Consolidated Financial Statements of

BMO Life Assurance Company

For the year ended October 31, 2025

Management Statement on Responsibility for Financial Reporting

The management of BMO Life Assurance Company (the Company) is responsible for preparation and presentation of the consolidated annual financial statements. The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), including the interpretations of IFRS by the Company's regulator, the Office of the Superintendent of Financial Institutions Canada (OSFI).

Preparation of consolidated financial information is an integral part of management's broader responsibilities for the ongoing operations of the Company. Management maintains an extensive system of internal accounting controls over transactions, assets and records. The adequacy of operation of the control systems is monitored on an ongoing basis by the internal audit department of the Company's parent, Bank of Montreal (BMO or the bank).

The Board of Directors of the Company is responsible for approving the consolidated annual financial statements. The Company's ultimate parent, BMO, has established an Audit and Conduct Review Committee, comprised of directors who are neither officers nor employees of the Company or its parent, who meet with management, internal auditors, the appointed actuary and external auditors, all of whom have unrestricted access and the opportunity to have private meetings with the Audit and Conduct Review Committee, to review the consolidated annual financial statements. The Audit and Conduct Review Committee then submits its report to the Board of Directors recommending its approval of the consolidated annual financial statements.

OSFI conducts a regular examination of the business and affairs of the Company to ensure that the provisions of the Insurance Companies Act (the Act) are being duly observed and the Company is in a sound financial condition.

The actuary is appointed by the Company's Board of Directors pursuant to the Act. The actuary's responsibility is to carry out an annual valuation of the Company's policy liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the Company's shareholder. In performing the valuation, the actuary makes assumptions as to the future investment returns, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Company and the insurance policies in-force. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion.

The external auditors have been appointed by the shareholder and policyholders pursuant to the Act. Their responsibility is to conduct an independent and objective audit of the consolidated financial statements of the Company in accordance with IFRS and report thereon to the Company's shareholder. In carrying out their audit, the auditors also make use of the work of the appointed actuary, including the report on the Company's policy liabilities. The auditors' report outlines the scope of their audit and their opinion.

Rohit Thomas
President and Chief Executive Officer

Linda Thorpe
Vice-President and Chief Financial Officer

Toronto, Canada
December 4, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Policyholders of
BMO Life Assurance Company

Opinion

We have audited the consolidated financial statements of BMO Life Assurance Company (the Entity), which comprise:

- the consolidated balance sheet as at October 31, 2025
- the consolidated statement of income for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in shareholders' equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at October 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

December 4, 2025

Opinion of the Appointed Actuary

To the Policyholders and Shareholder of BMO Life Assurance Company:

I have valued the policy liabilities and reinsurance recoverables of BMO Life Assurance Company for its consolidated balance sheet at October 31, 2025 and their changes in the consolidated statement of income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance recoverables makes appropriate provision for all policyholders' obligations and the consolidated financial statements fairly present the results of the valuation.

Timothy Cavallin
Fellow, Canadian Institute of Actuaries

Toronto, Canada
December 4, 2025

Consolidated Statement of Income

For the years ended October 31(Canadian $ in thousands)	**2025**	2024
Insurance revenue (Note 7)	**$ 1,449,559**	$ 1,332,124
Insurance service expenses (Note 16)	**(1,083,675)**	(991,644)
Net income (expenses) from reinsurance contracts held (Note 14)	**(38,085)**	(95,947)
Insurance service result	**327,799**	244,533
Interest revenue calculated using the effective interest rate method	**47,418**	39,706
Interest and other investment income (Note 8)	**593,649**	546,496
Change in fair value of investments	**241,768**	1,436,575
Investment return	**882,835**	2,022,777
Interest accretion	**(688,814)**	(686,903)
Effect of financial risk and change in financial risk	**(164,496)**	(1,225,285)
Net finance income (expenses) from insurance contracts	**(853,310)**	(1,912,188)
Interest accretion	**104,579**	81,221
Effect of financial risk and changes in financial risk	**29,991**	26,602
Net finance income (expenses) from reinsurance contracts held	**134,570**	107,823
Movement in investment contract liabilities (Note 13)	**(42,506)**	(116,658)
Net investment result excluding segregated funds	**121,589**	101,754
Investment income related to segregated fund net assets	**235,737**	293,878
Insurance finance expenses, segregated fund account balances	**(235,737)**	(293,878)
Segregated fund net investment and insurance finance result	**–**	–
Net financial result	**121,589**	101,754
Other revenues	**–**	–
Gain on sale (Note 21)	**48,764**	–
Other operating expenses (Note 16)	**(29,655)**	(16,837)
Net income before income taxes	**468,497**	329,450
Income taxes (Note 18)		
Current tax expense	**(96,123)**	(19,481)
Deferred tax expense	**(32,668)**	(74,228)
Net income	**$ 339,706**	$ 235,741
Attributable to		
Participating policyholders' (Note 21)	**470**	945
Shareholder	**$ 339,236**	$ 234,796

The accompanying notes are an integral part of these consolidated financial statements.

BMO Life Assurance Company

Consolidated Statement of Comprehensive Income

For the years ended October 31(Canadian $ in thousands)		2025		2024
Net income	**$**	**339,706**	$	235,741
Other Comprehensive Income (Loss), net of taxes (Note 18)				
Items that may be subsequently reclassified to net income				
Net change in unrealized gains (losses) on fair value through OCI debt securities				
Unrealized gains (losses) on fair value through OCI debt securities arising during the year (1)		**7,086**		20,287
Reclassification to earnings of losses during the year (2)		**139**		133
		7,225		20,420
Net gains (losses) on translation of net foreign operations				
Unrealized gains (losses) on translation of net foreign operations		**(101)**		1
		(101)		1
Items that will not be subsequently reclassified to net income				
Unrealized gains (losses) on remeasurement of own credit risk on financial liabilities designated at fair value (3)		**20,248**		(24,002)
		20,248		(24,002)
Total Accumulated Other Comprehensive Income		**27,372**		(3,581)
Total Comprehensive Income	**$**	**367,078**	$	232,160
Attributable to:				
Participating policyholders' (Note 21)		**470**		945
Shareholder		**366,608**		231,215
Total Comprehensive Income	**$**	**367,078**	$	232,160

(1) Net of income tax provision of $2,716 and $7,784 for the years ended 2025 and 2024, respectively.
(2) Net of income tax recovery of $53 and $51 for the years ended 2025 and 2024, respectively.
(3) Net of income tax provision of $7,761 and recovery of $9,209 for the years ended 2025 and 2024, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

BMO Life Assurance Company

Consolidated Balance Sheet

As at October 31 (Canadian $ in thousands)		2025		2024
Assets				
Cash and cash equivalents (Note 3)	**$**	**267,047**	$	264,387
Interest bearing deposits with banks (Note 3)		**30,545**		14,358
		297,592		278,745
Investments (Note 4)				
Securities		**14,146,539**		12,772,597
Investment properties		**1,501,111**		1,497,577
Mortgages and Loans		**471,721**		622,058
Derivative assets		**12,699**		23,827
		16,132,070		14,916,059
Accrued investment income		**146,669**		141,216
Insurance contract assets (Note 12)		**11,292**		883
Reinsurance contracts held assets (Note 14)		**3,074,005**		2,551,628
Other assets (Note 11)		**44,105**		38,336
Premises and equipment (Note 9)		**4,670**		5,507
Current tax receivable		**14,678**		80,832
Deferred tax assets (Note 18)		**208,699**		241,362
Intangible assets (Note 10)		**21,310**		23,048
Insurance Contract assets for Segregated Fund account balances (Note 4)		**2,142,200**		1,753,854
		5,667,628		4,836,666
Total Assets		**22,097,290**		20,031,470
Liabilities				
Insurance contract liabilities (Note 12)		**16,655,173**		15,411,558
Reinsurance contracts held liabilities (Note 14)		**373,877**		387,170
Investment contract liabilities (Note 13)		**1,044,880**		943,120
Mortgage loans (Note 17)		**71,663**		74,095
Accounts payable and other liabilities (Note 17)		**130,817**		75,479
Due to related parties (Note 15)		**8,206**		6,808
Derivative liabilities (Note 4)		**224,092**		147,768
Insurance Contract liabilities for Segregated Fund account balances (Note 4)		**2,142,200**		1,753,854
Total Liabilities	**$**	**20,650,908**	$	18,799,852
Equity				
Capital stock (Note 20)		**42,716**		42,716
Contributed surplus		**419,716**		422,030
Retained earnings		**992,321**		802,615
Accumulated other comprehensive income		**(8,371)**		(35,743)
Shareholder's Equity		**1,446,382**		1,231,618
Participating accounts (Note 21)		**—**		—
Total Liabilities and Equity	**$**	**22,097,290**	$	20,031,470

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

Director

Director

BMO Life Assurance Company

Consolidated Statement of Changes in Shareholder's Equity

For the year ended October 31 (Canadian $ in thousands)	2025	2024
Capital Stock		
Balance, beginning and end of year (Note 20)	**$ 42,716**	$ 42,716
Contributed Surplus		
Balance, beginning and end of year	**422,030**	422,030
Part VI.1 Tax allocation (Note 15)	**(2,314)**	—
Balance, end of year	**419,716**	422,030
Retained Earnings		
Balance, beginning and end of year	**802,615**	616,874
Net income attributable to shareholder	**339,236**	234,796
Dividends - common shares (Note 20)	**(150,000)**	(50,000)
Transfer from participating accounts (Note 21)	**470**	945
Balance, end of year	**992,321**	802,615
Accumulated other comprehensive income		
Accumulated Other Comprehensive (Loss) on Fair Value through OCI Securities, net of taxes (Note 18)		
Balance at beginning of year	**(17,823)**	(38,243)
Unrealized (losses) on fair value through OCI debt securities arising during the year	**7,086**	20,287
Reclassification to earnings of (gains) during the year	**139**	133
Balance at End of Year	**(10,598)**	(17,823)
Accumulated Other Comprehensive Income (Loss) on Translation of Net Foreign Operations, net of taxes (Note 18)		
Balance at beginning of year	**1**	—
Unrealized gains (losses) on Translation of Net Foreign Operations	**(101)**	1
Balance at End of Year	**(100)**	1
Accumulated Other Comprehensive Income (Loss) on Own Credit Risk on Financial Liabilities Designated at Fair Value, net of taxes (Note 18)		
Balance at beginning of year	**(17,921)**	6,081
Gains (losses) on remeasurement of own credit risk on financial liabilities designated at fair value	**20,248**	(24,002)
Balance at End of Year	**2,327**	(17,921)
Total Accumulated Other Comprehensive Income	**(8,371)**	(35,743)
Total Shareholder's Equity	**1,446,382**	1,231,618
Participating Accounts (Note 21)		
Balance at beginning of year	**—**	—
Participating policyholders' income (loss)	**470**	945
Transferred to retained earnings	**(470)**	(945)
Balance at End of Year	**—**	—
Total Equity	**1,446,382**	1,231,618

The accompanying notes are an integral part of these consolidated financial statements.

BMO Life Assurance Company

Consolidated Statement of Cash Flows

For the Year Ended October 31 (Canadian $ in thousands)	2025	2024
Cash Flows from (Used in) Operating Activities		
Net Income	**$ 339,706**	$ 235,741
Items not affecting cash		
Gain on investments	**(362,800)**	(1,366,117)
Amortization of intangibles, premises and equipment	**10,897**	7,593
Premium amortization on investments	**(8,302)**	(7,378)
Deferred taxes	**32,663**	74,228
Provision for credit losses	**402**	610
Changes in operating assets and liabilities		
Accrued investment income	**(5,453)**	(15,064)
Other assets	**(5,769)**	3,361
Insurance contract liabilities, net	**1,233,206**	3,508,505
Reinsurance contracts held liabilities, net	**(535,670)**	(1,063,969)
Investment contract liabilities, net	**131,902**	238,971
Mortgage loans	**(2,432)**	(19,202)
Other liabilities	**56,735**	26,159
Income and other taxes, net	**63,385**	(77,977)
Derivatives liabilities, net	**87,452**	(67,638)
Net cash Provided by (Used in) Operating Activities	**1,035,922**	1,477,823
Cash Flows from (Used in) Financing Activities		
Cash dividends paid	**(150,000)**	(50,000)
Part VI.1 Tax allocation	**(2,314)**	—
Net Cash Provided by (Used in) Financing Activities	**(152,314)**	(50,000)
Cash Flows from (Used in) Investing Activities		
Interest bearing deposits with banks	**(16,187)**	149
Investments sold or matured	**4,413,064**	4,288,369
Investments acquired	**(5,269,503)**	(5,532,824)
Intangible, premises and equipment acquired	**(8,322)**	(9,177)
Net Cash Provided by (Used in) Investing Activities	**(880,948)**	(1,253,483)
Net Increase (decrease) in cash and cash equivalents	**2,660**	174,340
Cash and Cash Equivalents, beginning of year	**264,387**	90,047
Cash and Cash Equivalents at End of year	**$ 267,047**	$ 264,387
Supplemental Cash Flow Information from Operating Activities		
Income taxes paid in the year	**$ 43,000**	$ 91,481
Interest paid in the year	**$ 2,636**	$ 2,914
Interest income received in the year	**$ 521,275**	$ 480,715
Dividend income received in the year	**$ 10,286**	$ 10,234

The accompanying notes are an integral part of these consolidated financial statements.

Note 1: Basis of Presentation

BMO Life Assurance Company (the Company) is a federally incorporated life insurance company in Canada and a wholly owned subsidiary of BMO Life Insurance Company. The Company's ultimate parent is BMO. The holding company, BMO Life Holdings (Canada), ULC., formerly the parent of BMO Assurance was dissolved during 2025 and the shares of BMO Assurance were transferred to BMO Life. The Company's operations cover the development and marketing of individual and group life, accident and health insurance, annuity and creditor business products in Canada. Our head office is located at 250 Yonge Street, Toronto, Ontario, M5B 2L7.

We have prepared these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). We also comply with interpretations of IFRS by our regulator, the Office of the Superintendent of Financial Institutions of Canada (OSFI). We are subject to the Insurance Companies Act (the Act) and regulation by OSFI and the Provincial Superintendents of Financial Institutions/Insurance in all Canadian provinces and territories.

Our consolidated financial statements have been prepared on a historic cost basis, except for the following items which are measured at fair value or on a current value basis at each reporting date: assets measured at fair value through profit or loss (FVTPL) or measured at fair value through other comprehensive income (FVOCI); financial instruments and investment contract liabilities designated at FVTPL; segregated fund assets; derivative financial instruments; investment property and insurance and reinsurance contracts held assets and liabilities.

These consolidated financial statements were authorized for issue by the Board of Directors on December 4, 2025.

Basis of Consolidation

The consolidated financial statements include the financial results of our interests in two structured entities, BMO First Canadian Capital Partners LP (the Funds), private equity funds which we consolidate as we control the Funds. We also established a branch in 2024, in Barbados that is consolidated into the Company's results. In 2025, the Company established a new subsidiary in Canada, BMO Insurance Solutions Inc. (BMOIS), to provide retail insurance services where the Company acts only as a brokerage. Our interest in these entities are fully described in Note 5.

All of the assets, liabilities, revenues and expenses of these subsidiaries are included in the consolidated financial statements. All intercompany transactions and balances have been eliminated.

Specific Accounting Policies

To facilitate a better understanding of our financial statements, we have disclosed our significant accounting policies throughout the following notes with the related financial disclosures by major caption:

Translation of Foreign Currencies

Foreign Currency Transactions

We conduct business in Canadian, Pound Sterling, and United States currencies and present our financial statements in Canadian dollars, which is our functional currency. Monetary assets and liabilities, as well as non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies, are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities not measured at fair value are translated into Canadian dollars at historical rates. Revenue and expenses denominated in foreign currencies are translated using the average exchange rate for the year. We conduct business in a variety of foreign currencies and present our consolidated financial statements in Canadian dollars, which is our functional currency. Monetary assets and liabilities, as well as non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies, are translated into Canadian dollars at the exchange rate in effect at the consolidated balance sheet date. Non-monetary assets and liabilities not measured at fair value are translated into Canadian dollars at historical rates. Revenues and expenses denominated in foreign currencies are translated using the average exchange rate for the year.

From time to time, we enter into foreign exchange hedge contracts to reduce our exposure to changes in the value of foreign currencies. Realized and unrealized gains and losses that arise on the mark-to-market of foreign exchange contracts related to economic hedges are included in investment income in our Consolidated Statement of Income.

Foreign currency differences arising on translation are generally recognized in consolidated statement of income. However, foreign currency differences arising from the translation of groups of insurance and reinsurance contracts held are recognized in Other Comprehensive Income (OCI) to the extent that the foreign currency differences relate to changes in the carrying amount of the groups recognized in OCI (Note 13). The amount included in OCI is the difference between the total foreign currency differences and the amount included in consolidated statement of income. The amount included in consolidated statement of income is the difference between the measurement of the group that is used to determine the insurance finance income and expenses in profit or loss in the year in the functional currency at the beginning of the year, adjusted for accreted interest and payments during the year, and the same measurement in the foreign currency translated at the exchange rate at the end of the year.

Unrealized gains and losses arising from translating our net investment in foreign operations into Canadian dollars, net of related hedging activities and applicable income taxes, are included in our Consolidated Statement of Comprehensive Income within net gains (losses) on translation of net foreign operations. When we dispose of a foreign operation such that control, significant influence or joint control is lost, the cumulative amount of the translation gain (loss) and any applicable hedging activities and related income taxes is reclassified to our Consolidated Statement of Income as part of the gain or loss on disposition.

Revenue

Revenue Comprises:

Insurance revenue
Insurance revenue is comprised of the release of expected fulfilment cash outflows, release of risk adjustment for risk expired in the period, the release of contractual service margin recognized related to coverage units earned in the period, and an allocation of acquisition costs. (see Note 7).

Interest income is calculated using the effective interest method. Interest income is recognized as it accrues and is calculated using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognized as an adjustment to the effective interest rate of the instrument. (see Note 8)

Investment income includes net realized and unrealized gains or losses on financial assets at FVTPL, derivatives, dividends on equity investments, and lease income. Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed equity securities. Rental income is recognized when it is due under the terms of the lease agreements. (see Note 8)

Insurance Contracts

Recognition, Measurement and Presentation of Insurance Contracts

IFRS 17, Insurance Contracts (IFRS 17) establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts held and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on our estimates of the present value of future cash flows that are expected to arise as we fulfil the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin (CSM).

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which we expect to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

All acquisition costs were recognized as expense as incurred for all products except for segregated funds. All insurance finance income and expenses are recognized in the consolidated income statement and presented separately from insurance revenue and insurance service expenses.

