecured	200	253	200	252
Debentures held by Lifeco as investments	(43)	(57)	(43)	(54)
Total debentures	6,460	7,497	6,291	7,469
OTHER DEBT INSTRUMENTS				
LIFECO				
Commercial paper and other short-term debt instruments with interest rates from 0.213% to 0.223% (0.21% to 0.22% in 2014), unsecured	129	129	114	114
Revolving credit facility with interest equal to LIBOR rate plus 0.70% or U.S. prime rate loan (US$245 million; US$355 million at December 31, 2014), unsecured	338	338	412	412
2.3% mortgage payable (€50 million), matured June 30, 2015	–	–	70	70
Total other debt instruments	467	467	596	596
	6,927	7,964	6,887	8,065

The principal payments on debentures and other debt instruments in each of the next five years and thereafter are as follows:

2016	467
2017	300
2018	350
2019	375
2020	500
Thereafter	4,957

NOTE 15
Other Liabilities

DECEMBER 31	2015	2014
Bank overdraft	479	447
Accounts payable	2,072	1,828
Dividends and interest payable	420	401
Income taxes payable	545	768
Deferred income reserve	437	429
Capital trust debentures	161	162
Deposits and certificates	310	223
Funds held under reinsurance contracts	356	313
Pension and other post-employment benefits [Note 24]	1,607	1,661
Other	1,299	1,061
	7,686	7,293

Total other liabilities of $5,067 million as at December 31, 2015 ($4,468 million as at December 31, 2014) are expected to be settled within 12 months.

DEFERRED INCOME RESERVE

Changes in the deferred income reserve of Lifeco are as follows:

DECEMBER 31	2015	2014
Balance, beginning of year	429	451
Additions	42	57
Amortization	(39)	(38)
Foreign exchange	51	10
Disposals	(46)	(51)
Balance, end of year	437	429

CAPITAL TRUST DEBENTURES

	2015		2014	
DECEMBER 31	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
CANADA LIFE CAPITAL TRUST (CLCT)				
7.529% capital trust debentures due June 30, 2052, unsecured	150	215	150	220
Acquisition-related fair value adjustment	11	–	12	–
	161	215	162	220

CLCT, a trust established by Canada Life, had issued $150 million of Canada Life Capital Securities – Series B (CLiCS – Series B), the proceeds of which were used by CLCT to purchase Canada Life senior debentures in the amount of $150 million.

Distributions and interest on the capital trust debentures are classified as financing charges on the statements of earnings (see Note 23). The fair value for capital trust securities is determined by the bid-ask price.

Subject to regulatory approval, CLCT may redeem the CLiCS – Series B, in whole or in part, at any time.

NOTE 16
Income Taxes

EFFECTIVE INCOME TAX RATE

The Corporation's effective income tax rate is derived as follows:

YEARS ENDED DECEMBER 31 PERCENTAGE [%]	2015	2014
Combined statutory Canadian federal and provincial tax rates	26.7	26.5
Increase (decrease) in the income tax rate resulting from:		
Non-taxable investment income	(4.9)	(3.4)
Lower effective tax rates on income not subject to tax in Canada	(5.1)	(4.0)
Earnings of investments in jointly controlled corporations and in associates	(1.3)	(1.3)
Other	(0.2)	1.4
Effective income tax rate	15.2	19.2

INCOME TAXES

The components of income tax expense recognized in the statements of earnings are:

YEARS ENDED DECEMBER 31	2015	2014
Current taxes		
In respect of the current year	524	585
Recognition of previously unrecognized tax losses, tax credits or temporary differences	–	9
Other	(15)	(33)
	509	561
Deferred taxes		
Origination and reversal of temporary differences [1]	198	285
Effect of change in tax rates or imposition of new taxes	1	13
Write-down or reversal of previous write-down of deferred tax assets [1]	–	(1)
Recognition of previously unrecognized tax losses, tax credits or temporary differences	(7)	(29)
Other	(22)	5
	170	273
	679	834

[1] During the year, Lifeco reclassified $61 million of deferred tax from origination and reversal of temporary differences to write-down or reversal of previous write-down of deferred tax assets for the year ended December 31, 2014 to conform to the current year's presentation.

The following table shows current and deferred taxes relating to items not recognized in the statements of earnings:

	2015		2014	
DECEMBER 31	OTHER COMPREHENSIVE INCOME	EQUITY	OTHER COMPREHENSIVE INCOME	EQUITY
Current taxes	(2)	–	29	–
Deferred taxes	(89)	(2)	(168)	(1)
	(91)	(2)	(139)	(1)

NOTE 16
Income Taxes (continued)

DEFERRED TAXES

Deferred taxes are attributable to the following items:

DECEMBER 31	2015	2014
Loss carry forwards	1,794	1,507
Investments[1]	(636)	(835)
Insurance and investment contract liabilities	(1,126)	(594)
Deferred selling commissions	(195)	(190)
Intangible assets	(444)	(294)
Other[1]	593	352
	(14)	(54)
Presented on the balance sheets as follows:		
Deferred tax assets	1,961	1,707
Deferred tax liabilities	(1,975)	(1,761)
	(14)	(54)

[1] During the year, Lifeco reclassified $39 million of deferred tax asset from investments to other at December 31, 2014 to conform to the current year's presentation.

A deferred tax asset is recognized for deductible temporary differences and unused tax attributes only to the extent that realization of the related income tax benefit through future taxable profits is probable.

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

Management of the Corporation and of its subsidiaries assess the recoverability of the deferred tax asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred tax assets as of December 31, 2015 are recoverable.

At December 31, 2015, Lifeco had tax loss carry forwards totalling $5,073 million ($4,200 million in 2014). Of this amount, $4,828 million expires between 2016 and 2035, while $245 million has no expiry date. Lifeco will realize this benefit in future years through a reduction in current income taxes payable.

One of Lifeco's subsidiaries has had a history of recent losses. The subsidiary has a net deferred tax asset balance of $1,303 million (US$944 million) as at December 31, 2015 composed principally of net operating losses and future deductions related to goodwill which has been previously impaired for accounting purposes. Management of Lifeco has concluded that it is probable that the subsidiary and other historically profitable subsidiaries with which it files or intends to file a consolidated United States income tax return will generate sufficient taxable income against which the unused United States losses and deductions will be utilized. The future taxable income is derived principally from tax planning strategies, some of which have already been executed.

As at December 31, 2015, the Corporation and its subsidiaries have non-capital losses of $150 million ($201 million in 2014) available to reduce future taxable income for which the benefits have not been recognized. These losses expire from 2016 to 2035. In addition, the Corporation and its subsidiaries have capital loss carry forwards of $167 million ($133 million in 2014) that can be used indefinitely to offset future capital gains for which the benefits have not been recognized.

As at December 31, 2015 a deferred tax liability of $7 million (nil in 2014) has been recognized with respect to a portion of the temporary difference associated with the investment in a subsidiary. No other deferred tax liability has been recognized in respect of the remaining temporary differences associated with investments in subsidiaries, associates, and jointly controlled corporations as the Corporation and its subsidiaries are able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTE 17
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

DECEMBER 31	2015 NUMBER OF SHARES	2015 STATED CAPITAL	2014 NUMBER OF SHARES	2014 STATED CAPITAL
FIRST PREFERRED SHARES (PERPETUAL)				
Series A [i]	4,000,000	100	4,000,000	100
Series D [ii]	6,000,000	150	6,000,000	150
Series E [ii]	8,000,000	200	8,000,000	200
Series F [ii]	6,000,000	150	6,000,000	150
Series H [ii]	6,000,000	150	6,000,000	150
Series I [ii]	8,000,000	200	8,000,000	200
Series K [ii]	10,000,000	250	10,000,000	250
Series L [ii]	8,000,000	200	8,000,000	200
Series O [ii]	6,000,000	150	6,000,000	150
Series P [ii] [iii]	11,200,000	280	11,200,000	280
Series R [ii]	10,000,000	250	10,000,000	250
Series S [ii]	12,000,000	300	12,000,000	300
Series T [ii]	8,000,000	200	8,000,000	200
		2,580		2,580
COMMON SHARES				
Balance, beginning of year	711,723,680	743	711,173,680	721
Issued under Stock Option Plan	1,515,000	61	550,000	22
Balance, end of year	713,238,680	804	711,723,680	743

First Preferred Shares

[i] The Series A First Preferred Shares are entitled to a quarterly cumulative dividend, at a floating rate equal to one quarter of 70% of the average prime rates quoted by two major Canadian chartered banks and are redeemable, at the Corporation's option, at $25.00 per share, together with all declared and unpaid dividends to, but excluding, the date of redemption.

[ii] The First Preferred Shares series are entitled to fixed non-cumulative preferential cash dividends payable quarterly. The Corporation may redeem for cash the First Preferred Shares, in whole or in part, at the Corporation's option, with all declared and unpaid dividends to, but excluding, the date of redemption.

FIRST PREFERRED SHARES		CASH DIVIDENDS PAYABLE QUARTERLY	EARLIEST ISSUER REDEMPTION DATE	REDEMPTION PRICE
		($/SHARE)		($/SHARE)
Non-cumulative, fixed rate				
Series D,	5.50%	0.343750	Currently redeemable	25.00
Series E,	5.25%	0.328125	Currently redeemable	25.00
Series F,	5.90%	0.368750	Currently redeemable	25.00
Series H,	5.75%	0.359375	Currently redeemable	25.00
Series I,	6.00%	0.375000	Currently redeemable	25.00
Series K,	4.95%	0.309375	Currently redeemable	25.00
Series L,	5.10%	0.318750	Currently redeemable	25.00
Series O,	5.80%	0.362500	Currently redeemable	25.75
Series R,	5.50%	0.343750	April 30, 2017	26.00
Series S,	4.80%	0.300000	April 30, 2018	26.00
Non-cumulative, 5-year rate reset [1]				
Series P,	4.40% [iii]	0.275000	January 31, 2016	25.00
Series T,	4.20%	0.262500	January 31, 2019	25.00

[1] The dividend rate will reset on the earliest issuer redemption date and every fifth year thereafter at a rate equal to the 5-year Government of Canada bond yield plus a reset spread (1.60% for Series P and 2.37% for Series T). The holders have the option to convert their shares into non-cumulative floating rate First Preferred Shares subject to certain conditions on the earliest redemption date and every fifth year thereafter at a rate equal to the three-month Government of Canada Treasury Bill rate plus the reset spread indicated.

[iii] On February 1, 2016, 2,234,515 of its outstanding 11,200,000 Non-Cumulative 5-year Rate Reset First Preferred Shares, Series P were converted, on a one-for-one basis, into Non-Cumulative Floating Rate First Preferred Shares, Series Q. The Series Q First Preferred shares are entitled to an annual non-cumulative dividend, payable quarterly at a floating rate equal to the 3-month Government of Canada Treasury Bill rate plus 1.60%.

The dividend rate for the remaining 8,965,485 Series P shares was reset to an annual fixed rate of 2.31% or $0.144125 per share in cash dividends payable quarterly.

NOTE 17
Stated Capital (continued)

Common Shares

During the year 2015, 1,515,000 common shares (550,000 in 2014) were issued under the Corporation's Employee Stock Option Plan for a consideration of $49 million ($17 million in 2014).

Dividends declared on the Corporation's common shares in 2015 amounted to $1.49 per share ($1.40 per share in 2014).

