

POWER CORPORATION OF CANADA

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited) [in millions of Canadian dollars]	March 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents	5,258	4,431
Investments [Note 3]		
Bonds	110,518	103,939
Mortgage loans	28,201	27,565
Shares	9,637	9,364
Investment properties	4,943	4,613
Loans to policyholders	8,195	7,711
	161,494	153,192
Funds held by ceding insurers	14,242	12,154
Reinsurance assets [Note 5]	5,187	5,151
Investments in jointly controlled corporations and associates	2,863	2,818
Owner-occupied properties and capital assets	1,410	1,371
Derivative financial instruments	659	693
Other assets	7,104	6,198
Deferred tax assets	1,920	1,737
Intangible assets	5,968	5,753
Goodwill	9,394	9,317
Investments on account of segregated fund policyholders [Note 4]	187,433	174,966
Total assets	402,932	377,781
Liabilities		
Insurance contract liabilities [Note 5]	154,494	145,198
Investment contract liabilities [Note 5]	868	857
Obligation to securitization entities	6,695	6,754
Debentures and debt instruments	7,634	7,558
Derivative financial instruments	1,959	1,228
Other liabilities	9,032	7,895
Deferred tax liabilities	1,947	1,840
Insurance and investment contracts on account of segregated fund policyholders [Note 4]	187,433	174,966
Total liabilities	370,062	346,296
Equity		
Stated capital [Note 6]		
Non-participating shares	972	973
Participating shares	670	620
Retained earnings	9,613	9,423
Reserves	1,460	965
Total shareholders' equity	12,715	11,981
Non-controlling interests	20,155	19,504
Total equity	32,870	31,485
Total liabilities and equity	402,932	377,781

POWER CORPORATION OF CANADA

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited) [in millions of Canadian dollars, except per share amounts]	Three months ended March 31,	
	2015	2014
Revenues		
Premium income		
Gross premiums written	7,806	6,111
Ceded premiums	(874)	(844)
Total net premiums	6,932	5,267
Net investment income		
Regular net investment income	1,612	1,512
Change in fair value through profit or loss	2,958	2,123
	4,570	3,635
Fee income	1,914	1,689
Other revenues	216	166
Total revenues	13,632	10,757
Expenses		
Policyholder benefits		
Insurance and investment contracts		
Gross	5,640	4,801
Ceded	(483)	(475)
	5,157	4,326
Policyholder dividends and experience refunds	381	388
Change in insurance and investment contract liabilities	4,351	2,775
Total paid or credited to policyholders	9,889	7,489
Commissions	737	704
Operating and administrative expenses	1,697	1,482
Financing charges	115	113
Total expenses	12,438	9,788
Earnings before investments in jointly controlled corporations and associates, and income taxes	1,194	969
Share of earnings of investments in jointly controlled corporations and associates	25	5
Earnings before income taxes	1,219	974
Income taxes [Note 11]	277	227
Net earnings	942	747
Attributable to		
Non-controlling interests	575	492
Non-participating shareholders	13	13
Participating shareholders	354	242
	942	747
Earnings per participating share [Note 13]		
Net earnings attributable to participating shareholders		
– Basic	0.77	0.53
– Diluted	0.76	0.52

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) [in millions of Canadian dollars]	Three months ended March 31,	
	2015	2014 [Note 2]
Net earnings	942	747
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net earnings		
Net unrealized gains (losses) on available-for-sale assets		
Unrealized gains (losses)	270	172
Income tax (expense) benefit	(35)	(25)
Realized (gains) losses transferred to net earnings	(112)	(14)
Income tax expense (benefit)	12	3
	135	136
Net unrealized gains (losses) on cash flow hedges		
Unrealized gains (losses)	(135)	(61)
Income tax (expense) benefit	51	23
Realized (gains) losses transferred to net earnings	1	-
	(83)	(38)
Net unrealized foreign exchange gains (losses) on translation of foreign operations		
Unrealized gains (losses) on translation arising during the period	862	562
Unrealized gains (losses) on euro debt designated as hedge of the net investment in foreign operations	20	(25)
	882	537
Share of other comprehensive income (losses) of jointly controlled corporations and associates	57	218
Total - items that may be reclassified	991	853
Items that will not be reclassified subsequently to net earnings		
Actuarial gains (losses) on benefit plans [Note 10]	(247)	(177)
Income tax (expense) benefit	53	35
Share of other comprehensive income (losses) of jointly controlled corporations and associates	(4)	(4)
Total - items that will not be reclassified	(198)	(146)
Other comprehensive income	793	707
Total comprehensive income	1,735	1,454
Attributable to		
Non-controlling interests	893	800
Non-participating shareholders	13	13
Participating shareholders	829	641
	1,735	1,454

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Three months ended March 31, 2015 (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 12]	Total	Non-controlling interests	
Balance, beginning of year	973	620	9,423	173	792	965	19,504	31,485
Net earnings	-	-	367	-	-	-	575	942
Other comprehensive income	-	-	-	-	475	475	318	793
Total comprehensive income	-	-	367	-	475	475	893	1,735
Dividends to shareholders								
Participating	-	-	(134)	-	-	-	-	(134)
Non-participating	-	-	(13)	-	-	-	-	(13)
Dividends to non-controlling interests	-	-	-	-	-	-	(306)	(306)
Share-based compensation	-	-	-	10	-	10	10	20
Stock options exercised	-	50	-	(39)	-	(39)	29	40
Repurchase for cancellation	(1)	-	-	-	-	-	-	(1)
Effects of changes in ownership, capital and other	-	-	(30)	-	49	49	25	44
Balance, end of period	972	670	9,613	144	1,316	1,460	20,155	32,870