We apply premium allocation approach (PAA) to simplify the measurement of contracts in the Creditor insurance portfolios, given the short duration of these products. When measuring liabilities for remaining coverage, the PAA is similar to our previous accounting treatments. However, when measuring liabilities for incurred claims, we do not discount the future cash flows as they are expected to occur in one year or less from the date on which the claims are incurred.

Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts, if any, are recognized as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognized once the related contracts have been recognized.

Income and expenses from reinsurance contracts held other than insurance finance income and expenses are now presented as a single net amount in consolidated statement of income. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

For an explanation of how we account for insurance and reinsurance contracts held under IFRS 17, see Note 12.

Use of Estimates and Assumptions

The preparation of the consolidated financial statements requires management to use estimates and judgments that affect the carrying amounts of certain assets and liabilities, certain amounts reported in net income and other related disclosures.

The most significant estimates in the consolidated financial statements include: income taxes, investment valuation, reinsurance contracts held and insurance contract liabilities and provisions. Note 2 discusses the judgments made in determining fair value. If actual results were to differ from the estimates, the impact would be recorded in future periods.

The economic outlook is subject to several risks that could lead to a less favourable outcome for North America. The most immediate threats stems from a possible escalation of U.S. tariffs. Canadian businesses face longer-term risks if renegotiation of the United States-Mexico-Canada Agreement is unsuccessful, as significant tariffs could then apply to more goods exported to the U.S., rather than just a small fraction, likely leading to a recession in Canada. Other risks include an escalation of the Russia-Ukraine war or renewed in the Middle East. Substantial business spending on AI is providing crucial support to the economy, but also presents new risks for workers. While AI has not yet let to material job losses, it could increasingly influence hiring decisions and cause dramatic shifts in workforce composition, requiring unemployed individuals to learn new skills.

The impacts on our business, results of operations, reputation, financial performance and condition, including the potential for credit, counterparty and mark-to-market losses, and on our credit ratings and regulatory capital and liquidity ratios, as well as the impacts on our customers and competitors, will depend on future developments, which remain uncertain. By their very nature, the judgments and estimates we make for the purposes of preparing our consolidated financial statements relate to matters that are inherently uncertain. However, we have detailed policies and internal controls in place that are intended to ensure these judgments and estimates are well controlled, independently reviewed and our policies are consistently applied from period to period. We believe that our estimates of the value of our assets and liabilities are appropriate as at October 31, 2025. Revisions to accounting estimates are recognized in the year in which the estimates are revised and any future periods affected.

Information about assumptions and estimation uncertainties at that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Allowance for Credit Losses

The expected credit loss (ECL) model requires the recognition of credit losses generally based on 12 months of expected losses for performing loans and the recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination.

The determination of a significant increase in credit risk takes into account many different factors and varies by product and risk segment. The methodology for determining a significant increase in credit risk is based on the change in probability of default (PD) between origination and reporting date, assessed using probability-weighted scenarios, as well as certain other criteria, such as 30 days past due and watchlist status. The assessment of a significant increase in credit risk requires experienced credit judgment.

In determining whether there has been a significant increase in credit risk and in calculating the amount of ECL, we must rely on estimates and exercise judgment, based on what we know at the end of the reporting period, regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

The calculation of ECL includes the explicit incorporation of forecasts of future economic conditions. We have developed models incorporating specific macroeconomic variables that are relevant to each portfolio.

Forecasts are developed internally by our Economics group, considering external data and our view of future economic conditions. We exercise experienced credit judgment to incorporate multiple economic forecasts which are probability-weighted in the determination of the final ECL. The allowance is sensitive to changes in both economic forecasts and the probability weight assigned to each forecast scenario.

Additional information regarding the allowance for credit losses is included in Note 4.

Impairment of FVOCI Securities

We have investments in securities issued or guaranteed by Canadian and other governments, corporate debt, mortgage-backed securities and collateralized mortgage obligations, which are classified as FVOCI. These are assessed for impairment using ECL. For securities determined to have low credit risk the allowance for credit losses is measured at a 12 month ECL. A financial asset is considered to have a low credit risk if the financial asset has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

Additional information regarding our accounting for FVOCI investments, mortgages and loans and investment properties, and the determination of fair value, is included in Note 2.

Income Taxes and Deferred Tax Assets

The provision for income taxes is calculated based on the expected tax treatment of transactions recorded in our Consolidated Statements of Income or Changes in Equity. In determining the provision for income taxes, we interpret tax legislation in a variety of jurisdictions and make assumptions about the expected timing of the reversal of deferred tax assets and liabilities. If our interpretations and assumptions differ from those of tax authorities or if the timing of reversals is not as expected, our provision for income taxes could increase or decrease in future periods. The amount of any such increase or decrease cannot be reasonably estimated.

Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available in future periods against which deductible temporary differences may be utilized. We are required to assess whether it is probable that our deferred income tax assets will be realized. The factors used to assess the probability of realization are our past experience of income and capital gains, forecast of future net income before taxes, available tax planning strategies that could be implemented to realize the deferred income tax asset, and the remaining expiration period of tax loss carry forwards and tax credits. Changes in our assessment of these factors could increase or decrease our provision for income taxes in future periods.

Additional information regarding our accounting for income taxes is included in Note 18.

Recognition of Insurance and Reinsurance Contracts Held

Information regarding significant judgments and estimates for the following items is included in Note 12:

- aggregation and recognition of insurance and reinsurance contracts held.
- identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently.

- determining the techniques for estimating risk adjustments for non-financial risk, the quantity of benefits provided under a contract and determination of relative weighting of the benefits provided by insurance coverage and investment-related service or investment return service.

Measurement of Insurance and Reinsurance Contracts Held

Information about assumptions made in measuring insurance and reinsurance contracts held is included in Note 12. Changes in the following key assumptions may change the fulfilment cash flows materially during 2025. However, these changes would adjust the CSM and would not affect the carrying amounts of the contracts, unless they arise from onerous contracts or do not relate to future services:

- life and participating contracts: assumptions about future cash flows relating to mortality, morbidity, policyholder behaviour, participation percentages and crediting rates;
- all contracts: assumptions about discount rates, including any illiquidity premiums.

Additional information regarding insurance and reinsurance contracts held is included in Note 12.

Investment Contract Liabilities

We issue non-life contingent annuity contracts that do not transfer significant insurance risk, but do transfer financial risk from the policyholder to us. New contracts issued from 2023 onwards are classified at amortized cost, consistent with the investments supporting them. For contracts issued prior to 2023, these obligations are accounted for as investment contracts designated at FVTPL. The most significant impact on the valuation of this financial liability results from a change in the assumption for discount rates.

Additional information regarding investment contract liabilities is discussed in Note 13.

Provisions

We are involved in various legal actions in the ordinary course of business. Provisions are recorded at the best estimate of the amounts required to settle the obligations related to these legal actions as at the consolidated balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Factors considered in making the assessment includes: a case by case assessment of specific facts and circumstances, our past experience and the opinions of legal experts. Management and external experts are involved in estimating any provisions. The actual costs of resolving these claims may be substantially higher or lower than the amount of the provisions.

Additional information regarding provisions is included in Note 19.

Consolidation of Structured Entity

For the investment in the Funds, we exercise judgment in determining whether we control the Funds. Based on an assessment of our interests and rights, we have determined that we control the Funds. This is the case when we are a limited partner and not the general partner in the arrangement and our rights most significantly affect the returns of the Funds.

Future Changes in IFRS and Accounting Policies

Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments, which amended IFRS 9 Financial Instruments (IFRS9) and IFRS 7 Financial Instruments - Amendments. These amendments clarify how to assess the contractual cash flow characteristics of financial assets that include contingent features, and the treatment of non-recourse assets and contractually linked instruments. The amendments also introduce an accounting policy choice to derecognize certain financial instruments settled using an electronic payment system before the settlement date if certain conditions are met. The amendments will be effective for our fiscal year beginning November 1, 2026. To meet the requirements of the amendments, the Bank has established an enterprise-wide project and are currently evaluating the impact of adoption.

IFRS 18 Presentation and Disclosure in the Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18), which will replace IAS 1 Presentation of Financial Statements, and will be effective for our fiscal year beginning November 1, 2027. In order to meet the requirements of IFRS 18, the Bank has established an enterprise-wide project and are currently evaluating the impact of adoption. IFRS 18 will modify the formatting of our Consolidated Statement of Income with the presentation of income and expenses under three categories (operating, investing, and financing), based on our main business activities and the addition of certain new subtotals. IFRS 18 also requires that certain management performance measures be included as a note in our consolidated financial statements. We do not expect significant impacts on the presentation of items in our financial statements and will be evaluating the impact of adoption.

Note 2: Fair Value

We record securities within our investment portfolio, derivatives, segregated fund assets, investment properties and investment contract liabilities at fair value, and other non-trading assets and liabilities at amortized cost less allowances or write-downs for impairment. The fair values in this note are based upon the amounts estimated for individual assets and liabilities.

Fair value represents an estimate of the amount that we would receive or would be required to pay in the case of a liability in an orderly transaction between willing parties at the measurement date. The fair value amounts disclosed represent point-in-time estimates that may change in subsequent reporting periods due to changes in market conditions or other factors.

Some financial instruments are not typically exchangeable or exchanged and therefore it is difficult to determine their fair value. Where there is no quoted market price, we determine fair value using management's best estimates based on a range of valuation techniques and assumptions; since they involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the asset or liability.

Investment properties are recorded at fair value. Information about the fair value of investment properties and the valuation technique is disclosed in Note 4.

Governance over the Determination of Fair Value

Senior executive oversight over our valuation processes is provided through various valuation and risk committees. In order to ensure that all financial instruments carried at fair value are accurately and appropriately measured for risk management and financial reporting purposes, we have established governance structures and controls, such as model validation and approval, independent price verification (IPV), and profit or loss attribution analysis, consistent with industry practice.

We establish and regularly update valuation methodologies for each financial instrument that is required to be measured at fair value. The application of valuation models for products or portfolios is subject to independent approval to ensure only validated models are used. The impact of known limitations of models and data inputs is also monitored on an ongoing basis.

IPV is a process that regularly and independently verifies the accuracy and appropriateness of market prices or model inputs used in the valuation of financial instruments. This process assesses fair values using a variety of different approaches to verify and validate the valuations. PAA is a daily process used by management to identify and explain changes in fair value positions across all operating lines of business that works in concert with other processes to ensure that the fair values being reported are reasonable and appropriate.

Non-Financial Asset carried at Fair Value

Investment property
An investment property is a property held to earn rental income, for capital appreciation, or both. Investment properties are measured at fair value, with changes in fair value recognized in income. Fair value is determined using external appraisals that are based on the highest and best use of the property. The valuation techniques include discounted cash flows, the direct capitalization method as well as comparable sales analysis and include both observable and unobservable inputs. Inputs include existing and assumed tenancies, market data from recent comparable transactions, future economic outlook and market risk assumptions, capitalization rates and internal rates of return. Investment properties are classified as Level 3 for fair value disclosure purposes.

Financial Assets and Liabilities carried at Fair Value

For traded securities, quoted market value is considered to be fair value. Quoted market value is based on bid or ask prices, depending on which is the most appropriate to measure fair value. Securities for which no active market exists are valued using all reasonably available market information. Our fair value methodologies are described below.

Government Securities
The fair value of government issued or guaranteed debt securities in active markets is determined by reference to recent transaction prices, broker quotes or third-party vendor prices. The fair value of securities that are not traded in an active market are modelled using implied yields derived from the prices of similar actively traded government securities and observable spreads.

Mortgage-Backed Securities and Collateralized Mortgage Obligations
The fair value of mortgage-backed securities and collateralized mortgage obligations is determined using independent prices obtained from third-party vendor prices, broker quotes and relevant market indices, as applicable. If such prices are not available, fair value is determined using cash flow models that make maximum use of observable market inputs or benchmark prices for similar instruments. Valuation assumptions for mortgage-backed security and collateralized mortgage obligation include discount rates, expected prepayments, credit spreads and recoveries.

Corporate Debt Securities
The fair value of corporate debt securities is determined using prices observed in the most recent transactions. When observable price quotations are not available, fair value is determined based on discounted cash flow models using discounting curves and spreads obtained from independent dealers, brokers and multi-contributor pricing sources.

Corporate Equity Securities
The fair value of equity securities is based on quoted prices in active markets, where available. Where quoted prices in active markets are not readily available, fair value is determined using either quoted market prices for similar securities or using valuation techniques, which include discounted cash flow analysis and multiples of earnings.

Derivative Instruments
A number of valuation techniques are employed to estimate fair value, including discounted cash flow analysis, the Black-Scholes model, Monte Carlo simulation and other accepted market models. These independently validated models incorporate current market data for interest rates, currency exchange rates, equity and commodity prices and indices, credit spreads, recovery rates, corresponding market volatility levels, spot prices, correlation levels and other market-based pricing factors. Option implied volatilities, an input into many valuation models, are either obtained directly from market sources or calculated from market prices. Multi-contributor pricing sources are used wherever possible.

In determining the fair value of complex and customized derivatives, we consider all reasonably available information, including dealer and broker quotations, multi-contributor pricing sources and any relevant observable market inputs. Our models calculate fair value based on inputs specific to the type of contract, which may include stock prices, correlation for multiple assets, interest rates, foreign exchange rates, yield curves and volatilities.

Segregated Funds Assets and Liabilities
Segregated fund assets are recorded at fair value and primarily include investments in mutual funds, debt securities and cash and cash equivalents. Fair value of the assets held in segregated funds is measured using valuation methods and inputs that are consistent with those applied to investments held by the general fund.

Investment Contract Liabilities
We designate the obligation related to non-life contingent annuity contracts at FVTPL for contracts issued prior to 2023, which eliminates a measurement inconsistency that would otherwise arise from measuring the investment contract liabilities and offsetting changes in the fair value of the investments supporting them on a different basis. Fair value is determined by discounting expected future cash flows at market interest rates for instruments with similar durations and credit risks.

Financial Assets and Liabilities with a Carrying Value Approximating Fair Value

Other Financial Instruments
Carrying value is assumed to be a reasonable estimate of fair value for our cash and cash equivalents.

Carrying value is also assumed to be a reasonable estimate of fair value for certain financial assets and liabilities due to their predominantly short-term nature such as other assets, accounts payable and other liabilities, due to related parties and other contract liabilities. Other contract liabilities include policyholders' amounts on deposit.

Fair Value of Assets and Liabilities not carried at Fair Value on the Consolidated Balance Sheet

Mortgages and Loans
In determining the fair value of our investment in fixed rate and floating rate performing mortgages and loans, we discount the remaining contractual cash flows, adjusted for estimated prepayment, at market interest rates currently offered for loans with similar terms.

Other Assets and Liabilities
Certain other assets and liabilities, including premises and equipment, intangible assets, and shareholder's equity are not considered financial instruments and therefore no fair value has been determined for these items.

Set out in the following table are the assets not carried at fair value in our Consolidated Balance Sheet:

(Canadian $ in thousands)		**2025**		2024
	Carrying value	**Fair value (1)**	Carrying value	Fair value (1)
Assets				
Mortgages and loans	**471,721**	**437,495**	622,058	578,226
Sagard debt holdings	**100,521**	**100,521**	72,151	72,151

(1) If financial instruments not carried at fair value were categorized based on the fair value hierarchy, all of these financial instruments would be categorized as Level 2.

Financial Instruments Fair Value Hierarchy, Valuation Techniques and Significant Inputs

We use a fair value hierarchy to categorize financial instruments according to the inputs we use in valuation techniques to measure fair value.

We determine the fair value of publicly traded fixed maturity and equity securities using quoted market prices in active markets (Level 1) when these are available. When quoted prices in active markets are not available, we determine the fair value of financial instruments using models such as discounted cash flows, with observable market data for inputs, such as yield and prepayment rates or broker quotes and other third-party vendor quotes (Level 2).

Fair value may also be determined using models where significant market inputs are unobservable due to inactive or minimal market activity (Level 3). We maximize the use of market inputs to the extent possible.

Our Level 2 FVTPL are primarily valued using discounted cash flow models with observable spreads or broker quotes. The fair value of Level 2 FVOCI is determined using discounted cash flow models with observable spreads or third-party vendor quotes. Level 2 structured note liabilities are valued using models with observable market information. Level 2 derivative assets and liabilities are valued using industry-standard models and observable market information.

The extent of our use of actively quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3) in the valuation of securities, segregated fund assets, fair value liabilities, derivative assets and derivative liabilities was as follows:

(Canadian $ in thousands)			**2025**			2024
	Level 1 Valued using quoted market prices	**Level 2 Valued using models (with observable) inputs**	**Level 3 Valued using models (without) observable inputs**	Level 1 Valued using quoted market prices	Level 2 Valued using models (with observable) inputs	Level 3 Valued using models (without) observable inputs
FVTPL Securities						
Treasury bills and commercial paper	**55,274**	**820,435**	**–**	166,490	109,474	–
Government bonds	**457**	**742,474**	**–**	–	126,993	–
Canadian provincial and municipal bonds	**–**	**1,578,353**	**–**	–	1,578,142	–
Corporate bonds	**–**	**8,751,006**	**–**	–	8,703,368	–
Equities	**674,920**	**659,873**	**234,550**	1,388,819	2,607	116,608
Mortgage-backed securities	**–**	**18,479**	**–**	–	21,228	–
	730,651	**12,570,620**	**234,550**	1,555,309	10,541,812	116,608
FVOCI Securities						
Treasury bills and commercial paper	**4,932**	**215,146**	**–**	68,886	35,062	–
Government bonds	**–**	**9,934**	**–**	–	9,628	–
Canadian provincial and municipal bonds	**–**	**117,682**	**–**	–	122,996	–
Corporate bonds	**–**	**162,503**	**–**	–	250,144	–
	4,932	**505,265**	**–**	68,886	417,830	–
Fair Value Assets						
Segregated fund assets	**2,142,200**	**–**	**–**	1,753,854	–	–
Investment properties	**–**	**–**	**1,501,111**	–	–	1,497,577
	2,142,200	**–**	**1,501,111**	1,753,854	–	1,497,577
Fair Value Liabilities						
Investment contract liabilities	**–**	**1,044,880**	**–**	–	943,120	–
Segregated fund liabilities	**2,142,200**	**–**	**–**	1,753,854	–	–
	2,142,200	**1,044,880**	**–**	1,753,854	943,120	–
Derivative Assets						
Foreign exchange contracts	**–**	**4,591**	**–**	–	–	–
Call options	**1,234**	**5,086**	**–**	942	7,068	–
Put options	**–**	**–**	**–**	–	–	–
Interest rate contracts	**–**	**1,788**	**–**	–	15,817	–
	1,234	**11,465**	**–**	942	22,885	–
Derivative Liabilities						
Foreign exchange contracts	**–**	**120,925**	**–**	–	116,816	–
Call options	**–**	**1,150**	**–**	–	2,316	–
Interest rate contracts	**–**	**102,017**	**–**	–	28,636	–
	–	**224,092**	**–**	–	147,768	–

Level 3 equities include a private equity investment in an affiliated company carried at their net asset value. Additional information regarding private equity is discussed in Note 5.