NOTE 18
Share-Based Compensation

STOCK OPTION PLAN

Under Power Financial's Employee Stock Option Plan, 12,356,600 common shares are reserved for issuance. The plan requires that the exercise price of the option must not be less than the market value of a share on the date of the grant of the option. Generally, options granted vest on a delayed basis over periods beginning no earlier than one year from the date of grant and no later than five years from the date of grant. Outstanding options, which are not fully vested, have the following vesting conditions:

YEAR OF GRANT	OPTIONS	VESTING CONDITIONS
2011	148,616	Vest equally over a period of five years
2012	239,330	Vest equally over a period of five years
2012	35,127	Vest 50% after three years and 50% after four years
2013	421,628	Vest equally over a period of five years
2013	53,476	Vest 50% after three years and 50% after four years
2014	451,103	Vest equally over a period of five years
2014	1,092,062	Vest 50% after three years and 50% after four years
2015	735,561	Vest equally over a period of five years
2015	925,044	Vest 50% after three years and 50% after four years

A summary of the status of Power Financial's Employee Stock Option Plan as at December 31, 2015 and 2014, and changes during the years ended on those dates is as follows:

	2015		2014	
	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
		$		$
Outstanding at beginning of year	8,630,477	31.18	7,522,386	30.56
Granted	1,662,585	36.83	1,658,091	34.15
Exercised	(1,515,000)	32.24	(550,000)	31.76
Forfeited	(4,130)	36.09	–	–
Outstanding at end of year	8,773,932	32.06	8,630,477	31.18
Options exercisable at end of year	4,671,985	30.23	5,483,586	30.93

NOTE 18
Share-Based Compensation (continued)

The following table summarizes information about stock options outstanding at December 31, 2015:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	OPTIONS	WEIGHTED-AVERAGE REMAINING LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
$		[YRS]	$		$
25.07 – 26.37	1,525,467	5.8	25.84	1,113,581	25.93
28.13 – 29.95	1,532,879	3.5	28.96	1,521,692	28.95
30.18 – 31.59	602,383	3.2	31.42	548,907	31.50
32.46 – 32.58	741,006	7.4	32.57	319,378	32.56
33.37 – 34.42	2,088,390	8.7	33.99	112,776	34.42
34.46 – 37.13	1,358,763	3.8	35.33	1,055,651	34.81
38.35	925,044	9.2	38.35	–	–
	8,773,932	6.1	32.06	4,671,985	30.23

Compensation expense

During the year ended December 31, 2015, Power Financial granted 1,662,585 options (1,658,091 options in 2014) 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:

	2015	2014
Dividend yield	4.5%	4.8%
Expected volatility	19.8%	19.8%
Risk-free interest rate	1.2%	2.1%
Expected life [years]	9	9
Fair value per stock option [$/option]	3.30	3.27
Weighted-average exercise price [$/option]	36.83	34.15

Expected volatility has been estimated based on the historical volatility of the Corporation's share price over nine years, which is reflective of 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. Total compensation expense relating to the stock options granted by the Corporation and its subsidiaries amounted to $67 million in 2015 ($50 million in 2014) and is recorded in operating and administrative expenses in the statements of earnings.

PERFORMANCE SHARE UNIT PLAN

Power Financial established a Performance Share Unit (PSU) Plan for selected employees and officers (participants) to assist in retaining and further aligning the interests of participants with those of the shareholders. Under the terms of the Plan, PSUs may be awarded annually and are subject to time and performance vesting conditions. The value of each PSU is based on the share price of the Corporation's common shares. The PSUs are cash settled and vest over a three-year period. Participants can elect at the time of grant to receive a portion of their PSUs in the form of performance deferred share units (PDSU) which also vest over a three-year period. PDSUs are redeemable when a participant is no longer an employee of the Corporation or any of its affiliates, or in the event of the death of the participant, by a lump-sum payment based on the value of the PDSU at that time. Additional PSUs and PDSUs are issued in respect of dividends payable on common shares based on the value of the PSU or PDSU at the dividend payment date. The carrying value of the PSU liability is $7 million ($4 million in 2014) recorded within other liabilities.

DEFERRED SHARE UNIT PLAN

Power Financial established a Deferred Share Unit Plan for its Directors to promote a greater alignment of interests between Directors and shareholders of the Corporation. Under this Plan, each Director participating in the Plan will receive half of his annual retainer in the form of deferred share units and may elect to receive the remainder of his annual retainer and attendance fees entirely in the form of deferred share units, entirely in cash, or equally in cash and deferred share units. The number of deferred share units granted is determined by dividing the amount of remuneration payable by the five-day-average closing price on the Toronto Stock Exchange of the common shares of the Corporation on the last five days of the fiscal quarter (the value of a deferred share unit). A Director will receive additional deferred share units in respect of dividends payable on the common shares, based on the value of a deferred share unit on the date on which the dividends were paid on the common shares. A deferred share unit is payable, at the time a Director's membership on the Board is terminated (provided the Director is not then a director, officer or employee of an affiliate of the Corporation), or in the event of the death of a Director, by a lump-sum cash payment, based on the value of a deferred share unit at that time. At December 31, 2015, the value of the deferred share units outstanding was $17 million ($19 million in 2014). Alternatively, Directors may participate in the Share Purchase Plan for Directors.

NOTE 18

Share-Based Compensation (continued)

EMPLOYEE SHARE PURCHASE PROGRAM

Power Financial established an Employee Share Purchase Program, giving employees the opportunity to subscribe for up to 6% of their gross salary to purchase Subordinate Voting Shares of Power Corporation of Canada on the open market and to have Power Financial invest, on the employee's behalf, up to an equal amount.

OTHER SHARE-BASED AWARDS OF SUBSIDIARIES

The subsidiaries of the Corporation have also established other share-based awards for their directors, management and employees. Some of these share-based awards are cash settled and included within other liabilities on the balance sheets. The compensation expense related to these subsidiary share-based awards is recorded in operating and administrative expenses on the statements of earnings.

NOTE 19

Non-Controlling Interests

The Corporation has controlling equity interests in Lifeco and IGM as at December 31, 2015 and December 31, 2014. The non-controlling interests of Lifeco and IGM and their subsidiaries reflected in the balance sheets are as follows:

			2015			2014
DECEMBER 31	LIFECO	IGM	TOTAL	LIFECO	IGM	TOTAL
Non-controlling interests, beginning of year	9,973	1,910	11,883	9,064	1,877	10,941
Earnings allocated to non-controlling interests	1,039	298	1,337	957	291	1,248
Other comprehensive income (loss) allocated to non-controlling interests	611	5	616	121	(22)	99
Dividends	(500)	(211)	(711)	(478)	(215)	(693)
Issuance of preferred shares	–	–	–	200	–	200
Change in ownership interest and other[1]	(112)	(161)	(273)	109	(21)	88
Non-controlling interests, end of year	11,011	1,841	12,852	9,973	1,910	11,883

[1] Changes in ownership interest and other includes: repurchase and issuance of common shares by subsidiaries.

The carrying value of non-controlling interests consists of the following:

			2015			2014
DECEMBER 31	LIFECO	IGM	TOTAL	LIFECO	IGM	TOTAL
Common shareholders	5,886	1,691	7,577	4,979	1,760	6,739
Preferred shareholders	2,514	150	2,664	2,514	150	2,664
Participating account surplus	2,611	–	2,611	2,480	–	2,480
	11,011	1,841	12,852	9,973	1,910	11,883

As at December 31, 2015, Power Financial and IGM held 67.4% and 4.0%, respectively, of Lifeco's common shares, representing approximately 65.0% of the voting rights attached to the outstanding Lifeco voting shares.

NOTE 19
Non-Controlling Interests (continued)

Lifeco and IGM's financial information as at and for the year ended December 31, 2015 can be obtained from their publicly available financial statements. Summarized financial information for Lifeco and IGM is as follows:

	2015		2014	
	LIFECO	IGM	LIFECO	IGM
BALANCE SHEET				
Assets	399,935	14,831	356,709	14,417
Liabilities	374,675	9,983	334,812	9,576
Equity	25,260	4,848	21,897	4,841
COMPREHENSIVE INCOME				
Net earnings	3,011	781	2,761	762
Other comprehensive income (loss)	1,897	78	325	(28)
CASH FLOWS				
Operating activities	5,123	622	5,443	741
Financing activities	(1,683)	(420)	(1,685)	625
Investing activities	(3,424)	(434)	(4,129)	(1,232)

NOTE 20
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; 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 perpetual preferred shares, debentures, common shareholders' equity and non-controlling interests. The Corporation views perpetual preferred shares as a permanent and cost-effective source of 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 public subsidiaries, as well as those of Pargesa and Groupe Bruxelles Lambert, are responsible 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 and IGM's 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.

Lifeco's subsidiaries Great-West Life, Great-West Life & Annuity and Canada Life Limited are subject to minimum regulatory capital requirements. Lifeco'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 relevant jurisdictions in which they operate:

- In Canada, the Office of the Superintendent of Financial Institutions has established a capital adequacy measurement for life insurance companies incorporated under the *Insurance Companies Act* (Canada) and their subsidiaries, known as the Minimum Continuing Capital and Surplus Requirements (MCCSR). As at December 31, 2015, the MCCSR ratio for Great-West Life was 238% (224% at December 31, 2014).
- At December 31, 2015, the Risk-Based Capital ratio (RBC) of Great-West Life & Annuity, Lifeco's regulated U.S. operating company, was estimated to be 441% of the Company Action Level set by the National Association of Insurance Commissioners. Great-West Life & Annuity reports its RBC ratio annually to U.S. insurance regulators.

NOTE 20
Capital Management (continued)

- In the United Kingdom, Canada Life Limited is required to satisfy the capital resources requirements set out in the Integrated Prudential Sourcebook, part of the Prudential Regulatory Authority Handbook. The capital requirements are prescribed by a formulaic capital requirement (Pillar 1) and an individual capital adequacy framework which requires an entity to self-assess an appropriate amount of capital it should hold, based on the risks encountered from its business activities. At the end of 2015, Canada Life Limited complied with the minimum capital resource requirements in the United Kingdom. During the year, Lifeco's European-regulated insurance and reinsurance businesses have been preparing for the implementation of the new Solvency II regulations, effective January 1, 2016.
- Other foreign operations and foreign subsidiaries of Lifeco are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2015 and 2014, Lifeco maintained capital levels above the minimum local regulatory requirements in each of its other foreign operations.

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. IGM subsidiaries have complied with all regulatory capital requirements.

NOTE 21
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 will not be able to meet all cash outflow obligations as they come due.
- Credit risk is the potential for financial loss to the Corporation and its subsidiaries if a counterparty in a transaction fails to meet its obligations.
- Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: currency risk, interest rate risk and equity price risk.
  - Currency risk relates to the Corporation, its subsidiaries and its jointly controlled corporations and associates operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.
  - Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.
  - Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets.

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.

POWER FINANCIAL

LIQUIDITY RISK

Power Financial is a holding company. As such, corporate cash flows are principally made up of dividends received from its subsidiaries and jointly controlled corporation, and income from investments, less operating expenses, financing charges, income taxes and payment of dividends to its common and preferred shareholders. The ability of Lifeco and IGM, which are also holding companies, to meet their obligations and pay dividends is dependent upon receipt of dividends from their subsidiaries.

The Corporation regularly reviews its liquidity requirements and seeks to maintain a sufficient level of liquidity to meet its operating expenses, financing charges and payment of preferred share dividends for a reasonable period of time. If required, the ability of Power Financial to arrange additional financing in the future will depend in part upon prevailing market conditions as well as the business performance of Power Financial and its subsidiaries.

Principal payments on debentures (other than those of Lifeco and IGM discussed below) of $250 million due after five years represent the only significant contractual liquidity requirement of Power Financial.

Power Financial's management of liquidity risk has not changed materially since December 31, 2014.

NOTE 21
Risk Management (continued)

CREDIT RISK

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

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

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

Power Financial's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and derivatives have not changed materially since December 31, 2014.

MARKET RISK

Power Financial's financial instruments are comprised of cash and cash equivalents, fixed income securities and debentures.

Currency risk

In managing its own cash and cash equivalents as well as fixed income securities Power Financial may hold cash balances denominated in foreign currencies and thus be exposed to fluctuations in exchange rates. In order to protect against such fluctuations, Power Financial may from time to time enter into currency-hedging transactions with highly rated financial institutions. As at December 31, 2015, approximately 88% of Power Financial's cash and cash equivalents and fixed income securities were denominated in Canadian dollars.