Three months ended March 31, 2014 (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 12]	Total	Non-controlling interests	
Balance, beginning of year	977	580	8,715	143	559	702	18,243	29,217
Net earnings	-	-	255	-	-	-	492	747
Other comprehensive income [Note 2]	-	-	-	-	399	399	308	707
Total comprehensive income	-	-	255	-	399	399	800	1,454
Dividends to shareholders								
Participating	-	-	(134)	-	-	-	-	(134)
Non-participating	-	-	(13)	-	-	-	-	(13)
Dividends to non-controlling interests	-	-	-	-	-	-	(290)	(290)
Share-based compensation	-	-	-	3	-	3	2	5
Stock options exercised	-	11	-	(4)	-	(4)	2	9
Effects of changes in ownership, capital and other	-	-	(5)	11	-	11	32	38
Balance, end of period	977	591	8,818	153	958	1,111	18,789	30,286

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) [in millions of Canadian dollars]	Three months ended March 31,	
	2015	2014
Operating activities		
Earnings before income taxes	1,219	974
Income tax paid, net of refunds received	(152)	(351)
Adjusting items		
Change in insurance and investment contract liabilities	2,851	3,035
Change in funds held by ceding insurers	272	139
Change in funds held under reinsurance contracts	(92)	(17)
Change in reinsurance assets	11	(185)
Change in fair value through profit or loss	(2,958)	(2,123)
Other	74	(202)
	1,225	1,270
Financing activities		
Dividends paid		
By subsidiaries to non-controlling interests	(299)	(289)
Non-participating shares	(13)	(13)
Participating shares	(134)	(134)
	(446)	(436)
Issue of subordinate voting shares by the Corporation [Note 6]	40	9
Issue of common shares by subsidiaries	125	21
Repurchase of common shares by subsidiaries	(88)	(30)
Redemption of preferred shares by subsidiaries	-	(175)
Changes in debt instruments	(11)	(61)
Change in obligations to securitization entities	(62)	155
Other	33	4
	(409)	(513)
Investment activities		
Bond sales and maturities	10,151	9,235
Mortgage loan repayments	581	390
Sale of shares	649	1,368
Change in loans to policyholders	9	8
Business acquisition, net of cash and cash equivalents acquired	(63)	-
Investment in bonds	(10,104)	(10,238)
Investment in mortgage loans	(616)	(935)
Investment in shares	(461)	(516)
Investment in jointly controlled corporations and associates	-	24
Investment in investment properties and other	(229)	(12)
	(83)	(676)
Effect of changes in exchange rates on cash and cash equivalents	94	105
Increase in cash and cash equivalents	827	186
Cash and cash equivalents, beginning of year	4,431	4,767
Cash and cash equivalents, end of period	5,258	4,953
Net cash from operating activities includes		
Interest and dividends received	1,415	1,460
Interest paid	99	89

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

Note 1	Corporate Information	33	Note 9	Risk Management	45
Note 2	Basis of Presentation and Summary of Significant Accounting Policies	33	Note 10	Pension Plans and Other Post-Employment Benefits	52
Note 3	Investments	36	Note 11	Income Taxes	53
Note 4	Segregated Funds and Other Structured Entities	36	Note 12	Other Comprehensive Income	54
Note 5	Insurance and Investment Contract Liabilities	40	Note 13	Earnings Per Share	54
Note 6	Stated Capital	41	Note 14	Fair Value of Financial Instruments	55
Note 7	Share-Based Compensation	42	Note 15	Legal Provisions and Contingent Liabilities	59
Note 8	Capital Management	43	Note 16	Subsequent Event	59
			Note 17	Segmented Information	59

NOTE 1 CORPORATE INFORMATION

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

Power Corporation is a diversified international management and holding company that holds interests, directly or indirectly, in companies in the financial services, communications and other business sectors.

The Interim Condensed Consolidated Financial Statements (financial statements) of Power Corporation for the period ended March 31, 2015 were approved by the Board of Directors on May 15, 2015.

The following abbreviations are used throughout this report: Power Financial Corporation (Power Financial); Great-West Life & Annuity Insurance Company (Great-West Financial or Great-West Life & Annuity); Great-West Lifeco Inc. (Lifeco); IGM Financial Inc. (IGM or IGM Financial); Investors Group Inc. (Investors Group); Irish Life Group Limited (Irish Life); London Life Insurance Company (London Life); Mackenzie Financial Corporation (Mackenzie); Pargesa Holding SA (Pargesa); Parjointco N.V. (Parjointco); Power Energy Corporation (Power Energy); Putnam Investments, LLC (Putnam); The Canada Life Assurance Company (Canada Life); The Great-West Life Assurance Company (Great-West Life); International Financial Reporting Standards (IFRS).

NOTE 2 BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Power Corporation as at March 31, 2015 have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (IAS 34) using the same accounting policies, which are consistent with IFRS as set out in Note 2 to the consolidated financial statements of the Corporation for the year ended December 31, 2014. These financial statements should be read in conjunction with the Corporation's consolidated financial statements and notes thereto for the year ended December 31, 2014.

Certain March 31, 2014 comparative figures in these financial statements have been restated for the prior period adjustment disclosed in Note 33 to the Corporation's December 31, 2014 consolidated financial statements. For the three months ended March 31, 2014 this adjustment resulted in a decrease to other comprehensive income of \$8 million (\$4 million attributable to common shareholders) as a result of unrealized foreign exchange losses on translation of foreign operations. This adjustment had no impact on the net earnings or earnings per share for the periods presented within these financial statements.

NOTE 2 BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**BASIS OF PRESENTATION**

The financial statements include the accounts of Power Corporation and all its subsidiaries on a consolidated basis after elimination of intercompany transactions and balances. Subsidiaries are entities the Corporation controls which means that the Corporation has power over the entity, it is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its use of power over the entity. Subsidiaries of the Corporation are consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continue to be consolidated until the date that such control ceases. The Corporation will reassess whether or not it controls an entity if facts and circumstances indicate there are changes to one or more of the elements of control listed above.