Quantitative Information about Level 3 Fair Value Measurements

The table below presents the fair values of our significant Level 3 financial instruments, non-financial asset, and the valuation techniques used to determine their fair value and significant unobservable inputs used in the valuations.

(Canadian $ in thousands)				2025
FVTPL	**Reporting line in fair value hierarchy table**	**Fair value of assets**	**Valuation techniques**	**Significant unobservable inputs**
Private equity	**Equities**	**132,215**	**Net asset value**	**Net asset value**
Equity in Sagard Holdings	**Equities**	**17,743**	**Net asset value**	**Net asset value**
Equity in Portage Holdings	**Equities**	**2,885**	**Net asset value**	**Net asset value**
Trez Capital	**Equities**	**81,707**	**Net asset value**	**Net asset value**
Investment property	**Investment properties**	**1,501,111**	**Income approach**	**Capitalization rates**

(Canadian $ in thousands)				2024
FVTPL	Reporting line in fair value hierarchy table	Fair value of assets	Valuation techniques	Significant unobservable inputs
Private equity	Equities	106,733	Net asset value	Net asset value
Equity in Sagard Holdings	Equities	9,875	Net asset value	Net asset value
Equity in Portage Holdings	Equities	–	Net asset value	Net asset value
Trez Capital	Equities	–	Net asset value	Net asset value
Investment property	Investment properties	1,497,577	Income approach	Capitalization rates

Significant Unobservable Inputs in Level 3 Instrument Valuations

Net Asset Value

Net asset value (NAV) represents the estimated value of our securities based on valuations received from the investment or fund manager. The valuation of certain private equity securities is based on the economic benefit we derive from our investment. As a result, the NAV is not quantified by the Company but dependent on the valuation of the underlying funds. The security valuations received from the underlying investment or fund manager are the inputs the NAV is most sensitive to.

For real estate investment properties, the significant unobservable inputs are discount rates ranging from 5.8% to 8.3% during the year (5.5% to 8.5% in 2024) and terminal capitalization rates ranging from 5.2% to 7.8% during the year (5.0% to 7.5% in 2024). Holding other factors constant, a lower capitalization or terminal capitalization rate will tend to increase the fair value of an investment property. Changes in fair value based on variations in unobservable inputs generally cannot be extrapolated because the relationship between the directional changes of each input is not usually linear.

Significant Transfers

Our policy is to record transfers of assets and liabilities between fair value hierarchy levels at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Transfers between the various fair value hierarchy levels reflect changes in the availability of quoted market prices or observable market inputs that result from changes in market conditions.

During the year ended October 31, 2025 there were transfers of $660,681 between Level 1 and Level 2 of the fair value hierarchy ($701,914 in 2024),

During the year ended October 31, 2025 there were transfers of $81,707 (nil in 2024) between Level 2 and Level 3 of the fair value hierarchy.

Changes in Level 3 Fair Value Measurements

The table below present a reconciliation of all changes in Level 3 financial instruments during the year ended October 31, 2025, including unrealized losses included in income. Equity purchases during the year comprise investment in private equity funds managed by an affiliated company. Additional information regarding the Funds is discussed in Note 5.

(Canadian $ in thousands)								2025
	Balance October 31, 2024	**Included in earnings**	**Purchases**	**Sales**	**Transfers into Level 3**	**Transfers out of Level 3**	**Fair value as at October 31, 2025**	**Unrealized gains/ (losses)**
FVTPL Securities								
Private equity	**106,733**	**13,958**	**14,950**	**(3,426)**	**—**	**—**	**132,215**	**14,052**
Equity in Sagard Holdings	**9,875**	**414**	**7,454**	**—**	**—**	**—**	**17,743**	**414**
Equity in Portage Holdings	**—**	**(369)**	**3,254**	**—**	**—**	**—**	**2,885**	**(369)**
Trez Capital	**—**	**—**	**—**	**—**	**81,707**	**—**	**81,707**	**—**
Investment property	**1,497,577**	**(8,042)**	**18,251**	**(6,675)**	**—**	**—**	**1,501,111**	**(8,042)**

(Canadian $ in thousands)								2024
	Balance November 1, 2023	Included in earnings	Purchases	Sales	Transfers into Level 3	Transfers out of Level 3	Fair value as at October 31, 2024	Unrealized gains/ (losses)
FVTPL Securities								
Private equity	81,520	5,507	25,777	(6,071)	–	–	106,733	5,866
Equity in Sagard Holdings	–	–	9,875	–	–	–	9,875	–
Equity in Portage Holdings	–	–	–	–	–	–	–	–
Trez Capital	–	–	–	–	–	–	–	–
Investment property	1,457,538	61,414	–	(21,375)	–	–	1,497,577	61,414

Note 3: Cash Resources

Cash and Cash Equivalents

Cash and cash equivalents are comprised of balances including cash, non-interest bearing deposits with the bank, cheques, and other items in transit.

Deposits with banks are recorded at amortized cost and include acceptances we have purchased that were issued by other banks. Interest income earned on these deposits is recorded on an accrual basis. We had par amount CAD $30,545 in 2025 with a coupon rate of 3.8% ($14,358 and 4.8% in 2024). Interest is receivable on redemption.

Note 4: Investments and Derivatives

The summary of the investment carrying values is as follows:

(Canadian $ in thousands)					**2025**					2024
			Amortized					Amortized		
	FVTPL	**FVOCI**	**cost**	**Other**	**Total**	FVTPL	FVOCI	cost	Other	Total
Securities										
Treasury bills and commercial paper	**875,709**	**220,078**	**–**	**–**	**1,095,787**	275,965	103,948	–	–	379,913
Bonds:										
Government of Canada	**742,931**	**9,934**	**–**	**–**	**752,865**	126,993	9,628	–	–	136,621
Canadian provincial and municipal bonds	**1,578,353**	**117,682**	**–**	**–**	**1,696,035**	1,578,142	122,996	–	–	1,701,138
Corporate bonds and mortgage backed securities	**8,769,485**	**162,503**	**100,521**	**–**	**9,032,509**	8,724,596	250,144	72,151	–	9,046,891
Equities	**1,569,343**	**–**	**–**	**–**	**1,569,343**	1,508,034	–	–	–	1,508,034
	13,535,821	**510,197**	**100,521**	**–**	**14,146,539**	12,213,730	486,716	**72,151**	**–**	12,772,597
Other Investments										
Mortgages and loans	**–**	**–**	**471,721**	**–**	**471,721**	–	–	622,058	–	622,058
Investment properties	**1,501,111**	**–**	**–**	**–**	**1,501,111**	1,497,577	–	–	–	1,497,577
	1,501,111	**–**	**471,721**	**–**	**1,972,832**	**1,497,577**	**–**	622,058	**–**	2,119,635
Derivative Assets										
Foreign exchange contracts	**4,591**	**–**	**–**		**4,591**	–	–	–	–	–
Call options	**6,320**	**–**	**–**	**–**	**6,320**	8,010	–	–	–	8,010
Put options	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Interest rate contracts	**1,788**	**–**	**–**	**–**	**1,788**	15,817	–	–	–	15,817
	12,699	**–**	**–**	**–**	**12,699**	23,827	–	–	**–**	23,827
	15,049,631	**510,197**	**572,242**	**–**	**16,132,070**	13,735,134	486,716	694,209	**–**	14,916,059
Derivative Liabilities										
Foreign exchange contracts	**120,925**	**–**	**–**	**–**	**120,925**	116,816	–	–	–	116,816
Call options	**1,150**	**–**	**–**	**–**	**1,150**	2,316	–	–	–	2,316
Interest rate contracts	**102,017**	**–**	**–**	**–**	**102,017**	28,636	–	–	–	28,636
	224,092	**–**	**–**	**–**	**224,092**	147,768	**–**	**–**	**–**	147,768

Note 6 discusses exposures to interest rate and credit risks on investments.

Details of significant terms and conditions on investments are as follows:

Treasury Bills and Commercial Paper have an original term to maturity usually less than a year. For these securities, amortized costs approximate fair value due to their immediate or short-term maturity. Treasury bills and commercial paper have a par amount of $1,104,298 ($384,491 in 2024) with effective interest rates of -1.26% to 3.02% (3.41% to 4.21% in 2024). Interest is receivable on redemption.

Bonds are designated as FVTPL to align the accounting result with the way the bond portfolio is managed. The fair value of these bonds as at October 31, 2025 was $11,090,769 ($10,429,731 in 2024). The impact of recording these at FVTPL was an increase in income of $128,852 for the year ended October 31, 2025 (increase of $957,778 in 2024).

The remaining bonds are designated as FVOCI.

Changes in the fair value of bonds are reported either in the Consolidated Statement of Income if the bond is designated at FVTPL, or in the Consolidated Statement of Comprehensive Income if it is designated as FVOCI.

Bonds - Interest rate:

(Canadian $ in thousands)			**2025**
	Interest receivable basis	**Effective rates (% range)**	**Contract rates (% range)**
Government of Canada	**Semi-annual**	**0.59 - 3.59**	**0.00 - 5.00**
Canadian provincial and municipal governments	**Semi-annual**	**0.84 - 4.75**	**0.00 - 10.50**
Corporate	**Semi-annual**	**2.35 - 6.46**	**0.00 - 9.70**

			2024
	Interest receivable basis	Effective rates (% range)	Contract rates (% range)
Government of Canada	Semi-annual	1.33 - 3.31	0.00 - 5.00
Canadian provincial and municipal governments	Semi-annual	1.65 - 4.63	0.00 - 6.65
Corporate	Semi-annual	2.26 - 6.26	0.00 - 9.70

The par value and carrying amount of bonds are shown by contractual maturity in the table below. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

(Canadian $ in thousands)		**2025**		2024
	Par value	**Carrying amount and fair value**	Par value	Carrying amount and fair value
Term to Maturity				
Government of Canada:				
Less than one year	**10,000**	**9,934**	—	—
One to five years	**149,188**	**153,051**	13,750	16,925
More than five years	**570,108**	**589,880**	134,121	119,696
Canadian provincial and municipal governments:				
Less than one year	**31,511**	**31,549**	10,284	10,226
One to five years	**61,896**	**62,230**	114,916	110,203
More than five years	**2,625,076**	**1,602,256**	2,249,246	1,580,710
Corporate:				
Less than one year	**147,476**	**147,747**	217,936	218,088
One to five years	**601,375**	**644,507**	701,438	699,967
More than five years	**8,070,007**	**8,240,255**	8,179,885	8,128,836
	12,266,637	**11,481,409**	11,621,576	10,884,651

Equities are comprised of common shares, preferred shares, mutual funds, index funds and private equity. Equities that support insurance liabilities are classified at FVTPL, as described above. The impact of recording these at FVTPL was an increase in income of $244,543 for the year ended October 31, 2025 (increase of $311,716 in 2024). Changes in the fair value of equities are reported in our Consolidated Statement of Income.

Equities have no fixed maturity dates and are generally not exposed to interest rate risk.

(Canadian $ in thousands)		**2025**		2024
	Cost	**Carrying amount and fair value**	Cost	Carrying amount and fair value
Equities	**355,651**	**1,569,343**	575,030	1,508,034

Mortgages and loans are carried at amortized cost less repayments and provisions for credit losses or write-downs, if any. Realized gains and losses on sale of mortgages and loans are recorded in the Consolidated Statement of Income. Mortgages and loans are assessed for credit losses using ECL. Credit losses are recorded on individual mortgages and loans in the Consolidated Statement of Income.

Mortgages and loans - Interest Rate:

(Canadian $ in thousands)			**2025**
	Interest receivable basis	**Effective rates (% range)**	**Contract rates (% range)**
Insured	**Monthly**	**2.27 – 5.34**	**2.25 – 5.21**
Conventional	**Monthly**	**4.93 – 5.71**	**4.82 – 5.57**

			2024
	Interest receivable basis	Effective rates (% range)	Contract rates (% range)
Insured	Monthly	2.27 – 5.34	2.25 – 5.21
Conventional	Monthly	4.93 – 5.71	4.82 – 5.57

The principal amount and carrying amount are shown by contractual maturity. The carrying amount is the amortized cost. As at October 31, 2025, an ECL of $158 ($462 in 2024) relates to mortgages and loans.

(Canadian $ in thousands)		**2025**		2024
	Principal amount	**Carrying amount**	Principal amount	Carrying amount
Term to Maturity				
Less than one year	**145,656**	**145,656**	1,689	1,686
One to five years	**80,110**	**80,071**	365,343	365,229
More than five years	**246,113**	**245,994**	255,488	255,143
Mortgages and loans	**471,879**	**471,721**	622,520	622,058

In 2025 the mortgages and loans had a carrying amount of $471,721 and have a fair value of $437,495 ($622,058 and $578,226 respectively in 2024).

Investment properties supporting insurance contract liabilities comprise of real estate held to earn rental income and capital appreciation and are not owner occupied.

The carrying value of investment properties is as follows:

(Canadian $ in thousands)	**2025**	2024
	Total	Total
Carrying Amount		
Balance, beginning of year	**1,497,577**	1,457,538
Additions	**18,251**	–
Acquisitions	**–**	–
Disposals	**(6,675)**	(21,375)
Subtotal	**1,509,153**	1,436,163
Change in Fair Value		
Net (loss)/gain	**(8,042)**	61,414
Balance, end of year	**1,501,111**	1,497,577

Fair value of investment properties is determined using the Income Approach and is corroborated using the Direct Comparison Approach. The Income Approach estimates fair value by capitalizing the net rental income which the properties can reasonably be expected to produce over their remaining economic lives. The Direct Comparison Approach involves comparing recent sales and current listings of comparable properties adjusting for any significant differences in fair value.

In estimating a fair value by the Income Approach, we have relied on both the Direct Capitalization Method (DCM) and the Discounted Cash Flow Method. The significant unobservable inputs in the DCM are the capitalization rate and terminal capitalization rate.

The fair value of investment properties was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued.

In 2025, we sold investment properties having a fair value of $6,675 ($21,375 in 2024), which resulted in a loss of $961 (gain of $2,025 in 2024). During the year, no investment properties were acquired (nil in 2024).

Included in investment income is fair value loss on investment properties of $8,042 (gain of $61,414 in 2024).

We lease out our investment properties including leases with related parties (Note 15). The future minimum lease payments receivable under non-cancellable leases are as follows:

(Canadian $ in thousands)	**2025**	2024
Future minimum lease payments receivable		
Less than one year	**99,392**	100,382
Between one and five years	**315,010**	332,517
More than five years	**341,373**	402,221
	755,775	835,120

Included in the investment income is rental income from investment properties of $78,430 ($77,317 in 2024). Rental income is net of operating expenses.

Derivatives are carried at fair value and amounts are not offset in our Consolidated Balance Sheet. Unrealized and realized gains and losses are recognized in our Consolidated Statement of Income. These transactions do not qualify for netting under the requirements of IAS 32, but are subject to master netting agreements with a right of set off only in the event of default, insolvency or bankruptcy. There was no collateral received or pledged under these agreements. The derivative assets and liabilities eligible for offsetting under a master netting arrangement in the event of default, insolvency or bankruptcy was $12,699 as of October 31, 2025 ($23,827 in 2024). The net exposure for derivatives was a liability position of $211,393 as at October 31, 2025 ($123,941 in 2024).

The derivative portfolio is as follows:

(Canadian $ in thousands)		**2025**		2024
	Notional amount	**Carrying amount and fair value**	Notional amount	Carrying amount and fair value
Derivative Assets				
Foreign exchange contracts	**316,375**	**4,591**	—	—
Call options	**117,473**	**6,320**	233,998	8,010
Put options	**–**	**–**	—	—
Future contract	**–**	**–**	—	—
Interest rate contracts	**189,800**	**1,788**	1,247,000	15,817
Derivative Liabilities				
Foreign exchange contracts	**530,201**	**120,925**	860,533	116,816
Call options	**125,000**	**1,150**	(51,100)	2,316
Interest rate contracts	**1,979,900**	**102,017**	1,138,000	28,636

Note 6 shows the remaining maturity breakdown of the derivative carrying amounts.

Impairment of FVOCI Investments

At October 31, 2025, an ECL amount of $463 ($390 in 2024) relates to FVOCI investments.

Segregated funds (underlying) Assets - Contracts with Direct Participating Features

We manage a number of segregated funds on behalf of policyholders. In 2025, we did not launch any additional BMO Guaranteed Investment Segregated Funds. At October 31, 2025, the number of funds offered is 32 (32 in 2024).

The segregated funds' net assets are comprised of the BMO Guaranteed Investment Funds and a run off block of business. All the risks and rewards of ownership accrue to the policyholders, except where the policyholders have selected options providing maturity and death benefit guarantees. A liability for the guarantee is recorded in Insurance Contract Liabilities.

Our segregated funds are carried at fair value. The carrying value of investments held for segregated fund holders are as follows:

(Canadian $ in thousands)	**2025**	2024
Investments at Fair Value		
Investments	**2,141,358**	1,752,034
Cash	**4,557**	5,262
Accrued investment income	**166**	342
Other assets	**695**	140
Total assets	**2,146,776**	1,757,778
Other liabilities - Net	**(4,576)**	(3,924)
Total Segregated Funds Net Assets	**2,142,200**	1,753,854

Changes in Net Assets for accounts of segregated fund holders are as follows:

(Canadian $ in thousands)	**2025**	2024
Net Assets, beginning of year	**1,753,854**	1,320,520
Policyholders' Activities		
Contributions	**907,755**	786,736
Withdrawals	**(708,537)**	(609,232)
Distribution to policyholders (funds wind-up)	**–**	—
	199,218	177,504
Operating Activities		
Interest and distributions from funds	**56,284**	33,697
Realized and unrealized investment gains (losses)	**179,453**	260,181
Management and administration fees	**(46,609)**	(38,048)
	189,128	255,830
Net Assets, end of year	**2,142,200**	1,753,854

Traditional Participating Policies (Underlying Assets) - Contracts with Direct Participating Features:

(Canadian $ in thousands)	**2025**	2024
Bonds	**—**	461,113
Equities	**—**	58,805
Total supporting assets	**—**	519,918

Note 5: Interests in Other Entities

Investments in Which We Have Control

We purchase and hold units of investment funds, some of which are managed by BMO. We are considered to have an interest in these funds through our holding of units.