Power Financial is exposed through Parjointco to foreign exchange risk as a result of Parjointco's investment in Pargesa, a company whose functional currency is the Swiss franc. Pargesa itself is exposed to foreign exchange through its subsidiary to Euros. Foreign currency translation gains and losses from Pargesa are recorded in other comprehensive income.

Interest rate risk

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

Equity price risk

Power Financial's financial instruments do not have significant exposure to equity price risk.

Pargesa indirectly holds substantial investments classified as available for sale; unrealized gains and losses on these investments are recorded in other comprehensive income until realized. These investments are reviewed periodically to determine whether there is objective evidence of an impairment in value.

LIFECO

The risk committee of the board of directors of Lifeco is responsible for the oversight of Lifeco's key risks.

LIQUIDITY RISK

The following policies and procedures are 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. Approximately 69% (approximately 70% in 2014) of insurance and investment contract liabilities are non-cashable prior to maturity or subject to fair value adjustments.
- 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 $350 million of liquidity at the Lifeco level through committed lines of credit with Canadian chartered banks. As well, Lifeco maintains a $150 million liquidity facility at Great-West Life, a US$500 million revolving credit agreement with a syndicate of banks for use by Putnam, and a US$50 million line of credit at Great-West Life & Annuity.

In the normal course of business, Lifeco enters into contracts that give rise to commitments of future minimum payments that impact short-term and long-term liquidity. The following table summarizes the principal repayment schedule of certain of Lifeco's financial liabilities.

	PAYMENTS DUE BY PERIOD						
DECEMBER 31, 2015	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	OVER 5 YEARS	TOTAL
Debentures and other debt instruments	467	300	200	–	500	3,950	5,417
Capital trust debentures[1]	–	–	–	–	–	150	150
Purchase obligations	85	45	33	30	27	7	227
Pension contributions	198	–	–	–	–	–	198
	750	345	233	30	527	4,107	5,992

[1] Payments due have not been reduced to reflect that Lifeco held capital trust securities of $37 million principal amount ($50 million carrying value).

NOTE 21
Risk Management (continued)

CREDIT RISK

The following policies and procedures are in place to manage credit risk:

- Investment guidelines are in place that require only the purchase of investment-grade assets and minimize undue concentration of assets in any single geographic area, industry and company.
- Investment guidelines specify minimum and maximum limits for each asset class. Credit ratings are determined by recognized external credit rating agencies and/or internal credit review.
- Investment guidelines also specify collateral requirements.
- Portfolios are monitored continuously, and reviewed regularly with the risk committee and the investment committee of the board of directors of Lifeco.
- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators.
- Lifeco is exposed to credit risk relating to premiums due from policyholders during the grace period specified by the insurance policy or until the policy is paid up or terminated. Commissions paid to agents and brokers are netted against amounts receivable, if any.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of credit risk is managed by following policy guidelines set each year by the board of directors of Lifeco. Management of Lifeco continuously monitors and performs an assessment of the creditworthiness of reinsurers.

Maximum exposure to credit risk for Lifeco

The following table summarizes Lifeco's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

DECEMBER 31	2015	2014
Cash and cash equivalents	2,813	2,498
Bonds		
Fair value through profit or loss	86,503	80,000
Available for sale	11,535	9,990
Loans and receivables	16,905	13,178
Mortgage loans	22,021	20,546
Loans to policyholders	8,694	7,711
Funds held by ceding insurers [1]	15,512	12,154
Reinsurance assets	5,131	5,151
Interest due and accrued	1,430	1,286
Accounts receivable	1,420	1,172
Premiums in course of collection	703	598
Trading account assets	590	405
Finance leases receivable	293	285
Other financial assets [2]	772	715
Derivative assets	461	652
Total balance sheet maximum credit exposure	174,783	156,341

[1] Includes $13,830 million as at December 31, 2015 ($10,758 million as at December 31, 2014) of funds held by ceding insurers where Lifeco retains the credit risk of the assets supporting the liabilities ceded (see Note 6).

[2] Includes items such as current income taxes receivable and miscellaneous other assets of Lifeco.

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of types of collateral and the valuation parameters. Management of Lifeco monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Lifeco has $107 million of collateral received as at December 31, 2015 ($52 million as at December 31, 2014) relating to derivative assets.

Concentration of credit risk for Lifeco

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. The characteristics of such debtors are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

NOTE 21
Risk Management (continued)

The following table provides details of the carrying value of bonds of Lifeco by issuer, industry sector and geographic distribution:

DECEMBER 31, 2015	CANADA	UNITED STATES	EUROPE	TOTAL
Bonds issued or guaranteed by:				
Canadian federal government	5,745	4	31	5,780
Provincial, state and municipal governments	7,075	3,186	46	10,307
U.S. Treasury and other U.S. agencies	429	5,835	1,306	7,570
Other foreign governments	206	7	12,470	12,683
Government-related	3,242	–	2,112	5,354
Supranationals	415	5	680	1,100
Asset-backed securities	2,607	3,581	595	6,783
Residential mortgage-backed securities	64	204	230	498
Banks	1,852	382	2,854	5,088
Other financial institutions	834	2,061	2,644	5,539
Basic materials	416	1,228	542	2,186
Communications	596	373	771	1,740
Consumer products	2,217	2,947	2,958	8,122
Industrial products/services	1,210	1,708	1,170	4,088
Natural resources	1,453	1,444	820	3,717
Real estate	1,502	786	3,228	5,516
Transportation	2,406	1,298	1,100	4,804
Utilities	6,200	4,910	4,341	15,451
Miscellaneous	1,410	1,876	538	3,824
Short-term bonds	3,241	216	1,336	4,793
	43,120	32,051	39,772	114,943

DECEMBER 31, 2014	CANADA	UNITED STATES	EUROPE	TOTAL
Bonds issued or guaranteed by:				
Canadian federal government	5,356	3	46	5,405
Provincial, state and municipal governments	6,926	2,567	51	9,544
U.S. Treasury and other U.S. agencies	352	4,786	937	6,075
Other foreign governments	198	24	11,865	12,087
Government-related	2,895	–	2,021	4,916
Supranationals	433	8	643	1,084
Asset-backed securities	2,648	3,161	789	6,598
Residential mortgage-backed securities	52	236	206	494
Banks	2,025	346	2,747	5,118
Other financial institutions	647	1,705	2,461	4,813
Basic materials	316	1,087	349	1,752
Communications	571	265	693	1,529
Consumer products	2,030	2,558	2,305	6,893
Industrial products/services	1,078	1,292	718	3,088
Natural resources	1,250	984	710	2,944
Real estate	1,407	452	2,849	4,708
Transportation	1,967	985	898	3,850
Utilities	5,460	4,206	3,912	13,578
Miscellaneous	1,416	1,281	456	3,153
Short-term bonds	3,616	236	1,687	5,539
	40,643	26,182	36,343	103,168

NOTE 21
Risk Management (continued)

The following table provides details of the carrying value of mortgage loans of Lifeco by geographic location:

DECEMBER 31, 2015	SINGLE-FAMILY RESIDENTIAL	MULTI-FAMILY RESIDENTIAL	COMMERCIAL	TOTAL
Canada	1,962	3,674	7,055	12,691
United States	–	1,770	3,162	4,932
Europe	–	377	4,021	4,398
	1,962	5,821	14,238	22,021

DECEMBER 31, 2014	SINGLE-FAMILY RESIDENTIAL	MULTI-FAMILY RESIDENTIAL	COMMERCIAL	TOTAL
Canada	1,916	3,660	7,017	12,593
United States	–	1,324	2,888	4,212
Europe	–	338	3,403	3,741
	1,916	5,322	13,308	20,546

Asset quality

BOND PORTFOLIO QUALITY DECEMBER 31	2015	2014
AAA	36,434	34,332
AA	20,364	18,954
A	35,623	31,133
BBB	20,984	17,370
BB and lower	1,538	1,379
Total bonds	114,943	103,168

DERIVATIVE PORTFOLIO QUALITY DECEMBER 31	2015	2014
Over-the-counter contracts (counterparty credit ratings):		
AAA	–	10
AA	209	66
A	248	576
Exchange-traded	4	–
Total	461	652

Loans of Lifeco past due, but not impaired

Loans that are past due but not considered impaired are loans for which scheduled payments have not been received, but management of Lifeco has reasonable assurance of collection of the full amount of principal and interest due. The following table provides carrying values of the loans past due, but not impaired:

DECEMBER 31	2015	2014
Less than 30 days	33	7
30–90 days	2	5
Greater than 90 days	3	3
Total	38	15

Future asset credit losses

The following outlines the future asset credit losses provided for in insurance and investment contract liabilities. These amounts are in addition to the allowance for asset losses included with assets:

DECEMBER 31	2015	2014
Participating	1,395	1,186
Non-participating	2,163	1,947
	3,558	3,133

NOTE 21
Risk Management (continued)

MARKET RISK

Currency 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. In addition, Lifeco's debt obligations are mainly denominated in Canadian 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. The following policies and procedures are in place to mitigate Lifeco's exposure to currency risk:

- Lifeco uses financial measures such as constant currency calculations to monitor the effect of currency translation fluctuations.
- Investments are normally made in the same currency as the liabilities supported by those investments. Segmented investment guidelines include maximum tolerances for unhedged currency mismatch exposures.
- Foreign currency assets acquired to back liabilities are normally converted back to the currency of the liability using foreign exchange contracts.
- 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.

Interest rate risk

The following policies and procedures are in place to mitigate Lifeco's exposure to interest rate risk:

- Lifeco uses a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.
- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- Where these products have benefit or expense payments that are dependent on inflation (inflation-indexed annuities, pensions and disability claims), Lifeco generally invests in real return instruments to hedge its real dollar liability cash flows. Some protection against changes in the inflation index is achieved as any related change in the fair value of the assets will be largely offset by a similar change in the fair value of the liabilities.
- For products with fixed and highly predictable benefit payments, investments are made in fixed income assets or real estate whose cash flows closely match the liability product cash flows. Where assets are not available to match certain period cash flows, such as long-tail cash flows, a portion of these are invested in equities and the rest are duration matched. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. To the extent these cash flows are matched, protection against interest rate change is achieved and any change in the fair value of the assets will be offset by a similar change in the fair value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments or equities, as described below.
- The risks associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

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.

Projected cash flows from fixed income assets used in actuarial calculations are reduced to provide for potential asset default losses. The net effective yield rate reduction averaged 0.18% (0.18% in 2014). The calculation for future credit losses on assets is based on the credit quality of the underlying asset portfolio.

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:

- The effect of an immediate 1% parallel increase in the yield curve on the prescribed scenarios would not change the total provision for interest rates.
- The effect of an immediate 1% parallel decrease in the yield curve on the prescribed scenarios would not change the total provision for interest rates.

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' earnings of Lifeco of a 1% change in Lifeco's view of the range of interest rates to be covered by these provisions:

- The effect of an immediate 1% increase in the low and high end of the range of interest rates recognized in the provisions would be to decrease these insurance and investment contract liabilities by approximately $163 million, causing an increase in net earnings of approximately $109 million.
- The effect of an immediate 1% decrease in the low and high end of the range of interest rates recognized in the provisions would be to increase these insurance and investment contract liabilities by approximately $614 million, causing a decrease in net earnings of approximately $430 million.

NOTE 21
Risk Management (continued)

Equity price 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 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 fair values. There will be additional impacts on these liabilities as equity values fluctuate. A 10% increase in equity values would be expected to additionally decrease non-participating insurance and investment contract liabilities by approximately $53 million, causing an increase in net earnings of approximately $45 million. A 10% decrease in equity values would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $139 million, causing a decrease in net earnings of approximately $108 million.