The principal subsidiaries of the Corporation, whose accounts are included on a consolidated basis, are:

- ▶ Power Financial Corporation, a public company (Power Financial) (interest of 65.6% (2014 – 65.7%)).
 - Power Financial holds a controlling interest in Great-West Lifeco Inc., a public company (direct interest of 67.1% (2014 – 67.2%)), whose major operating subsidiary companies are The Great-West Life Assurance Company, Great-West Life & Annuity Insurance Company, London Life Insurance Company, The Canada Life Assurance Company, Irish Life Group Limited and Putnam Investments, LLC.
 - Power Financial also holds a controlling interest in IGM Financial Inc., a public company (direct interest of 59.1% (2014 – 58.8%)), whose major operating subsidiary companies are Investors Group Inc. and Mackenzie Financial Corporation.
 - The Great-West Life Assurance Company holds 3.7% (2014 – 3.7%) of the common shares of IGM Financial Inc., and IGM Financial Inc. holds 4.0% (2014 – 4.0%) of the common shares of Great-West Lifeco Inc.
- ▶ Square Victoria Communications Group Inc. (direct interest of 100% (2014 – 100%)), whose major operating subsidiary companies are Gesca Ltée and Square Victoria Digital Properties Inc.; and
- ▶ Power Energy Corporation (interest of 100% (2014 – 100%)), whose major operating subsidiary is Potentia Solar Inc. (interest of 62.8% (2014 – 62.8%)).

These financial statements of Power Corporation include the results of Power Financial Corporation, Great-West Lifeco Inc. and IGM Financial Inc. on a consolidated basis; the amounts shown in the consolidated balance sheets, consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows are based upon the publicly disclosed consolidated financial statements of Power Financial Corporation, Great-West Lifeco Inc. and IGM Financial Inc., all as at and for the three months ended March 31, 2015, and the comparative period. The notes to Power Corporation's financial statements are based upon the notes to the financial statements of Power Financial Corporation, Great-West Lifeco Inc. and IGM Financial Inc.

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

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

NOTE 2 BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

In the preparation of the financial statements, the management of the Corporation and the management of its subsidiaries are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Areas where significant judgments, estimates and assumptions have been made by the management of the Corporation and the management of its subsidiaries are further described in the relevant accounting policies as described in the Corporation's financial statements and notes thereto for the year ended December 31, 2014.

FUTURE ACCOUNTING CHANGES

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

IFRS 9 – Financial Instruments

In July 2014 the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurements*, the current standard for accounting for financial instruments. The standard was completed in three separate phases:

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

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

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which provides a single model for entities to use in accounting for revenue arising from contracts with customers. The model requires an entity to recognize revenue as the goods or services are transferred to customers in an amount that reflects the expected consideration. The revenue recognition requirements in IFRS 15 do not apply to the revenue arising from insurance contracts, leases and financial instruments.

The IASB has tentatively approved to defer the current effective date of January 1, 2017 to annual periods beginning on or after January 1, 2018. The Corporation and its subsidiaries are evaluating the impact of the adoption of this standard.

NOTE 3 INVESTMENTS

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

	March 31, 2015		December 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated as fair value through profit or loss	80,825	80,825	77,790	77,790
Classified as fair value through profit or loss	1,934	1,934	2,167	2,167
Available for sale	13,743	13,743	10,804	10,804
Loans and receivables	14,016	15,975	13,178	14,659
	110,518	112,477	103,939	105,420
Mortgage loans				
Loans and receivables	27,795	29,922	27,199	29,016
Designated as fair value through profit or loss	406	406	366	366
	28,201	30,328	27,565	29,382
Shares				
Designated as fair value through profit or loss	6,669	6,669	6,698	6,698
Available for sale	2,968	2,968	2,666	2,666
	9,637	9,637	9,364	9,364
Investment properties	4,943	4,943	4,613	4,613
Loans to policyholders	8,195	8,195	7,711	7,711
	161,494	165,580	153,192	156,490

NOTE 4 SEGREGATED FUNDS AND OTHER STRUCTURED ENTITIES

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

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

In circumstances where the segregated funds are invested in structured entities and are deemed to control the entity, Lifeco has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts in the assets and liabilities. The amounts presented within are \$1,223 million at March 31, 2015 (\$1,012 million at December 31, 2014).

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

NOTE 4 SEGREGATED FUNDS AND OTHER STRUCTURED ENTITIES (continued)**SEGREGATED FUNDS GUARANTEE EXPOSURE**

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

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

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

In Europe, Lifeco offers unitized with profits products, which are similar to segregated fund products, but with pooling of policyholders' funds and minimum credited interest rates.

Lifeco also offers guaranteed minimum withdrawal benefits products in Canada, the U.S. and Europe. The guaranteed minimum withdrawal benefits products offered by Lifeco offer levels of death and maturity guarantees. At March 31, 2015, the fair value of guaranteed minimum withdrawal benefits products in force in Canada, the U.S., Ireland and Germany was \$3,320 million (\$3,016 million at December 31, 2014).

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

	March 31, 2015			
	Investment deficiency by benefit type			
	Income	Maturity	Death	Total ⁽¹⁾
Canada	-	30	91	91
United States	1	-	45	46
Europe	418	58	88	503
Total	419	88	224	640

⁽¹⁾ A policy can only receive a payout for one of the three trigger events (income election, maturity, or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on March 31, 2015.

The investment deficiency measures the point-in-time exposure to a trigger event (i.e. income election, maturity, or death) assuming it occurred on March 31, 2015. The actual cost to Lifeco will depend on the trigger event having occurred and the fair values at that time. The actual claims before tax associated with these guarantees were approximately \$3 million for the first quarter of 2015, with the majority arising in the Europe segment.

For more detail on Lifeco's risk and guarantee exposure and the management of these risks, refer to "Risk Management and Control Practices" in the Lifeco section of the Corporation's 2014 annual Management's Discussion and Analysis.