Investment in Private Equity

In 2020, we invested in BMO First Canadian Capital Partners LP, a private equity fund (Fund I), which held its first closing on November 1, 2019. Fund I focuses on investing in primarily Canadian primary funds, secondary funds and co-investments. Fund I's term is 10 years from the Initial Closing Date, extendable up to three additional one year periods at a time. In 2024 we invested in a second private equity fund (Fund II) that focuses on investing primarily in Canada and the US. Fund II's term is until December 31, 2034 and is extendable up to three additional one year periods at a time. Our total commitment between the two funds (the Funds) is $300,000. During the year, $10,383 (drawdown) was invested in the Funds (drawdown of $17,730 in 2024).

Our ownership percentage in Fund I is 100% and we are required to consolidate if we control the Fund. We have determined that we control the Funds. We control the Funds when we have power over the Funds, exposure to variable returns as a result of our involvement, and the ability to exercise power to affect the amount of our returns. In assessing whether we control the Funds, we consider the entire arrangement to determine the purpose and design of the Fund, the nature of any rights held through contractual arrangements, and whether we are acting as principal or agent. We perform a reassessment of consolidation if facts and circumstances indicate that there have been changes to one or more of the elements of control over the Funds. Fund II is open to other investors until June 28, 2025. The Company's current interest is 99.99%.

All the assets, liabilities, revenues and expenses of the Funds are included in these consolidated financial statements. The investment within the Funds is recorded at FVTPL and as at October 31, 2025, the fair value of the investment is $132,215 ($106,733 in 2024). The impact of recording this at FVTPL was an increase in income of $14,097 in 2025 (decrease of $4,961 in 2024).

Investments in Which We Have Joint-Control

We also invest in investment properties that are co-managed under contractual relationships with other investors, in which we have either 100%, 89%, 75% and 50% ownership interests. We share in the revenues and expenses generated by these investment properties in proportion to our investment. We account for these arrangements as joint operations. The carrying amount of these jointly controlled assets included in investment properties at fair value is $1,355,411 as at October 31, 2025 ($1,362,847 in 2024).

Investment in Barbados Branch

In 2023, the Company established a new branch in Barbados (Barbados Branch) to provide reinsurance to pension funds in the UK. The Barbados Branch is regulated by the Financial Services Commission of Barbados.

The Barbados Branch executed its first transaction in July 2024 under which the Barbados Branch reinsured the longevity risk of the Bulk Pension Annuities (BPA) that it transacts with UK cedants by way of a funded reinsurance. The reinsurance premiums are deposited into a Funds Withheld Account (FWH) to be held in escrow, with the Barbados Branch as beneficiary. During the year, the Barbados Branch recorded insurance service results of $1,508 ($185 in 2024) and a net financial results of $166 ($(693) in 2024). The financial results of the Barbados Branch is consolidated into the Company's consolidated results.

Retail Insurance Services

In 2025, the Company established a new subsidiary in Canada, BMO Insurance Solutions Inc. (BMOIS), to provide retail insurance services where the Company acts only as a brokerage. We launched Pet Insurance at October 31, 2025. The financial results are consolidated into the Company's consolidated results.

Note 6: Risk and Capital Management

Insurance and reinsurance contracts held expose us to underwriting risk, which comprises insurance risk, policyholder behaviour risk and expense risk.

In addition, we are exposed to financial and operational risks from insurance and reinsurance contracts held and financial instruments. Financial risks include market risk, credit risk and liquidity risk. Market risk comprises currency risk, interest rate risk, real estate risk and equity risk.

This note presents information about our risk exposure, and our objectives, policies and processes for measuring and managing risks and for managing capital.

Risk Management Framework

Risk is managed at local entity level where the business is transacted, based on the principles and policies established at the Company level. An integrated approach to risk management involves common measurement of risk to allow for aggregation at BMO Financial Group level. Operating within this policy framework, we employ risk management programs, including asset-liability matching (ALM) processes, hedging programs (conducted through the use of derivatives) and insurance programs (largely conducted through the use of quota share reinsurance). Programs are in place in each business areas in which we operate and are an integral part of the bank’s overall risk management framework.

The specific risks that management considers to be the most significant in terms of likelihood and the potential adverse impact on us are outlined below.

Key Risks Arising from Contracts Issued

We issue insurance contracts and investment contracts. The nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts held and the risks arising from financial assets and other investments held to fund the settlement of the liabilities. The extent to which profit or loss and equity in any period are sensitive to financial risks depends on the extent to which they are economically hedged or borne by contract holders and the extent of any mismatches inherent in the accounting policies adopted by us.

Non-participating life risk and annuity contracts:

Product	Key Risks	Risk Mitigation
Non-participating Life Risk Whole life, term assurance, and critical illness, disability, group life	• Mortality risk • Morbidity risk: diagnosis of critical illness earlier than expected	• Reinsurance with financially strong reinsurers
Universal life	• Mortality risk • Interest rate risk: insufficient return on assets to cover guaranteed minimum crediting rates • Policyholder behaviour risk	• Management discretion to set crediting rates (subject to guaranteed rates) • Surrender penalties
Annuity **Deferred Annuity - Deferred fixed annuity (Accumulation period)**	• Longevity risk (if annuitization rate is guaranteed) • Interest rate risk: insufficient return on assets to cover guaranteed minimum crediting rates • Policyholder behaviour risk	• Ability to reset crediting rates after initial period • Surrender penalties
Deferred Annuity **Deferred Fixed Annuity** **(Payment period)**	• Longevity risk (if annuitization rate is guaranteed) • Interest rate risk: differences in duration and yield of assets and liabilities • Investment credit risk	• Matching of asset and liability cash flows • Investing in investment-grade assets • Selective use of longevity reinsurance
Immediate Annuity - immediate fixed annuity	• Longevity risk: death of policyholder later than expected • Interest rate risk: differences in duration and yield of assets and liabilities • Investment credit risk	• Matching of asset and liability cash flows • Investing in investment-grade assets • Selective use of longevity reinsurance

These key risks reflect only the downside risk to us. For most of these risks, there is also an upside risk.

All life risk and annuity contracts expose us to significant insurance risk. Although mortality, morbidity and longevity experience may be affected by unexpected events (e.g. epidemics), the most significant changes to insurance risk factors (e.g. lifestyle changes, medical advances and improvements in social conditions) tend to occur over a long period of time. The longer the coverage period, the greater our exposure to insurance risk.

Policyholder behaviour risk is a key risk for deferred fixed annuity, whole life and universal life contracts. The timing of surrenders and, for deferred fixed annuity contracts, the timing and frequency of withdrawals or annuitization may impact our returns.

All life risk and annuity contracts expose us to interest rate risk. Interest rate risk arises from the extent to which the actual return on financial assets held to fund the settlement of liabilities differs from the expected return when the contracts were issued. This risk is most significant for non-participating whole-life contracts, level cost of insurance universal life, immediate fixed annuity contracts and deferred fixed annuity contracts in the payment period because these contracts typically have long durations, it is not always possible to obtain matching assets with similar durations, and we do not have discretion to change the amounts of premiums or future payments to policyholders.

Term assurance and non-participating whole-life contracts provide policyholders with a fixed lump sum payable on death. Term assurance contracts provide coverage over a fixed term. Term assurance premiums may be level or increasing over time (for yearly renewable contracts). Non-participating whole-life contracts provide coverage over the lifetime of the policyholder and have a surrender value after an initial period. The premiums for non-participating whole-life contracts are either limited pay or level throughout the duration of the contracts.

Critical illness contracts are similar to term assurance but pay out a lump sum if the policyholder is diagnosed with an illness specified in the contract.

Immediate fixed annuity contracts provide policyholders with periodic payments over their lifetime or the lifetime of additional beneficiaries (if this is longer). The amount of each periodic payment may be fixed or changing over time based on a specified index.

Deferred fixed annuity contracts provide policyholders with a return of principal plus a fixed rate of interest during the accumulation period. The policyholder has the right to surrender the contract during the accumulation period and receive the current account value less any surrender charges. The fixed rate of interest is guaranteed for an initial period; after the initial period, the rate of interest credited to policyholders' accounts is set at our discretion based on the prevailing market rates.

Universal life contracts provide policyholders with a lump sum benefit payable on death and access to an account value. The account value is credited with interest at a rate set on a periodic basis, subject to a guaranteed minimum, and debited with a charge for the death benefit. A contract typically lapses when the account value is no longer sufficient to cover the cost of insurance.

The guaranteed interest rates on universal life contracts range from 0% to 4.5% (0% to 4.5% in 2024). The majority of the contracts have guaranteed interest rate is 3% (3% in 2024). For discussions of the credit risk from reinsurance contracts held assets and investments, refer to the Credit Risk section below.

Participating Contracts:

Product	Key Risks	Risk Mitigation
Contract with Direct Participating Features [Segregated Funds]	• Mortality risk • Equity risk: Equity market price levels and volatility will affect the in-the-moneyness position and liability associated with segregated fund guarantees • Interest rate risk: insufficient return on assets to cover guaranteed minimum crediting rates • Policyholder behaviour risk	• Management discretion to set crediting rates (subject to guaranteed rates) • Surrender penalties

Segregated Funds are classified as direct participating insurance contracts (see Note 4).

All participating contracts include investment-related services under which we promise the policyholder an investment return based on the performance of underlying items. The risks arising from participating contracts are primarily financial risks. We are exposed to financial risks arising from any guarantees and to the extent of our share of the underlying items.

A key risk for all participating contracts is policyholder behavior risk- in particular, the risk that contracts are surrendered, or significant cash withdrawals are made before sufficient fees have been collected.

Traditional Participating Contracts

Distribution of Income to Traditional Participating Policyholders - Distributions of income to participating policyholders are established by resolutions of the Board of Directors. From time to time, our Board of Directors sets a portion of the income of the participating account as safe and proper for distribution as dividends or bonuses to participating policyholders as recommended by the Appointed Actuary. Provided the ability of the participating account to meet future dividend obligations is not impaired, the shareholder is entitled to a percentage specified in the governing statute. During the year, the Company entered into an Assumption Reinsurance Agreement to transfer the assets and liabilities of the Participating portfolios. The transaction of the sale resulted in the derecognition of participating contracts and subsequent to that date, the Company was no longer subject to the risks surrounding participating contracts. See Note 21.

Creditor Reinsurance Contracts Held

Creditor insurance contracts provide policyholders with the benefit of covering outstanding loan balances, loan payment coverage, in the case of loss due to mortality, morbidity, job loss, and certain travel disruptions. The bank originates creditor business which is insured by third-party insurers. The Company's creditor risk exposure emerges as we reinsure a portion of the risk underwritten by those third party insurers.

Product	Key Risks	Risk Mitigation
Creditor Insurance	• Mortality risk: mortgage/loan balance coverage on death • Job loss risk coverage • Morbidity risk: Disability and critical illness coverage • Travel insurance	• Experienced based pricing. Product design features including exposure limits. • Full underwriting is performed if applicant answers in the positive to any of the medical questions. • Travel insurance risks are not retained

Contracts with Direct Participating Features (Segregated Funds) - Direct participating contracts provide policyholders with a guaranteed minimum return on premiums, or a substantial share in the performance of a clearly identified pool of underlying items (if it is higher). The table that sets out the composition and the fair value of underlying items of our direct participating contracts at the reporting date is shown in Note 4.

Underwriting and Claims Risk

We are subject to the risk of financial loss resulting from the selection and underwriting of risks to be insured and from the adjudication and settlement of claims. Many of our individual insurance products provide benefits over the policyholder's lifetime. Actual claims experience may differ from the mortality and morbidity assumptions used to calculate the premium for the contract. Catastrophic events such as earthquakes, acts of terrorism or a pandemic could result in adverse claims experience.

In addition to the risk management provisions contained in the Product Design and Pricing Policy, we also manage this risk through the Underwriting and Claims Risk Policy approved by the Board. These policies set out product line insured risk tolerances, underwriting criteria, underwriting and liability concentration limits, claims approval requirements, underwriting and claims processes and controls, approval authorities and limits and ongoing risk monitoring requirements.

We use reinsurance to mitigate excessive exposure to adverse mortality, morbidity and longevity.

Underwriting risk comprises insurance risk, policyholder behaviour risk and expense risk.

Insurance risk: the risk transferred from the policyholder to the Company, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount or timing of claims.

Policyholder behaviour risk: the risk that a policyholder will cancel a contract (i.e. lapse or persistency risk), increase or reduce premiums, withdraw deposits, or annuitize a contract earlier or later than expected.

Expense risk: the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events).

Management of Underwriting Risk

Life risk and annuity - A key aspect of the underwriting process for life risk and annuity products is pricing contracts with regard to the insurance risks assumed. Prices charged for the cost of insurance risk are set at the Company's level through a process of financial analysis, including comparisons of our experience with industry experience and benchmarking of prices against other product providers in the same markets. Applications along with medical and financial requirements are sent to our underwriting department for review of insurability and assessment of the appropriate mortality rating. A sub section of life insurance applications, based on specific age and amounts, are filtered through an automated underwriting rules engine and can be approved without additional medical requirements.

Mortality, morbidity and longevity risks are mitigated by the use of reinsurance. Management selects reinsurers from a list of approved reinsurers. The aggregation of risk ceded to individual reinsurers is monitored at both country and company's levels.

Policyholder behaviour risk is considered when designing products - e.g. by means of additional charges on the early surrender of contracts in order to recover acquisition cash flows. Persistency is monitored at company's level and experience is benchmarked against local market information. From time to time, management may implement specific initiatives to improve retention.

Product Design and Pricing Risk - We are subject to the risk of financial loss resulting from transacting insurance business where the costs and liabilities assumed in respect of a product exceed the expectations reflected in the pricing of the product. This risk may be due to an inadequate assessment of market needs or a misestimation of the future experience of various factors, such as investment returns, mortality, policy termination, expenses and/or taxes.

We manage product design and pricing risk through a variety of enterprise-wide programs and controls. We have a comprehensive Product Design and Pricing Policy which outlines principles and assessments used in the product design and pricing process including detailing roles and responsibilities.

Experience Risk - The principal risk we face under insurance contracts is the risk that experience on claims, policy lapses and operating expenses will not emerge as expected. To the extent that emerging experience is more favourable than assumed in the valuation, income will emerge. If emerging experience is less favourable, losses will result. Therefore, the objective is to establish sufficient insurance liabilities to cover these obligations with reasonable certainty.

The calculation of insurance liabilities and related reinsurance recoverable requires "best estimate" assumptions covering the remaining life of the policies. Assumptions used are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market trends and other published information. Various assumptions are made including mortality, lapse, expenses, inflation, and taxation. Due to the long-term risks and measurement uncertainties inherent in the life insurance business, a provision for uncertainty over the amount of best estimates (risk adjustment for non-financial risk) is calculated separately for each assumption and included in the policy liabilities. The risk adjustments for non-financial risks are determined to reflect the compensation that we would require for bearing non-financial risk and are intended to allow for possible deterioration in experience and to provide a greater confidence that the policy liabilities are adequate to pay future obligations.

Policy liability assumptions are reviewed and updated at least annually, and impact of the changes relating to current service in those assumptions is reflected in the earnings in the year of the change and the impact of the changes in those assumptions relating to future service is reflected in the CSM. The methods for determining the most important of these assumptions are outlined below.

Policy Termination (Lapse) and Surrender Assumptions – These are based on a combination of our own internal termination studies and recent CIA industry experience. Separate policy termination assumptions are used for permanent cash-value business, renewable term insurance, term insurance to age 100, universal life insurance, and segregated fund business. In setting policy termination rates for renewable term insurance, it is assumed that extra lapses will occur at each renewal point and that healthy policyholders are more likely to lapse at the time than those who have become uninsurable.

Acquisition costs may not be recovered fully if lapses in the early policy years exceed those in the actuarial assumptions. An increase in policy termination rates in the life of the policy would tend to reduce income. An increase in policy termination rates later in the life of the policy would tend to increase income if the product is lapse supported (such as term insurance to age 100, or level cost of insurance Universal Life products), but decrease income for other types of products.

Expenses - Policy liabilities provide for the future expenses of administering in-force policies, renewal commissions, general expenses, and taxes. Expenses associated with policy acquisition and issue are specifically included at initial recognition. The future expense assumption is derived from internal cost studies and includes an assumption for inflation.

Expense risk is managed at company's level through the annual budgeting process and regular expense analyses.

Mortality Assumptions - We carry out annual internal studies of our own mortality experience. The valuation mortality assumptions are based on a combination of this experience and recent CIA industry experience. An increase in the rate of mortality will lead to a larger number of claims (with claims possibly occurring earlier than anticipated) and usually result in lower income. In some cases (death supported products) the interaction of reinsurance terms may result in an increase in income under these circumstances. For annuity business, an increase in the rate of mortality will reduce the annuity payments which would result in an increase in net income for us.

Creditor Job Loss, Disability and Travel
We carry out annual internal studies of our own Creditor experience. The valuation assumptions are based on this experience. Higher job losses and disability incidents will result in higher claims and adversely affect income. Increased travel disruptions will result in higher travel insurance claims and will adversely affect income.

A 10% higher rate of incidence across job loss, disability and travel insurance would result in a decrease of approximately $7,000 in net income (decrease of $7,000 in 2024).

Reinsurance Risk - We are subject to the risk of financial loss due to improper reinsurance coverage or the default of a reinsurer. Amounts reinsured per life vary according to the type of protection and product. Although we rely on reinsurance to mitigate excessive exposure to adverse mortality and morbidity experience, reinsurance does not release us from our primary commitments to our policyholders and our exposure to the credit risk associated with the amounts ceded to reinsurers. The availability and cost of reinsurance is subject to prevailing market conditions, which can also affect earnings.

We have a Reinsurance Policy approved by the Board which establishes reinsurance objectives and limits and requires ongoing evaluation of reinsurers for financial soundness.

Concentrations of Underwriting Risk

The following table sets out the carrying amounts of our insurance contracts (net of reinsurance) by province of issue.