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. A 1% increase in the best estimate assumption would be expected to decrease non-participating insurance contract liabilities by approximately $534 million, causing an increase in net earnings of approximately $433 million. A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately $573 million, causing a decrease in net earnings of approximately $457 million.

IGM FINANCIAL

The board of directors of IGM provides oversight and carries out its risk management mandate through various committees.

LIQUIDITY RISK

IGM'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 IGM's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity by management and by committees of the board of directors of IGM.

A key liquidity requirement for IGM 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.

IGM also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources. 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 Canada Mortgage Bond Program (CMB Program).

Certain subsidiaries of IGM are approved issuers of NHA MBS and are approved sellers into the CMB Program. Capacity for sales under the CMB Program consists of participation in new CMB issues and reinvestment of principal repayments held in principal reinvestment accounts. IGM maintains committed capacity within certain Canadian bank-sponsored securitization trusts.

IGM's contractual maturities of certain liabilities were as follows:

DECEMBER 31, 2015	DEMAND	LESS THAN 1 YEAR	1–5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	–	19	39	–	58
Deposits and certificates	292	7	8	3	310
Obligations to securitization entities	–	1,235	5,799	58	7,092
Long-term debt	–	–	525	800	1,325
Pension contributions [1]	–	19	–	–	19
Total contractual obligations	292	1,280	6,371	861	8,804

[1] The next required actuarial valuation will be completed based on a measurement date of December 31, 2016. Pension funding requirements beyond 2016 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.

NOTE 21
Risk Management (continued)

In addition to IGM's current balance of cash and cash equivalents, liquidity is available through IGM's lines of credit. IGM's lines of credit with various Schedule I Canadian chartered banks totalled $525 million as at December 31, 2015, unchanged from December 31, 2014. The lines of credit as at December 31, 2015 consisted of committed lines of $350 million ($350 million in 2014) and uncommitted lines of $175 million ($175 million in 2014). IGM has accessed its uncommitted lines of credit in the past; however, any advances made by the banks under the uncommitted lines are at the banks' sole discretion. As at December 31, 2015 and 2014, IGM was not utilizing its committed lines of credit or its uncommitted lines of credit.

IGM's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2014.

CREDIT RISK

IGM's cash and cash equivalents, securities holdings, mortgage and investment loan portfolios, and derivatives are subject to credit risk. IGM monitors its credit risk management practices continuously to evaluate their effectiveness.

At December 31, 2015, IGM's cash and cash equivalents of $983 million ($1,216 million in 2014) consisted of cash balances of $105 million ($107 million in 2014) on deposit with Canadian chartered banks and cash equivalents of $878 million ($1,109 million in 2014). Cash equivalents are composed of Government of Canada treasury bills totalling $132 million ($191 million in 2014), provincial government and government-guaranteed commercial paper of $447 million ($666 million in 2014) and bankers' acceptances issued by Canadian chartered banks of $299 million ($252 million in 2014). IGM manages credit risk related to cash and cash equivalents by adhering to its investment policy that outlines credit risk parameters and concentration limits. IGM regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

As at December 31, 2015, residential mortgages, recorded on IGM's balance sheet, of $7.4 billion ($7.0 billion in 2014) consisted of $7.0 billion sold to securitization programs ($6.6 billion in 2014), $384 million held pending sale or securitization ($366 million in 2014) and $28 million related to IGM's intermediary operations ($30 million in 2014).

IGM 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 IGM; and
- Its practice of originating its mortgages exclusively through its own network of Mortgage Planning Specialists and Investors Group Consultants as part of a client's comprehensive financial 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 $4.6 billion ($4.6 billion in 2014), IGM 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 $2.4 billion ($2.0 billion in 2014) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $48 million ($35 million in 2014) and $39 million ($30 million in 2014), respectively, at December 31, 2015. Cash reserve accounts are reflected on the balance sheets, whereas rights to future net interest income are not reflected on the balance sheets and will be recorded over the life of the mortgages. This risk is further mitigated by insurance with 36.6% of mortgages held in ABCP Trusts insured at December 31, 2015 (51.0% in 2014).

At December 31, 2015, residential mortgages recorded on the balance sheet were 76.8% insured (83.7% in 2014). At December 31, 2015, impaired mortgages on these portfolios were $3 million, compared to $2 million at December 31, 2014. Uninsured nonperforming mortgages over 90 days on these portfolios were $1 million at December 31, 2015, compared to nil at December 31, 2014.

IGM 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 IGM's balance sheet as IGM has transferred substantially all of the risks and rewards of ownership associated with these loans.

IGM regularly reviews the credit quality of the mortgages and the adequacy of the collective allowance for credit losses.

IGM's collective allowance for credit losses was $1 million at December 31, 2015 ($1 million as at December 31, 2014), 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.

IGM's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and mortgage portfolios have not changed materially since December 31, 2014.

IGM is exposed to credit risk through the 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 below.

To the extent that the fair value of the derivatives is in a gain position, IGM is exposed to the credit risk that its counterparties fail to fulfill their obligations under these arrangements.

IGM'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 $58 million ($43 million in 2014) 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 $1 million at December 31, 2015 ($3 million in 2014). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that IGM's overall credit risk related to derivatives was not significant at December 31, 2015. Management of credit risk related to derivatives has not changed materially since December 31, 2014.

NOTE 21
Risk Management (continued)

MARKET RISK

Currency risk

IGM's financial instruments are generally denominated in Canadian dollars, and do not have significant exposure to changes in foreign exchange rates.

Interest rate risk

IGM is exposed to interest rate risk on its loan portfolio and on certain of the derivative financial instruments used in IGM's mortgage banking and intermediary operations.

IGM manages interest rate risk associated with its mortgage banking operations by entering into interest rate swaps with Canadian Schedule I chartered banks as follows:

- IGM 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, IGM 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 $47 million (negative $26 million in 2014) and an outstanding notional value of $740 million at December 31, 2015 ($437 million in 2014). IGM 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 fair value of these swaps totalled $54 million ($35 million in 2014), on an outstanding notional amount of $1.8 billion at December 31, 2015 ($2.0 billion in 2014). The net fair value of these swaps of $7 million at December 31, 2015 ($9 million in 2014) is recorded on the balance sheet and has an outstanding notional amount of $2.6 billion at December 31, 2015 ($2.4 billion in 2014).
- IGM 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. IGM enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by IGM pending sale or securitization. The fair value of these swaps was nil (nil in 2014) on an outstanding notional amount of $88 million at December 31, 2015 ($101 million in 2014).

As at December 31, 2015, the impact to annual net earnings of a 100-basis-point change in interest rates would have been a decrease of approximately $1 million (a decrease of $2 million in 2014). IGM's exposure to and management of interest rate risk has not changed materially since December 31, 2014.

Equity price risk

IGM is exposed to equity price risk on its proprietary investment funds which are classified as available-for-sale securities and its equity securities and proprietary investment funds which are classified as fair value through profit or loss. Unrealized gains and losses on available-for-sale securities are recorded in other comprehensive income until they are realized or until management of IGM determines there is objective evidence of impairment in value, at which time they are recorded in the statements of earnings.

IGM sponsors a number of deferred compensation arrangements where payments to participants are linked to the performance of the common shares of IGM Financial Inc. IGM hedges this risk through the use of forward agreements and total return swaps.

RISKS RELATED TO ASSETS UNDER MANAGEMENT

Risks related to the performance of the equity markets, changes in interest rates and changes in foreign currencies relative to the Canadian dollar can have a significant impact on the level and mix of assets under management. These changes in assets under management directly impact earnings of IGM.

NOTE 22
Operating and Administrative Expenses

YEARS ENDED DECEMBER 31	2015	2014
Salaries and other employee benefits	3,352	2,934
General and administrative expenses	1,863	1,525
Amortization, depreciation and impairment	263	233
Premium taxes	339	339
Restructuring and acquisition expenses	66	50
Client distributions and other costs [1]	–	81
	5,883	5,162

[1] In the third quarter of 2012, IGM introduced investment solutions for clients with household investments in IGM's funds in excess of $0.5 million. At December 31, 2014, an accrual of $81 million was recorded related to these lower fee investment solutions. This amount primarily reflects distributions to clients who did not transfer to these lower-priced solutions when eligible.

NOTE 23
Financing Charges

YEARS ENDED DECEMBER 31	2015	2014
Interest on debentures and other debt instruments	370	374
Interest on capital trust debentures	11	11
Other	32	28
	413	413

NOTE 24
Pension Plans and Other Post-Employment Benefits

CHARACTERISTICS, FUNDING AND RISK

The Corporation and its subsidiaries maintain funded defined benefit pension plans for certain employees and advisors as well as unfunded supplementary employee retirement plans (SERP) for certain employees. The Corporation's subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average earnings. For most plans, active plan participants share in the cost by making contributions in respect of current service. Certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. The determination of the defined benefit obligation reflects pension benefits, in accordance with the terms of the plans, and assuming the plans are not terminated. The assets supporting the funded pension plans are held in separate trusteed pension funds. The obligations for the wholly unfunded plans are supported by assets of the Corporation and its subsidiaries.

The significant defined benefit plans of Lifeco's subsidiaries and IGM are closed to new entrants. New hires are only eligible for defined contribution benefits. As a result, defined benefit plan exposure will continue to be reduced in future years.

The defined contribution pension plans provide pension benefits based on accumulated employee and employer contributions. Contributions to these plans are a set percentage of employees' annual income and may be subject to certain vesting requirements.

The Corporation and its subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. These post-employment benefits are not pre-funded. The obligations for these benefits are supported by assets of the Corporation and its subsidiaries.

The Corporation and its subsidiaries have pension and benefit committees or a trustee arrangement that provides oversight for the benefit plans. The benefit plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and funding requirements of the Corporation and its subsidiaries. Significant changes to benefit plans require approval.

The Corporation and its subsidiaries' funding policy for the funded pension plans is to make annual contributions equal to or greater than those required by the applicable regulations and plan provisions that govern the funding of the plans. Where funded plans have a net defined benefit asset, the Corporation and its subsidiaries determine if an economic benefit exists in the form of potential reductions in future contributions and in the form of surplus refunds, where permitted by applicable regulation and plan provisions.

By their design, the defined benefit plans expose the Corporation and its subsidiaries to the typical risks faced by defined benefit plans, such as investment performance, changes to the discount rates used to value the obligations, longevity of plan members, and future inflation. Pension and benefit risk is managed by regular monitoring of the plans, applicable regulations and other factors that could impact the expenses and cash flows of the Corporation and its subsidiaries.

