

Condensed Consolidated Balance Sheets

(unaudited) [in millions of Canadian dollars]	March 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	7,947	10,040
Investments [Note 4]		
Bonds	134,411	138,027
Mortgage and other loans	34,042	34,641
Shares	13,200	12,660
Investment properties	6,490	6,270
Loans to policyholders	8,417	8,387
	196,560	199,985
Funds held by ceding insurers	17,619	18,383
Reinsurance assets [Note 7]	20,252	22,121
Derivative financial instruments	820	973
Investments in jointly controlled corporations and associates [Note 5]	6,426	6,529
Owner-occupied properties and capital assets	3,279	3,217
Other assets	13,769	12,500
Deferred tax assets	980	1,082
Intangible assets	7,600	6,279
Goodwill	12,638	13,963
Investments on account of segregated fund policyholders [Note 6]	333,576	334,032
Total assets	621,466	629,104
Liabilities		
Insurance contract liabilities [Note 7]	202,010	208,902
Investment contract liabilities [Note 7]	8,824	9,145
Obligations to securitization entities	5,820	6,174
Power Corporation's debentures and other debt instruments [Note 8]	732	756
Non-recourse debentures and other debt instruments [Note 9]	13,227	13,299
Derivative financial instruments	1,276	1,270
Other liabilities	16,176	15,712
Deferred tax liabilities	1,129	1,081
Insurance and investment contracts on account of segregated fund policyholders [Note 6]	333,576	334,032
Total liabilities	582,770	590,371
Equity		
Stated capital [Note 10]		
Non-participating shares	955	956
Participating shares	9,559	9,557
Retained earnings	8,843	8,651
Reserves	2,693	3,043
Total shareholders' equity	22,050	22,207
Non-controlling interests	16,646	16,526
Total equity	38,696	38,733
Total liabilities and equity	621,466	629,104

Condensed Consolidated Statements of Earnings

(unaudited) [in millions of Canadian dollars, except per share amounts]	Three months ended March 31,	
	2021	2020
Revenues		
Premium income		
Gross premiums written	15,595	12,160
Ceded premiums	(1,239)	(1,259)
Total net premiums	14,356	10,901
Net investment income		
Regular net investment income	1,835	1,458
Change in fair value through profit or loss	(5,503)	(3,396)
Net investment income (loss)	(3,668)	(1,938)
Fee income	2,617	2,192
Other revenues	88	194
Total revenues	13,393	11,349
Expenses		
Policyholder benefits		
Gross	13,841	10,035
Ceded	(1,039)	(977)
Total net policyholder benefits	12,802	9,058
Changes in insurance and investment contract liabilities		
Gross	(5,746)	(2,634)
Ceded	1,398	910
Total net changes in insurance and investment contract liabilities	(4,348)	(1,724)
Policyholder dividends and experience refunds	341	371
Total paid or credited to policyholders	8,795	7,705
Commissions	938	882
Operating and administrative expenses	2,643	2,093
Financing charges	140	150
Total expenses	12,516	10,830
Earnings before investments in jointly controlled corporations and associates, and income taxes	877	519
Share of earnings of investments in jointly controlled corporations and associates [Note 5]	148	58
Earnings before income taxes	1,025	577
Income taxes [Note 15]	157	27
Net earnings	868	550
Attributable to		
Non-controlling interests	299	337
Non-participating shareholders	13	13
Participating shareholders	556	200
	868	550
Earnings per participating share [Note 17]		
Net earnings attributable to participating shareholders		
– Basic	0.82	0.36
– Diluted	0.82	0.36

Condensed Consolidated Statements of Comprehensive Income

(unaudited) [in millions of Canadian dollars]	Three months ended March 31,	
	2021	2020
Net earnings	868	550
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net earnings		
Net unrealized gains (losses) on available-for-sale investments		
Unrealized gains (losses)	(304)	(30)
Income tax (expense) benefit	53	8
Realized (gains) losses transferred to net earnings	(260)	(155)
Income tax expense (benefit)	34	6
	(477)	(171)
Net unrealized gains (losses) on cash flow hedges		
Unrealized gains (losses)	25	(25)
Income tax (expense) benefit	(6)	3
Realized (gains) losses transferred to net earnings	(11)	-
Income tax expense (benefit)	3	-
	11	(22)
Net unrealized foreign exchange gains (losses) on translation of foreign operations		
Unrealized gains (losses) on translation	(368)	871
Income tax (expense) benefit	1	(10)
Unrealized gains (losses) on euro debt designated as hedge of net investments in foreign operations	80	(90)
Income tax (expense) benefit	(11)	12
	(298)	783
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	(230)	(488)
Income tax (expense) benefit	4	(12)
	(226)	(500)
Total - items that may be reclassified	(990)	90
Items that will not be reclassified subsequently to net earnings		
Actuarial gains (losses) on defined benefit plans [Note 14]	850	479
Income tax (expense) benefit	(196)	(107)
Total - items that will not be reclassified	654	372
Other comprehensive income (loss)	(336)	462
Comprehensive income	532	1,012
Attributable to		
Non-controlling interests	304	687
Non-participating shareholders	13	13
Participating shareholders	215	312
	532	1,012

Condensed Consolidated Statements of Changes in Equity

Three months ended March 31, 2021 (unaudited) [in millions of Canadian dollars]	Stated capital		Reserves					Total equity
	Non-participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 16]	Total	Non-controlling interests	
Balance, beginning of year	956	9,557	8,651	293	2,750	3,043	16,526	38,733
Net earnings	-	-	569	-	-	-	299	868
Other comprehensive income (loss)	-	-	-	-	(341)	(341)	5	(336)
Comprehensive income	-	-	569	-	(341)	(341)	304	532
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid [Note 10]	-	(17)	(19)	-	-	-	-	(36)
Repurchase of shares of the Corporation for cancellation	(1)	-	-	-	-	-	-	(1)
Dividends to shareholders								
Non-participating shares	-	-	(13)	-	-	-	-	(13)
Participating shares	-	-	(303)	-	-	-	-	(303)
Dividends to non-controlling interests	-	-	-	-	-	-	(231)	(231)
Expense for share-based compensation [Note 11]	-	-	-	17	-	17	7	24
Stock options exercised	-	19	-	(25)	-	(25)	23	17
Effects of changes in capital and ownership of subsidiaries, and other	-	-	(42)	(1)	-	(1)	17	(26)
Balance, end of period	955	9,559	8,843	284	2,409	2,693	16,646	38,696

Condensed Consolidated Statements of Changes in Equity (continued)

Three months ended March 31, 2020 (unaudited) [in millions of Canadian dollars]	Stated capital			Reserves				Total equity
	Non-participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 16]	Total	Non-controlling interests	
Balance, beginning of year	960	726	10,780	212	1,496	1,708	22,411	36,585
Net earnings	-	-	213	-	-	-	337	550
Other comprehensive income	-	-	-	-	112	112	350	462
Comprehensive income	-	-	213	-	112	112	687	1,012
Acquisition of non-controlling interests in Power Financial and issue of subordinate voting shares	-	8,687	(2,847)	66	647	713	(6,555)	(2)
Related transaction costs	-	-	(46)	-	-	-	-	(46)
Issue of participating preferred shares [Note 10]	-	206	-	-	-	-	-	206
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid [Note 10]	-	(110)	(83)	-	-	-	-	(193)
Repurchase of shares of the Corporation for cancellation	(1)	-	-	-	-	-	-	(1)
Dividends to shareholders	-	-	(13)	-	-	-	-	(13)
Non-participating shares	-	-	(303)	-	-	-	-	(303)
Dividends to non-controlling interests	-	-	-	-	-	-	(233)	(233)
Expense for share-based compensation [Note 11]	-	-	-	16	-	16	10	26
Stock options exercised	-	17	-	(31)	-	(31)	29	15
Other effects of changes in capital and ownership of subsidiaries, and other	-	-	1	2	-	2	(2)	1
Balance, end of period	959	9,526	7,702	265	2,255	2,520	16,347	37,054

Condensed Consolidated Statements of Cash Flows

(unaudited) [in millions of Canadian dollars]	Three months ended March 31,	
	2021	2020
Operating activities		
Earnings before income taxes	1,025	577
Income tax paid, net of refunds	(148)	(156)
Adjusting items		
Change in insurance and investment contract liabilities	(5,752)	(2,663)
Change in funds held by ceding insurers	388	163
Change in reinsurance assets	1,530	1,066
Change in fair value through profit or loss	5,503	3,396
Other	(801)	(454)
	1,745	1,929
Financing activities		
Dividends paid		
By subsidiaries to non-controlling interests	(231)	(341)
Non-participating shares	(13)	(13)
Participating shares	(303)	(173)
	(547)	(527)
Issue of equity		
Subordinate voting shares by the Corporation [Note 10]	17	15
Participating preferred shares by the Corporation [Note 10]	-	206
Common shares and limited-life fund and redeemable units by subsidiaries	272	233
Repurchase or redemption of equity		
Subordinate voting shares for cancellation under normal course issuer bid by the Corporation [Note 10]	(36)	(193)
Non-participating shares by the Corporation	(1)	(1)
Common shares and limited-life fund units by subsidiaries	(79)	-
Consideration paid for acquisition of Power Financial non-controlling interests, net of transaction costs	-	(42)
Corporation's increase (decrease) in other debt instruments [Note 8]	(19)	80
Non-recourse debentures and other debt instruments [Note 9]		
Increase in other debt instruments	159	284
Decrease in other debt instruments	(147)	(44)
Repayment of lease liabilities	(30)	(32)
Increase in obligations to securitization entities	352	240
Repayments of obligations to securitization entities and other	(686)	(404)
	(745)	(185)
Investment activities		
Dispositions, repayments or maturities		
Bonds	7,229	5,305
Mortgage and other loans	1,650	1,085
Shares	2,144	1,782
Change in loans to policyholders	(73)	(151)
Acquisitions or investments		
Bonds	(10,243)	(4,354)
Mortgage and other loans	(1,340)	(1,415)
Shares	(2,017)	(2,809)
Jointly controlled corporations and associates	(63)	(29)
Investment properties	(180)	(13)
Business acquisitions, net of cash and cash equivalents acquired	(21)	(29)
Other	(107)	(80)
	(3,021)	(708)
Effect of changes in exchange rates on cash and cash equivalents	(72)	285
Increase (decrease) in cash and cash equivalents	(2,093)	1,321
Cash and cash equivalents, beginning of year	10,040	6,805
Cash and cash equivalents, end of period	7,947	8,126
Net cash from operating activities includes		
Interest and dividends received	1,336	1,273
Interest paid	155	152