(Canadian $ in thousands)	**2025**	2024
Prairie	**3,916,273**	4,322,843
West	**2,473,271**	2,788,170
Atlantic	**574,548**	679,505
North	**36,028**	38,319
Central	**14,432,892**	16,067,762
Others	**367**	31,824
	21,433,379	23,928,423

Sensitivity Analysis - Underwriting risk

(Canadian $ in thousands)				**2025**
	CSM		**Profit or Loss and Equity**	
	Gross	**Net**	**Gross**	**Net**
Life and Annuity Risk				
Mortality rates (1% increase)	**(7,986)**	**14,665**	**842**	**2,117**
Mortality rates (1% decrease)	**8,660**	**(14,099)**	**(1,589)**	**(2,871)**
Lapse rates (10% increase)	**(45,071)**	**37,620**	**(81,713)**	**(73,641)**
Lapse rates (10% decrease)	**127,595**	**51,515**	**12,508**	**18,344**
Expenses (5% increase)	**(14,243)**	**(14,240)**	**(853)**	**(847)**
Expenses (5% decrease)	**14,234**	**14,238**	**853**	**846**

				2024
	CSM		Profit or Loss and Equity	
	Gross	Net	Gross	Net
Life and Annuity Risk				
Mortality rates (1% increase)	(16,773)	10,336	965	1,404
Mortality rates (1% decrease)	16,791	(10,485)	(993)	(1,424)
Lapse rates (10% increase)	(150,536)	(52,295)	(9,901)	(3,585)
Lapse rates (10% decrease)	176,671	76,901	9,248	5,094
Expenses (5% increase)	(14,984)	(14,506)	(14)	(7)
Expenses (5% decrease)	14,974	14,500	4	—

Changes in underwriting risk exposures mainly affect the CSM, profit or loss and equity as follows. The effects on profit or loss and equity are presented net of the related income tax.

a. CSM	• Changes in fulfillment cash flows not relating to loss components, other than those recognized as insurance finance income or expenses.
b. Profit or Loss	• Changes in fulfilment cash flows relating to loss components. • Changes in fulfilment cash flows that are recognized as insurance finance income or expenses in profit or loss.
c. Equity	• Changes in fulfilment cash flows that are recognized as insurance finance income or expenses in OCI. • The effect on profit or loss under (b).

Market Risk

Management of Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, trading prices of equity or other securities, credit spreads and foreign currency exchange rates. Market risk is directly influenced by the volatility and liquidity in the markets in which the related financial instruments are traded, expectations of future price and yield movements and the composition of our investment portfolio. Our key market risk is interest rate risk, followed by equity risk and their implied volatilities, real estate risk and currency risk.

Currency Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. We generally maintain the currency profile of our assets to match the currency of related liabilities. At October 31, 2025 and 2024, we have foreign exchange swaps which were used to manage most of our exposure to currency risk.

Interest rate risk is the risk of economic loss due to the need to reinvest or divest during periods of changing interest rates. Changes in interest rates, as a result of the general market volatility or as a result of specific social, political or economic events, could have an adverse effect on our business and profitability. Declines in interest rates may require reinvestment rate assumptions at significantly lower yields which could adversely affect earnings.

The Board has established an Investment Policy and Asset Liability Management Policy through which responsibility for interest rate risk management falls to our Investment Committee. The policies provide for regular reporting for interest rate risk to the Board.

To mitigate the interest rate risk that arises from the portfolio that supports policy liabilities, our policy is to match the interest rates offered to policyholders with equivalent interest yielding assets, designated as FVTPL investments.

We are exposed to volatility in OCI resulting from interest rate changes on FVOCI investments. An increase of 50 basis points in interest rates would result in a decrease in OCI of approximately $5,528 (decrease of $6,734 in 2024). A decrease of 50 basis points in interest rates would result in an increase in OCI of approximately $5,735 (increase of $6,994 in 2024).

Equity risk is the uncertainty in the valuation of assets arising from changes in equity markets. Equity market volatility could occur as a result of general market volatility that are a result of specific social, political or economic events. A decline in equity markets could have an adverse impact on the return on assets backing insurance policy liabilities and the management fees collected on index funds within the universal life contracts. The impact of equity risk for our insurance contract liabilities and the assets supporting those liabilities as at October 31, 2025 and 2024 and the policy for managing this risk, is included in above Note 6 of these consolidated financial statements.

Real estate risk is the uncertainty in the valuation of real estate assets and uncertainty in the level real estate lease revenue. Real estate adversity could occur as a result of market circumstances that are a result of specific social, political or economic events. A decline in the valuation of real estate assets could have an adverse impact on income through reduced asset valuations. A decline in the lease revenue could have an adverse impact to returns on assets backing insurance liabilities and have asset/liability management consequences.

Interest rate risk

The Company's interest-sensitive instruments as reported internally are as follows:

(Canadian $ in thousands)	**2025**	2024
	Total	Total
Financial Instruments		
Assets	**13,079,460**	11,886,621
Liabilities	**1,044,880**	943,120
	14,124,340	12,829,741
Underlying items of participating contracts	**–**	467,594
Effect of interest rate swaps	**(210,243)**	(121,615)
	(210,243)	345,979
Insurance and Reinsurance Contracts Held		
Liabilities	**(17,029,050)**	(15,798,728)
Assets	**3,085,297**	2,552,511
	(13,943,753)	(13,246,217)

Sensitivity Analysis - Interest Rate Risk

An analysis of the Company's sensitivity to a 0.5% (50 basis points) parallel increase or decrease in market interest rates at the reporting date, assuming that all other variables remain constant, is presented below:

(Canadian $ in thousands)						**2025**
	CSM		**Profit or Loss**		**Equity**	
	Increase	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
Insurance and reinsurance contracts held	**26,730**	**(29,896)**	**771,906**	**(858,250)**	**771,906**	**(858,250)**
Financial Instruments	**(18,211)**	**19,081**	**(769,574)**	**852,704**	**(769,580)**	**852,710**

						2024
	CSM		Profit or Loss		Equity	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Insurance and reinsurance contracts held	20,598	(21,915)	736,886	(821,696)	736,886	(821,696)
Financial Instruments	(12,921)	13,434	(730,520)	812,585	(730,527)	812,592

Changes in interest rates mainly affect the CSM, profit or loss and equity as follows. The effects on profit or loss and equity are presented net of the related income tax.

a. CSM	• Changes in the Company's share of the fair value of underlying items of direct participating contracts not relating to loss components. • Changes in fulfilment cash flows of direct participating contracts arising from interest rate guarantees and not relating to loss components.
b. Profit or Loss	• Interest revenue and other finance costs on floating-rate instruments assuming that interest rates had varied by 50 basis points during the year). • Changes in the fair values of derivatives and fixed-rate financial instruments measured at FVTPL. • Changes in the Company's share of the fair value of underlying items of direct participating contracts relating to loss components. • Insurance finance income and expenses recognized in profit or loss.
c. Equity	• Changes in the fair values of derivatives and fixed-rate financial instruments measured at FVTPL. • Insurance finance income and expenses recognized in OCI. • The effect on profit or loss under (b).

Sensitivity Analysis - Equity Risk

An analysis of the Company's sensitivity to a 10% increase or decrease in our exposure to equity price risk arising from our investment in equity securities at the reporting date, assuming that all other variables remain constant, is presented below:

(Canadian $ in thousands)						**2025**
	CSM		**Profit or Loss**		**Equity**	
	Increase	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
Insurance and reinsurance contracts held	**(131,604)**	**128,973**	**(138,872)**	**138,094**	**(138,872)**	**138,094**
Financial Instruments	**144,420**	**(144,275)**	**145,272**	**(145,272)**	**145,272**	**(145,272)**

						2024
	CSM		Profit or Loss		Equity	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Insurance and reinsurance contracts held	(110,061)	107,995	(100,242)	102,532	(100,242)	102,532
Financial Instruments	121,059	(121,058)	128,580	(128,580)	128,580	(128,580)

Changes in equity prices mainly affect the CSM, profit or loss and equity as follows. The effects on profit or loss and equity are presented net of the related income tax.

a. CSM	• Changes in the Company's share of the fair value of underlying items of direct participating contracts not relating to loss components.
b. Profit or Loss	• Interest revenue and other finance costs on floating-rate instruments assuming that interest rates had varied by 50 basis points during the year). • Changes in the fair values of derivatives and fixed-rate financial instruments measured at FVTPL. • Changes in the Company's share of the fair value of underlying items of direct participating contracts relating to loss components. • Insurance finance income and expenses recognized in profit or loss.
c. Equity	• Changes in the fair values of derivatives and fixed-rate financial instruments measured at FVTPL. • Insurance finance income and expenses recognized in OCI. • The effect on profit or loss under (b).

Credit Risk

Credit risk is the risk of financial loss resulting from the failure of debtors or counterparties to make payments of interest and/or principal when due. This credit risk is derived primarily from investments in bonds, debentures, derivatives, short term investments, mortgages and loans, and amounts recoverable from reinsurers under reinsurance arrangements.

We manage this risk by applying our Statement of Investment Policy, Standards, and Procedures investment guidelines as approved by the Board. The investment guidelines establish minimum credit ratings for issuers of bonds and debentures, and provide for concentration limits by issuer. Management and the Investment Committee review credit quality of invested assets over time.

Our maximum credit exposure without taking into account any collateral held or other credit enhancements is summarized in the following table:

(Canadian $ in thousands)	**2025**	2024
Treasury bills and commercial paper	**1,095,787**	394,271
Bonds	**11,481,409**	10,884,650
Mortgages and loans	**471,721**	622,058
Derivative assets	**12,699**	23,827
Accrued investment income	**146,669**	141,216
Other assets	**44,105**	38,337
Insurance Assets	**11,292**	883
Reinsurance contracts held assets	**3,074,005**	2,551,628
	16,337,687	14,656,870

We mitigate credit risk by managing our investments in accordance with detailed, prudent investment policies that include comprehensive credit quality, aggregate exposure and diversification limits and requirements.

Our bond portfolio is comprised of 21% (17% in 2024) marketable government bonds and government-backed bonds with the remainder in corporate bonds. The entire corporate bond portfolio is rated as investment grade with 62% (60% in 2024) rated A or better.

Most of the mortgages and loans are insured by Canadian Mortgage Housing Corporation and carry minimal credit risk.
The investment ratings of our corporate bonds and mortgage-backed securities are:

Bond Portfolio Quality:

(Canadian $ in thousands)	**2025**	2024
AAA	**181,272**	181,488
AA	**316,649**	348,249
A	**5,123,576**	4,914,172
BBB	**3,390,277**	3,587,757
Lower	**20,735**	15,227
	9,032,509	9,046,893

We evaluate the financial condition of our reinsurers to minimize our exposure to significant losses from reinsurer insolvencies. The estimates of the present value of the future cash flows for reinsurance contracts held include the effects of any risk of non-performance by reinsurers, mainly being losses from disputes. Any changes in these losses are included in 'net expenses from reinsurance contracts held'. These changes do not relate to future services and do not adjust the CSM. Reinsurance is placed with Canadian federally regulated reinsurers or reinsurance trusts with the exception of the modified coinsurance treaty and a coinsurance treaty referred to in Note 14. There are no amounts past due or in dispute from reinsurers as at October 31, 2025 and 2024.

Concentrations of Credit Risk

Reinsurance is ceded across all geographic regions in which the Company operates. The Company does not have a significant concentration of credit risk with any single reinsurer.

Liquidity Risk

Liquidity risk is the risk that we will not have access to cash to meet policy benefit payments as they arise. Our policy is to ensure there are always funds available to honour all current and future cash flow commitments, while investing excess cash flows on a timely basis in accordance with investment policies.

Approximately 93% (92% in 2024) of insurance contract liabilities are either non-cashable prior to maturity or are subject to market value adjustments or surrender charges.

The maturity profiles of investments are included in Note 4 of these consolidated financial statements. Accounts payable balances are generally expected to be settled within a year.

We have a comprehensive asset-liability management process that tests whether sufficient liquid assets are maintained to cover our potential liquidity requirements. The impact of liquidity risk on our insurance contract liabilities, and the policy for managing this risk, are disclosed below:

Contractual maturities of certain financial liabilities, insurance contract and reinsurance contracts held as at October 31, 2025 are as follows:

(Canadian $ in thousands)					2025
	Less than 1 year	**1 to 5 years**	**Over 5 years**	**No Fixed Maturity**	**Total**
Insurance contract liabilities	**707,792**	**3,835,031**	**37,117,800**	**–**	**41,660,623**
Investment contract liabilities	**84,674**	**392,271**	**1,270,424**	**–**	**1,747,369**
Due to related parties	**8,206**	**–**	**–**	**–**	**8,206**
Mortgage loans	**6,155**	**9,947**	**55,561**	**–**	**71,663**
Accounts payable and other liabilities	**111,974**	**–**	**–**	**18,843**	**130,817**
Derivative liabilities	**103,167**	**6,217**	**114,708**		**224,092**
Reinsurance contracts held liabilities	**(198,841)**	**(1,065,190)**	**(5,079,133)**	**–**	**(6,343,164)**
	823,127	**3,178,276**	**33,479,360**	**18,843**	**37,499,606**

(Canadian $ in thousands)					2024
	Less than 1 year	1 to 5 years	Over 5 years	No Fixed Maturity	Total
Insurance contract liabilities	521,573	2,609,451	36,725,043	–	39,856,067
Investment contract liabilities	68,050	268,222	1,246,288	–	1,582,560
Due to related parties	6,808	–	–	–	6,808
Mortgage loans	3,969	1,663	68,463	–	74,095
Accounts payable and other liabilities	42,298	–	–	33,181	75,479
Derivative liabilities	30,953	4,081	112,734	–	147,768
Reinsurance contracts held liabilities	165,744	666,692	708,234	–	1,540,670
	839,395	3,550,109	38,860,762	33,181	43,283,447

The amounts from insurance contract liabilities that are payable on demand are set out below:

(Canadian $ in thousands)		2025		2024
	Amount payable on demand	**Carrying amount**	Amount payable on demand	Carrying amount
Non-Participating Life Risk	**2,576,409**	**4,779,312**	2,338,518	4,658,589
Traditional participating contracts	**–**	**–**	351,626	512,643
Annuity	**–**	**11,851,015**	–	10,209,328
Creditor	**–**	**24,846**	–	30,612
Direct Participating Contracts - Segregated funds	**2,140,468**	**–**	1,753,506	386
	4,716,877	**16,655,173**	4,443,650	15,411,558

Insurance contract liabilities and investment contract liabilities in the above tables show details of the expected maturity profile of our undiscounted obligations with respect to our estimated cash flows of policy liabilities. Policy liability cash flows include estimates related to the timing and payment of death and disability claims, policy maturities, annuity payments, commission and premium taxes offset by contractual future premiums and fees on in-force business. Recoveries and liabilities from reinsurance agreements are recognized separately as reinsurance contracts held assets or liabilities. These estimated cash flows are based on best estimate assumptions, with margins for risk adjustment for non-financial risks, used in the determination of policy liabilities. The actuarial and other policy liability amounts included in our consolidated financial statements are based on the present value of the estimated cash flows. Due to the use of assumptions, actual cash flows will differ from these estimates.

Based on our historical cash flows and current financial performance, management believes that the cash flows from our operating activities will continue to provide sufficient liquidity to satisfy debt service obligations and to pay other expenses.

Operational Risk

The objective of our risk management process is to ensure that the operations that expose us to risk are consistent with our objectives and risk philosophy while maintaining appropriate risk/reward balance. Our approach to risk management is covered in six principles:

- Understand and manage
- Protect our reputation
- Diversify risk
- Limit tail risk
- Maintain strong capital and liquidity
- Optimize risk return

We have developed a Risk Appetite Statement which identifies the amount and type of risk that we are willing to accept, given our guiding principles and our capital capacity. Our Risk Appetite Statement is defined in both quantitative and qualitative terms and among other things, requires:

- making decisions that are guided by principles of honesty, integrity, respect and high ethical standards;
- embracing constructive challenges and timely information sharing at all levels of the company.
- taking risks that are transparent, understood, measured, monitored and managed;
- maintaining strong capital and liquidity positions, in line with established target capital levels;
- subjecting new products and initiatives to a rigorous review and approval process to ensure their inherent risks are understood and can be effectively managed;
- providing adequate resources to ensure risks are appropriately identified and understood;
- minimizing exposure to low-probability tail event risks that could jeopardize credit ratings, capital position or reputation;
- Target new business opportunities that provide a good strategic fit, complement the existing business through limiting earnings volatility and provide a high likelihood of providing creating value for our shareholders;
- business practices and policies that safeguard and protect our reputation at all times;
- together with BMOFG T&O partners, striving to maintain a reliable and resilient technology ecosystem, including third parties and sub-contractors, that safeguards customer and Insurance Operations' information assets against internal and external threats, and;
- protecting our and our clients' assets by maintaining a system of effective operational risk controls.

Our enterprise-wide risk management framework consists of our operating model and our risk governance structure, both of which are underpinned by our strong risk culture. Our robust framework provides for the management of each individual risk type including credit, market, liquidity, insurance, operational, legal and regulatory, business, model, strategic, reputation and environmental.

Our framework is predicated on the three-lines-of-defence approach to the management of risk, which is fundamental to our operating model. The operating groups are the first line of defence in our management of risk. They own the risk in their operations and are responsible for pursuing suitable business opportunities within our risk appetite. Each operating group must ensure that it is acting within its delegated risk-taking authority, as set out in risk policies and limits.

The second line of defence is provided by the Risk Group along with other Corporate Support areas. These groups provide independent oversight and establish corporate risk management policies, infrastructure, processes, and practices that address all significant risks.

The third line of defence is our Corporate Audit Division, which provides an independent assessment of the effectiveness of internal controls across various functions within our operations, including control that support risk management and governance processes.

Capital Management

OSFI prescribes a capital adequacy measurement process for life insurance companies incorporated under the Act known as the Life Insurance Capital Adequacy Test (LICAT).Our objective is to maintain a strong capital position in a cost-effective structure that: ensures capital is adequate to maintain our safety and stability; exceeds both regulatory and internal requirements; and achieves the most efficient and effective use of capital.

Distribution of capital (through payments of dividends to our parent) occurs only if the remaining capital is sufficient to maintain an expected LICAT ratio above internal target levels and to support current operations. Our LICAT ratio as at October 31, 2025 is 134% (131% as at October 31, 2024), exceeding OSFI's supervisory ratio of 100% and regulatory minimum ratio of 90%.