NOTE 24

Pension Plans and Other Post-Employment Benefits (continued)

PLAN ASSETS, BENEFIT OBLIGATION AND FUNDED STATUS

	2015		2014	
DECEMBER 31	PENSION PLANS	OTHER POST-EMPLOYMENT BENEFITS	PENSION PLANS	OTHER POST-EMPLOYMENT BENEFITS
CHANGE IN FAIR VALUE OF PLAN ASSETS				
Fair value of plan assets, beginning of year	5,960	–	5,349	–
Interest income	214	–	251	–
Employee contributions	25	–	25	–
Employer contributions	130	21	164	20
Return on assets greater than interest income	86	–	438	–
Benefits paid	(231)	(21)	(238)	(20)
Administrative expenses	(7)	–	(6)	–
Foreign exchange and other	275	–	(23)	–
Fair value of plan assets, end of year	6,452	–	5,960	–
CHANGE IN DEFINED BENEFIT OBLIGATION				
Defined benefit obligation, beginning of year	6,866	457	5,653	438
Current service cost	167	3	133	3
Employee contributions	25	–	25	–
Interest cost	246	18	261	20
Actuarial (gains) losses on:				
Financial assumption changes	(150)	(5)	938	40
Demographic assumption changes	(5)	(9)	114	(14)
Arising from member experience	1	4	(3)	(13)
Benefits paid	(231)	(21)	(238)	(20)
Past service cost and plan amendments	15	2	21	–
Foreign exchange and other	338	5	(38)	3
Defined benefit obligation, end of year	7,272	454	6,866	457
FUNDED STATUS				
Fund deficit	(820)	(454)	(906)	(457)
Unrecognized amount due to asset ceiling (see below)	(83)	–	(23)	–
Accrued benefit liability	(903)	(454)	(929)	(457)

The aggregate defined benefit obligation of pension plans is as follows:

YEARS ENDED DECEMBER 31	2015	2014
Wholly or partly funded plans	6,803	6,406
Wholly unfunded plans	469	460

The net accrued benefit asset (liability) shown above is presented in these financial statements as follows:

	2015			2014		
DECEMBER 31	PENSION PLANS	OTHER POST-EMPLOYMENT BENEFITS	TOTAL	PENSION PLANS	OTHER POST-EMPLOYMENT BENEFITS	TOTAL
Pension benefit assets [Note 9]	250	–	250	275	–	275
Pension and other post-employment benefit liabilities [Note 15]	(1,153)	(454)	(1,607)	(1,204)	(457)	(1,661)
Accrued benefit asset (liability)	(903)	(454)	(1,357)	(929)	(457)	(1,386)

NOTE 24
Pension Plans and Other Post-Employment Benefits (continued)

Under International Financial Reporting Interpretations Committee (IFRIC) 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, the Corporation and its subsidiaries must assess whether the pension asset has economic benefit to the Corporation and its subsidiaries through future contribution reductions or refunds. In the event the Corporation and its subsidiaries are not entitled to a benefit, a limit or "asset ceiling" is required on the balance sheet. The following provides a breakdown of the changes in the asset ceiling.

DECEMBER 31	2015	2014
Asset ceiling, beginning of year	23	44
Interest on beginning-of-period asset ceiling	4	2
Change in asset ceiling	56	(23)
Asset ceiling, end of year	83	23

PENSION AND OTHER POST-EMPLOYMENT BENEFIT EXPENSE

	2015		2014	
DECEMBER 31	PENSION PLANS	OTHER POST-EMPLOYMENT BENEFITS	PENSION PLANS	OTHER POST-EMPLOYMENT BENEFITS
Defined benefit current service cost	167	3	133	3
Net interest cost	36	18	12	20
Past service cost and plan amendments	15	2	3	–
Administration fees	7	–	6	–
Defined contribution current service cost	54	–	42	–
Expense recognized in net earnings	279	23	196	23
Actuarial (gain) loss recognized	(154)	(10)	1,049	13
Return on assets greater than interest income	(86)	–	(438)	–
Change in asset ceiling	56	–	(23)	–
Expense (income) recognized in other comprehensive income	(184)	(10)	588	13
Total expense	95	13	784	36

In 2015, the Corporation and its subsidiaries incurred $1 million of actuarial gains ($31 million of actuarial losses in 2014) for pension plan remeasurements not included in the table shown above. This relates to the share of actuarial gains (losses) for investments in jointly controlled corporations and associates.

ASSET ALLOCATION BY MAJOR CATEGORY WEIGHTED BY PLAN ASSETS

	DEFINED BENEFIT PENSION PLANS	
DECEMBER 31 PERCENTAGE [%]	2015	2014
Equity securities	52	52
Debt securities	36	38
All other assets	12	10
	100	100

No plan assets are directly invested in the Corporation's or subsidiaries' securities. Lifeco's plan assets include investments in segregated and other funds managed by subsidiaries of Lifeco of $4,764 million at December 31, 2015 ($4,478 million at December 31, 2014) of which $4,701 million ($4,445 million at December 31, 2014) are included in the balance sheets. Plan assets do not include any property occupied or other assets used by Lifeco. IGM's plan assets are invested in IGM's mutual funds. A portion of Power Financial's plan assets are invested in segregated funds managed by a subsidiary of Lifeco.

NOTE 24
Pension Plans and Other Post-Employment Benefits (continued)

DETAILS OF DEFINED BENEFIT OBLIGATION

Portion of defined benefit obligation subject to future salary increases

DECEMBER 31	2015 PENSION PLANS	2015 OTHER POST-EMPLOYMENT BENEFITS	2014 PENSION PLANS	2014 OTHER POST-EMPLOYMENT BENEFITS
Benefit obligation without future salary increases	6,530	454	6,121	457
Effect of assumed future salary increases	742	–	745	–
Defined benefit obligation	7,272	454	6,866	457

Allocation of defined benefit obligation by membership

DECEMBER 31 PERCENTAGE [%]	2015 PENSION PLANS	2015 OTHER POST-EMPLOYMENT BENEFITS	2014 PENSION PLANS	2014 OTHER POST-EMPLOYMENT BENEFITS
Actives	47	27	47	28
Deferred vesteds	16	–	16	–
Retirees	37	73	37	72
Total	100	100	100	100
Weighted average duration of defined benefit obligation [in years]	18.7	12.5	19.1	13.0

CASH FLOW INFORMATION

The expected employer contributions for the year 2016 are as follows:

	PENSION PLANS	OTHER POST-EMPLOYMENT BENEFITS
Funded (wholly or partly) defined benefit plans	126	–
Unfunded defined benefit plans	22	21
Defined contribution plans	60	–
Total	208	21

ACTUARIAL ASSUMPTIONS AND SENSITIVITIES

Actuarial assumptions

PERCENTAGE [%]	DEFINED BENEFIT PENSION PLANS 2015	DEFINED BENEFIT PENSION PLANS 2014	OTHER POST-EMPLOYMENT BENEFITS 2015	OTHER POST-EMPLOYMENT BENEFITS 2014
RANGE OF DISCOUNT RATES				
To determine benefit cost	3.1 – 4.1	4.7 – 5.1	3.9 – 4.1	4.7 – 5.0
To determine accrued benefit obligation at year-end	3.1 – 4.3	3.1 – 4.1	3.9 – 4.3	3.9 – 4.1
WEIGHTED AVERAGE ASSUMPTIONS USED TO DETERMINE BENEFIT COST [1]				
Discount rate	3.5	4.7	3.9	4.8
Rate of compensation increase	3.3	3.3	–	–
WEIGHTED AVERAGE ASSUMPTIONS USED TO DETERMINE ACCRUED BENEFIT OBLIGATION AT YEAR-END [1]				
Discount rate	3.8	3.5	4.1	3.9
Rate of compensation increase	3.3	3.3	–	–
WEIGHTED AVERAGE HEALTHCARE TREND RATES [1]				
Initial healthcare trend rate			5.3	5.3
Ultimate healthcare trend rate			4.5	4.5
Year ultimate trend rate is reached			2029	2029

[1] Based on the obligations of each plan.

NOTE 24
Pension Plans and Other Post-Employment Benefits (continued)

Sample life expectancies based on mortality assumptions

	2015		2014	
DECEMBER 31	PENSION PLANS	OTHER POST-EMPLOYMENT BENEFITS	PENSION PLANS	OTHER POST-EMPLOYMENT BENEFITS
Weighted average life expectancies based on mortality assumptions [1]:				
Male				
Age 65 in fiscal year	22.8	22.2	22.7	22.1
Age 65 in fiscal year + 30 years	25.1	23.9	25.1	23.8
Female				
Age 65 in fiscal year	24.7	24.7	24.7	24.6
Age 65 in fiscal year + 30 years	26.8	26.2	26.8	26.0

[1] Based on the obligations of each plan.

Mortality assumptions are significant in measuring the defined benefit obligation for defined benefit plans. The period of time over which benefits are assumed to be paid is based on best estimates of future mortality, including allowances for mortality improvements. This estimate is subject to considerable uncertainty and judgment is required in establishing this assumption. The mortality assumptions applied by the Corporation and its subsidiaries take into consideration average life expectancy, including allowances for future mortality improvement as appropriate, and reflect variations in such factors as age, gender and geographic location.

The mortality tables are reviewed at least annually, and assumptions are in accordance with accepted actuarial practice. Emerging plan experience is reviewed and considered in establishing the best estimate for future mortality.

Impact of changes to assumptions

DECEMBER 31, 2015	1% INCREASE	1% DECREASE
DEFINED BENEFIT PENSION PLANS:		
Impact of a change to the discount rate	(1,122)	1,459
Impact of a change to the rate of compensation increase	344	(302)
Impact of a change to the rate of inflation	612	(583)
OTHER POST-EMPLOYMENT BENEFITS:		
Impact of a change to the discount rate	(51)	63
Impact of a change to assumed medical cost trend rates	44	(37)

To measure the impact of a change in an assumption, all other assumptions were held constant. It would be expected that there would be interaction between at least some of the assumptions and therefore the sensitivity analysis presented may not be representative of the actual change.

NOTE 25
Derivative Financial Instruments

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Corporation and its subsidiaries are end-users of various derivative financial instruments. Contracts are either exchange traded or over-the-counter with counterparties that are credit-worthy financial intermediaries.

The following table summarizes the portfolio of derivative financial instruments of the Corporation and its subsidiaries at December 31:

	NOTIONAL AMOUNT					
DECEMBER 31, 2015	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	TOTAL	MAXIMUM CREDIT RISK	TOTAL FAIR VALUE
DERIVATIVES NOT DESIGNATED AS ACCOUNTING HEDGES						
Interest rate contracts						
Swaps	1,362	2,776	1,592	5,730	225	135
Options purchased	49	190	103	342	49	49
Futures – long	2	–	–	2	–	–
Futures – short	79	80	–	159	–	–
	1,492	3,046	1,695	6,233	274	184
Foreign exchange contracts						
Forward contracts	948	–	–	948	4	(28)
Cross-currency swaps	426	2,138	6,740	9,304	143	(1,885)
	1,374	2,138	6,740	10,252	147	(1,913)
Other derivative contracts						
Equity contracts	68	–	–	68	2	2
Futures – long	13	–	–	13	–	–
Futures – short	606	–	–	606	4	1
Other forward contracts	131	–	–	131	–	–
	818	–	–	818	6	3
	3,684	5,184	8,435	17,303	427	(1,726)
CASH FLOW HEDGES						
Interest rate contracts						
Swaps	–	–	31	31	12	12
Foreign exchange contracts						
Cross-currency swaps	–	1,500	–	1,500	–	(524)
Other derivative contracts						
Forward contracts and total return swaps	10	28	–	38	1	(4)
	10	1,528	31	1,569	13	(516)
NET INVESTMENT HEDGES						
Foreign exchange contracts						
Forward contracts	–	553	–	553	80	80
	3,694	7,265	8,466	19,425	520	(2,162)

NOTE 25
Derivative Financial Instruments (continued)

DECEMBER 31, 2014	NOTIONAL AMOUNT 1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	TOTAL	MAXIMUM CREDIT RISK	TOTAL FAIR VALUE
DERIVATIVES NOT DESIGNATED AS ACCOUNTING HEDGES						
Interest rate contracts						
Swaps	1,876	2,700	1,389	5,965	411	350
Options purchased	218	182	78	478	50	50
Futures – long	10	–	–	10	–	–
Futures – short	12	–	–	12	–	–
	2,116	2,882	1,467	6,465	461	400
Foreign exchange contracts						
Forward contracts	751	–	–	751	–	(14)
Cross-currency swaps	354	2,285	5,492	8,131	169	(751)
	1,105	2,285	5,492	8,882	169	(765)
Other derivative contracts						
Equity contracts	156	–	–	156	2	(3)
Futures – long	10	–	–	10	–	–
Futures – short	317	–	–	317	1	(2)
Other forward contracts	107	–	–	107	–	–
	590	–	–	590	3	(5)
	3,811	5,167	6,959	15,937	633	(370)
CASH FLOW HEDGES						
Interest rate contracts						
Swaps	–	–	36	36	14	14
Foreign exchange contracts						
Cross-currency swaps	–	1,500	–	1,500	–	(219)
Other derivative contracts						
Forward contracts and total return swaps	11	23	1	35	3	1
	11	1,523	37	1,571	17	(204)
NET INVESTMENT HEDGES [1]						
Foreign exchange contracts						
Forward contracts	–	491	–	491	41	41
FAIR VALUE HEDGES						
Interest rate contracts						
Swaps	–	18	72	90	2	1
	3,822	7,199	7,068	18,089	693	(532)

[1] During the year, Lifeco reclassified the contracts now presented in net investment hedges from foreign exchange contracts – forward contracts to conform to the current year's presentation.