NOTE 4 SEGREGATED FUNDS AND OTHER STRUCTURED ENTITIES (continued)

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

INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	March 31, 2015	December 31, 2014
Cash and cash equivalents	10,940	11,052
Bonds	41,365	37,912
Mortgage loans	2,565	2,508
Shares and units in unit trusts	74,249	68,911
Mutual funds	50,603	46,707
Investment properties	9,588	9,533
	189,310	176,623
Accrued income	392	364
Other liabilities	(3,492)	(3,033)
Non-controlling mutual fund interest	1,223	1,012
	187,433	174,966

INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	Three months ended March 31,	
	2015	2014
Balance, beginning of year	174,966	160,779
Additions (deductions):		
Policyholder deposits	5,016	6,310
Net investment income	231	265
Net realized capital gains on investments	1,593	1,160
Net unrealized capital gains on investments	7,810	2,462
Unrealized gains due to changes in foreign exchange rates	2,331	3,981
Policyholder withdrawals	(4,742)	(4,928)
Segregated fund investment in General Fund	(7)	(377)
General fund investment in Segregated Fund	(1)	-
Net transfer from General Fund	25	13
Non-controlling mutual fund interest	211	27
Other	-	(2)
	12,467	8,911
Balance, end of period	187,433	169,690

INVESTMENT INCOME ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	Three months ended March 31,	
	2015	2014
Net investment income	231	265
Net realized capital gains on investments	1,593	1,160
Net unrealized capital gains on investments	7,810	2,462
Unrealized gains due to changes in foreign exchange rates	2,331	3,981
Total	11,965	7,868
Change in insurance and investment contract liabilities on account of segregated fund policyholders	11,965	7,868
Net	-	-

NOTE 4 SEGREGATED FUNDS AND OTHER STRUCTURED ENTITIES (continued)**INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS** (by fair value hierarchy level)

	March 31, 2015			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ⁽¹⁾	122,857	56,993	10,575	190,425

⁽¹⁾ Excludes other liabilities, net of other assets, of \$2,992 million.

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ⁽¹⁾	112,189	54,942	10,390	177,521

⁽¹⁾ Excludes other liabilities, net of other assets, of \$2,555 million.

For the three months ended March 31, 2015 certain foreign equity holdings valued at \$2,230 million were transferred from Level 2 to Level 1 (\$2,234 million were transferred from Level 1 to Level 2 at December 31, 2014), based on Lifeco's ability to utilize observable, quoted prices in active markets.

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

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

	March 31, 2015	December 31, 2014
Balance, beginning of year	10,390	9,298
Total gains included in segregated fund investment income	210	782
Purchases	136	919
Sales	(161)	(603)
Transfers into Level 3	-	4
Transfers out of Level 3	-	(10)
Balance, end of period	10,575	10,390

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

NOTE 4 SEGREGATED FUNDS AND OTHER STRUCTURED ENTITIES (continued)**OTHER STRUCTURED ENTITIES**

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

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

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

NOTE 5 INSURANCE AND INVESTMENT CONTRACT LIABILITIES**INSURANCE AND INVESTMENT CONTRACT LIABILITIES**

March 31, 2015	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	154,494	5,187	149,307
Investment contract liabilities	868	-	868
	155,362	5,187	150,175
December 31, 2014	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	145,198	5,151	140,047
Investment contract liabilities	857	-	857
	146,055	5,151	140,904

NOTE 6 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, 2015		December 31, 2014	
	Number of shares	Stated capital	Number of shares	Stated capital
Non-Participating Shares				
First Preferred Shares				
Cumulative Redeemable				
1986 Series	430,578	22	450,578	23
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
		972		973
Participating Shares				
Participating Preferred Shares	48,854,772	27	48,854,772	27
Subordinate Voting Shares				
Balance, beginning of year	412,637,791	593	411,399,721	553
Issued under Stock Option Plan	1,251,657	50	1,238,070	40
Balance, end of period	413,889,448	643	412,637,791	593
Total Participating Shares		670		620

During the three months ended March 31, 2015, 20,000 cumulative redeemable First Preferred Shares, 1986 Series (nil for the three months ended March 31, 2014) were purchased for cancellation.

For the three months ended March 31, 2015, 1,251,657 Subordinate Voting Shares (334,000 for the three months ended March 31, 2014) were issued under the Corporation's Executive Stock Option Plan for a consideration of \$40 million (\$9 million for the three months ended March 31, 2014).

For the three months ended March 31, 2015, the dividend declared on the Corporation's participating shares amounted to \$0.29 per share (\$0.29 per share in 2014).

NOTE 7 SHARE-BASED COMPENSATION**STOCK OPTION PLAN**

Under Power Corporation's Executive Stock Option Plan, 26,542,556 Subordinate Voting Shares are reserved for issuance.

A summary of the status of Power Corporation's Executive Stock Option Plan as at March 31, 2015 and 2014, and changes during the periods ended on those dates is as follows:

	March 31, 2015		March 31, 2014	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
		\$		\$
Outstanding at beginning of year	19,201,545	28.73	19,033,611	28.44
Granted	1,257,651	33.81	-	-
Exercised	(1,251,657)	31.70	(334,000)	26.38
Forfeited	(35,000)	32.03	-	-
Outstanding at end of period	19,172,539	28.86	18,699,611	28.47
Options exercisable at end of period	11,979,282	28.68	11,501,582	29.12

The exercise price of the 19,172,282 outstanding options ranges from \$18.52 to \$40.70.

Compensation expense

During the first quarter of 2015, 1,257,651 options were granted (no options were granted in the first quarter of 2014) under the Corporation's Executive Stock Option Plan.

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

	March 31, 2015
Dividend yield	4.1%
Expected volatility	21.0%
Risk-free interest rate	1.1%
Expected life (years)	8
Fair value per stock option (\$/option)	\$3.67
Weighted-average exercise price (\$/option)	\$33.81

Power Financial, Lifeco and IGM have also established stock option plans pursuant to which options may be granted to certain officers and employees. In addition, other subsidiaries of the Corporation have established share-based compensation plans. Compensation expense is recorded based on the fair value of the options or the fair value of the equity investments at the grant date, amortized over the vesting period. For the three months ended March 31, 2015, total compensation expense relating to the stock options granted by the Corporation and its subsidiaries amounted to \$20 million (\$5 million in 2014).

NOTE 8 CAPITAL MANAGEMENT

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

- ▶ provide attractive long-term returns to shareholders of the Corporation;
- ▶ provide sufficient financial flexibility to pursue its growth strategy and invest in its group companies as it determines to be appropriate; 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 preferred shares, debentures and equity composed of stated capital, retained earnings and non-controlling interests. The Corporation utilizes perpetual preferred shares as a permanent and cost-effective source of capital. The Corporation is a long-term investor and as such holds positions in long-term investments as well as cash and short-term investments for liquidity purposes.