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

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

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The following abbreviations are used in these Consolidated Financial Statements:

CALM	Canadian Asset Liability Method	Northleaf	Northleaf Capital Group Ltd.
Canada Life	The Canada Life Assurance Company	Parjointco	Parjointco SA
China AMC	China Asset Management Co., Ltd.	Personal Capital	Personal Capital Corporation
GBL	Groupe Bruxelles Lambert	Portage I	Portag3 Ventures Limited Partnership
Great-West Life & Annuity	Great-West Life & Annuity Insurance Company	Portage II	Portag3 Ventures II Limited Partnership
IFRS	International Financial Reporting Standards	Power Corporation or the Corporation	Power Corporation of Canada
IGM or IGM Financial	IGM Financial Inc.	Power Financial	Power Financial Corporation
IG Wealth Management	Investors Group Inc.	Power Sustainable	Power Sustainable Capital Inc.
Irish Life	Irish Life Group Limited	Power Sustainable Energy Infrastructure	Power Sustainable Energy Infrastructure Partnership
Lifeco	Great-West Lifeco Inc.	Putnam	Putnam Investments, LLC
Lumenpulse	Lumenpulse Group Inc.	Sagard Holdings	Sagard Holdings Inc.
Mackenzie or Mackenzie Investments	Mackenzie Financial Corporation	TSX	Toronto Stock Exchange
MassMutual	Massachusetts Mutual Life Insurance Company	Wealthsimple	Wealthsimple Financial Corp.

NOTE 1 Corporate Information

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

Power Corporation is an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses, including a portfolio of alternative asset investment platforms.

The unaudited Interim Condensed Consolidated Financial Statements (financial statements) of Power Corporation as at and for the three months ended March 31, 2021 were approved by its Board of Directors on May 13, 2021.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies

BASIS OF PRESENTATION

The financial statements of Power Corporation as at March 31, 2021 have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (IAS 34) using the same accounting policies as set out in Note 2 to the consolidated financial statements of the Corporation for the year ended December 31, 2020 except as described in the section Change in Accounting Policies below.

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

The financial statements of Power Corporation include, on a consolidated basis, the results of Power Financial, a reporting issuer in all of the provinces and territories of Canada, and Lifeco and IGM Financial, which are both public companies. The amounts shown on the consolidated balance sheets, consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows are mainly derived from the publicly disclosed consolidated financial statements of Lifeco and IGM Financial, all as at and for the three months ended March 31, 2021. Certain notes to Power Corporation's financial statements are derived from the notes to the financial statements of Lifeco and IGM Financial.

SUBSIDIARIES

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

JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES

Jointly controlled corporations are entities in which unanimous consent is required for decisions relating to relevant activities. Associates are entities in which the Corporation exercises significant influence over the entity's operating and financial policies, without having control or joint control. Investments in jointly controlled corporations and associates are accounted for using the equity method. Under the equity method, the Corporation recognizes its share of net earnings (losses), other comprehensive income (loss), the changes in equity of the jointly controlled corporations and associates, and dividends received. In the case of investments in jointly controlled corporations and associates held by entities that meet the definition of a venture capital organization, the Corporation has elected to measure certain of its investments in jointly controlled corporations and associates at fair value through profit or loss.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES**

The financial statements of Power Corporation include the operations of the following direct and indirect subsidiaries and investments in jointly controlled corporations and associates:

				% equity interest	
Corporations	Classification	Incorporated in	Primary business operation	March 31, 2021	December 31, 2020
Corporate					
Power Corporation of Canada	Parent	Canada	Holding company		
China Asset Management Co., Ltd. ^[1]	Associate	China	Asset management company	27.8	27.8
Power Financial Corporation	Subsidiary	Canada	Holding company	100.0	100.0
Publicly traded companies					
Great-West Lifeco Inc. ^[2]	Subsidiary	Canada	Financial services holding company	70.8	70.8
The Canada Life Assurance Company	Subsidiary	Canada	Insurance and wealth management	100.0	100.0
Irish Life Group Limited	Subsidiary	Ireland	Insurance and wealth management	100.0	100.0
Great-West Life & Annuity Insurance Company	Subsidiary	United States	Financial services	100.0	100.0
Personal Capital Corporation	Subsidiary	United States	Financial services	100.0	100.0
Putnam Investments, LLC ^[3]	Subsidiary	United States	Financial services	96.3	96.3
IGM Financial Inc. ^[4]	Subsidiary	Canada	Wealth and asset management	66.0	66.0
IG Wealth Management	Subsidiary	Canada	Financial services	100.0	100.0
Mackenzie Financial Corporation	Subsidiary	Canada	Investment manager	100.0	100.0
Northleaf Capital Group Ltd. ^[5]	Associate	Canada	Investment manager	70.0	70.0
Parjointco SA	Joint control	Belgium	Holding company	50.0	50.0
Groupe Bruxelles Lambert ^[6]	Subsidiary	Belgium	Holding company	28.2	28.2
Alternative asset investment platforms and other					
Power Sustainable Capital Inc.	Subsidiary	Canada	Alternative asset manager	100.0	100.0
Power Sustainable Energy Infrastructure Partnership ^[7]	Subsidiary	Canada	Renewable energy fund	55.0	-
Potentia Renewables Inc.	Subsidiary	Canada	Renewable energy	100.0	100.0
Nautilus Solar Energy, LLC	Subsidiary	United States	Renewable energy	100.0	100.0
Sagard Holdings Inc.	Subsidiary	Canada	Holding Company	100.0	100.0
Sagard Holdings Management Inc. ^[8]	Subsidiary	Canada	Alternative asset manager	94.4	-
Wealthsimple Financial Corp. ^[9]	Subsidiary	Canada	Financial services	74.0	74.9
Portag3 Ventures LP ^[10]	Subsidiary	Canada	Venture capital fund	100.0	100.0
Portag3 Ventures II LP ^[11]	Subsidiary	Canada	Venture capital fund	27.9	27.9
Sagard Credit Partners, LP	Subsidiary	Canada	Credit fund	18.0	18.0
Sagard 4	Subsidiary	France	Private equity fund	38.2	38.2
Sagard New Gen	Subsidiary	France	Private equity fund	54.4	54.4
Standalone Businesses					
Lumenpulse Group Inc.	Subsidiary	Canada	Sustainable energy	60.5	60.5
Peak Achievement Athletics Inc.	Joint control	Canada	Manufacturer of sports equipment and apparel	42.6	42.6
The Lion Electric Co.	Associate	Canada	Manufacturer of zero-emission vehicles	44.1	44.1

[1] Power Corporation and Mackenzie Investments each hold an equity interest of 13.9% in China AMC.

[2] Power Financial holds a 66.8% equity interest and IGM Financial holds a 4.0% equity interest in Lifeco.

[3] Lifeco holds 100% of the voting shares and 96.3% of the total outstanding shares.

[4] Power Financial holds a 62.1% equity interest and Canada Life holds a 3.9% equity interest in IGM Financial.

[5] Represents a 49.9% non-controlling voting interest. Held through an acquisition vehicle 80% owned by Mackenzie and 20% by Lifeco.

[6] Parjointco has a 43.2% voting interest in GBL

[7] Power Corporation holds a 40% equity interest and Lifeco holds a 15% equity interest in Power Sustainable Energy Infrastructure Partnership.

[8] On March 26, 2021, the asset management activities of Sagard Holdings were transferred into Sagard Holdings Management Inc., a newly formed subsidiary of Sagard Holdings.

[9] Power Financial, Portage I and IGM Financial hold an equity interest of 18.4%, 14.7% and 40.9%, respectively, in Wealthsimple (18.7%, 14.8% and 41.4%, respectively, at December 31, 2020).

[10] Power Financial holds a 63.0% equity interest and Lifeco and IGM Financial each hold an equity interest of 18.5% in Portage I.

[11] Power Financial, Lifeco and IGM Financial each hold an equal equity interest of 7.7% and Sagard Holdings Inc., holds 4.7% equity interest in Portage II.

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

On February 13, 2020, the Corporation completed a reorganization transaction (Reorganization). The Corporation acquired 238,693,580 common shares of Power Financial and issued 250,628,173 of its subordinate voting shares to Power Financial Minority Shareholders. The Corporation now holds 100% of the issued and outstanding common shares of Power Financial, which were delisted from the TSX.

CHANGE IN ACCOUNTING POLICIES

The Corporation adopted the *Interest Rate Benchmark Reform – Phase 2* amendments to IFRS for IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases*, effective January 1, 2021. The adoption of these amendments did not have a significant impact on the Corporation's consolidated financial statements.

USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the preparation of the financial statements, management of the Corporation and management of its subsidiaries are required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings, comprehensive income and related disclosures. Key sources of estimation uncertainty and areas where significant judgments have been made by the management of the Corporation and the management of its subsidiaries are further described in the relevant accounting policies as described in the Corporation's consolidated financial statements and notes thereto for the year ended December 31, 2020.

Impact of COVID-19 on significant judgments, estimates and assumptions

The COVID-19 pandemic has continued to result in uncertainty in global financial markets and the economic environment in which the Corporation and its subsidiaries operate. The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the associated fiscal and monetary interventions by governments and central banks.

The results of the Corporation reflect the judgments of the managements of the Corporation and its subsidiaries regarding the impact of prevailing market conditions related to global credit, equities, investment properties and foreign exchange, as well as, with respect to Lifeco, prevailing health and mortality experience market conditions.

The provision for future credit losses within Lifeco's insurance contract liabilities relies upon investment credit ratings. In addition to its own credit assessments, Lifeco's practice is to use third-party independent credit ratings where available. Management judgment is required when setting credit ratings for instruments that do not have a third-party credit rating. Given rapid market changes, third-party credit rating changes may lag developments in the current environment.

The fair value of investments, the valuation of goodwill and other intangible assets, the valuation of insurance contract liabilities and the recoverability of deferred tax asset carrying values reflect the judgments of the managements of the Corporation and its subsidiaries.

Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in the preparation of these financial statements.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**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 the consolidated financial statements when they become effective. The following sets out standards released and updates to the Corporation and its subsidiaries' analysis since December 31, 2020:

Standard	Summary of future changes
IAS 1 – <i>Presentation of Financial Statements</i>	In February 2021, the IASB published <i>Disclosure of Accounting Policies</i>, amendments to IAS 1, <i>Presentation of Financial Statements</i>. The amendments clarify how an entity determines whether accounting policy information is material. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact for the adoption of these amendments.
IAS 8 – <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	In February 2021, the IASB published <i>Definition of Accounting Estimates</i>, amendments to IAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. The amendments clarify the difference between an accounting policy and an accounting estimate. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact for the adoption of these amendments.

NOTE 3 Business Acquisitions and Other Transactions**LIFECO****Acquisition of MassMutual retirement services business**

On December 31, 2020, Great-West Life & Annuity completed the purchase, via indemnity reinsurance, of the retirement services business of MassMutual and assumed the economics and risks associated with the reinsured business.

Lifeco paid a ceding commission of \$2,937 million (US\$2,312 million) net of working capital adjustments to MassMutual, and funded the transaction with existing cash, short-term debt and \$1,973 million (US\$1,500 million) in long-term debt issued on September 17, 2020. The assets acquired, liabilities assumed and ceding commission paid at the closing of this transaction are subject to future adjustments. The initial amounts assigned to the assets acquired, goodwill, intangible assets and liabilities assumed on December 31, 2020 and updated and reported as at March 31, 2021 are as follows:

Assets acquired and goodwill

Cash and cash equivalents	2,594
Bonds	12,006
Mortgage loans	2,326
Funds held by ceding insurers	9,928
Goodwill	1,557
Intangible assets	1,270
Other assets	403
Deferred tax assets	300
Investments on account of segregated fund policyholders	84,785
	115,169

Liabilities assumed

Insurance contract liabilities	22,316
Investment contract liabilities	4,984
Other liabilities	147
Investment and insurance contracts on account of segregated fund policyholders	84,785
	112,232

Net assets acquired**2,937**

As at March 31, 2021, the accounting for the acquisition is not finalized pending completion of a comprehensive valuation of the net assets acquired. The financial statements at March 31, 2021 reflect Lifeco's current best estimate of the purchase price allocation. Lifeco has identified and allocated provisional amounts for intangible assets within the purchase price allocation, net of \$19 million of amortization. Lifeco expects the final valuation of these assets acquired and liabilities assumed and the completion of the purchase price allocation to occur during the second half of 2021.

As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of \$1,557 million (US\$1,226 million) as of March 31, 2021, will be adjusted in future periods. The goodwill represents the synergies or future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition of the MassMutual retirement services business. These synergies represent meaningful expense and revenue opportunities which are expected to be accretive to earnings.

WEALTHSIMPLE

On May 3, 2021, Wealthsimple announced that it had signed a \$750 million equity offering, consisting of a \$250 million primary offering by Wealthsimple, as well as a \$500 million secondary offering by the Corporation, IGM and Lifeco pro rata to their respective ownership interests. At the close of this investment, it is expected that the Corporation will hold a combined equity interest of 56% in Wealthsimple. The transaction is subject to customary closing conditions and is expected to close by mid-May 2021.

In the first quarter of 2021, the fair value increase in Wealthsimple resulted in a charge related to the remeasurement of the put right liability of certain of the non-controlling interests and option holders in Wealthsimple to fair value and carried interest payable of \$332 million, which is included in the operating and administrative expenses in the statements of earnings.

NOTE 3 Business Acquisitions and Other Transactions (continued)**POWER SUSTAINABLE ENERGY INFRASTRUCTURE PARTNERSHIP**

In January 2021, Power Sustainable, a wholly owned subsidiary of the Corporation, launched Power Sustainable Energy Infrastructure Partnership, a fund with committed capital of \$1 billion dedicated to the renewable energy sector, including a commitment of \$400 million from Power Sustainable and \$150 million from Lifeco. On January 1, 2021, certain existing operating assets and projects under development, and the related project debt, in the amount of \$255 million, were transferred to the partnership from Potentia Renewables Inc. and Nautilus Solar Energy, LLC in exchange for consideration in cash of \$154 million (including \$38 million received from Lifeco) and a 55% interest in the fund, of which 15% is held by Lifeco. The Corporation controls and consolidates the activities of the fund. Equity interests held by third parties having redemption features, subject to certain restrictions, have been classified as a financial liability within other liabilities on the balance sheets. In the first quarter of 2021, as a result of the investment by third parties in equity interests of the fund, the Corporation recognized a reduction of retained earnings of \$45 million in the statements of changes in equity, primarily related to the initial measurement of non-controlling interests.

SAGARD HEALTHCARE ROYALTY PARTNERS, LP

In February 2021, Sagard Holdings announced the final closing of Sagard Healthcare Royalty Partners, LP, a fund launched in 2019 that invests in the life sciences sector, with total commitments of US\$725 million. Sagard Holdings has committed an amount of US\$75 million. At closing, the Corporation determined that it no longer controls Sagard Healthcare Royalty Partners, LP and now accounts for its interest in the fund as an investment designated at fair value through profit or loss and has derecognized the assets and liabilities of Sagard Healthcare Royalty Partners, LP with no significant impact to the Corporation's balance sheets.

NOTE 4 Investments**CARRYING VALUES AND FAIR VALUES**

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

	March 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated as fair value through profit or loss	97,382	97,382	100,729	100,729
Classified as fair value through profit or loss	1,793	1,793	2,053	2,053
Available for sale	11,885	11,885	11,897	11,897
Loans and receivables	23,351	25,245	23,348	26,545
	134,411	136,305	138,027	141,224
Mortgage and other loans				
Loans and receivables	31,958	33,082	32,546	34,607
Designated as fair value through profit or loss	2,034	2,034	2,092	2,092
Classified as fair value through profit or loss	50	50	3	3
	34,042	35,166	34,641	36,702
Shares				
Designated as fair value through profit or loss	11,262	11,262	10,498	10,498
Classified as fair value through profit or loss	314	314	199	199
Available for sale ^[1]	1,624	1,624	1,963	1,963
	13,200	13,200	12,660	12,660
Investment properties	6,490	6,490	6,270	6,270
Loans to policyholders	8,417	8,417	8,387	8,387
	196,560	199,578	199,985	205,243

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

NOTE 5 Investments in Jointly Controlled Corporations and Associates

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

March 31, 2021	Jointly controlled corporations		Associates			Total
	Parjointco	Other	China AMC	Northleaf	Other	
Carrying value, beginning of year	4,216	272	1,436	248	357	6,529
Investments	-	4	-	-	40	44
Share of earnings (losses)	74	49	26	1	(2)	148
Share of other comprehensive income (loss)	(201)	(1)	(24)	-	(4)	(230)
Dividends and distributions	-	-	(54)	-	-	(54)
Effects of changes in ownership and other-	-	-	-	1	(12)	(11)
Carrying value, end of period	4,089	324	1,384	250	379	6,426

March 31, 2020	Jointly controlled corporations		Associates			Total
	Parjointco	Other	China AMC	Personal Capital ^[1]	Other	
Carrying value, beginning of year	3,954	224	1,321	194	200	5,893
Investments	-	8	-	-	21	29
Share of earnings (losses)	78	(3)	18	(3)	(32)	58
Share of other comprehensive income (loss)	(626)	15	95	17	11	(488)
Dividends and distributions	-	-	(28)	-	-	(28)
Effects of changes in ownership and other	-	2	-	-	-	2
Carrying value, end of period	3,406	246	1,406	208	200	5,466

[1] On August 17, 2020, Great-West Life & Annuity acquired 100% of the equity of Personal Capital.

LION ELECTRIC CO.**Subsequent event**

On November 30, 2020, Lion Electric Co. (Lion) announced its intention to combine with Northern Genesis Acquisition Corp. (Northern Genesis), a publicly traded special-purpose acquisition company. On May 6, 2021, Lion announced the closing of the transaction. On that date, a wholly owned subsidiary of Lion merged with Northern Genesis and as a result Lion is publicly listed on the TSX and the New York Stock Exchange. A US\$200 million committed private placement of common shares of Lion was also completed, in which Power Sustainable invested US\$17 million (\$21 million). Power Sustainable also holds call rights to acquire up to 13,212,480 additional shares from certain existing shareholders of Lion. The fair value of the call rights was estimated to be \$102 million at March 31, 2021 (same at December 31, 2020). At the closing of the transaction, Power Sustainable held an equity interest in Lion of approximately 31% (44.1% at March 31, 2021) and retained significant influence over the investment. The effect of the change in ownership will result in a gain to be recorded in earnings in the second quarter of 2021.