The amount subject to maximum credit risk is limited to the current fair value of the instruments which are in a gain position. The maximum credit risk represents the total cost of all derivative contracts with positive values and does not reflect actual or expected losses. The total fair value represents the total amount that the Corporation and its subsidiaries would receive (or pay) to terminate all agreements at year-end. However, this would not result in a gain or loss to the Corporation and its subsidiaries as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

As at December 31, 2015, Lifeco received assets of $107 million ($52 million in 2014) as collateral for derivative contracts from counterparties and pledged assets of $608 million ($273 million in 2014) as collateral for derivative contracts to counterparties.

INTEREST RATE CONTRACTS

Interest rate swaps, futures and options are used as part of a portfolio of assets to manage interest rate risk associated with investment activities and insurance and investment contract liabilities and to reduce the impact of fluctuating interest rates on the mortgage banking operations and intermediary operations. Interest rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based.

Call options grant the Corporation and its subsidiaries the right to enter into a swap with predetermined fixed-rate payments over a predetermined time period on the exercise date. Call options are used to manage the variability in future interest payments due to a change in credited interest rates and the related potential change in cash flows due to surrenders. Call options are also used to hedge minimum rate guarantees.

NOTE 25
Derivative Financial Instruments (continued)

FOREIGN EXCHANGE CONTRACTS

Cross-currency swaps are used in combination with other investments to manage foreign currency risk associated with investment activities, and insurance and investment contract liabilities. Under these swaps, principal amounts and fixed or floating interest payments may be exchanged in different currencies. The Corporation and its subsidiaries may also enter into certain foreign exchange forward contracts to hedge certain product liabilities, cash and cash equivalents and cash flows.

OTHER DERIVATIVE CONTRACTS

Equity index swaps, futures and options are used to hedge certain product liabilities. Equity index swaps are also used as substitutes for cash instruments and are used to periodically hedge the market risk associated with certain fee income. Equity put options are used to manage the potential credit risk impact of significant declines in certain equity markets.

Forward agreements and total return swaps are used to manage exposure to fluctuations in the total return of common shares related to deferred compensation arrangements. Forward agreements and total return swaps require the exchange of net contractual payments periodically or at maturity without the exchange of the notional principal amounts on which the payments are based. Certain of these instruments are not designated as hedges. Changes in fair value are recorded in operating and administrative expenses in the statements of earnings for those instruments not designated as hedges.

ENFORCEABLE MASTER NETTING AGREEMENTS OR SIMILAR AGREEMENTS

The Corporation and its subsidiaries enter into the International Swaps and Derivative Association's master agreements for transacting over-the-counter derivatives. The Corporation and its subsidiaries receive and pledge collateral according to the related International Swaps and Derivative Association's Credit Support Annexes. The International Swaps and Derivative Association's master agreements do not meet the criteria for offsetting on the balance sheets because they create a right of set-off that is enforceable only in the event of default, insolvency, or bankruptcy.

For exchange-traded derivatives subject to derivative clearing agreements with exchanges and clearing houses, there is no provision for set-off at default. Initial margin is excluded from the table below as it would become part of a pooled settlement process.

Lifeco's reverse repurchase agreements are also subject to right of set-off in the event of default. These transactions and agreements include master netting arrangements which provide for the netting of payment obligations between Lifeco and its counterparties in the event of default.

The following disclosure shows the potential effect on the balance sheets on financial instruments that have been shown in a gross position where right of set-off exists under certain circumstances that do not qualify for netting on the balance sheets.

		RELATED AMOUNTS NOT SET OFF IN THE BALANCE SHEETS		
DECEMBER 31, 2015	GROSS AMOUNT OF FINANCIAL INSTRUMENTS PRESENTED IN THE BALANCE SHEET	OFFSETTING COUNTERPARTY POSITION [1]	FINANCIAL COLLATERAL RECEIVED/ PLEDGED [2]	NET EXPOSURE
FINANCIAL INSTRUMENTS (ASSETS)				
Derivative financial instruments	520	(358)	(104)	58
Reverse repurchase agreements [3]	43	–	(43)	–
Total financial instruments (assets)	563	(358)	(147)	58
FINANCIAL INSTRUMENTS (LIABILITIES)				
Derivative financial instruments	2,682	(358)	(586)	1,738
Total financial instruments (liabilities)	2,682	(358)	(586)	1,738

		RELATED AMOUNTS NOT SET OFF IN THE BALANCE SHEETS		
DECEMBER 31, 2014	GROSS AMOUNT OF FINANCIAL INSTRUMENTS PRESENTED IN THE BALANCE SHEET	OFFSETTING COUNTERPARTY POSITION [1]	FINANCIAL COLLATERAL RECEIVED/ PLEDGED [2]	NET EXPOSURE
FINANCIAL INSTRUMENTS (ASSETS)				
Derivative financial instruments	693	(331)	(51)	311
Reverse repurchase agreements [3]	44	–	(44)	–
Total financial instruments (assets)	737	(331)	(95)	311
FINANCIAL INSTRUMENTS (LIABILITIES)				
Derivative financial instruments	1,225	(331)	(260)	634
Total financial instruments (liabilities)	1,225	(331)	(260)	634

[1] Includes counterparty amounts recognized on the balance sheets where the Corporation and its subsidiaries have a potential offsetting position (as described above) but does not meet the criteria for offsetting on the balance sheets, excluding collateral.

[2] Financial collateral presented above excludes overcollateralization and, for exchange-traded derivatives, initial margin. Financial collateral received on reverse repurchase agreements is held by a third party. Total financial collateral, including initial margin and overcollateralization, received on derivative assets was $107 million ($52 million at December 31, 2014), received on reverse repurchase agreements was $44 million ($45 million at December 31, 2014), and pledged on derivative liabilities was $671 million ($299 million at December 31, 2014).

[3] Assets related to reverse repurchase agreements are included in bonds in the balance sheets.

NOTE 26
Fair Value of Financial Instruments

The following table presents the carrying amounts and fair value of the Corporation's financial assets and financial liabilities, including their levels in the fair value hierarchy using the valuation methods and assumptions described in the summary of significant accounting policies and below. Fair values are management's estimates and are generally 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 matters of significant judgment. The table distinguishes between those financial instruments recorded at fair value and those recorded at amortized cost.

The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value. Items excluded are: cash and cash equivalents, dividends, interest and accounts receivable, loans to policyholders, certain other financial assets, accounts payable, dividends and interest payable and certain other financial liabilities.

DECEMBER 31, 2015	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL FAIR VALUE
FINANCIAL ASSETS					
Financial assets recorded at fair value					
Bonds					
Fair value through profit or loss	86,460	–	86,450	10	86,460
Available for sale	12,014	–	12,013	1	12,014
Mortgage loans					
Fair value through profit or loss	384	–	384	–	384
Shares					
Fair value through profit or loss	6,692	6,615	10	67	6,692
Available for sale	63	62	–	1	63
Investment properties	5,237	–	–	5,237	5,237
Derivative instruments	520	4	516	–	520
Other assets	599	381	204	14	599
	111,969	7,062	99,577	5,330	111,969
Financial assets recorded at amortized cost					
Bonds					
Loans and receivables	16,905	–	18,145	108	18,253
Mortgage loans					
Loans and receivables	29,029	–	23,474	7,238	30,712
Shares					
Available for sale[1]	534	–	–	534	534
	46,468	–	41,619	7,880	49,499
Total financial assets	158,437	7,062	141,196	13,210	161,468
FINANCIAL LIABILITIES					
Financial liabilities recorded at fair value					
Investment contract liabilities	2,180	–	2,153	27	2,180
Derivative instruments	2,682	3	2,632	47	2,682
Other liabilities	4	4	–	–	4
	4,866	7	4,785	74	4,866
Financial liabilities recorded at amortized cost					
Obligations to securitization entities	7,092	–	–	7,272	7,272
Debentures and other debt instruments	6,927	467	7,497	–	7,964
Capital trust debentures	161	–	215	–	215
Deposits and certificates	310	–	312	–	312
	14,490	467	8,024	7,272	15,763
Total financial liabilities	19,356	474	12,809	7,346	20,629

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

NOTE 26
Fair Value of Financial Instruments (continued)

DECEMBER 31, 2014	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL FAIR VALUE
FINANCIAL ASSETS					
Financial assets recorded at fair value					
Bonds					
Fair value through profit or loss	79,957	–	79,871	86	79,957
Available for sale	10,501	–	10,500	1	10,501
Mortgage loans					
Fair value through profit or loss	366	–	366	–	366
Shares					
Fair value through profit or loss	6,697	6,671	7	19	6,697
Available for sale	60	59	–	1	60
Investment properties	4,613	–	–	4,613	4,613
Derivative instruments	693	1	692	–	693
Other assets	421	278	143	–	421
	103,308	7,009	91,579	4,720	103,308
Financial assets recorded at amortized cost					
Bonds					
Loans and receivables	13,178	–	14,533	126	14,659
Mortgage loans					
Loans and receivables	27,199	–	22,197	6,819	29,016
Shares					
Available for sale[1]	560	–	–	560	560
	40,937	–	36,730	7,505	44,235
Total financial assets	144,245	7,009	128,309	12,225	147,543
FINANCIAL LIABILITIES					
Financial liabilities recorded at fair value					
Investment contract liabilities	857	–	829	28	857
Derivative instruments	1,225	4	1,195	26	1,225
Other liabilities	16	16	–	–	16
	2,098	20	2,024	54	2,098
Financial liabilities recorded at amortized cost					
Obligations to securitization entities	6,754	–	–	6,859	6,859
Debentures and other debt instruments	6,887	526	7,469	70	8,065
Capital trust debentures	162	–	220	–	220
Deposits and certificates	223	–	225	–	225
	14,026	526	7,914	6,929	15,369
Total financial liabilities	16,124	546	9,938	6,983	17,467

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

There were no significant transfers between Level 1 and Level 2 in 2015 and 2014.

NOTE 26
Fair Value of Financial Instruments (continued)

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

- Level 1 inputs utilize observable, unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access. Financial 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 1 assets also include open-end investment fund units in instances where there are quoted prices available from active markets.
- Level 2 inputs utilize other-than-quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 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, mortgage loans, deposits and certificates, and most debentures and other debt instruments. The fair value of derivative financial instruments and deposits and certificates is determined using valuation models, discounted cash flow methodologies, or similar techniques using primarily observable market inputs. The fair value of debentures and other debt instruments is determined using indicative broker quotes. Investment contracts that are measured at fair value through profit or loss are mostly included in the Level 2 category.
- Level 3 inputs utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The 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. Financial assets and liabilities utilizing Level 3 inputs include certain bonds, certain asset-backed securities, some private equities, some mortgage loans, investments in mutual and segregated funds where there are redemption restrictions, certain over-the-counter derivatives, investment properties, obligations to securitization entities, and certain other debt instruments.

The following table presents additional information about financial assets and financial 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 year ended December 31, 2015.