Note 7: Insurance Revenue

(Canadian $ in thousands)						**2025**
	Non-Participating Life Risk	**Traditional Participating**	**Annuity**	**Creditor**	**Direct Participating Contracts - Segregated Funds**	**Total**
Contracts not measured under the PAA						
Amounts relating to changes in liabilities for remaining coverage						
CSM recognized for services provided	**83,226**	**470**	**32,611**	**–**	**6,688**	**122,995**
Change in risk adjustment for non-financial risk for risk expired	**88,745**	**–**	**8,232**	**–**	**1,664**	**98,641**
Expected incurred claims and other insurance service expenses	**229,945**	**–**	**619,087**	**–**	**21,999**	**871,031**
Recovery of insurance acquisition cash flows	**22,289**	**–**	**1,473**	**–**	**1,634**	**25,396**
Restatement and other changes	**6,923**	**–**	**–**	**–**	**–**	**6,923**
	431,128	**470**	**661,403**	**–**	**31,985**	**1,124,986**
Contracts measured under the PAA	**–**	**–**	**–**	**324,573**	**–**	**324,573**
Total Insurance Revenue	**431,128**	**470**	**661,403**	**324,573**	**31,985**	**1,449,559**

						2024
	Non-Participating Life Risk	Traditional Participating	Annuity	Creditor	Direct Participating Contracts - Segregated Funds	Total
Contracts not measured under the PAA						
Amounts relating to changes in liabilities for remaining coverage						
CSM recognized for services provided	102,380	945	25,214	–	5,787	134,326
Change in risk adjustment for non-financial risk for risk expired	88,362	–	7,067	–	2,299	97,728
Expected incurred claims and other insurance service expenses	226,050	–	506,138	–	16,927	749,115
Recovery of insurance acquisition cash flows	12,499	–	846	–	1,075	14,420
Restatement and other changes	6,653	–	–	–	–	6,653
	435,944	945	539,265	–	26,088	1,002,242
Contracts measured under the PAA	–	–	–	329,882	–	329,882
Total Insurance Revenue	435,944	945	539,265	329,882	26,088	1,332,124

Note 8: Net Financial Result

The following table analyses net investment results in profit or loss or OCI.

Investment Income is derived from the following sources:

(Canadian $ in thousands)				**2025**	2024
	FVTPL	**FVOCI**	**Amortized cost**	**Total**	Total
Interest					
Cash and cash equivalents	**–**	**–**	**20,256**	**20,256**	21,834
Bonds	**502,492**	**8,498**	**–**	**510,990**	474,678
Mortgages and loans	**–**	**–**	**27,162**	**27,162**	17,872
Derivatives	**2,773**	**–**	**–**	**2,773**	(8,151)
	505,265	**8,498**	**47,418**	**561,181**	506,233
Rental Income					
Investment properties	**78,430**	**–**	**–**	**78,430**	77,317
Dividends					
Equities	**9,999**	**–**	**–**	**9,999**	10,077
Realized (losses)/Gains					
Bonds	**(11,368)**	**(345)**	**–**	**(11,713)**	32,199
Equities	**68,415**	**–**	**–**	**68,415**	50,654
Investment properties	**–**	**–**	**–**	**–**	864
	57,047	**(345)**	**–**	**56,702**	83,717
Unrealized (Losses)/Gains					
Bonds	**140,221**	**–**	**–**	**140,221**	926,358
Equities	**176,127**	**–**	**–**	**176,127**	261,062
Derivatives	**(122,488)**	**–**	**–**	**(122,488)**	105,957
Investment properties	**(8,754)**	**–**	**–**	**(8,754)**	59,482
Foreign exchange gains /(losses)	**(40)**	**–**	**–**	**(40)**	–
	185,066	**–**	**–**	**185,066**	1,352,859
Gross Investment (loss)/Income	**835,807**	**8,153**	**47,418**	**891,378**	2,030,203
Investment expenses				**(8,543)**	(7,426)
Net investment income/(expense)				**882,835**	2,022,777

(Canadian $ in thousands)	**2025**	2024
	Total	Total
Net investment income excluding segregated funds	**882,835**	2,022,777
Net investment income - segregated funds	**235,737**	293,878
Net finance income (expenses) from insurance contracts excluding segregated funds		
Interest accreted	**(688,814)**	(686,903)
Effect of changes in interest rates and other financial assumptions	**(164,496)**	(1,225,285)
Total net finance expenses from insurance contracts	**(853,310)**	(1,912,188)
Net finance expenses from segregated funds	**(235,737)**	(293,878)
Net finance income (expenses) from reinsurance contacts held		
Interest accreted	**104,579**	81,221
Effect of changes in interest rates and other financial assumptions	**29,991**	26,602
Total net finance income from reinsurance contracts held	**134,570**	107,823
Movement in investment contract liabilities	**(42,506)**	(116,658)
Net Investment (Financial) Result	**121,589**	101,754

Note 9: Premises and Equipment

We record all equipment at cost less accumulated depreciation, and less any accumulated impairment. Computer equipment, other equipment and leasehold improvements are amortized on a straight-line basis over their estimated useful lives.

The maximum estimated useful lives we use to amortize premises and equipment are as follows:

Computer Equipment	5 years
Other equipment	10 years
Leasehold improvements	Lease term to a maximum of 10 years

Amortization methods, useful lives and the residual values of premises and equipment are reviewed annually for any change in circumstances and are adjusted if appropriate. At each reporting period, we review whether there are any indications that premises and equipment need to be tested for impairment. If there is an indication that an asset may be impaired, we test for impairment by comparing the asset's carrying value to its recoverable amount. The recoverable amount is calculated as the higher of the value in use and the fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from the asset. An impairment charge is recorded when the recoverable amount is less than the carrying value.

There were no write-downs of premises and equipment due to impairment during the years ended October 31, 2025 and 2024.

Amounts relating to leases of short-term, and leases of low value are expensed when incurred in operating expenses.

Amounts relating to leases of low value with no right-of-use asset or corresponding lease liability, which were expensed during the year ended October 31, 2025, totalled $33 ($33 in 2024).

The cost, accumulated depreciation and net carrying value of premises and equipment are as follows:

(Canadian $ in thousands)				**2025**
	Computer equipment	**Other equipment**	**Leasehold improvements**	**Total**
Cost				
Balance, beginning and end of year	**74**	**1,094**	**10,782**	**11,950**
Additions	**—**	**48**	**966**	**1,014**
Retirement	**(2)**	**(854)**	**(5,275)**	**(6,131)**
Balance, end of year	**72**	**288**	**6,473**	**6,833**
Accumulated Depreciation				
Balance, beginning of year	**(74)**	**(907)**	**(5,462)**	**(6,443)**
Depreciation	**—**	**(171)**	**(1,680)**	**(1,851)**
Retirement	**2**	**854**	**5,275**	**6,131**
Balance, end of year	**(72)**	**(224)**	**(1,867)**	**(2,163)**
Net carrying value	**—**	**64**	**4,606**	**4,670**

				2024
	Computer equipment	Other equipment	Leasehold improvements	Total
Cost				
Balance, beginning and end of year	1,366	1,135	9,637	12,138
Additions	—	—	1,145	1,145
Retirement	(1,292)	(41)	—	(1,333)
Balance, end of year	74	1,094	10,782	11,950
Accumulated Depreciation				
Balance, beginning of year	(1,366)	(871)	(5,021)	(7,258)
Depreciation	—	(77)	(441)	(518)
Retirement	1,292	41	—	1,333
Balance, end of year	(74)	(907)	(5,462)	(6,443)
Net carrying value	—	187	5,320	5,507

Note 10: Intangible Assets

Intangible assets are recorded at cost and are amortized on a straight-line basis over the period during which we believe the assets will benefit us, as noted below. For developed software, we do not amortize this asset until development is completed and is put into productive use. We have no intangible assets with indefinite lives.

The useful lives and impairment of intangible software assets are reviewed annually for any changes in circumstances. We test intangible software assets for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. If any intangible assets are determined to be impaired, we write them down to their recoverable amount, the higher of the value in use and the fair value less costs to sell, when this is less than the carrying value.

There were no write-downs of intangible assets due to impairment during the years ended October 31, 2025 and 2024.
Intangible assets are amortized over 5 years.

The cost, accumulated depreciation and net carrying value of intangible assets are as follows:

(Canadian $ in thousands)	**2025**	2024
	Developed Software	Developed Software
Cost		
Balance, beginning of year	**57,380**	60,802
Additions	**7,308**	8,032
Disposal	**(3,260)**	(11,454)
Balance, end of year	**61,428**	57,380
Accumulated depreciation		
Balance, beginning of year	**(34,332)**	(38,711)
Amortization	**(9,046)**	(7,075)
Disposal	**3,260**	11,454
Balance, end of year	**(40,118)**	(34,332)
Net carrying value	**21,310**	23,048

Note 11: Other Assets

Other assets consist of the following:

(Canadian $ in thousands)	**2025**	2024
Agent advances	**585**	255
HST recoverable	**–**	549
Rental income receivable	**29,682**	34,481
Other receivables	**13,838**	3,051
	44,105	38,336

Note 12: Insurance and Reinsurance Contracts Held

Insurance, Reinsurance and Investment Components – Classification

Contracts under which we accept significant insurance risk are classified as insurance contracts. Contracts held by us under which we transfer significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts held. Insurance and reinsurance contracts held also expose us to financial risk.

We accept insurance risk from other insurers.

Some contracts we entered into have the legal form of insurance contracts but do not transfer significant insurance risk. These contracts are classified as financial liabilities and are referred to as "investment contracts".

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- we expect to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- we expect a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and all reinsurance contracts held are classified as contracts without direct participation features. Some of these contracts are measured under the PAA (see Note 13).

Nature of Insurance and Reinsurance Contracts Held

Separating Components from Insurance and Reinsurance Contracts Held

At inception, the following components are separated from an insurance or reinsurance contracts held and accounted for as if they were stand-alone components:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contracts held as a stand-alone instrument; and
- distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating the above financial instrument components, any promises to transfer to policyholders distinct goods or services, other than insurance coverage and investment services, are separated and accounted for as separate contracts with customers (i.e. not as insurance contracts). There were no distinct components (i.e. embedded derivatives, investment components or goods or services) identified in contracts initially recognized during the year.

Aggregation and Recognition of Insurance and Reinsurance Contracts Held

Insurance Contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

A group of insurance contracts for pensions business and reinsurance contracts held comprises of a single contract and single reinsurance treaty respectively.

There were no contracts within a portfolio that would fall into different groups only because a law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics.

An insurance contract issued by the Company is recognized from the earliest of:

- the beginning of its coverage period (i.e. the period during which we provide services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

When the contract is recognized, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Reinsurance Contracts Held

Groups of reinsurance contracts held are established such that each group comprises a single reinsurance treaty.

A group of reinsurance contracts held is recognized on the following date:

- *Reinsurance contracts held initiated by the Company that provide proportionate coverage:* The date on which any underlying insurance contract is initially recognized. This applies to our quota share reinsurance contracts held.

- *Other reinsurance contracts held initiated by the Company:* The beginning of the coverage period of the group of reinsurance contracts held. However, if we recognize an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract held was entered into before that earlier date, then the group of reinsurance contracts held is recognized on that earlier date (see 'Reinsurance of onerous underlying insurance contracts'). This applies to our excess of loss reinsurance contracts held.

Insurance Acquisition Cash Flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts (e.g. non refundable commissions paid on issuance of a contract), then they are allocated to that group.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

No insurance acquisition cash flow is recognized before the recognition of a group of contracts. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognized under a standard other than IFRS 17. All insurance acquisition cash flows are incurred and paid on or after the recognition date of a group (premium due dates). Hence, no insurance acquisition cash flow asset is recognized for a portfolio or each group of contracts to which the insurance acquisition cash flows are allocated. No group of contracts that is related to future renewals.

At each reporting date, we revise the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

Contract Boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows:

Insurance Contracts	Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which we can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services). A substantive obligation to provide services ends when: • we have the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or • we have the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date. The reassessment of risks considers only risks transferred from policyholders to us, which may include both insurance and financial risks, but exclude lapse and expense risks.
Reinsurance Contracts Held	Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which we are compelled to pay amounts to the reinsurer or have a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer: • has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or • has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

Measurement – Contracts Not Measured Under the PAA

Methodology and Assumptions

Changes in actuarial assumptions are made based on emerging and evolving experience with respect to major factors affecting estimates of future cash flows, industry studies and requirements of the Canadian Institute of Actuaries (CIA) and OSFI.

Insurance contract liabilities are determined using General Measurement Model (GMM), Variable Fee Approach (VFA) and PAA based on IFRS 17 and accepted actuarial practice according to standards established by the CIA and the requirements of OSFI.

The nature and method of determining the significant assumptions made by us in the computation of insurance contract liabilities are described below. In all cases, the assumptions are supplemented by the use of margins for adverse deviation which represent the estimate for risk adjustment for non-financial risk.

Policy Claims and Benefits

Estimates of the amounts and timing of future claims and benefit payments are based on both our own and industry's experience over extended periods. Although the pattern of claims and benefit payments may be close to that indicated by past experience, some deviation in that pattern is probable.

Policy Lapse Rates
Policyholders may allow their policies to lapse by choosing not to continue to pay premiums. We base our estimate of future lapse rates on previous experience for the block of policies.

Policy Maintenance Expenses
Amounts for maintenance service expenses are included in insurance contract liabilities to provide for the costs of administering policies in-force and include the costs of premium collection, adjudication and processing of claims, preparation and mailing of policy statements, related indirect expenses and overheads. The process of forecasting expenses requires estimates to be made for factors such as salary rate increases, productivity changes, business volumes and indirect tax rates. Estimates of future policy maintenance expenses are based on our experience.
Insurance contracts – Initial measurement
On initial recognition, we measure a group of insurance contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of insurance contracts do not reflect our non-performance risk.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of insurance contracts represents the unearned profit that we will recognize as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognized as a loss in profit or loss, or as an adjustment to goodwill or a gain on a bargain purchase if the contracts are acquired in a business. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

Insurance Contracts – Subsequent Measurement
The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognized as follows.

Changes relating to future services	Adjusted against the CSM (or recognized in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognized in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognized as insurance finance income or expenses

The CSM of each group of contracts is calculated at each reporting date as follows:

Insurance Contracts Without Direct Participation Features
The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognized as a loss in profit or loss and creates a loss component; or
  - any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognized in profit or loss;
- the effect of any currency exchange differences on the CSM; and
- the amount recognized as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services comprise:

- experience adjustments arising from premiums received in the year that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the year, determined as the payment expected at the start of the year plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the year;

- differences between any loan to a policyholder expected to become repayable in the year and the actual amount that becomes repayable in the year; and
- changes in the risk adjustment for non-financial risk that relate to future services.

Changes in discretionary cash flows are regarded as relating to future services and accordingly adjust the CSM.

Direct Participating Contracts

Direct participating contracts are contracts under which our obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Company's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. We provide investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

When measuring a group of direct participating contracts, we adjust the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognized in profit or loss. We then adjust any CSM for changes in the amount of our share of the fair value of the underlying items, which relate to future services, as explained below.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- the change in the amount of our share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  - a decrease in the amount of our share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or
  - an increase in the amount of our share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognized in profit or loss (included in insurance service expenses);
- the effect of any currency exchange differences on the CSM; and
- the amount recognized as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items – e.g. the effect of financial guarantees.

Reinsurance Contracts Held

To measure a group of reinsurance contracts held, we apply the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications. The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

We measure the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by us to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any income recognized in profit or loss because of onerous underlying contracts recognized at that date.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- income recognized in profit or loss in the year on initial recognition of onerous underlying contracts (see below);
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts held;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognized in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognized in profit or loss because of the services received in the year.

Reinsurance of Onerous Underlying Insurance Contracts
We adjust the CSM of the group to which a reinsurance contract belongs and as a result recognize income when we recognize a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognized. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that we expect to recover from the reinsurance contracts held.

A loss-recovery component is created or adjusted for the group of reinsurance contracts held to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid.

Measurement – Contracts Measured Under the PAA

In the creditor insurance business, we apply the PAA to simplify the measurement of liability for remaining coverage of groups of contracts when the following criteria are met at inception.

- Direct insurance contracts: The coverage period of each contract in the group is one year or less.
- Reinsurance contracts held: The coverage period of each contract in the group is one year or less.

Direct Insurance Contracts
On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. We expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and decreased by the amount recognized as insurance revenue for services provided On initial recognition of each group of contracts, we expect that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, we have chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then we recognize a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims is also discounted.

We recognize the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are not discounted as they are expected to be paid in one year or less from the date the claims are incurred.

Reinsurance Contracts Held
We apply the same accounting policies to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts.

If a loss-recovery component is created for a group of reinsurance contracts held measured under the PAA, then we adjust the carrying amount of the asset for remaining coverage instead of adjusting the CSM.

Derecognition and contract modification
We derecognize a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The terms of our insurance contracts and reinsurance contracts held are never modified, hence modification accounting treatments are not applicable.

On derecognition of a contract from within a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognized;
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognized from the group.

If a contract is derecognized because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts held that are assets and those that are liabilities, are presented separately in the Consolidated Balance Sheet.

We disaggregate amounts recognized in the Consolidated Statement of Profit or Loss and OCI into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts held, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts held' in the insurance service result.

We disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

Insurance revenue and insurance service expenses exclude any investment components and are recognized as follows:

Insurance revenue – Contracts not measured under the PAA

We recognize insurance revenue as we satisfy our performance obligations – i.e. as we provide services under groups of insurance contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which we expect to receive consideration, and comprises the following items.

- A release of the CSM, measured based on coverage units provided.
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year.
- Other amounts, including experience adjustments for premium receipts for current or past services for the life risk segment and amounts related to incurred policyholder tax expenses for the participating segment.

In addition, we allocate a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. We recognize the allocated amount, adjusted for interest accretion at the discount rates determined on initial recognition of the related group of contracts, as insurance revenue and an equal amount as insurance service expenses.

Release of the CSM

The amount of the CSM of a group of insurance contracts that is recognized as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognizing in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

Services provided by insurance contracts include insurance coverage and, for all direct participating contracts, investment services for managing underlying items on behalf of policyholders. In addition, Universal Life contracts may also provide investment services for generating an investment return for the policyholder, but only if:

- an investment component exists or the policyholder has a right to withdraw an amount (e.g. the policyholder’s right to receive a surrender value on cancellation of a contract);
- the investment component or withdrawal amount is expected to include an investment return; and
- we expect to perform investment activities to generate that investment return.

The expected coverage period reflects expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services ends no later than the date on which all amounts due to current policyholders relating to those services have been paid.

Insurance Revenue – Contracts Measured Under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. We allocate the expected premium receipts to each period based on passage of time.

Loss Components

For contracts not measured under the PAA, we establish a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for nonfinancial risk at the beginning of each year (or on initial recognition if a group of contracts is initially recognized in the year).

Changes in fulfilment cash flows relating to future services and changes in the amount of our share of the fair value of the underlying items for direct participating contracts are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

Insurance Service Expenses

Insurance service expenses arising from insurance contracts are recognized in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items.