NOTE 6 Segregated Funds

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

INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	March 31, 2021 ^[1]	December 31, 2020
Cash and cash equivalents	13,356	15,558
Bonds	62,471	65,338
Mortgage loans	2,590	2,686
Shares and units in unit trusts	118,863	112,675
Mutual funds	128,212	127,577
Investment properties	12,271	12,430
	337,763	336,264
Accrued income	491	463
Other liabilities	(6,339)	(4,185)
Non-controlling mutual fund interest	1,661	1,490
	333,576	334,032

[1] At March 31, 2021, \$83,720 million of investments on account of segregated fund policyholders are reinsured by Lifeco on a modified co-insurance basis (\$84,785 million at December 31, 2020). Included in this amount are \$1,098 million of cash and cash equivalents, \$14,559 million of bonds, \$23 million of shares and units in unit trusts, \$69,103 million of mutual funds, \$82 million of accrued income and \$1,145 million of other liabilities.

INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	Three months ended March 31,	
	2021	2020
Balance, beginning of year	334,032	231,022
Additions (deductions):		
Policyholder deposits	7,953	6,294
Net investment income	411	733
Net realized capital gains on investments	4,184	744
Net unrealized capital gains (losses) on investments	3,619	(26,785)
Unrealized gains (losses) due to changes in foreign exchange rates	(5,763)	7,003
Policyholder withdrawals	(10,985)	(6,553)
Changes in segregated fund investment in General Fund	(50)	88
General Fund investment in segregated fund	(8)	234
Net transfer from General Fund	12	4
Non-controlling mutual fund interest	171	(207)
	(456)	(18,445)
Balance, end of period	333,576	212,577

NOTE 6 Segregated Funds (continued)**INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS** (by fair value hierarchy level)

	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ^[1]	233,062	92,047	13,327	338,436

[1] Excludes other liabilities, net of other assets, of \$4,860 million.

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ^[1]	224,831	98,424	13,556	336,811

[1] Excludes other liabilities, net of other assets, of \$2,779 million.

During the three months ended March 31, 2021, certain foreign equity holdings valued at \$4,713 million were transferred from Level 2 to Level 1 (\$3,190 million were transferred from Level 1 to Level 2 at December 31, 2020), primarily based on Lifeco's change in use of inputs in addition to quoted prices in active markets for certain foreign equity holdings. Level 2 assets include the assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where Lifeco does not have access to the underlying asset details within an investment fund.

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

	March 31, 2021	December 31, 2020
Balance, beginning of year	13,556	13,988
Total gains (losses) included in segregated fund investment income	(222)	78
Purchases	65	167
Sales	(73)	(712)
Transfers into Level 3	1	35
Balance, end of period	13,327	13,556

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors. There were no transfers out of Level 3 during the period ended March 31, 2021.

NOTE 7 Insurance and Investment Contract Liabilities**INSURANCE AND INVESTMENT CONTRACT LIABILITIES**

	March 31, 2021			December 31, 2020		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	202,010	20,142	181,868	208,902	21,991	186,911
Investment contract liabilities	8,824	110	8,714	9,145	130	9,015
	210,834	20,252	190,582	218,047	22,121	195,926

NOTE 8 Power Corporation's Debentures and Other Debt Instruments

	March 31, 2021	December 31, 2020
POWER CORPORATION		
Debentures		
8.57% debentures due April 22, 2039, unsecured	150	150
4.81% debentures due January 31, 2047, unsecured	248	248
4.455% debentures due July 27, 2048, unsecured	248	248
	646	646
Other Debt Instruments		
Revolving credit facility with interest equal to LIBOR plus 0.70% (0.65% at December 31, 2020), unsecured	86	110
Total Power Corporation	732	756

CHANGES IN OTHER DEBT INSTRUMENTS

The table below details changes in the other debt instruments arising from financing activities, including both cash and non-cash changes.

	March 31, 2021,	March 31, 2020,
Balance, beginning of the year	756	683
Increase in other debt instruments	-	80
Decrease in other debt instruments	(19)	-
Changes in foreign exchange rates and other	(5)	10
Balance, end of period	732	773

NOTE 9 Non-Recourse Debentures and Other Debt Instruments**A) POWER FINANCIAL, LIFECO AND IGM**

The following table presents the debentures and other debt instruments issued by Power Financial, Lifeco and IGM. The 6.90% debentures of Power Financial are direct obligations of Power Financial and are non-recourse to the Corporation. All debentures and other debt instruments of Lifeco and its subsidiaries are direct obligations of Lifeco or its subsidiaries, as applicable, and are non-recourse to the Corporation. All of the debentures of IGM are direct obligations of IGM and are non-recourse to the Corporation.

	March 31, 2021	December 31, 2020
POWER FINANCIAL		
Debentures		
6.90% debentures due March 11, 2033, unsecured	250	250
Total Power Financial	250	250
LIFECO		
Debentures		
2.50% debentures due April 18, 2023 (€500 million), unsecured	734	774
1.75% debentures due December 7, 2026 (€500 million), unsecured	731	771
3.337% debentures due February 28, 2028, unsecured	498	498
6.40% subordinated debentures due December 11, 2028, unsecured	100	100
2.379% debentures due May 14, 2030, unsecured	597	597
6.74% debentures due November 24, 2031, unsecured	195	195
6.67% debentures due March 21, 2033, unsecured	394	394
5.998% debentures due November 16, 2039, unsecured	342	342
2.981% debentures due July 8, 2050, unsecured	493	493
7.529% capital trust debentures due June 30, 2052 (face value of \$150 million), unsecured	158	158
	4,242	4,322
Other Debt Instruments		
Commercial paper and other short-term debt instruments with interest rates from 0.162% to 0.254% (0.223% to 0.274% at December 31, 2020), unsecured	125	125
Revolving credit facility with interest equal to LIBOR plus 0.70% (US\$80 million)(US\$165 million at December 31, 2020), unsecured	101	210
Revolving credit facility with interest equal to LIBOR plus 1.00% (US\$500 million), unsecured	630	635
Senior notes due August 12, 2025, bearing an interest rate of 0.904% (US\$500 million), unsecured	626	631
Senior notes due September 17, 2027, bearing an interest rate of 1.357% (US\$400 million), unsecured	501	505
Senior notes due May 17, 2028, bearing an interest rate of 4.047% (US\$300 million), unsecured	376	379
Senior notes due March 17, 2031, bearing an interest rate of 1.776% (US\$400 million), unsecured	501	505
Senior notes due June 3, 2047, bearing an interest rate of 4.15% (US\$700 million), unsecured	867	874
Senior notes due May 17, 2048, bearing an interest rate of 4.581% (US\$500 million), unsecured	624	628
Senior notes due September 17, 2051, bearing an interest rate of 3.075% (US\$700 million), unsecured	872	879
	5,223	5,371
Total Lifeco	9,465	9,693

NOTE 9 Non-Recourse Debentures and Other Debt Instruments (continued)

	March 31, 2021	December 31, 2020
IGM FINANCIAL		
Debentures		
3.44% debentures due January 26, 2027, unsecured	400	400
6.65% debentures due December 13, 2027, unsecured	125	125
7.45% debentures due May 9, 2031, unsecured	150	150
7.00% debentures due December 31, 2032, unsecured	175	175
7.11% debentures due March 7, 2033, unsecured	150	150
6.00% debentures due December 10, 2040, unsecured	200	200
4.56% debentures due January 25, 2047, unsecured	200	200
4.115% debentures due December 9, 2047, unsecured	250	250
4.174% debentures due July 13, 2048, unsecured	200	200
4.206% debentures due March 21, 2050, unsecured	250	250
Debentures of IGM held by Lifeco as investments	(88)	(88)
Total IGM	2,012	2,012
Total Power Financial, Lifeco and IGM	11,727	11,955

CHANGES IN DEBENTURES AND OTHER DEBT INSTRUMENTS - POWER FINANCIAL, LIFECO AND IGM

The table below details changes in the debentures and other debt instruments arising from financing activities, including both cash and non-cash changes.

	March 31, 2021	March 31, 2020
Balance, beginning of the year	11,955	8,242
Decrease in other debt instruments	(108)	(40)
Changes in foreign exchange rates and other	(120)	268
Balance, end of period	11,727	8,470

NOTE 9 Non-Recourse Debentures and Other Debt Instruments (continued)**B) ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER – PROJECT AND OTHER DEBT**

The following table presents the other debt instruments held by alternative asset investment platforms and other. All other debt instruments are credit or loan facilities that are direct obligations, and secured by the assets, of subsidiaries of the Corporation and are non-recourse to the Corporation.