	BONDS		SHARES						
DECEMBER 31, 2015	FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE FOR SALE	FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE FOR SALE	INVESTMENT PROPERTIES	DERIVATIVES, NET	OTHER ASSETS (LIABILITIES)	INVESTMENT CONTRACT LIABILITIES	TOTAL
Balance, beginning of year	86	1	19	1	4,613	(26)	–	(28)	4,666
Total gains (losses)									
In net earnings	5	–	7	–	249	(34)	–	–	227
In other comprehensive income[1]	–	–	–	–	379	–	3	–	382
Purchases	–	–	50	–	278	–	5	–	333
Sales	–	–	(4)	–	(282)	–	–	–	(286)
Settlements	(47)	–	–	–	–	13	–	–	(34)
Other	–	–	–	–	–	–	–	1	1
Transfers into Level 3	–	–	–	–	–	–	6	–	6
Transfers out of Level 3	(34)	–	(5)	–	–	–	–	–	(39)
Balance, end of year	10	1	67	1	5,237	(47)	14	(27)	5,256

[1] Amount of other comprehensive income for investment properties represents the unrealized gains on foreign exchange.

Transfers into Level 3 are due primarily to other financial assets previously recorded at cost and were remeasured at fair value using recent market transactions.

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 or the lifting of redemption restrictions on investments in mutual funds and segregated funds.

NOTE 26
Fair Value of Financial Instruments (continued)

The following table sets out information about significant unobservable inputs used at period end in measuring financial assets and financial 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 3.2% – 10.0%	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 4.8% – 8.3%	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 3.9%	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.

NOTE 27
Other Comprehensive Income

	ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET EARNINGS			ITEMS THAT WILL NOT BE RECLASSIFIED TO NET EARNINGS		
YEAR ENDED DECEMBER 31, 2015	INVESTMENT REVALUATION AND CASH FLOW HEDGES	FOREIGN CURRENCY TRANSLATION	SHARE OF JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES	ACTUARIAL GAIN (LOSSES) ON DEFINED BENEFIT PENSION PLANS	SHARE OF JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES	TOTAL
Balance, beginning of year	12	666	241	(479)	(50)	390
Other comprehensive income (loss)	(184)	1,370	37	105	3	1,331
Other	–	–	–	–	20	20
Balance, end of year	(172)	2,036	278	(374)	(27)	1,741

	ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET EARNINGS			ITEMS THAT WILL NOT BE RECLASSIFIED TO NET EARNINGS		
YEAR ENDED DECEMBER 31, 2014	INVESTMENT REVALUATION AND CASH FLOW HEDGES	FOREIGN CURRENCY TRANSLATION	SHARE OF JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES	ACTUARIAL GAIN (LOSSES) ON DEFINED BENEFIT PENSION PLANS	SHARE OF JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES	TOTAL
Balance, beginning of year	(49)	263	327	(179)	(25)	337
Other comprehensive income (loss)	61	403	(86)	(300)	(25)	53
Balance, end of year	12	666	241	(479)	(50)	390

NOTE 28
Earnings per Share

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

YEARS ENDED DECEMBER 31	2015	2014
EARNINGS		
Net earnings attributable to shareholders	2,449	2,268
Dividends on perpetual preferred shares	(130)	(132)
Net earnings attributable to common shareholders	2,319	2,136
Dilutive effect of subsidiaries	(4)	(3)
Net earnings adjusted for dilutive effect	2,315	2,133
NUMBER OF COMMON SHARES [millions]		
Weighted average number of common shares outstanding – Basic	713.0	711.3
Potential exercise of outstanding stock options	0.7	0.7
Weighted average number of common shares outstanding – Diluted	713.7	712.0
NET EARNINGS PER COMMON SHARE		
Basic	3.25	3.00
Diluted	3.24	3.00

For 2015, 3,457,961 stock options (2,713,742 in 2014) have been excluded from the computation of diluted earnings per share as they were anti-dilutive.

NOTE 29
Related Parties

PRINCIPAL SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE

The financial statements of Power Financial include the operations of the following subsidiaries, joint venture and associate:

			% EQUITY INTEREST	
CORPORATIONS	INCORPORATED IN	PRIMARY BUSINESS OPERATION	2015	2014
Great-West Lifeco Inc.	Canada	Financial services holding company	67.4	67.2
The Great-West Life Assurance Company	Canada	Insurance and wealth management	100	100
London Life Insurance Company	Canada	Insurance and wealth management	100	100
The Canada Life Assurance Company	Canada	Insurance and wealth management	100	100
Irish Life Group Limited	Ireland	Insurance and wealth management	100	100
Great-West Life & Annuity Insurance Company	United States	Insurance and wealth management	100	100
Putnam Investments, LLC[1]	United States	Financial services	95.7	95.2
IGM Financial Inc.	Canada	Financial services	60.4	58.8
Investors Group Inc.	Canada	Financial services	100	100
Mackenzie Financial Corporation	Canada	Financial services	100	100
Parjointco N.V. (joint venture)	Netherlands	Holding company	50	50
Pargesa Holding SA	Switzerland	Holding company	55.5	55.5
Wealthsimple Financial Corp.[2]	Canada	Financial services	33.2	–

[1] Lifeco holds 100% of the voting shares and 95.7% of the total outstanding shares.

[2] On February 4, 2016 the Corporation made an additional investment in Wealthsimple Financial Corp. and now holds a 60.4% equity interest.

NOTE 29
Related Parties (continued)

TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, Power Financial and its subsidiaries enter into various transactions; subsidiaries provide insurance benefits, sub-advisory services, distribution of insurance products and/or other administrative services to other subsidiaries of the group and to the Corporation. In all cases, these transactions are in the normal course of operations and have been recorded at fair value. Balances and transactions between the Corporation and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of other transactions between the Corporation and related parties are disclosed below.

In 2015, IGM sold residential mortgage loans to Great-West Life, London Life and segregated funds maintained by London Life for $206 million ($184 million in 2014).

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.

On January 6, 2015, the Corporation increased its tax loss consolidation transactions with IGM. A wholly owned subsidiary of Power Financial issued $330 million of 4.51% preferred shares to Power Financial. Power Financial then sold these preferred shares to IGM for $330 million of IGM's 4.50% secured debentures. The Corporation has legally enforceable rights to settle these financial instruments on a net basis and the Corporation intends to exercise these rights.

KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The persons included in the key management personnel are the members of the Board of Directors of the Corporation, as well as certain management executives of the Corporation and its subsidiaries.

The following table describes all compensation paid to, awarded to, or earned by each of the key management personnel for services rendered in all capacities to the Corporation and its subsidiaries:

YEARS ENDED DECEMBER 31	2015	2014
Compensation and employee benefits	18	17
Post-employment benefits	6	9
Share-based payments	14	11
	38	37

NOTE 30
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. Actual results could differ from the best estimates of the Corporation's and its subsidiaries' management.

LIFECO

A subsidiary of Lifeco, Canada Life, has declared four partial windups in respect of an Ontario defined benefit pension plan. The partial windups will involve the distribution of the amount of actuarial surplus attributable to the windups. A settlement of the class action proceeding commenced in Ontario relating to the partial windups received court approval in 2014. The settlement remains subject to regulatory approval. The provision has been adjusted to $21 million as at December 31, 2015.

A subsidiary of Lifeco, Putnam Advisory Company, LLC, is a defendant in an action in relation to its role as collateral manager of a collateralized debt obligation brought by an institution involved in the collateralized debt obligation. On April 28, 2014, the matter was dismissed. On July 2, 2014, the complainant filed an appeal of the dismissal and on April 15, 2015 the United States Court of Appeals for the Second Circuit issued its decision overturning the dismissal of the action and remanding the matter for further proceedings, which are ongoing. The resolution of this matter will not have a material adverse effect on the consolidated financial position of Lifeco.

Subsidiaries of Lifeco in the United States are defendants in proposed class actions relating to the administration of their staff retirement plans, or to the costs and features of certain of their retirement or fund products. These actions are at their early stages. Management of Lifeco believes the claims are without merit and will be aggressively defending these actions. Based on the information presently known these actions will not have a material adverse effect on the consolidated financial position of Lifeco.

NOTE 31
Commitments and Guarantees

GUARANTEES

In the normal course of operations, the Corporation and its subsidiaries execute agreements that provide for indemnifications to third parties in transactions such as business dispositions, business acquisitions, loans and securitization transactions. The Corporation and its subsidiaries have also agreed to indemnify their directors and certain of their officers. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation and its subsidiaries could be required to pay third parties as the agreements often 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. Historically, the Corporation has not made any payments under such indemnification agreements. No amounts have been accrued related to these agreements.

LETTERS OF CREDIT

Letters of credit are written commitments provided by a bank. The total amount of letter of credit facilities at Lifeco is US$2.9 billion, of which US$2.7 billion were issued as of December 31, 2015.

The Reinsurance operation also periodically uses letters of credit as collateral under certain reinsurance contracts for on-balance sheet policy liabilities.

INVESTMENT COMMITMENTS

With respect to Lifeco, commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines and that are to be disbursed upon fulfilment of certain contract conditions were $203 million as at December 31, 2015. At December 31, 2015, the full amount of $203 million will mature within 1 year.

PLEDGING OF ASSETS FOR REINSURANCE AGREEMENTS

As at December 31, 2015, the amount of Lifeco's assets, which have a security interest by way of pledging, is $645 million ($598 million at December 31, 2014) with respect to certain reinsurance agreements.

COMMITMENTS

The Corporation and its subsidiaries enter into operating leases for office space and certain equipment used in the normal course of operations. Lease payments are charged to operations over the period of use. The future minimum lease payments in aggregate and by year are as follows:

	2016	2017	2018	2019	2020	2021 AND THEREAFTER	TOTAL
Future lease payments [1]	144	126	108	69	53	116	616

[1] Subsequent to year-end, one of Lifeco's subsidiaries signed an office lease for 15 years commencing in 2018, for an additional commitment of $271 million over the period of the lease.

NOTE 32
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 following provides a brief description of the three reportable operating segments:

- Lifeco is a financial services holding company with subsidiaries offering life insurance, health insurance, retirement and investment management services and engaged in the asset management and reinsurance businesses primarily in Canada, the United States and Europe.
- IGM Financial is a financial services 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; cement, aggregates and concrete; oil, gas and alternative energies; wines and spirits; testing, inspection and certification; and electricity, natural gas, and energy and environmental services.

The Corporate column is comprised of corporate activities of Power Financial and also includes consolidation elimination entries.

The Corporation evaluates the performance based on the operating segment's contribution to net earnings. Revenues and assets are attributed to geographic areas based on the point of origin of revenues and the location of assets. The contribution to net earnings of each segment includes the share of net earnings resulting from the investments that Lifeco and IGM have in each other.