- Incurred claims and other insurance service expenses: For some life risk contracts, incurred claims also include premiums waived on detection of critical illness.
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognized in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, we expensed insurance acquisition cash flows when incurred.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

Net Expenses from Reinsurance Contracts Held

Net expenses from reinsurance contracts held comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

We recognize an allocation of reinsurance premiums paid in profit or loss as we receive services under groups of reinsurance contracts held. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which we expect to pay consideration.

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

For a group of reinsurance contracts held covering onerous underlying contracts, we establish a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognized:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognized; and
- for changes in fulfilment cash flows of the group of reinsurance contracts held relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that we expect to recover from the reinsurance contracts held.

Insurance Finance Income and Expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts held arising from the effects of the time value of money, financial risk and changes therein, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals). For all contracts, we present insurance finance income or expenses in profit or loss.

Effective November 1, 2023, we adopted IFRS 17 Insurance Contracts (IFRS 17), which provides a comprehensive approach to accounting for all types of insurance contracts and replaced existing IFRS 4 Insurance Contracts (IFRS 4). On transition, we were required to apply a full retrospective approach, where we restated prior periods as if we had always applied IFRS 17, unless impracticable, in which case we applied the fair value approach. CSM recognized on November 1, 2022 using the fair value approach was $1,550 of which $1,122 remained in insurance contract liabilities as at October 31, 2025 ($1,370 as of October 31, 2024).

Transfer of Insurance Contracts

During the year, we transferred certain portfolios of insurance business, including all of our traditional participating business. Significant judgments include the determination of the transfer date and the estimation of liability fulfilment cash flows at that date. In applying the general measurement model under IFRS 17, liabilities for remaining coverage and liabilities for incurred claims amounting to $786,249 and $11,707 were derecognized respectively because of the transfer. We recognized a gain of $48,764 in the consolidated income statement, which represents the difference between the carrying amount of the liabilities transferred and the consideration paid. The contractual service margin relating to the transferred contracts was derecognized and there will be no future insurance revenue recognized from these contracts.

The following are the carrying amounts of Insurance and Reinsurance contracts held assets and liabilities as at the end of the reporting period:

(Canadian $ in thousands)					**2025**
	Life Risk	**Annuity Contracts**	**Creditor**	**Segregated funds**	**Total**
Insurance contracts					
Insurance contract assets	**3,550**	**–**	**–**	**7,742**	**11,292**
Insurance contract liabilities	**(4,779,312)**	**(11,851,015)**	**(24,846)**	**–**	**(16,655,173)**
	(4,775,762)	**(11,851,015)**	**(24,846)**	**7,742**	**(16,643,881)**
Reinsurance contracts held					
Reinsurance contracts held assets	**482,094**	**2,591,909**	**2**	**–**	**3,074,005**
Reinsurance contracts held liabilities	**(373,782)**	**–**	**(95)**	**–**	**(373,877)**
	108,312	**2,591,909**	**(93)**	**–**	**2,700,128**

(Canadian $ in thousands)					2024
	Life Risk	Annuity Contracts	Creditor	Segregated funds	Total
Insurance contracts					
Insurance contract assets	883	–	–	–	883
Insurance contract liabilities	(5,171,232)	(10,209,328)	(30,612)	(386)	(15,411,558)
	(5,170,349)	(10,209,328)	(30,612)	(386)	(15,410,675)
Reinsurance contracts held					
Reinsurance contracts held assets	556,408	1,995,217	3	–	2,551,628
Reinsurance contracts held liabilities	(354,647)	(32,426)	(97)	–	(387,170)
	201,761	1,962,791	(94)	–	2,164,458

Failure of reinsurers to honour their obligations could result in losses. The Company regularly monitors the rating and the default risk of the reinsurance. All the reinsurers to which the Company ceded the life insurance risks have a rating “A” or “AA”, and they are all Canadian registered reinsurance companies. For the annuity products, the Company has ceded part of the business to the non-registered reinsurers. To mitigate the credit risk of those non-registered reinsurers, the backing assets for the ceded liabilities are either held by the Company or in a trust account through the reinsurance arrangement.

At October 31, 2025, the maximum exposure to credit risk from insurance contracts is $2,929,896 ($495,154 in 2024), which primarily relates to the FWH coinsurance treaty with UK insurers. The maximum exposure to credit risk from reinsurance contracts held is $3,074,005 ($2,551,628 in 2024).

Our coinsurance treaty with UK insurers includes FWH arrangement, where certain assets are held in UK insurer’s name with a custodian while we received the benefit of any investment returns of the assets and selects investments. We approximate the accounting of FWH assets arising from this arrangement (i.e., receivables for investment assets withheld by UK insurers and investment returns earned on those assets) by offsetting the insurance contract liability balance by the value of the FWH receivables, which will be equal to the fair value of FWH assets withheld by UK insurers. Any changes in the value of FWH receivables, which will be equal to the changes in the value of FWH assets, will be classified as insurance finance income relating to changes in interest rates and other financial assumptions.

The following reconciliations show the net carrying amounts of all insurance contracts and related reinsurance contracts held. The reconciliations show how the net carrying amounts changed during the year as a result of cash flows and amounts recognized in the Consolidated Statement of Income. For each reconciliation, we present a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the Consolidated Statement of Income and OCI. In the year, the Company recaptured a modified coinsurance reinsurance treaty which reduced the reinsurance contract liabilities by $12,340, resulting in a gain of $11,961 net of memorandum account balance of $379 that was paid as terminal consideration for the recapture.

Liability Roll Forward - *Insurance contracts issued by measurement component (contracts not measured under the PAA)*

(Canadian $ in thousands)					**2025**
			Contractual Service Margin (CSM)		
	Expected Present Value of Future Cash Flows	**Risk Adjustment**	**Fair Value**	**Other**	**Total**
Opening balance insurance contract assets	**(12,544)**	**1,456**	**—**	**10,205**	**(883)**
Opening balance insurance contract liabilities	**12,683,514**	**1,175,922**	**1,370,385**	**151,125**	**15,380,946**
Opening balance insurance contract liabilities – Segregated Funds account balances	**1,753,854**	**—**	**—**	**—**	**1,753,854**
Net opening insurance contract balances	**14,424,824**	**1,177,378**	**1,370,385**	**161,330**	**17,133,917**
Contractual service margin recognized for service provided	**—**	**—**	**(102,963)**	**(20,030)**	**(122,993)**
Change in risk adjustment for non-financial risk expired	**(4,958)**	**(101,308)**	**—**	**—**	**(106,266)**
Experience adjustments	**47,978**	**—**	**—**	**—**	**47,978**
Current service provided in the period	**43,020**	**(101,308)**	**(102,963)**	**(20,030)**	**(181,281)**
Contracts initially recognized in the period	**(269,026)**	**114,114**	**—**	**178,474**	**23,562**
Changes in estimates that adjust the CSM	**70,241**	**(8,720)**	**(53,118)**	**(8,403)**	**—**
Changes in estimates that result in losses and reversal of losses on onerous contracts	**(20,341)**	**6,373**	**—**	**—**	**(13,968)**
Future service yet to be provided	**(219,126)**	**111,767**	**(53,118)**	**170,071**	**9,594**
Adjustments to liabilities for incurred claims	**1,797**	**—**	**—**	**—**	**1,797**
Past service provided in the Prior Periods	**1,797**	**—**	**—**	**—**	**1,797**
Insurance service result	**(174,309)**	**10,459**	**(156,081)**	**150,041**	**(169,890)**
Net finance (income) expenses from insurance contracts	**983,598**	**33,187**	**62,308**	**9,954**	**1,089,047**
Other comprehensive income	**1,378**	**(75)**		**(1,232)**	**71**
Total Changes in the Consolidated Statement of Income and OCI	**810,667**	**43,571**	**(93,773)**	**158,763**	**919,228**
Cash flows					
Premiums received for insurance contracts	**3,628,008**	**—**	**—**	**—**	**3,628,008**
Claims, benefits and other expenses paid	**(1,953,637)**	**—**	**—**	**—**	**(1,953,637)**
Insurance acquisition cash flows	**(170,085)**	**—**	**—**	**—**	**(170,085)**
Total Cash Flows	**1,504,286**	**—**	**—**	**—**	**1,504,286**
Premiums settled net of claims	**(683,886)**	**(42,622)**	**(66,369)**	**(3,319)**	**(796,196)**
Net ending insurance contract balances	**16,055,891**	**1,178,327**	**1,210,243**	**316,774**	**18,761,235**
Ending balance insurance contract assets	**(215,929)**	**20,562**	**88,380**	**95,695**	**(11,292)**
Ending balance insurance contract liabilities	**14,129,620**	**1,157,765**	**1,121,863**	**221,079**	**16,630,327**
Ending balance insurance contract liabilities – Segregated Funds account balances	**2,142,200**	**—**	**—**	**—**	**2,142,200**
Net ending insurance contract balances	**16,055,891**	**1,178,327**	**1,210,243**	**316,774**	**18,761,235**

Liability Roll Forward - *Insurance contracts issued by measurement component (contracts not measured under the PAA)*

(Canadian $ in thousands)					2024
			Contractual Service Margin (CSM)		
	Expected Present Value of Future Cash Flows	Risk Adjustment	Fair Value	Other	Total
Opening balance insurance contract assets	(26,135)	6,231	12,526	3	(7,375)
Opening balance insurance contract liabilities	9,235,377	970,995	1,590,645	88,331	11,885,348
Opening balance insurance contract liabilities – Segregated Funds account balances	1,320,520	—	—	—	1,320,520
Net opening insurance contract balances	10,529,762	977,226	1,603,171	88,334	13,198,493
Contractual service margin recognized for service provided	—	—	(121,247)	(13,079)	(134,326)
Change in risk adjustment for non-financial risk expired	—	(98,663)	—	—	(98,663)
Experience adjustments	66,719	(6,653)	—	—	60,066
Current service provided in the period	66,719	(105,316)	(121,247)	(13,079)	(172,923)
Contracts initially recognized in the period	(152,637)	75,684	—	107,280	30,327
Changes in estimates that adjust the CSM	168,911	43,527	(184,720)	(27,718)	—
Changes in estimates that result in losses and reversal of losses on onerous contracts	(16,384)	18,138	—	—	1,754
Future service yet to be provided	(110)	137,349	(184,720)	79,562	32,081
Adjustments to liabilities for incurred claims	(3,284)	—	—	—	(3,284)
Past service provided in the Prior Periods	(3,284)	—	—	—	(3,284)
Insurance service result	63,325	32,033	(305,967)	66,483	(144,126)
Net finance (income) expenses from insurance contracts	1,958,251	168,119	73,181	6,513	2,206,064
Total Changes in the Consolidated Statement of Income and OCI	2,021,576	200,152	(232,786)	72,996	2,061,938
Cash flows					
Premiums received for insurance contracts	3,663,262	—	—	—	3,663,262
Claims, benefits and other expenses paid	(1,662,277)	—	—	—	(1,662,277)
Insurance acquisition cash flows	(126,108)	—	—	—	(126,108)
Total Cash Flows	1,874,877	—	—	—	1,874,877
Premiums settled net of claims	(1,391)	—	—	—	(1,391)
Net ending insurance contract balances	14,424,824	1,177,378	1,370,385	161,330	17,133,917
Ending balance insurance contract assets	(12,544)	1,456	—	10,205	(883)
Ending balance insurance contract liabilities	12,683,514	1,175,922	1,370,385	151,125	15,380,946
Ending balance insurance contract liabilities – Segregated Funds account balances	1,753,854	—	—	—	1,753,854
Net ending insurance contract balances	14,424,824	1,177,378	1,370,385	161,330	17,133,917

Liability Roll Forward - *Insurance contracts issued by remaining coverage and incurred claims (contracts not measured under the PAA)*

(Canadian $ in thousands)				2025
	Liabilities for remaining coverage			
	Excluding Loss Component	Loss Component	Liabilities for incurred claims	Total
Opening balance insurance contract assets	(883)	—	—	(883)
Opening balance insurance contract liabilities	15,228,314	86,539	66,093	15,380,946
Opening balance insurance contract liabilities – Segregated Funds account balances	1,753,854	—	—	1,753,854
Net opening insurance contract balances	16,981,285	86,539	66,093	17,133,917
Fair value	(776,866)	—	—	(776,866)
Other	(348,120)	—	—	(348,120)
Insurance Revenue	(1,124,986)	—	—	(1,124,986)
Incurred claims and other insurance service expenses	—	(2,059)	920,368	918,309
Amortization of insurance acquisition cash flows	25,396	—	—	25,396
Losses and reversal of losses on onerous contracts	—	9,594	—	9,594
Adjustments to liabilities for incurred claims	—	—	1,797	1,797
Insurance Service Expenses	25,396	7,535	922,165	955,096
Investment components	(1,059,293)	—	1,059,293	—
Insurance service result	(2,158,883)	7,535	1,981,458	(169,890)
Net finance (income) expenses from insurance contracts	1,119,117	(30,070)	—	1,089,047
Other comprehensive income	71	—	—	71
Total Changes in the Consolidated Statement of Income and OCI	(1,039,695)	(22,535)	1,981,458	919,228
Cash flows				
Premiums received for insurance contracts	3,628,008	—	—	3,628,008
Claims, benefits and other expenses paid	—	—	(1,953,637)	(1,953,637)
Insurance acquisition cash flows	(170,085)	—	—	(170,085)
Total Cash Flows	3,457,923	—	(1,953,637)	1,504,286
Premiums settled net of claims	(781,504)	(108)	(14,584)	(796,196)
Net Ending Insurance Contract Balances	18,618,009	63,896	79,330	18,761,235
Ending balance insurance contract assets	(11,292)	—	—	(11,292)
Ending balance insurance contract liabilities	16,487,101	63,896	79,330	16,630,327
Ending balance insurance contract liabilities – Segregated Funds account balances	2,142,200	—	—	2,142,200
Net Ending Insurance Contract Balances	18,618,009	63,896	79,330	18,761,235

Liability Roll Forward - *Insurance contracts issued by remaining coverage and incurred claims (contracts not measured under the PAA)*

(Canadian $ in thousands)				2024
	Liabilities for remaining coverage			
	Excluding Loss Component	Loss Component	Liabilities for incurred claims	Total
Opening balance insurance contract assets	(7,737)	—	362	(7,375)
Opening balance insurance contract liabilities	11,793,912	19,583	71,853	11,885,348
Opening balance insurance contract liabilities – Segregated Funds account balances	1,320,520	—	—	1,320,520
Net opening insurance contract balances	13,106,695	19,583	72,215	13,198,493
Fair value	(807,511)	—	—	(807,511)
Other	(194,732)	—	—	(194,732)
Insurance Revenue	(1,002,243)	—	—	(1,002,243)
Incurred claims and other insurance service expenses	—	(4,075)	818,973	814,898
Amortization of insurance acquisition cash flows	14,421	—	—	14,421
Losses and reversal of losses on onerous contracts	—	32,081	—	32,081
Adjustments to liabilities for incurred claims	—	—	(3,283)	(3,283)
Insurance Service Expenses	14,421	28,006	815,690	858,117
Investment components	(841,648)	—	841,648	—
Insurance service result	(1,829,470)	28,006	1,657,338	(144,126)
Net finance (income) expenses from insurance contracts	2,167,114	38,950	—	2,206,064
Total Changes in the Consolidated Statement of Income and OCI	337,644	66,956	1,657,338	2,061,938
Cash Flows				
Premiums received for insurance contracts	3,663,262	—	—	3,663,262
Claims, benefits and other expenses paid	—	—	(1,662,277)	(1,662,277)
Insurance acquisition cash flows	(126,108)	—	—	(126,108)
Total Cash Flows	3,537,154	—	(1,662,277)	1,874,877
Premiums settled net of claims	(208)	—	(1,183)	(1,391)
Net Ending Insurance Contract Balances	16,981,285	86,539	66,093	17,133,917
Ending balance insurance contract assets	(883)	—	—	(883)
Ending balance insurance contract liabilities	15,228,314	86,539	66,093	15,380,946
Ending balance insurance contract liabilities – Segregated Funds account balances	1,753,854	—	—	1,753,854
Net Ending Insurance Contract Balances	16,981,285	86,539	66,093	17,133,917

Liability Roll Forward - *Reinsurance contracts held by measurement component (contracts not measured under the PAA)*

(Canadian $ in thousands)					2025
			Contractual Service Margin (CSM)		
	Expected Present Value of Future Cash Flows	Risk Adjustment	Fair Value	Other	Total
Opening balance reinsurance contracts held assets	2,163,924	373,987	34,805	(21,090)	2,551,626
Opening balance reinsurance contracts held liabilities	(1,088,143)	235,494	463,880	1,695	(387,074)
Net opening reinsurance contracts held balances	1,075,781	609,481	498,685	(19,395)	2,164,552
Contractual service margin recognized for service provided	–	–	(85,884)	5,155	(80,729)
Change in risk adjustment for non-financial risk expired	–	(53,048)	–	–	(53,048)
Experience adjustments	90,924	(7,275)	–	–	83,649
Current Service Provided in the Period	90,924	(60,323)	(85,884)	5,155	(50,128)
Contracts initially recognized in the period	(20,324)	49,180	–	(9,857)	18,999
Changes in estimates that adjust the CSM	79,130	7,785	(76,939)	(9,976)	–
Changes in estimates that result in losses and reversal of losses on onerous underlying contracts	(9,983)	6,815	–	–	(3,168)
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	–	–	–	(3,701)	(3,701)
Future service yet to be provided	48,823	63,780	(76,939)	(23,534)	12,130
Net expenses from reinsurance contracts held	139,747	3,457	(162,823)	(18,379)	(37,998)
Net finance (income) expenses from reinsurance contracts held	101,425	16,910	20,230	(3,995)	134,570
Total Changes in the Consolidated Statement of Income and OCI	241,172	20,367	(142,593)	(22,374)	96,572
Cash Flows					
Premiums paid	785,242	–	–	–	785,242
Amounts received	(294,533)	–	–	–	(294,533)
Total Cash Flows	490,709	–	–	–	490,709
Other changes in the net carrying amount of the reinsurance contract held	(39,304)	(9,734)	(2,565)	(9)	(51,612)
Net ending reinsurance contracts held balances	1,768,358	620,114	353,527	(41,778)	2,700,221
Ending balance reinsurance contracts held assets	2,773,144	389,262	(43,027)	(45,376)	3,074,003
Ending balance reinsurance contracts held liabilities	(1,004,786)	230,852	396,554	3,598	(373,782)
Net Ending Reinsurance Contracts Held Balances	1,768,358	620,114	353,527	(41,778)	2,700,221

Liability Roll Forward - *Reinsurance contracts held by measurement component (contracts not measured under the PAA)*