	March 31, 2021	December 31, 2020
OTHER DEBT INSTRUMENTS		
Investment Funds		
Revolving credit facilities up to US\$100 million, with interest equal to LIBOR plus 1.9%, secured	–	5
Revolving credit facility up to \$80 million, with interest equal to prime rate plus 0.3%, secured	60	23
Revolving credit facility up to \$90 million bearing interest at various floating rates (an effective rate from 1.9% to 3.2%)(US\$19 million and US\$34 million), secured	61	–
Renewable Energy – Project debt		
Construction loan facilities up to US\$50 million, due in December 2025, with interest equal to LIBOR plus 2.25% (US\$6 million)(US\$31 million at December 31, 2020 with interest equal to LIBOR plus margin between 1.5% and 2.25%), secured	7	38
Construction loan facility up to US\$75 million, due in December 2021, with interest equal to LIBOR plus margin between 3.1% and 3.2% (US\$51 million)(US\$59 million at December 31, 2020), secured	60	72
Construction loan facility up to \$254 million, due from February 2028 to August 2045, with interest equal to 3.62%, secured	240	199
Loan facilities due from December 2021 to January 2028, bearing interest at various rates from 1.5% to 5.5% (US\$38 million)(US\$24 million at December 31, 2020), secured	48	32
Loan facilities due from June 2024 to December 2037, bearing interest at various rates from 3.33% to 6.0%, secured	614	570
Loan facilities due from June 2025 to September 2037, bearing interest at various rates from 4.83% to 7.0% (US\$54 million), secured	68	69
Mezzanine loans due from January 2035 to June 2035, bearing interest at various rates from 7.36% to 7.5%, secured	100	100
Loan facilities due from June 2034 to August 2035, bearing interest at various rates from 4.7% to 6.07%, secured	67	68
Loan facilities due in March 2036, bearing interest at a rate of 4.4% (US\$22 million), secured	27	28
Standalone Businesses		
Revolving credit facility up to \$40 million with interest equal to prime rate plus 1.25% to 3.75%, secured	20	10
Term loan facilities due in June and December 2022, bearing interest at various floating rates (an effective rate from 6.0% to 11.0%), secured	128	130
Total alternative asset investment platforms and other	1,500	1,344

CHANGES IN OTHER DEBT INSTRUMENTS – ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER

The table below details changes in the other debt instruments arising from financing activities, including both cash and non-cash changes.

	March 31, 2021	March 31, 2020
Balance, beginning of the year	1,344	1,013
Increase in other debt instruments	159	284
Decrease in other debt instruments	(39)	(4)
Changes in foreign exchange rates and other	36	29
Balance, end of period	1,500	1,322

POWER SUSTAINABLE ENERGY INFRASTRUCTURE PARTNERSHIP

In January 2021, Power Sustainable Energy Infrastructure entered into a \$120 million credit facility consisting of a revolving facility and letter of credit facility (\$46 million was undrawn at March 31, 2021). The credit facility matures in January 2023 and is secured by the assets and unfunded commitments of the fund.

SAGARD 4

In January 2021, Sagard 4 entered into a €100 million credit facility. The credit facility matures in January 2023 and is secured by the assets and unfunded commitments of Sagard 4. The credit facility was not utilized at March 31, 2021.

NOTE 10 Stated Capital**AUTHORIZED**

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

ISSUED AND OUTSTANDING

	March 31, 2021		December 31, 2020	
	Number of shares	Stated capital	Number of shares	Stated capital
		\$		\$
Non-Participating Shares				
First Preferred Shares				
Cumulative Redeemable				
1986 Series	109,400	5	129,400	6
Non-cumulative Redeemable, fixed rate				
Series A	6,000,000	150	6,000,000	150
Series B	8,000,000	200	8,000,000	200
Series C	6,000,000	150	6,000,000	150
Series D	10,000,000	250	10,000,000	250
Series G	8,000,000	200	8,000,000	200
Total Non-Participating Shares		955		956
Participating Shares				
Participating Preferred Shares				
Balance, beginning of year	54,860,866	233	48,854,772	27
Issued	-	-	6,006,094	206
Balance, end of period	54,860,866	233	54,860,866	233
Subordinate Voting Shares				
Balance, beginning of year	622,388,232	9,324	377,614,607	699
Issued pursuant to the Reorganization	-	-	250,628,173	8,687
Issued under Stock Option Plan	617,765	19	1,497,952	48
Purchased for cancellation under Normal Course Issuer Bid	(1,160,000)	(17)	(7,352,500)	(110)
Balance, end of period	621,845,997	9,326	622,388,232	9,324
Total Participating Shares		9,559		9,557

Non-Participating Shares

During the three months ended March 31, 2021, 20,000 cumulative redeemable First Preferred Shares, 1986 Series were purchased for cancellation (20,000 shares for the three months ended March 31, 2020).

NOTE 10 Stated Capital (continued)**Participating Shares**

During the three months ended March 31, 2021, 617,765 Subordinate Voting Shares were issued under the Corporation's Executive Stock Option Plan for a consideration of \$17 million (500,311 Subordinate Voting Shares issued for the three months ended March 31, 2020 for a consideration of \$15 million).

During the three months ended March 31, 2021, dividends declared on the Corporation's participating shares amounted to \$0.4475 per share (\$0.4475 per share in 2020).

Normal Course Issuer Bid

On February 25, 2021, the Corporation commenced a Normal Course Issuer Bid (NCIB) which is effective until the earlier of February 24, 2022 and the date on which the Corporation has purchased the maximum permitted number of Subordinate Voting Shares. Pursuant to the NCIB, the Corporation may purchase up to 30 million of its Subordinate Voting Shares outstanding as at February 17, 2021 (representing approximately 5.3% of the public float of Subordinate Voting Shares outstanding) at market prices.

During the three months ended March 31, 2021, the Corporation purchased for cancellation 1,160,000 Subordinate Voting Shares pursuant to its NCIB for a total of \$36 million (7,352,500 Subordinate Voting Shares for a total of \$193 million during the three months ended March 31, 2020 under the previous NCIB). The Corporation's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value of stated capital was \$19 million and was recognized as a reduction to retained earnings (\$83 million during the three months ended March 31, 2020).

Reorganization

On February 12, 2020, in connection with the Reorganization, and in accordance with the Pre-emptive Right, the Corporation issued 6,006,094 Participating Preferred Shares to holders who duly exercised the Pre-emptive Right at a price of \$34.27 per Participating Preferred Share, representing a cash consideration of \$206 million.

Also, on February 13, 2020, the Corporation acquired 238,693,580 Power Financial Common Shares, in exchange for 1.05 Subordinate Voting Shares of the Corporation and \$0.01 per share in cash. The Corporation issued 250,628,173 Subordinate Voting Shares at a price of \$34.66 per Subordinate Voting Share and \$2 million in cash, for a total consideration of \$8.7 billion.

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

There are 20,619,608 Subordinate Voting Shares and 12,150,258 Subordinate Voting Shares reserved for issuance under Power Corporation's Executive Stock Option Plan and under Power Financial's Employee Stock Option Plan, assumed by Power Corporation (Stock Option Plans).

A summary of the status of the Corporation's Stock Option Plans as at March 31, 2021 and 2020, and changes during the respective periods then ended, is as follows:

	March 31, 2021		March 31, 2020	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
		\$		\$
Outstanding, beginning of year	31,484,425	30.70	16,356,062	29.35
Assumption of Power Financial stock option plan	-	-	13,733,786	30.93
Granted	640,501	33.30	3,994,258	34.23
Exercised and surrendered for cash	(1,372,999)	26.22	(500,311)	29.81
Forfeited and expired	-	-	(46,035)	30.07
Outstanding, end of period	30,751,927	30.95	33,537,760	30.57
Options exercisable, end of period	21,109,575	30.30	21,361,132	29.78

The exercise price of the 30,751,927 outstanding options ranges from \$23.73 to \$36.53.

NOTE 11 Share-Based Compensation (continued)**Tandem share appreciation rights**

In 2020, the Corporation amended its Stock Option Plans to authorize the granting of tandem share appreciation rights (TSAR or TSARs). The Corporation's Stock Option Plans provide for the granting of TSARs in connection with options granted thereunder, at or after the time of grant of such options. A TSAR entitles the optionee to surrender to the Corporation, unexercised, the right to subscribe for a Subordinate Voting Share pursuant to the related option and to receive from the Corporation cash in an amount equal to the excess of the market value of a Subordinate Voting Share over the subscription price under the related option. During the three months ended March 31, 2021, TSARs were attached to 780,234 options, of which 755,234 TSARs were exercised to receive from the Corporation cash and 25,000 TSARs were exercised to receive Subordinate Voting Shares at an exercise price of \$25.12. At March 31, 2021 and December 31, 2020, no TSARs were attached to any outstanding options.

Compensation expense

During the three months ended March 31, 2021, Power Corporation granted 640,501 options (3,994,258 options were granted for the three months ended March 31, 2020) under its Executive Stock Option Plan. Options granted in the three months ended March 31, 2021 vest on the basis of [i] the first 50%, three years from the date of grant and [ii] the remaining 50%, four years from the date of grant.

The fair value of these options was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	March 31, 2021	March 31, 2020
Dividend yield	5.9%	5.1%
Expected volatility	18.0%	16.7%
Risk-free interest rate	1.5%	1.3%
Expected life (years)	9.0	8.1
Fair value per stock option (\$/option)	1.66	1.93
Weighted-average exercise price (\$/option)	33.30	34.23

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

Lifeco and IGM have also established stock option plans pursuant to which options may be granted to certain officers and employees. In addition, other subsidiaries of the Corporation have established share-based compensation plans. Compensation expense is recorded based on the fair value of the options or the fair value of the equity instruments at the grant date, amortized over the vesting period. For the three months ended March 31, 2021, total compensation expense relating to the stock options granted by the Corporation and its subsidiaries amounting to \$24 million (\$26 million in 2020) was recorded in operating and administrative expenses in the statements of earnings.