NOTE 32
Segmented Information (continued)

CONTRIBUTION TO NET EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 2015	LIFECO	IGM	PARGESA	CORPORATE	TOTAL
REVENUES					
Premium income, net	24,501	–	–	–	24,501
Investment income, net	4,240	195	–	(116)	4,319
Fee income	5,058	2,833	–	(199)	7,692
Total revenues	33,799	3,028	–	(315)	36,512
EXPENSES					
Total paid or credited to policyholders	22,842	–	–	–	22,842
Commissions	2,218	1,062	–	(147)	3,133
Operating and administrative expenses	4,986	883	–	14	5,883
Financing charges	303	92	–	18	413
Total expenses	30,349	2,037	–	(115)	32,271
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,450	991	–	(200)	4,241
Share of earnings (losses) of investments in jointly controlled corporations and associates	21	–	205	(2)	224
Earnings before income taxes	3,471	991	205	(202)	4,465
Income taxes	460	210	–	9	679
Contribution to net earnings	3,011	781	205	(211)	3,786
ATTRIBUTABLE TO					
Non-controlling interests	1,150	321	–	(134)	1,337
Perpetual preferred shareholders	–	–	–	130	130
Common shareholders	1,861	460	205	(207)	2,319
	3,011	781	205	(211)	3,786

TOTAL ASSETS AND LIABILITIES

DECEMBER 31, 2015	LIFECO	IGM	PARGESA	CORPORATE	TOTAL
Invested assets (including cash and cash equivalents)	160,903	8,426	–	871	170,200
Investments in jointly controlled corporations and associates	277	–	2,610	18	2,905
Other assets	30,211	894	–	33	31,138
Goodwill and intangible assets	10,409	4,784	–	–	15,193
Investments on account of segregated fund policyholders	198,194	–	–	–	198,194
Total assets[1]	399,994	14,104	2,610	922	417,630
Total liabilities	374,675	9,983	–	570	385,228

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

TOTAL ASSETS AND TOTAL REVENUES BY GEOGRAPHIC LOCATION

DECEMBER 31, 2015	CANADA	UNITED STATES	EUROPE	TOTAL
Invested assets (including cash and cash equivalents)	76,300	43,809	50,091	170,200
Investments in jointly controlled corporations and associates	18	–	2,887	2,905
Other assets	3,713	4,535	22,890	31,138
Goodwill and intangible assets	10,313	2,465	2,415	15,193
Investments on account of segregated fund policyholders	70,269	35,966	91,959	198,194
Total assets	160,613	86,775	170,242	417,630
Total revenues	17,631	7,380	11,501	36,512

NOTE 32
Segmented Information (continued)

CONTRIBUTION TO NET EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 2014	LIFECO	IGM	PARGESA	CORPORATE	TOTAL
REVENUES					
Premium income, net	21,222	–	–	–	21,222
Investment income, net	13,513	165	–	(115)	13,563
Fee income	4,422	2,762	–	(194)	6,990
Total revenues	39,157	2,927	–	(309)	41,775
EXPENSES					
Total paid or credited to policyholders	29,160	–	–	–	29,160
Commissions	2,084	993	–	(176)	2,901
Operating and administrative expenses	4,244	877	–	41	5,162
Financing charges	304	92	–	17	413
Total expenses	35,792	1,962	–	(118)	37,636
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,365	965	–	(191)	4,139
Share of earnings (losses) of investments in jointly controlled corporations and associates	24	–	187	–	211
Earnings before income taxes	3,389	965	187	(191)	4,350
Income taxes	628	203	–	3	834
Contribution to net earnings	2,761	762	187	(194)	3,516
ATTRIBUTABLE TO					
Non-controlling interests	1,052	317	–	(121)	1,248
Perpetual preferred shareholders	–	–	–	132	132
Common shareholders	1,709	445	187	(205)	2,136
	2,761	762	187	(194)	3,516

TOTAL ASSETS AND LIABILITIES

DECEMBER 31, 2014	LIFECO	IGM	PARGESA	CORPORATE	TOTAL
Invested assets (including cash and cash equivalents)	145,720	8,325	–	786	154,831
Investments in jointly controlled corporations and associates	237	–	2,440	–	2,677
Other assets	25,907	770	–	46	26,723
Goodwill and intangible assets	9,940	4,706	–	–	14,646
Investments on account of segregated fund policyholders	174,966	–	–	–	174,966
Total assets[1]	356,770	13,801	2,440	832	373,843
Total liabilities	334,812	9,576	–	553	344,941

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

TOTAL ASSETS AND TOTAL REVENUES BY GEOGRAPHIC LOCATION

DECEMBER 31, 2014	CANADA	UNITED STATES	EUROPE	TOTAL
Invested assets (including cash and cash equivalents)	73,206	36,198	45,427	154,831
Investments in jointly controlled corporations and associates	–	–	2,677	2,677
Other assets	4,084	3,613	19,026	26,723
Goodwill and intangible assets	10,226	2,061	2,359	14,646
Investments on account of segregated fund policyholders	68,372	31,030	75,564	174,966
Total assets	155,888	72,902	145,053	373,843
Total revenues	20,043	7,551	14,181	41,775

To the Shareholders of Power Financial Corporation

We have audited the accompanying consolidated financial statements of Power Financial Corporation, which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014, and the consolidated statements of earnings, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Power Financial Corporation as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Signed,
Deloitte LLP [1]

March 23, 2016
Montréal, Québec

[1] CPA auditor, CA, public accountancy permit No. A104630

Five-Year Financial Summary

DECEMBER 31 [IN MILLIONS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS] (UNAUDITED)	2015	2014	2013	2012	2011 [1]
CONSOLIDATED BALANCE SHEETS					
Cash and cash equivalents	4,188	3,989	4,344	3,313	3,385
Total assets	417,630	373,843	341,682	268,428	252,678
Shareholders' equity	19,550	17,019	15,993	13,451	13,521
CONSOLIDATED STATEMENTS OF EARNINGS					
REVENUES					
Premium income, net	24,501	21,222	20,236	19,257	17,293
Investment income, net	4,319	13,563	2,661	8,375	9,764
Fee income	7,692	6,990	5,933	5,302	5,343
Total revenues	36,512	41,775	28,830	32,934	32,400
EXPENSES					
Total paid or credited to policyholders	22,842	29,160	17,811	22,875	23,043
Commissions	3,133	2,901	2,590	2,487	2,312
Operating and administrative expenses	5,883	5,162	4,474	3,806	3,006
Financing charges	413	413	400	409	409
Total expenses	32,271	37,636	25,275	29,577	28,770
Earnings before investments in jointly controlled corporations and associates, and income taxes	4,241	4,139	3,555	3,357	3,630
Share of earnings (losses) of investments in jointly controlled corporations and associates	224	211	134	130	(20)
Earnings before income taxes – continuing operations	4,465	4,350	3,689	3,487	3,610
Income taxes	679	834	678	559	706
Net earnings – continuing operations	3,786	3,516	3,011	2,928	2,904
Net earnings – discontinued operations	–	–	–	–	63
Net earnings	3,786	3,516	3,011	2,928	2,967
ATTRIBUTABLE TO					
Non-controlling interests	1,337	1,248	984	1,193	1,141
Perpetual preferred shareholders	130	132	131	117	104
Common shareholders	2,319	2,136	1,896	1,618	1,722
	3,786	3,516	3,011	2,928	2,967
PER SHARE					
Operating earnings attributable to common shareholders	3.14	2.96	2.40	2.37	2.44
Net earnings attributable to common shareholders from discontinued operations	–	–	–	–	0.05
Net earnings attributable to common shareholders	3.25	3.00	2.67	2.29	2.43
Dividends declared on common shares	1.49	1.40	1.40	1.40	1.40
Book value per common share	23.79	20.29	18.61	15.79	16.26
MARKET PRICE (COMMON SHARES)					
High	38.78	36.70	36.79	30.15	31.98
Low	30.28	30.14	27.02	24.06	23.62
Year-end	31.81	36.18	36.00	27.24	25.54

[1] The 2011 figures have not been adjusted to reflect current year reclassifications and new and revised IFRS adopted on January 1, 2013.

Quarterly Financial Information

[IN MILLIONS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS] (UNAUDITED)	TOTAL REVENUES	NET EARNINGS	NET EARNINGS ATTRIBUTABLE TO COMMON SHAREHOLDERS	EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS – BASIC	EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS – DILUTED
2015					
First quarter	13,369	956	573	0.80	0.80
Second quarter	4,901	963	616	0.87	0.86
Third quarter	9,281	975	602	0.84	0.84
Fourth quarter	8,961	892	528	0.74	0.74
2014					
First quarter	10,584	799	467	0.66	0.66
Second quarter	10,716	911	568	0.80	0.80
Third quarter	9,134	965	595	0.83	0.83
Fourth quarter	11,341	841	506	0.71	0.71

Board of Directors

MARC A. BIBEAU[1]
President and Chief Executive Officer,
Beauward Shopping Centres Ltd.

ANDRÉ DESMARAIS, O.C., O.Q.[4]
Executive Co-Chairman of the Corporation
and Deputy Chairman, President and
Co-Chief Executive Officer,
Power Corporation of Canada

PAUL DESMARAIS, JR., O.C., O.Q.[4]
Executive Co-Chairman of the Corporation
and Chairman and Co-Chief Executive Officer,
Power Corporation of Canada

GÉRALD FRÈRE[2, 3]
Managing Director,
Frère-Bourgeois S.A.

ANTHONY R. GRAHAM, LL.D.[4]
Vice-Chairman,
Wittington Investments, Limited

V. PETER HARDER, LL.D.[2, 3] ✲
Senior Policy Adviser,
Dentons Canada LLP

J. DAVID A. JACKSON, LL.B.
Senior Counsel,
Blake, Cassels & Graydon LLP

R. JEFFREY ORR
President and Chief Executive Officer of the Corporation

LOUISE ROY, O.C., O.Q.
Invited Fellow and Chair of the Board,
Centre interuniversitaire de recherche en analyse
des organisations

RAYMOND ROYER, O.C., O.Q., FCPA, FCA[1, 2, 3, 4]
Company Director

T. TIMOTHY RYAN, JR.[1]
Company Director

EMŐKE J.E. SZATHMÁRY, C.M., O.M., PH.D., FRSC[1]
President Emeritus,
University of Manitoba

Directors Emeritus

JAMES W. BURNS, O.C., O.M.

THE HONOURABLE P. MICHAEL PITFIELD, P.C., Q.C.

[1] MEMBER OF THE AUDIT COMMITTEE
[2] MEMBER OF THE COMPENSATION COMMITTEE
[3] MEMBER OF THE RELATED PARTY AND CONDUCT REVIEW COMMITTEE
[4] MEMBER OF THE GOVERNANCE AND NOMINATING COMMITTEE
✲ NOT STANDING FOR RE-ELECTION

Officers

PAUL DESMARAIS, JR., O.C., O.Q.
Executive Co-Chairman

ANDRÉ DESMARAIS, O.C., O.Q.
Executive Co-Chairman

R. JEFFREY ORR
President and Chief Executive Officer

MICHEL PLESSIS-BÉLAIR, FCPA, FCA
Vice-Chairman

HENRI-PAUL ROUSSEAU, PH.D.
Vice-Chairman

AMAURY DE SEZE
Vice-Chairman

GREGORY D. TRETIAK, FCPA, FCA
Executive Vice-President
and Chief Financial Officer

CLAUDE GÉNÉREUX
Executive Vice-President

ARNAUD VIAL
Senior Vice-President

OLIVIER DESMARAIS
Vice-President

PAUL DESMARAIS III
Vice-President

JOCELYN LEFEBVRE, CPA, C.A.
Managing Director,
Power Financial Europe B.V.

DENIS LE VASSEUR, CPA, C.A.
Vice-President and Controller

STÉPHANE LEMAY
Vice-President,
General Counsel and Secretary

RICHARD PAN
Vice-President

LUC RENY, CFA
Vice-President

PHILIPPE MARTIN
Treasurer

Corporate Information

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This document is also available on the Corporation's website and on SEDAR at www.sedar.com.

Stock Listings

Shares of Power Financial Corporation are listed on the Toronto Stock Exchange:

COMMON SHARES: PWF

FIRST PREFERRED SHARES:

Series A:	PWF.PR.A	Series L:	PWF.PR.L
Series D:	PWF.PR.E	Series O:	PWF.PR.O
Series E:	PWF.PR.F	Series P:	PWF.PR.P
Series F:	PWF.PR.G	Series Q:	PWF.PR.Q
Series H:	PWF.PR.H	Series R:	PWF.PR.R
Series I:	PWF.PR.I	Series S:	PWF.PR.S
Series K:	PWF.PR.K	Series T:	PWF.PR.T

Transfer Agent and Registrar

Computershare Investor Services Inc.

Offices in:
Montréal, Québec; Toronto, Ontario
www.investorcentre.com

Shareholder Services

Shareholders with questions relating to the payment of dividends, change of address and share certificates should contact the Transfer Agent:

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Shareholder Services
100 University Avenue, 8th Floor
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Telephone: 1-800-564-6253 (toll-free in Canada and the U.S.)
or 514-982-7555
www.computershare.com

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