The Board of Directors of the Corporation and the boards of directors of its subsidiaries are responsible for their capital management. Management of the Corporation and its subsidiaries are responsible for establishing capital management procedures and for implementing and monitoring their capital plans. The Board of Directors of the Corporation and the boards of directors of its subsidiaries review and approve capital transactions such as issuance, redemption and repurchase of common shares, perpetual preferred shares and debentures.

The Corporation itself is not subject to externally imposed regulatory capital requirements. Certain of the Corporation's major operating subsidiaries (Lifeco and IGM) 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.

NOTE 8 CAPITAL MANAGEMENT (continued)

In Canada, the Office of the Superintendent of Financial Institutions has established a capital adequacy measurement for life insurance companies incorporated under the *Insurance Companies Act* (Canada) and their subsidiaries, known as the Minimum Continuing Capital and Surplus Requirements (MCCSR). As at March 31, 2015, the MCCSR ratio for Great-West Life was 222% (224% at December 31, 2014).

Other foreign operations and foreign subsidiaries of Lifeco are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2014, Lifeco maintained capital levels above the minimum local regulatory requirements in each of its other foreign operations.

IGM FINANCIAL

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

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

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

NOTE 9 RISK MANAGEMENT

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

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

This note 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 income tax rates and other market factors;
- ▶ interactions among these factors and assumptions when more than one changes; and
- ▶ the general limitations of internal models.

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

NOTE 9 RISK MANAGEMENT (continued)**POWER CORPORATION AND POWER FINANCIAL**

Information related to risk in this section relates to Power Corporation, Power Financial and other subsidiaries, but excludes information related to Lifeco and IGM, which are discussed further in this note.

Liquidity risk

Power Corporation is a holding company. As such, corporate cash flows are principally made up of dividends received from its subsidiaries, and income from investments, less operating expenses, financing charges, income taxes and payment of dividends to its participating and non-participating shareholders. The dividends received from Power Financial, which is also a holding company, represent a significant component of Power Corporation's corporate cash flows. The ability of Power Financial's subsidiaries and jointly controlled corporation (Lifeco, IGM and Parjointco), which are also holding companies, to meet their obligations and pay dividends is dependent upon receipt of dividends from their subsidiaries.

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

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

Credit risk

Fixed income securities and derivatives are subject to credit risk. Power Corporation and Power Financial mitigate credit risk on their fixed income securities by adhering to an investment policy that outlines credit risk parameters and concentration limits.

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

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

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

NOTE 9 RISK MANAGEMENT (continued)**Market risk***a) Currency risk*

Power Corporation and Power Financial's financial instruments are comprised of cash and cash equivalents, fixed income securities, other investments (consisting of securities, investment funds and hedge funds) and long-term debt. In managing their own cash and cash equivalents, and fixed-income securities, Power Corporation and Power Financial may hold cash balances denominated in foreign currencies and thus be exposed to fluctuations in exchange rates. In order to protect against such fluctuations, Power Corporation and Power Financial may from time to time enter into currency-hedging transactions with highly rated financial institutions. As at March 31, 2015, approximately 70% of Power Corporation, Power Financial and other subsidiaries' cash and cash equivalents, and fixed income securities were denominated in Canadian dollars or in foreign currencies with currency hedges in place.

Most of Power Corporation's other investments are classified as available for sale. Therefore unrealized gains and losses on these investments, resulting from foreign exchange rate variations, are recorded in other comprehensive income until realized. As at March 31, 2015, the impact of a 5% decrease in foreign exchange rates would have been a \$119 million unrealized loss recorded in other comprehensive income. Power Corporation's and Power Financial's long-term debt does not have exposure to currency risk. Other subsidiaries of the Corporation have long-term debt denominated in foreign currencies. Unrealized gains or losses on the long-term debt resulting from foreign exchange variations are recorded in other comprehensive income.

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

b) Interest rate risk

Power Corporation and Power Financial's financial instruments are cash and cash equivalents, fixed income securities, other investments and long-term debt that do not have significant exposure to interest rate risk.

c) Equity price risk

Power Corporation and Power Financial's financial instruments are cash and cash equivalents, fixed income securities, other investments and long-term debt. Power Corporation's other investments are classified as available for sale, therefore unrealized gains and losses on these investments are recorded in other comprehensive income until realized. Other investments are reviewed periodically to determine whether there is objective evidence of an impairment in value.

For the three months ended March 31, 2015, no investment impairment charge was recorded by the Corporation (\$5 million in 2014). As at March 31, 2015, the impact of a 5% decrease in the value of other investments would have been an approximate \$110 million unrealized loss recorded in other comprehensive income.

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

NOTE 9 RISK MANAGEMENT (continued)**LIFECO**

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

Liquidity risk

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

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

Credit risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. No significant changes have occurred from the year ended December 31, 2014.

Market risk*a) Currency risk*

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

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

b) Interest rate risk

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

NOTE 9 RISK MANAGEMENT (continued)

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

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

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

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

Another way of measuring the interest rate risk associated with this assumption is to determine the effect on the insurance and investment contract liabilities impacting the shareholders' earnings of Lifeco of a 1% change in Lifeco's view of the range of interest rates to be covered by these provisions:

- ▶ The effect of an immediate 1% increase in the low and high end of the range of interest rates recognized in the provisions would be to decrease these insurance and investment contract liabilities by approximately \$93 million, causing an increase in net earnings of approximately \$55 million.
- ▶ The effect of an immediate 1% decrease in the low and high end of the range of interest rates recognized in the provisions would be to increase these insurance and investment contract liabilities by approximately \$634 million, causing a decrease in net earnings of approximately \$431 million.

c) Equity price risk

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

The risks associated with segregated fund guarantees have been mitigated through a hedging program for lifetime Guaranteed Minimum Withdrawal Benefit guarantees using equity futures, currency forwards, and interest rate derivatives. For policies with segregated fund guarantees, Lifeco generally determines insurance contract liabilities at a conditional tail expectation of 75 (CTE75) level.