NOTE 12 Capital Management

POWER CORPORATION

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

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

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

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

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

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

LIFECO

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

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

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

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

NOTE 12 Capital Management (continued)

In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has established a regulatory capital adequacy measurement for life insurance companies incorporated under the *Insurance Companies Act* (Canada) and their subsidiaries known as the Life Insurance Capital Adequacy Test (LICAT). The LICAT ratio compares the regulatory capital resources of a company to its required capital, defined by OSFI as the aggregate of all defined capital requirements multiplied by a scalar of 1.05. The total capital resources are provided by the sum of available capital, surplus allowance and eligible deposits. OSFI has established a supervisory target total ratio of 100%, and a supervisory minimum total ratio of 90%. Canada Life's consolidated LICAT ratio at March 31, 2021 was 123% (129% at December 31, 2020).

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

IGM FINANCIAL

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

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

The IGM subsidiaries that are subject to regulatory capital requirements include investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. These IGM subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. At March 31, 2021, IGM subsidiaries have complied with all regulatory capital requirements.

ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER

Certain subsidiaries are subject to regulatory capital requirements, including portfolio managers, asset managers and an order-execution-only broker. These subsidiaries are required to maintain levels of capital based on their working capital, liquidity or shareholders' equity. At March 31, 2021, these subsidiaries have complied with all regulatory capital requirements.

NOTE 13 Risk Management

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

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

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

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

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

The following is a summary of risks in respect to the Corporation and its subsidiaries' financial instruments including the impacts due to COVID-19. The risk management policies and procedures of Power Corporation, Power Financial and the Corporation's alternative asset investment platforms and other (other subsidiaries), are discussed in the first section of this note. In subsequent sections, risks related to Lifeco and IGM are discussed. For a more detailed discussion, refer to Note 22 to the Corporation's Consolidated Financial Statements for the year ended December 31, 2020.

NOTE 13 Risk Management (continued)**POWER CORPORATION, POWER FINANCIAL AND ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER***a) Liquidity and funding*

As a holding company, the Corporation's ability to pay dividends is dependent upon the Corporation receiving dividends from its principal operating subsidiaries and other investments. Lifeco and its subsidiaries are subject to restrictions set out in relevant corporate and insurance laws and regulations, which require that solvency and capital ratios be maintained. IGM's subsidiaries are also subject to minimum capital requirements. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiary to pay dividends. In light of the COVID-19 pandemic, regulators are monitoring the impact of the pandemic to ensure that regulated companies maintain sufficient capital and liquidity. The declaration and payment of dividends by the Corporation in future periods remains at the discretion of its directors and is dependent on the operating performance, profitability, financial position and creditworthiness of its operating subsidiaries and other investments, as well as on their ability to pay dividends which in turn will depend on the duration of the COVID-19 pandemic and the severity and duration of the financial impacts.

Power Corporation and Power Financial believe their ongoing cash flows from operations, available cash balances and liquidity available through their lines of credit are sufficient to address their liquidity needs.

b) Equity risk

Other investments are reviewed periodically to determine whether there is objective evidence of an impairment in value. During the three-month period ended March 31, 2021, there was no impairment charge recorded on available-for-sale investments (\$53 million in 2020). As at March 31, 2021, the impact of a 10% decrease in the value of other investments would have resulted in an approximate \$145 million unrealized loss to be recorded in other comprehensive income.

GBL holds substantial investments which are 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. As at March 31, 2021, the impact of a 10% decline in equity markets would have resulted in an approximate \$380 million unrealized loss to be recorded in other comprehensive income, representing the Corporation's share of Parjointco's unrealized losses.

Power Corporation, Power Financial and other subsidiaries' exposure and management of liquidity risk, credit risk and market risk have not changed materially since December 31, 2020.

LIFECO

The risk committee of the board of directors of Lifeco is responsible for the oversight of Lifeco's key risks. Lifeco has established policies and procedures designed to identify, measure, manage, monitor and report risks associated with financial instruments. Lifeco's approach to risk management has not changed significantly since December 31, 2020. A summary of the risks is presented below. For a more detailed discussion of Lifeco's risk governance structure and risk management approach, refer to the Risk Management note in the Corporation's December 31, 2020 financial statements.

Liquidity risk

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

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

Credit risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due. No significant changes have occurred from the year ended December 31, 2020.

NOTE 13 Risk Management (continued)**Market risk***a) Foreign exchange risk*

If the assets backing insurance and investment contract liabilities are not matched by currency, changes in foreign exchange rates can expose Lifeco to the risk of foreign exchange losses not offset by liability decreases.

- 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 immediate 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 immediate change to net earnings.

Lifeco has net investments in foreign operations. Lifeco's debt obligations are denominated in Canadian dollars, euros and U.S. dollars. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts Lifeco's total equity. Correspondingly, Lifeco's book value per share and capital ratios monitored by rating agencies are also impacted.

b) Interest rate risk

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

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk.

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

- At March 31, 2021 and December 31, 2020, the effect of an immediate 1% parallel increase in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.
- At March 31, 2021 and December 31, 2020, the effect of an immediate 1% parallel decrease in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.

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 following table provides information on the impact to the value of liabilities net of changes in the value of assets supporting liabilities of an immediate 1% increase or 1% decrease in the interest rates at both the low and high end of the range of interest rates recognized in the provisions. For some products, interest rate risk is modelled stochastically in determining the insurance contract liabilities, and for those products, the sensitivities reflect the estimated impact of an immediate 1% increase and 1% decrease in interest rates on the liability.

NOTE 13 Risk Management (continued)

The sensitivities in the table include the impact of a parallel shift in ultimate interest rates outlined in actuarial standards.

	March 31, 2021		December 31, 2020	
	1% increase	1% decrease	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	(304)	786	(289)	1,185
Increase (decrease) in net earnings	235	(598)	224	(920)

As at March 31, 2021, the accounting for the acquisition of MassMutual is not finalized pending completion of a comprehensive valuation of the net assets acquired (Note 3). As such, the impact of the acquired business included in the sensitivities above reflects Lifeco management's current best estimate of the sensitivities.

c) Equity risk

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

The risks associated with segregated fund guarantees on lifetime Guaranteed Minimum Withdrawal Benefits have been mitigated through a hedging program using equity futures, currency forwards, and interest rate derivatives.

Some insurance and investment contract liabilities with long-tail cash flows are supported by publicly traded common shares and investments in other non-fixed income assets, primarily comprised of investment properties, real estate funds, private equities, and equity-release mortgages. The value of the liabilities may fluctuate with changes in the value of the supporting assets. The liabilities for other products such as segregated fund products with guarantees also fluctuate with equity values.

There may be additional market and liability impacts as a result of changes in the value of publicly traded common shares and other non-fixed income assets that will cause the liabilities to fluctuate differently than the equity values. This means that there is a greater impact on net earnings from larger decreases in equity values, relative to the change in equity values. Decreases in equity values beyond those shown in the table below would have a greater impact on net earnings, relative to the change in equity values.

The following table provides information on the expected impacts of an immediate 10% or 20% increase or decrease in the value of publicly traded common shares on insurance and investment contract liabilities and on the net earnings. The expected impacts take into account the expected changes in the value of assets supporting liabilities and hedge assets.

	March 31, 2021				December 31, 2020			
	Increase		Decrease		Increase		Decrease	
	20%	10%	10%	20%	20%	10%	10%	20%
Change in publicly traded common share values								
Increase (decrease) in non-participating insurance and investment contract liabilities	(34)	(18)	32	173	(34)	(18)	62	264
Increase (decrease) in net earnings	28	15	(28)	(141)	28	15	(51)	(208)

The following table provides information on the expected impacts of an immediate 5% or 10% increase or decrease in the value of other non-fixed income assets on insurance and investment contract liabilities and on the net earnings. The expected impacts take into account the expected changes in the value of assets supporting liabilities.

	March 31, 2021				December 31, 2020			
	Increase		Decrease		Increase		Decrease	
	10%	5%	5%	10%	10%	5%	5%	10%
Change in other non-fixed income asset values								
Increase (decrease) in non-participating insurance and investment contract liabilities	(46)	(13)	60	159	(41)	(8)	88	138
Increase (decrease) in net earnings	39	11	(48)	(123)	34	6	(69)	(108)

NOTE 13 Risk Management (continued)

The Canadian Institute of Actuaries Standards of Practice for the valuation of insurance contract liabilities establish limits on the investment return assumptions for publicly traded common shares and other non-fixed income assets which are generally based on historical returns on market indices. The sensitivities shown in the tables above allow for the impact of changes in these limits following market decreases.

The best estimate return assumptions for publicly traded common shares and other non-fixed income assets are primarily based on long-term historical averages. The following provides information on the expected impacts of a 1% increase or a 1% decrease in the best estimate assumptions:

	March 31, 2021		December 31, 2020	
	1% increase	1% decrease	1% increase	1% decrease
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	(667)	844	(691)	861
Increase (decrease) in net earnings	531	(662)	556	(682)

Lifeco sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of Lifeco. Lifeco hedges its exposure to the equity risk associated with its PSU plan through the use of total return swaps.

IGM FINANCIAL

The risk management policies and procedures of IGM are discussed in the IGM section of the Corporation's Management's Discussion and Analysis (Part C) for the three months ended March 31, 2021 and in Note 22 to the Corporation's Consolidated Financial Statements for the year ended December 31, 2020 and have not changed significantly in the three-month period ended March 31, 2021.

a) Liquidity and funding

As IGM securitizes mortgages through the National Housing Act Mortgage-Backed Securities (NHA MBS) program, it is obligated to make timely payment of interest and principal payments, which will create a timing difference between the receipt of cash from clients deferring mortgage payments and the payment to the NHA MBS program of those amounts. All mortgages in the NHA MBS program are insured against default.

IGM believes its ongoing cash flows from operations, available cash balances and liquidity available through its lines of credit are sufficient to address its liquidity needs.

b) Credit risk

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.

IGM's allowance for credit losses was \$1 million at March 31, 2021, unchanged from December 31, 2020, and is considered adequate by IGM's management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience; ii) recent trends including the economic impact of COVID-19 and Canada's COVID-19 Economic Response Plan to support Canadians and businesses; iii) current portfolio credit metrics and other relevant characteristics; iv) its strong financial planning relationship with its clients; and v) stress testing of losses under adverse real estate market conditions.

IGM's exposure to and management of credit risk related to mortgage portfolios have not changed materially since December 31, 2020.

NOTE 14 Pension Plans and Other Post-Employment Benefits

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

	Three months ended March 31,	
	2021	2020
Pension plans		
Service costs	80	69
Curtailment	1	(1)
Net interest cost	11	10
	92	78
Post-employment benefits		
Service costs	1	1
Net interest cost	2	4
	3	5
Expense recognized in net earnings	95	83
Remeasurements		
Pension plans		
Actuarial gains	(904)	(1,211)
Return on assets less than discount rate	84	705
Change in the asset ceiling	12	69
Post-employment benefits		
Actuarial gains	(42)	(42)
Recovery recognized in other comprehensive income	(850)	(479)
Total income	(755)	(396)

The discount rates increased between 0.6% and 0.8% during the first quarter of 2021, primarily due to the increase in yields on high-quality corporate bonds.

NOTE 15 Income Taxes**INCOME TAX EXPENSE**

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

	Three months ended March 31,	
	2021	2020
Current taxes	129	69
Deferred taxes	28	(42)
	157	27

EFFECTIVE INCOME TAX RATE

The overall effective income tax rate for the Corporation for the three months ended March 31, 2021 was 15.3%, compared to 2.1% for the full year 2020 and 4.7% for the three months ended March 31, 2020.

The overall effective income tax rate for the three months ended March 31, 2021 is higher than the effective income tax rate for the same period last year mainly due to:

- i) non-deductible charges associated with the increase in the put right liability on non-controlling interests and carried interest; and
- ii) a favourable tax item in the first quarter of 2020 in certain foreign jurisdictions, driven by market movements, at Lifeco.

The effective income tax rates are generally lower than the Corporation's statutory income tax rate of 26.5% due to non-taxable investment income, lower tax in certain foreign jurisdictions and results from jointly controlled corporations and associates that are not taxable.

NOTE 16 Other Comprehensive Income

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		Total
	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gains (losses) on defined benefit pension plans and other	Share of jointly controlled corporations and associates	
Three months ended March 31, 2021						
Balance, beginning of year	730	1,033	1,984	(969)	(28)	2,750
Other comprehensive income (loss)	(365)	(207)	(221)	452	-	(341)
Balance, end of period	365	826	1,763	(517)	(28)	2,409

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		Total
	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gains (losses) on defined benefit pension plans and other	Share of jointly controlled corporations and associates	
Three months ended March 31, 2020						
Balance, beginning of year	361	694	1,031	(575)	(15)	1,496
Other comprehensive income (loss)	(232)	540	(470)	274	-	112
Reattribution on acquisition of non-controlling interests in Power Financial	53	324	535	(257)	(8)	647
Balance, end of period	182	1,558	1,096	(558)	(23)	2,255

NOTE 17 Earnings Per Share

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

	Three months ended March 31,	
	2021	2020
Earnings		
Net earnings attributable to shareholders	569	213
Dividends on non-participating shares	(13)	(13)
Net earnings attributable to participating shareholders	556	200
Dilutive effect of subsidiaries' outstanding stock options	-	-
Net earnings adjusted for dilutive effect	556	200
Number of participating shares [millions]		
Weighted average number of participating shares outstanding - Basic	677.1	560.2
Potential exercise of outstanding stock options	1.3	1.0
Weighted average number of participating shares outstanding - Diluted	678.4	561.2
Net earnings per participating share		
Basic	0.82	0.36
Diluted	0.82	0.36

For the three months ended March 31, 2021, 15.3 million stock options (20.1 million in 2020) were excluded from the computation of diluted earnings per share as they were anti-dilutive.

NOTE 18 Fair Value Measurement

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

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

NOTE 18 Fair Value Measurement (continued)

The following tables present the Corporation's assets and liabilities recorded at fair value, including their levels in the fair value hierarchy using the valuation methods and assumptions described in the summary of significant accounting policies of the Corporation's December 31, 2020 Consolidated Financial Statements and above. Fair values represent management's estimates and are generally calculated using market information at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, and involve uncertainties and matters of significant judgment (Note 2).

March 31, 2021	Level 1	Level 2	Level 3	Total fair value
Assets				
Bonds				
Fair value through profit or loss	-	99,099	76	99,175
Available for sale	-	11,885	-	11,885
Mortgage and other loans				
Fair value through profit or loss	-	50	2,034	2,084
Shares				
Fair value through profit or loss	9,492	103	1,981	11,576
Available for sale	699	63	743	1,505
Investment properties	-	-	6,490	6,490
Funds held by ceding insurers	489	15,068	-	15,557
Derivative instruments	-	713	107	820
Reinsurance assets	-	110	-	110
Other assets	297	377	53	727
	10,977	127,468	11,484	149,929
Liabilities				
Investment contract liabilities	-	8,824	-	8,824
Derivative instruments	3	1,256	17	1,276
Other liabilities	52	62	127	241
	55	10,142	144	10,341

December 31, 2020	Level 1	Level 2	Level 3	Total fair value
Assets				
Bonds				
Fair value through profit or loss	-	102,709	73	102,782
Available for sale	-	11,897	-	11,897
Mortgage and other loans				
Fair value through profit or loss	-	3	2,092	2,095
Shares				
Fair value through profit or loss	8,828	194	1,675	10,697
Available for sale	1,030	70	739	1,839
Investment properties	-	-	6,270	6,270
Funds held by ceding insurers	245	15,943	-	16,188
Derivative instruments	1	868	104	973
Reinsurance assets	-	130	-	130
Other assets	381	541	58	980
	10,485	132,355	11,011	153,851
Liabilities				
Investment contract liabilities	-	9,145	-	9,145
Derivative instruments	5	1,242	23	1,270
Other liabilities	79	188	44	311
	84	10,575	67	10,726

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

NOTE 18 Fair Value Measurement (continued)

The following tables present additional information about assets and liabilities measured at fair value on a recurring basis for which the Corporation and its subsidiaries have utilized Level 3 inputs to determine fair value for the three months ended March 31, 2021 and 2020.

Three months ended March 31, 2021	Bonds	Mortgages and other loans	Shares		Investment properties	Derivatives, net	Other assets (liabilities)	Total
	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss ^[2]	Available for sale				
Balance, beginning of year	73	2,092	1,675	739	6,270	81	14	10,944
Total gains (losses)								
In net earnings	1	(135)	66	5	69	7	(5)	8
In other comprehensive income ^[1]	(4)	(7)	(7)	(13)	(20)	-	-	(51)
Purchases	6	-	253	23	180	-	-	462
Issues	-	192	-	-	-	-	-	192
Sales	-	-	(13)	(19)	(9)	-	-	(41)
Settlements	-	(36)	-	-	-	2	-	(34)
Other	-	(72)	(1)	-	-	-	(83)	(156)
Transfer into Level 3	-	-	8	8	-	-	-	16
Balance, end of period	76	2,034	1,981	743	6,490	90	(74)	11,340

[1] Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and other loans, and investment properties represents the unrealized gains (losses) on foreign exchange.

[2] Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

Three months ended March 31, 2020	Bonds	Mortgages and other loans	Shares		Investment properties	Derivatives, net	Other assets (liabilities)	Total
	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss ^[2]	Available for sale				
Balance, beginning of year	67	1,314	796	689	5,887	(1)	(32)	8,720
Total gains (losses)								
In net earnings	(3)	(90)	7	31	(110)	(22)	(2)	(189)
In other comprehensive income ^[1]	4	12	-	(63)	47	-	-	-
Purchases	-	-	309	36	13	1	-	359
Issues	-	217	-	-	-	-	-	217
Sales	-	-	(35)	(80)	(1)	-	-	(116)
Settlements	-	(20)	-	-	-	-	-	(20)
Transfer into Level 3	-	-	357	-	-	-	-	357
Balance, end of period	68	1,433	1,434	613	5,836	(22)	(34)	9,328

[1] Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and other loans, and investment properties represents the unrealized gains (losses) on foreign exchange.

[2] Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. 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 and segregated funds.

On March 20, 2020, Canada Life temporarily suspended contributions to and transfers into, as well as redemptions and transfers out of, its Canadian real estate investment funds as the COVID-19 pandemic impacted the global property market and made it difficult to value the properties with the same degree of certainty as usual. As a result of these restrictions, Lifeco's investment in these funds with a fair value of \$357 million was transferred on March 20, 2020 from Level 1 to Level 3.

On January 11, 2021, Canada Life partially lifted the temporary suspension, allowing contributions and transfers into its Canadian real estate investment funds as confidence over the valuation of the underlying properties returned as a result of increased market activity.

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

On April 19, 2021, Canada Life fully lifted the temporary suspension on redemptions and transfers out of its Canadian real estate investment funds. As a result of the lifting of these temporary suspensions, Lifeco's investment in these funds with a fair value of \$457 million was transferred on April 19, 2021 from Level 3 to Level 1.