Some insurance and investment contract liabilities are supported by investment properties, common stocks and private equities, for example, segregated fund products and products with long-tail cash flows. Generally these liabilities will fluctuate in line with equity values. There will be additional impacts on these liabilities as equity values fluctuate. A 10% increase in equity values would be expected to additionally decrease non-participating insurance and investment contract liabilities by approximately \$39 million, causing an increase in net earnings of approximately \$32 million. A 10% decrease in equity values would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately \$151 million, causing a decrease in net earnings of approximately \$130 million.

NOTE 9 RISK MANAGEMENT (continued)

The best estimate return assumptions for equities are primarily based on long-term historical averages. Changes in the current market could result in changes to these assumptions and will impact both asset and liability cash flows. A 1% increase in the best estimate assumption would be expected to decrease non-participating insurance contract liabilities by approximately \$483 million, causing an increase in net earnings of approximately \$380 million. A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately \$512 million, causing a decrease in net earnings of approximately \$398 million.

IGM FINANCIAL

The risk management policies and procedures of IGM are discussed further in the IGM section of the Corporation's Management's Discussion and Analysis of the first quarter of 2015, and have not changed significantly since December 31, 2014. Certain risks have been outlined below:

Liquidity risk

IGM's liquidity management practices include: controls over liquidity management processes; stress testing of various operating scenarios; and oversight over liquidity management by committees of the board of directors of IGM.

A key liquidity requirement for IGM is the funding of commissions paid on the sale of investment funds. Commissions on the sale of investment funds continue to be paid from operating cash flows.

IGM also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage banking operations, residential mortgages are sold or securitized to:

- ▶ Investors Mortgage and Short Term Income Fund and Investors Canadian Corporate Bond Fund;
- ▶ Third parties, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank-sponsored securitization trusts; or
- ▶ Institutional investors through private placements.

Certain subsidiaries of IGM are approved issuers of National Housing Act Mortgage-Backed Securities (NHA MBS) and approved sellers into the Canada Mortgage Bond Program (CMB Program). This issuer and seller status provides IGM with additional funding sources for residential mortgages. IGM's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions that are subject to change. A condition of the NHA MBS and CMB Programs is that securitized loans be insured by an insurer that is approved by CMHC. The availability of mortgage insurance is dependent upon market conditions that are subject to change.

Credit risk

IGM's cash and cash equivalents, securities holdings, mortgage portfolios, and derivatives are subject to credit risk. IGM monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

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

NOTE 9 RISK MANAGEMENT (continued)

Market risk*a) Currency risk*

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

b) Interest rate risk

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

The objective of IGM's asset and liability management is to control interest rate risk related to its intermediary operations by actively managing its interest rate exposure. As at March 31, 2015, the total gap between deposit assets and liabilities was within IGM's trust subsidiaries' stated guidelines.

IGM's exposure to and management of interest rate risk has not changed materially since December 31, 2014.

c) Equity price risk

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

NOTE 10 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,	
	2015	2014 ⁽¹⁾
Pension plans		
Service costs	61	48
Net interest cost	12	6
	73	54
Post-employment benefits		
Service costs	2	1
Net interest cost	5	6
	7	7
Expense recognized in net earnings	80	61
Remeasurements		
Pension plans		
Actuarial losses ⁽²⁾	613	309
Return on assets greater than discount rate	(475)	(150)
Change in the asset ceiling	85	(7)
Post-employment benefits		
Actuarial losses ⁽²⁾	24	25
Expense recognized in other comprehensive income	247	177
Total expense	327	238

⁽¹⁾ The Corporation reclassified certain 2014 comparative figures for presentation adjustments made in 2015.

⁽²⁾ Actuarial losses related to the pension plans and other post-employments benefits for the three months ended March 31, 2015 are due to a decrease in discount rates since December 31, 2014.

NOTE 11 INCOME TAXES**INCOME TAX EXPENSE**

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

	Three months ended March 31,	
	2015	2014
Current taxes	189	139
Deferred taxes	88	88
	277	227

EFFECTIVE INCOME TAX RATE

The overall effective income tax rate for the Corporation for the three months ended March 31, 2015 was 22.7%, compared to 19.3% for the full year 2014 and 23.3% for the three months ended March 31, 2014. The effective income tax rates are generally lower than the Corporation's statutory income tax rate of 26.5% due to benefits related to non-taxable investment income, lower tax in foreign jurisdictions and income from the jointly controlled corporations and associates which is not taxable.

The effective income tax rate for the three months ended March 31, 2015 is higher than the full year 2014 effective income tax rate primarily due to a lower percentage of Lifeco's income consisting of non-taxable investment income and income subject to lower rates of income tax in foreign jurisdictions as well as an increase in reserves for uncertain tax positions of Lifeco.

DEFERRED TAX ASSETS

Deferred tax assets are recognized for deductible temporary differences and unused tax attributes only to the extent that realization of the related income tax benefit through future taxable earnings is probable.

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

The deferred tax assets of Lifeco include balances which are dependent on future taxable earnings while the relevant entities have incurred losses in either the current year or the preceding year. The aggregate deferred tax assets for the most significant entities where this applies is \$1,311 million as at March 31, 2015 (\$1,216 million as at December 31, 2014).