The following table sets out information about significant unobservable inputs used at period-end in measuring assets 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 3.5% – 12.6%	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 3.5% – 7.0%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.9%	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.
Mortgage and other loans – equity-release mortgages (fair value through profit or loss)	The valuation approach for equity-release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no-negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long-term care of the loanholders.	Discount rate	Range of 3.6% – 4.9%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
Shares	The determination of the fair value of shares requires the use of estimates such as future cash flows, discount rates, projected earnings multiples, or recent transactions.	Discount rate	Various	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

NOTE 19 Segmented Information

The Corporation's reportable segments are Lifeco, IGM Financial and GBL, which represents the Corporation's investments in publicly traded operating companies. These reportable segments, in addition to the corporate and asset management activities, reflect Power Corporation's management structure and internal financial reporting. The Corporation evaluates the performance based on the operating segment's contribution to earnings. The following provides a brief description of the three reportable operating segments:

- **Lifeco** is a financial services holding company with interests in life insurance, health insurance, retirement and investment management services, asset management and reinsurance businesses primarily in Canada, the United States and Europe.
- **IGM Financial** is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors through North America, Europe and Asia.
- **GBL** is indirectly held through Parjointco. GBL is a Belgian holding company focused on long-term and sustainable value creation. GBL relies on a stable and supportive family shareholder base. Its portfolio is comprised of global industrial and services companies, leaders in their markets, in which GBL plays its role of professional shareholder.

Alternative asset investment platforms and other are comprised of the results of:

- Alternative asset management businesses, Power Sustainable and Sagard Holdings;
- Entities managed by the alternative asset managers which are required to be consolidated under IFRS; and
- Standalone businesses representing a subsidiary, a jointly controlled corporation and associates which are managed to realize value over time.

Corporate activities comprise management of the corporate activities of the Corporation and Power Financial, including the cash and non-participating shares, which fund a portion of the capital invested in other operations.

Effect of consolidation includes consolidation elimination entries.

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

COMPARATIVE FIGURES

In the fourth quarter of 2020, the Corporation modified the presentation of its segmented disclosure. Power Financial's results, including its corporate operations, were previously presented separately by the Corporation. The corporate operations of both the Corporation and Power Financial are being managed together and have been presented on a combined basis as Corporate. Alternative asset investment platforms and other have been presented separately, which is consistent with the management and oversight structure. The comparative figures for the period ended March 31, 2020 have been restated to conform to the current period's presentation.

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

Three months ended March 31, 2021	Lifeco	IGM ^[1]	GBL	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
Revenues							
Total net premiums	14,361	-	-	-	-	(5)	14,356
Net investment income (loss)	(4,003)	3	-	295	20	17	(3,668)
Fee income ^[2]	1,751	836	-	74	-	(44)	2,617
Other revenues	-	-	-	88	-	-	88
Total revenues	12,109	839	-	457	20	(32)	13,393
Expenses							
Total paid or credited to policyholders	8,795	-	-	-	-	-	8,795
Commissions	661	290	-	-	-	(13)	938
Operating and administrative expenses	1,751	301	-	582	40	(31)	2,643
Financing charges	79	28	-	13	13	7	140
Total expenses	11,286	619	-	595	53	(37)	12,516
Earnings before investments in jointly controlled corporations and associates, and income taxes	823	220	-	(138)	(33)	5	877
Share of earnings of investments in jointly controlled corporations and associates	8	42	74	47	13	(36)	148
Earnings before income taxes	831	262	74	(91)	(20)	(31)	1,025
Income taxes	57	60	-	-	38	2	157
Net earnings	774	202	74	(91)	(58)	(33)	868
Attributable to							
Non-controlling interests	313	212	-	(227)	34	(33)	299
Non-participating shareholders	-	-	-	-	13	-	13
Participating shareholders ^{[3][4]}	461	(10)	74	136	(105)	-	556
	774	202	74	(91)	(58)	(33)	868

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

[2] Dealer compensation expenses at IGM are included in commission expenses.

[3] The contribution from Lifeco, IGM, GBL and alternative asset investment platforms and other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

[4] The contribution from Lifeco and IGM includes an allocation for the results of the fintech portfolio based on their respective interests.

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

Three months ended March 31, 2020	Lifeco	IGM ^[1]	GBL	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
Revenues							
Total net premiums	10,906	-	-	-	-	(5)	10,901
Net investment income (loss)	(2,079)	9	-	110	(4)	26	(1,938)
Fee income ^[2]	1,441	753	-	23	-	(25)	2,192
Other revenues	-	-	-	194	-	-	194
Total revenues	10,268	762	-	327	(4)	(4)	11,349
Expenses							
Total paid or credited to policyholders	7,705	-	-	-	-	-	7,705
Commissions	625	270	-	-	-	(13)	882
Operating and administrative expenses	1,507	276	-	261	52	(3)	2,093
Financing charges	65	27	-	38	13	7	150
Total expenses	9,902	573	-	299	65	(9)	10,830
Earnings before investments in jointly controlled corporations and associates, and income taxes	366	189	-	28	(69)	5	519
Share of earnings of investments in jointly controlled corporations and associates	5	20	78	(34)	9	(20)	58
Earnings before income taxes	371	209	78	(6)	(60)	(15)	577
Income taxes	(13)	48	-	(11)	(2)	5	27
Net earnings	384	161	78	5	(58)	(20)	550
Attributable to							
Non-controlling interests	233	86	33	(27)	32	(20)	337
Non-participating shareholders	-	-	-	-	13	-	13
Participating shareholders ^{[3][4]}	151	75	45	32	(103)	-	200
	384	161	78	5	(58)	(20)	550

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

[2] Dealer compensation expenses at IGM are included in commission expenses.

[3] The contribution from Lifeco, IGM, GBL and alternative asset investment platforms and other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

[4] The contribution from Lifeco and IGM includes an allocation for the results of the fintech portfolio based on their respective interests.

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

				Alternative asset investment platforms and other		Effect of consolidation	Total
March 31, 2021	Lifeco	IGM ^[2]	GBL		Corporate		
Cash and cash equivalents	5,616	658	-	822	851	-	7,947
Investments	187,927	6,061	-	2,098	720	(246)	196,560
Investments in jointly controlled corporations and associates	58	945	4,089	644	690	-	6,426
Other assets	50,866	2,587	-	3,117	347	(198)	56,719
Goodwill and intangible assets	14,735	4,137	-	1,364	2	-	20,238
Investments on account of segregated fund policyholders	333,576	-	-	-	-	-	333,576
Total assets ^[1]	592,778	14,388	4,089	8,045	2,610	(444)	621,466
Insurance and investment contract liabilities	210,834	-	-	-	-	-	210,834
Obligation to securitization entities	-	5,820	-	-	-	-	5,820
Power Corporation's debentures and other debt instruments	-	-	-	-	732	-	732
Non-recourse debentures and other debt instruments	9,465	2,100	-	1,500	250	(88)	13,227
Other liabilities	11,502	2,775	-	3,310	991	3	18,581
Insurance and investment contracts on account of segregated fund policyholders	333,576	-	-	-	-	-	333,576
Total liabilities	565,377	10,695	-	4,810	1,973	(85)	582,770

				Alternative asset investment platforms and other		Effect of consolidation	Total
December 31, 2020	Lifeco	IGM ^[2]	GBL		Corporate		
Cash and cash equivalents	7,946	772	-	640	682	-	10,040
Investments	190,579	6,381	-	2,440	791	(206)	199,985
Investments in jointly controlled corporations and associates	65	971	4,216	562	715	-	6,529
Other assets	53,065	2,271	-	2,873	280	(213)	58,276
Goodwill and intangible assets	14,821	4,126	-	1,293	2	-	20,242
Investments on account of segregated fund policyholders	334,032	-	-	-	-	-	334,032
Total assets ^[1]	600,508	14,521	4,216	7,808	2,470	(419)	629,104
Insurance and investment contract liabilities	218,047	-	-	-	-	-	218,047
Obligation to securitization entities	-	6,174	-	-	-	-	6,174
Power Corporation's debentures and other debt instruments	-	-	-	-	756	-	756
Non-recourse debentures and other debt instruments	9,693	2,100	-	1,344	250	(88)	13,299
Other liabilities	11,706	2,685	-	2,709	1,067	(104)	18,063
Insurance and investment contracts on account of segregated fund policyholders	334,032	-	-	-	-	-	334,032
Total liabilities	573,478	10,959	-	4,053	2,073	(192)	590,371

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

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

NOTE 19 Segmented Information (continued)**CONDENSED STATEMENTS OF CASH FLOWS**

March 31, 2021	Lifeco	IGM	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
Operating activities	1,793	52	(19)	267	(348)	1,745
Financing activities	(529)	(468)	144	(391)	499	(745)
Investing activities	(3,531)	302	68	213	(73)	(3,021)
Effect of changes in exchange rates on cash and cash equivalents	(63)	-	(9)	-	-	(72)
Increase (decrease) in cash and cash equivalents	(2,330)	(114)	184	89	78	(2,093)
Cash and cash equivalents, beginning of the year	7,946	772	640	1,226	(544)	10,040
Cash and cash equivalents, end of period	5,616	658	824	1,315	(466)	7,947

March 31, 2020	Lifeco	IGM	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
Operating activities	1,930	90	(29)	298	(360)	1,929
Financing activities	(467)	(294)	556	(224)	244	(185)
Investing activities	(711)	193	(259)	(103)	172	(708)
Effect of changes in exchange rates on cash and cash equivalents	255	-	30	-	-	285
Increase (decrease) in cash and cash equivalents	1,007	(11)	298	(29)	56	1,321
Cash and cash equivalents, beginning of the year	4,628	720	382	1,392	(317)	6,805
Cash and cash equivalents, end of period	5,635	709	680	1,363	(261)	8,126