NOTE 12 OTHER COMPREHENSIVE INCOME

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		Total
	Available-for-sale assets and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gain (losses) on benefit plans	Share of jointly controlled corporations and associates	
Three months ended March 31, 2015						
Balance, beginning of year	582	597	158	(512)	(33)	792
Other comprehensive income (loss)	60	467	38	(88)	(2)	475
Other	-	-	-	49	-	49
Balance, end of period	642	1,064	196	(551)	(35)	1,316

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		Total
	Available-for-sale assets and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gain (losses) on benefit plans	Share of jointly controlled corporations and associates	
Three months ended March 31, 2014						
Balance, beginning of year	327	239	215	(207)	(15)	559
Other comprehensive income (loss) [Note 2]	72	265	143	(79)	(2)	399
Balance, end of period	399	504	358	(286)	(17)	958

NOTE 13 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,	
	2015	2014
Earnings		
Net earnings attributable to shareholders	367	255
Dividends on non-participating shares	(13)	(13)
Net earnings attributable to participating shareholders	354	242
Dilutive effect of subsidiaries	(1)	-
Net earnings adjusted for dilutive effect	353	242
Number of participating shares (millions)		
Weighted average number of participating shares outstanding - Basic	461.9	460.3
Potential exercise of outstanding stock options	2.1	1.8
Weighted average number of participating shares outstanding - Diluted	464.0	462.1
Net earnings per participating share		
Basic	0.77	0.53
Diluted	0.76	0.52

For the three months ended March 31, 2015, 4,336,704 stock options (4,444,053 in 2014) have been excluded from the computation of diluted earnings per share as they were anti-dilutive.

NOTE 14 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The following table presents the Corporation's financial assets and financial 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, 2014 financial statements and above. Fair values are 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 14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

					March 31, 2015
	Carrying value	Level 1	Level 2	Level 3	Total fair value
Financial assets recorded at fair value					
Bonds					
Fair value through profit or loss	82,759	-	82,670	89	82,759
Available for sale	13,743	-	13,742	1	13,743
Mortgage and other loans					
Fair value through profit or loss	406	-	406	-	406
Shares					
Fair value through profit or loss	6,669	6,608	8	53	6,669
Available for sale	2,406	1,289	2	1,115	2,406
Investment properties	4,943	-	-	4,943	4,943
Derivative instruments	659	1	658	-	659
Other assets	660	490	161	9	660
	112,245	8,388	97,647	6,210	112,245
Financial liabilities recorded at fair value					
Investment contract liabilities	868	-	839	29	868
Derivative instruments	1,959	1	1,907	51	1,959
Other liabilities	120	120	-	-	120
	2,947	121	2,746	80	2,947
					December 31, 2014
	Carrying value	Level 1	Level 2	Level 3	Total fair value
Financial assets recorded at fair value					
Bonds					
Fair value through profit or loss	79,957	-	79,871	86	79,957
Available for sale	10,804	-	10,803	1	10,804
Mortgage and other loans					
Fair value through profit or loss	366	-	366	-	366
Shares					
Fair value through profit or loss	6,698	6,672	7	19	6,698
Available for sale	2,106	1,155	2	949	2,106
Investment properties	4,613	-	-	4,613	4,613
Derivative instruments	693	1	692	-	693
Other assets	421	278	143	-	421
	105,658	8,106	91,884	5,668	105,658
Financial liabilities recorded at fair value					
Investment contract liabilities	857	-	829	28	857
Derivative instruments	1,228	4	1,198	26	1,228
Other liabilities	16	16	-	-	16
	2,101	20	2,027	54	2,101

There was no significant transfer between Level 1 and Level 2 in the periods.

NOTE 14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table presents additional information about financial assets and financial liabilities measured at fair value on a recurring basis for which the Corporation and its subsidiaries have utilized Level 3 inputs to determine fair value for the three months ended March 31, 2015 and 2014.

Three months ended March 31, 2015	Bonds		Shares		Investment properties	Derivatives, net	Other assets (liabilities)	Investment contract liabilities	Total
	Fair value through profit or loss	Available for sale	Fair value through profit or loss	Available for sale					
Balance, beginning of year	86	1	19	949	4,613	(26)	-	(28)	5,614
Total gains (losses)									
In net earnings	3	-	5	1	55	(28)	-	-	36
In other comprehensive income ⁽¹⁾	-	-	-	55	99	-	3	-	157
Purchases	-	-	31	79	180	1	-	-	291
Sales	-	-	-	(5)	(4)	-	-	-	(9)
Settlements	-	-	-	-	-	2	-	-	2
Other	-	-	-	36	-	-	-	(1)	35
Transfers into Level 3 ⁽²⁾	-	-	-	-	-	-	6	-	6
Transfers out of Level 3 ⁽³⁾	-	-	(2)	-	-	-	-	-	(2)
Balance, end of period	89	1	53	1,115	4,943	(51)	9	(29)	6,130

Three months ended March 31, 2014	Bonds		Shares		Investment properties	Derivatives, net	Other assets (liabilities)	Investment contract liabilities	Total
	Fair value through profit or loss	Available for sale	Fair value through profit or loss	Available for sale					
Balance, beginning of year	333	24	26	829	4,288	(16)	21	(30)	5,475
Total gains (losses)									
In net earnings	27	-	-	3	90	(13)	-	-	107
In other comprehensive income ⁽¹⁾	-	1	-	34	128	-	-	-	163
Purchases	-	-	-	12	33	1	-	-	46
Sales	-	-	(4)	(16)	(58)	-	(21)	-	(99)
Settlements	(20)	(1)	-	-	-	5	-	-	(16)
Other									
Transfers out of Level 3 ⁽³⁾	-	-	(1)	-	-	-	-	-	(1)
Balance, end of period	340	24	21	862	4,481	(23)	-	(30)	5,675

⁽¹⁾ Amount of other comprehensive income for investment properties represents the unrealized gains on foreign exchange.

⁽²⁾ Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or financial assets previously recorded at cost being remeasured at fair value using recent market transactions.

⁽³⁾ Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual funds and segregated funds.

NOTE 14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 3.5% – 10.3%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 5.3% – 8.3%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.6%	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.
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 15 LEGAL PROVISIONS AND CONTINGENT LIABILITIES

On April 15, 2015 the United States Court of Appeals for the Second Circuit issued its decision in the second civil litigation matter involving a subsidiary of Lifeco, Putnam Advisory Company, LLC. The decision overturned the dismissal of the action and remanded the matter for further proceedings.

NOTE 16 SUBSEQUENT EVENT

Subsequent to March 31, 2015, the Corporation disposed of all of its interest in CITIC Limited for proceeds of \$363 million, which represents a gain of \$142 million.

NOTE 17 SEGMENTED INFORMATION

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

- ▶ Lifeco is a financial services holding company with subsidiaries offering life insurance, health insurance, retirement and investment management services and engaged in the asset management and reinsurance businesses primarily in Canada, the United States and Europe.
- ▶ IGM Financial is a financial services company operating in Canada primarily within the advice segment of the financial services market. IGM earns revenues from a range of sources, but primarily from management fees, which are charged to its mutual funds for investment advisory and management services. IGM also earns revenues from fees charged to its mutual funds for administrative services.
- ▶ Pargesa is held through Parjointco. Pargesa is a holding company with diversified interests in Europe-based companies active in various sectors: minerals-based specialty solutions for industry; cement, aggregates and concrete; oil, gas and alternative energies; testing, inspection and certification; wines and spirits; and electricity, natural gas, and energy and environmental services.

The column entitled "Corporate" is comprised of corporate activities of Power Financial and also includes consolidation elimination entries.

The column entitled "Other" is comprised of corporate and investment activities of Power Corporation. It includes the results of the following subsidiaries; Square Victoria Communications Group, Power Energy, IntegraMed and Les Délices des 7 Vallées. It also includes consolidation elimination entries.

The accounting policies of the operating segments are those described in Note 2 – Basis of Presentation and Summary of Significant Accounting Policies of the financial statements of the Corporation for the year ended December 31, 2014.

The Corporation evaluates the performance based on the operating segment's contribution to net earnings. The contribution to net earnings of each segment is calculated after taking into account the investment Lifeco and IGM have in each other.

NOTE 17 SEGMENTED INFORMATION (continued)**INFORMATION ON CONTRIBUTION TO NET EARNINGS**

Three months ended March 31, 2015	Power Financial					Other	Total
	Lifeco	IGM	Pargesa	Corporate	Sub-total		
Revenues							
Premium income, net	6,932	-	-	-	6,932	-	6,932
Investment income, net	4,489	55	-	(21)	4,523	47	4,570
Fee income	1,258	706	-	(50)	1,914	-	1,914
Other revenues	-	-	-	-	-	216	216
Total revenues	12,679	761	-	(71)	13,369	263	13,632
Expenses							
Total paid or credited to policyholders	9,889	-	-	-	9,889	-	9,889
Commissions	515	267	-	(45)	737	-	737
Operating and administrative expenses	1,205	213	-	12	1,430	267	1,697
Financing charges	77	23	-	4	104	11	115
Total expenses	11,686	503	-	(29)	12,160	278	12,438
Earnings before investments in jointly controlled corporations and associates, and income taxes	993	258	-	(42)	1,209	(15)	1,194
Share of earnings of investments in jointly controlled corporations and associates	-	-	27	-	27	(2)	25
Earnings before income taxes	993	258	27	(42)	1,236	(17)	1,219
Income taxes	224	55	-	1	280	(3)	277
Contribution to net earnings	769	203	27	(43)	956	(14)	942
Attributable to							
Non-controlling interests	459	125	9	(13)	580	(5)	575
Non-participating shareholders	-	-	-	-	-	13	13
Participating shareholders	310	78	18	(30)	376	(22)	354
	769	203	27	(43)	956	(14)	942

NOTE 17 SEGMENTED INFORMATION (continued)**INFORMATION ON CONTRIBUTION TO NET EARNINGS**

Three months ended March 31, 2014	Power Financial					Other	Total
	Lifeco	IGM	Pargesa	Corporate	Sub-total		
Revenues							
Premium income, net	5,267	-	-	-	5,267	-	5,267
Investment income, net	3,611	41	-	(24)	3,628	7	3,635
Fee income	1,059	674	-	(44)	1,689	-	1,689
Other revenues ⁽¹⁾	-	-	-	-	-	166	166
Total revenues	9,937	715	-	(68)	10,584	173	10,757
Expenses							
Total paid or credited to policyholders	7,489	-	-	-	7,489	-	7,489
Commissions	505	243	-	(44)	704	-	704
Operating and administrative expenses	1,056	196	-	17	1,269	213	1,482
Financing charges	76	23	-	4	103	10	113
Total expenses	9,126	462	-	(23)	9,565	223	9,788
Earnings before investments in jointly controlled corporations and associates, and income taxes	811	253	-	(45)	1,019	(50)	969
Share of earnings of investments in jointly controlled corporations and associates	-	-	10	-	10	(5)	5
Earnings before income taxes	811	253	10	(45)	1,029	(55)	974
Income taxes	173	56	-	1	230	(3)	227
Contribution to net earnings	638	197	10	(46)	799	(52)	747
Attributable to							
Non-controlling interests	379	121	3	(12)	491	1	492
Non-participating shareholders	-	-	-	-	-	13	13
Participating shareholders	259	76	7	(34)	308	(66)	242
	638	197	10	(46)	799	(52)	747

⁽¹⁾ Other revenues were previously presented within line Fee income.

INFORMATION ON TOTAL ASSETS

March 31, 2015	Power Financial					Other	Total
	Lifeco	IGM	Pargesa	Corporate	Sub-total		
Invested assets (including cash and cash equivalents)	154,578	8,223	-	843	163,644	3,108	166,752
Investments in jointly controlled corporations and associates	235	-	2,524	-	2,759	104	2,863
Other assets	29,024	822	-	52	29,898	624	30,522
Goodwill and intangible assets	10,123	4,743	-	-	14,866	496	15,362
Investments on account of segregated fund policyholders	187,433	-	-	-	187,433	-	187,433
Total assets	381,393	13,788	2,524	895	398,600	4,332	402,932
December 31, 2014							
Invested assets (including cash and cash equivalents)	145,720	8,325	-	786	154,831	2,792	157,623
Investments in jointly controlled corporations and associates	237	-	2,440	-	2,677	141	2,818
Other assets	25,907	770	-	46	26,723	581	27,304
Goodwill and intangible assets	9,940	4,706	-	-	14,646	424	15,070
Investments on account of segregated fund policyholders	174,966	-	-	-	174,966	-	174,966
Total assets	356,770	13,801	2,440	832	373,843	3,938	377,781