(Canadian $ in thousands)					2024
			Contractual Service Margin (CSM)		
	Expected Present Value of Future Cash Flows	Risk Adjustment	Fair Value	Other	Total
Opening balance reinsurance contracts held assets	992,885	275,215	132,774	1,818	1,402,692
Opening balance reinsurance contracts held liabilities	(956,054)	203,501	449,901	537	(302,115)
Net opening reinsurance contracts held balances	36,831	478,716	582,675	2,355	1,100,577
Contractual service margin recognized for service provided	–	–	(47,482)	(16)	(47,498)
Change in risk adjustment for non-financial risk expired	–	(51,428)	–	–	(51,428)
Experience adjustments	(7,462)	(7,043)	–	–	(14,505)
Current Service Provided in the Period	(7,462)	(58,471)	(47,482)	(16)	(113,431)
Contracts initially recognized in the period	(153)	30,807	–	(14,434)	16,220
Changes in estimates that adjust the CSM	13,090	55,153	(61,787)	(6,456)	–
Changes in estimates that result in losses and reversal of losses on onerous underlying contracts	(20,656)	22,636	–	–	1,980
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	–	–	(16)	(679)	(695)
Future service yet to be provided	(7,719)	108,596	(61,803)	(21,569)	17,505
Net expenses from reinsurance contracts held	(15,181)	50,125	(109,285)	(21,585)	(95,926)
Net finance (income) expenses from reinsurance contracts held	2,053	80,640	25,295	(165)	107,823
Total Changes in the Consolidated Statement of Income and OCI	(13,128)	130,765	(83,990)	(21,750)	11,897
Cash Flows					
Premiums paid	1,250,253	–	–	–	1,250,253
Amounts received	(198,175)	–	–	–	(198,175)
Total Cash Flows	1,052,078	–	–	–	1,052,078
Net ending reinsurance contracts held balances	1,075,781	609,481	498,685	(19,395)	2,164,552
Ending balance reinsurance contracts held assets	2,163,924	373,987	34,805	(21,090)	2,551,626
Ending balance reinsurance contracts held liabilities	(1,088,143)	235,494	463,880	1,695	(387,074)
Net Ending Reinsurance Contracts Held Balances	1,075,781	609,481	498,685	(19,395)	2,164,552

Liability Roll Forward - *Reinsurance contracts held by remaining coverage and incurred claims (contracts not measured under the PAA)*

(Canadian $ in thousands)				**2025**
	Assets for remaining coverage			
	Excluding Loss-Recovery Component	**Loss-Recovery Component**	**Assets for incurred claims**	**Total**
Opening balance reinsurance contracts held assets	**2,484,638**	**39,600**	**27,388**	**2,551,626**
Opening balance reinsurance contracts held liabilities	**(375,118)**	**7**	**(11,963)**	**(387,074)**
Net opening reinsurance contracts held balances	**2,109,520**	**39,607**	**15,425**	**2,164,552**
Fair value	**(238,113)**	**–**	**–**	**(238,113)**
Other	**(123,426)**	**–**	**–**	**(123,426)**
Allocation of reinsurance premiums paid	**(361,539)**	**–**	**–**	**(361,539)**
Incurred claims and other reinsurance service expenses	**–**	**(5,392)**	**316,803**	**311,411**
Recovery of losses and reversal of losses	**–**	**12,130**	**–**	**12,130**
Amounts recoverable from reinsurers	**–**	**6,738**	**316,803**	**323,541**
Investment components	**(13,618)**	**–**	**13,618**	**–**
Net expenses from reinsurance contracts held	**(375,157)**	**6,738**	**330,421**	**(37,998)**
Net finance (income) expenses from reinsurance contracts held	**144,260**	**(9,690)**	**–**	**134,570**
Total Changes in the Consolidated Statement of Income and OCI	**(230,897)**	**(2,952)**	**330,421**	**96,572**
Cash Flows				
Premiums paid	**785,242**	**–**	**–**	**785,242**
Amounts received	**–**	**–**	**(294,533)**	**(294,533)**
Total Cash Flows	**785,242**	**–**	**(294,533)**	**490,709**
Other changes in the net carrying amount of the reinsurance contracts held	**(51,612)**	**–**	**–**	**(51,612)**
Net Ending Reinsurance Contracts Held Balances	**2,612,253**	**36,655**	**51,313**	**2,700,221**
Ending balance reinsurance contracts held assets	**2,994,800**	**36,655**	**42,548**	**3,074,003**
Ending balance reinsurance contracts held liabilities	**(382,547)**	**–**	**8,765**	**(373,782)**
Net Ending Reinsurance Contracts Held Balances	**2,612,253**	**36,655**	**51,313**	**2,700,221**

Liability Roll Forward - *Reinsurance contracts held by remaining coverage and incurred claims (contracts not measured under the PAA)*

(Canadian $ in thousands)				2024
	Assets for remaining coverage			
	Excluding Loss-Recovery Component	Loss-Recovery Component	Assets for incurred claims	Total
Opening balance reinsurance contracts held assets	1,411,929	12,923	(22,160)	1,402,692
Opening balance reinsurance contracts held liabilities	(314,760)	–	12,645	(302,115)
Net opening reinsurance contracts held balances	1,097,169	12,923	(9,515)	1,100,577
Fair value	(263,770)	–	–	(263,770)
Other	(60,809)	–	–	(60,809)
Allocation of reinsurance premiums paid	(324,579)	–	–	(324,579)
Incurred claims and other reinsurance service expenses	–	(4,881)	216,028	211,147
Recovery of losses and reversal of losses	–	17,506	–	17,506
Amounts recoverable from reinsurers	–	12,625	216,028	228,653
Investment components	(7,087)	–	7,087	–
Net expenses from reinsurance contracts held	(331,666)	12,625	223,115	(95,926)
Net finance (income) expenses from reinsurance contracts held	93,764	14,059	–	107,823
Total Changes in the Consolidated Statement of Income and OCI	(237,902)	26,684	223,115	11,897
Cash Flows				
Premiums paid	1,250,253	–	–	1,250,253
Amounts received	–	–	(198,175)	(198,175)
Total Cash Flows	1,250,253	–	(198,175)	1,052,078
Net Ending Reinsurance Contracts Held Balances	2,109,520	39,607	15,425	2,164,552
Ending balance reinsurance contracts held assets	2,484,638	39,600	27,388	2,551,626
Ending balance reinsurance contracts held liabilities	(375,118)	7	(11,963)	(387,074)
Net Ending Reinsurance Contracts Held Balances	2,109,520	39,607	15,425	2,164,552

Liability Roll Forward - *Insurance contracts held by remaining coverage and incurred claims (contracts measured under the PAA)*

(Canadian $ in thousands)			2025
	Liabilities for remaining coverage	Liabilities for Incurred claims	
	Excluding Loss-Component	Expected Present Value of Future Cash Flows	Total
Opening balance insurance contract assets	–	–	–
Opening balance insurance contract liabilities	(25,315)	55,927	30,612
Net opening insurance contract balances	(25,315)	55,927	30,612
Other	(324,573)	–	(324,573)
Insurance Revenue	(324,573)	–	(324,573)
Incurred claims and other insurance service expenses	–	97,318	97,318
Amortization of insurance acquisition cash flows	34,760	–	34,760
Adjustments to liabilities for incurred claims	–	(3,499)	(3,499)
Insurance service expenses	34,760	93,819	128,579
Insurance service result	(289,813)	93,819	(195,994)
Total Changes in the Consolidated Statement of Income and OCI	(289,813)	93,819	(195,994)
Cash flows			
Premiums received for insurance contracts	322,061	–	322,061
Claims, benefits and other expenses paid	–	(97,073)	(97,073)
Insurance acquisition cash flows	(34,760)	–	(34,760)
Total Cash Flows	287,301	(97,073)	190,228
Net Ending insurance Contract Balances	(27,827)	52,673	24,846
Ending balance insurance contract assets	–	–	–
Ending balance reinsurance contract liabilities	(27,827)	52,673	24,846
Net Ending insurance Contract Balances	(27,827)	52,673	24,846

Liability Roll Forward - *Insurance contracts held by remaining coverage and incurred claims (contracts measured under PAA)*

(Canadian $ in thousands)			2024
	Liabilities for remaining coverage	Liabilities for Incurred claims	
	Excluding Loss-Component	Expected Present Value of Future Cash Flows	Total
Opening balance insurance contract assets	–	–	–
Opening balance insurance contract liabilities	(27,352)	51,549	24,197
Net opening insurance contract balances	(27,352)	51,549	24,197
Other	(329,882)	–	(329,882)
Insurance Revenue	(329,882)	–	(329,882)
Incurred claims and other insurance service expenses	–	92,445	92,445
Amortization of insurance acquisition cash flows	36,323	–	36,323
Adjustments to liabilities for incurred claims	–	4,758	4,758
Insurance service expenses	36,323	97,203	133,526
Insurance service result	(293,559)	97,203	(196,356)
Total Changes in the Consolidated Statement of Income and OCI	(293,559)	97,203	(196,356)
Cash flows			
Premiums received for insurance contracts	331,919	–	331,919
Claims, benefits and other expenses paid	–	(92,825)	(92,825)
Insurance acquisition cash flows	(36,323)	–	(36,323)
Total Cash Flows	295,596	(92,825)	202,771
Net Ending insurance Contract Balances	(25,315)	55,927	30,612
Ending balance insurance contract assets	–	–	–
Ending balance insurance contract liabilities	(25,315)	55,927	30,612
Net Ending insurance Contract Balances	(25,315)	55,927	30,612

Effect of Contracts Initially Recognized in the Year

The following tables summarize the effect on the measurement components of insurance and reinsurance contracts held arising from the initial recognition of contracts not measured under the PAA that were initially recognized in the year.

Insurance Contracts

(Canadian $ in thousands)			**2025**
	Profitable Contracts Issued	**Onerous Contracts Issued**	**Total**
Claims and other insurance service expenses payable	**2,375,308**	**458,283**	**2,833,591**
Insurance acquisition cash flows	**162,252**	**21,539**	**183,791**
Estimates of present value of cash outflows	**2,537,560**	**479,822**	**3,017,382**
Estimates of present value of cash inflows	**(2,795,505)**	**(490,903)**	**(3,286,408)**
Risk adjustment for non-financial risk	**79,471**	**34,643**	**114,114**
CSM	**178,474**	**—**	**178,474**
Losses recognized on initial recognition	**—**	**23,562**	**23,562**

(Canadian $ in thousands)			2024
	Profitable Contracts Issued	Onerous Contracts Issued	Total
Claims and other insurance service expenses payable	2,860,422	952,463	3,812,885
Insurance acquisition cash flows	109,742	27,102	136,844
Estimates of present value of cash outflows	2,970,164	979,565	3,949,729
Estimates of present value of cash inflows	(3,125,211)	(977,155)	(4,102,366)
Risk adjustment for non-financial risk	47,767	27,917	75,684
CSM	107,280	—	107,280
Losses recognized on initial recognition	—	30,327	30,327

Reinsurance Contracts Held

(Canadian $ in thousands)			**2025**
	Contracts initiated without loss-recovery component	**Contracts initiated with loss-recovery component**	**Total**
Estimates of present value of cash inflows	**(399,765)**	**(345,406)**	**(745,171)**
Estimates of present value of cash outflows	**431,918**	**333,577**	**765,495**
Risk adjustment for non-financial risk	**(23,904)**	**(25,276)**	**(49,180)**
Income recognized on initial recognition	**–**	**18,999**	**18,999**
CSM	**8,249**	**(18,106)**	**(9,857)**

(Canadian $ in thousands)			2024
	Contracts initiated without loss-recovery component	Contracts initiated with loss-recovery component	Total
Estimates of present value of cash inflows	(790,815)	(377,594)	(1,168,409)
Estimates of present value of cash outflows	801,453	367,109	1,168,562
Risk adjustment for non-financial risk	(17,889)	(12,918)	(30,807)
Income recognized on initial recognition	—	16,220	16,220
CSM	(7,251)	(7,183)	(14,434)

Contractual Service Margin

The following table sets out when the Company expects to recognize the remaining CSM in profit or loss after the reporting date for contracts not measured under the PAA.

(Canadian $ in thousands)									2025
	1 year or less	**1 - 2 years**	**2 - 3 years**	**3 - 4 years**	**4 - 5 years**	**5 - 10 years**	**10 - 20 years**	**More than 20 years**	**Total**
Insurance contract									
Non-Participating life Risk	**74,149**	**68,012**	**62,386**	**57,431**	**52,765**	**204,208**	**222,061**	**163,300**	**904,312**
Traditional Participating contracts	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Annuity contracts	**43,903**	**41,289**	**38,873**	**36,392**	**33,847**	**134,948**	**144,149**	**81,227**	**554,628**
Direct Participating Contracts - Segregated Funds	**6,744**	**6,309**	**5,873**	**5,459**	**5,018**	**18,848**	**14,816**	**5,010**	**68,077**
	124,796	**115,610**	**107,132**	**99,282**	**91,630**	**358,004**	**381,026**	**249,537**	**1,527,017**
Reinsurance contracts held									
Non-Participating life Risk	**(34,318)**	**(31,231)**	**(28,443)**	**(26,009)**	**(23,694)**	**(89,419)**	**(91,287)**	**(50,518)**	**(374,919)**
Annuity contracts	**5,250**	**5,530**	**5,122**	**4,735**	**4,365**	**16,919**	**16,364**	**4,885**	**63,170**
	(29,068)	**(25,701)**	**(23,321)**	**(21,274)**	**(19,329)**	**(72,500)**	**(74,923)**	**(45,633)**	**(311,749)**

(Canadian $ in thousands)									2024
	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 - 10 years	10 - 20 years	More than 20 years	Total
Insurance contract									
Non-Participating life Risk	95,753	87,001	79,161	72,076	65,786	249,170	259,327	186,325	1,094,599
Traditional Participating contracts	945	945	1,820	1,630	1,454	5,178	4,856	6,184	23,012
Annuity contracts	26,509	25,595	24,084	22,837	21,497	87,017	96,650	62,475	366,664
Direct Participating Contracts - Segregated Funds	4,529	4,285	4,018	3,745	3,472	13,257	10,459	3,675	47,440
	127,736	117,826	109,083	100,288	92,209	354,622	371,292	258,659	1,531,715
Reinsurance contracts held									
Non-Participating life Risk	(43,582)	(39,484)	(35,745)	(32,381)	(29,399)	(109,226)	(106,074)	(56,849)	(452,740)
Annuity contracts	(2,172)	(1,812)	(1,753)	(1,695)	(1,638)	(7,233)	(10,237)	(10)	(26,550)
	(45,754)	(41,296)	(37,498)	(34,076)	(31,037)	(116,459)	(116,311)	(56,859)	(479,290)

Significant Judgments and Estimates

Fulfilment Cash Flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

Our objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then we use stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns.

Estimates of Future Cash Flows

In estimating future cash flows, we incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflects our view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, we take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which we have discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- recurring commissions payable on instalment premiums receivable within the contract boundary;
- costs that we will incur in providing investment services
- costs that we will incur in performing investment activities to the extent that we perform them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs; and
- income tax and other costs specifically chargeable to the policyholders under the terms of contracts.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows are attributed to acquisition activities, and other fulfilment activities using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. We generally allocate insurance acquisition cash flows to groups of contracts based on certain factors such as product plan, new business volume (e.g. number of policies or premium). Other costs are recognized in profit or loss as they are incurred.

Contract Boundaries
The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgment and consideration of our substantive rights and obligations under the contract.

Insurance Contracts	For products issued by us, the premium charged for each year reflects our expectation of exposure to risk for the term of the policy or until age specified in the policy, we cannot reprice the premium to reflect the reassessed risks for the next year based on claims experience and expectations for the respective portfolio.
Reinsurance Contracts Held	Each of our quota share reinsurance contracts covers underlying contracts issued throughout the coverage period and provides, to both the Company and the reinsurer, the rights to terminate the cession of new business at any time by giving three months' (or 12 months) notice to the other party. On initial recognition, the cash flows within the reinsurance contract boundary are determined to be those arising from underlying contracts that we expect to issue and cede under the reinsurance contract within the next three months (or 12 months). Subsequently, expected cash flows beyond the end of this initial notice period are considered cash flows of new reinsurance contracts and are recognized, separately from the initial contract, as they fall within the rolling three-month (or 12 months) notice period.

Life Risk, Annuity and Participating Contracts
Assumptions about mortality/longevity, morbidity and policyholder behaviour that are used in estimating future cash flows are developed by product type, reflecting recent experience and the profiles of policyholders within a group of insurance contracts.

Mortality/longevity and morbidity assumptions are generally developed using a blend of national mortality data, industry trends and our recent experience. Experience is monitored through regular studies, the results of which are reflected both in the pricing of new products and in the measurement of existing contracts.

Mortality/longevity is a key assumption in the measurement of annuity products issued in Canada. Tables produced by the actuary based on Canada Institute of Actuary (CIA) are used and adjusted to reflect expected mortality improvements, as set out below.

(Canadian $ in thousands)			**2025**
	Mortality projections model	**Mortality table used and adjustments**	**Adjustments for long-term mortality improvements**
Male	**UK Pensioner CMI**	**S3 Series and CMI_2021_M**	**1.25% - 1.5%**
Female	**UK Pensioner CMI**	**S3 Series and CMI_2021_F**	**1.25% - 1.5%**

(Canadian $ in thousands)			2024
	Mortality projections model	Mortality table used and adjustments	Adjustments for long-term mortality improvements
Male	MI2017	CPM 2014 Private Male	1 %
Female	MI2017	CPM 2014 Private Female	1 %

[Disclosure of mortality/longevity assumptions for other countries that may have a material impact on estimates of future cash flows.]

Policyholder behaviour is a key assumption in the measurement of annuities, participating and other life insurance contracts. Each type of policyholder behaviour is estimated by product type, based on trends in recent experience.

We developed the lapse rate assumptions based on the Company's own lapse experience studies with the reference of the recent industry experience. Separate lapse rate assumptions are used for the whole life products, the universal life YRT and LCOI products, the renewable term and term 100 products. For the renewable term insurance, the extra lapses are expected to occur at the renewal point, the mortality rates are expected to be increased after the renewal point. Due to the material premium increase at the renewal point, the healthy policyholders are more likely to lapse than those who have become uninsurable. An increase in policy lapse rates early in the life of the policy would reduce profits for shareholders. An increase in policy termination rates later in the life of the policy would increase profits for shareholders if the product is lapse supported (e.g. UL LCOI, Term 100) but decrease shareholder profits for other types of life insurance products. Under IFRS 17, the variation on lapse experience and the change in lapse assumptions are absorbed by the CSM changes if the groups are non-onerous.

For universal life products and segregated funds products, the policyholders fund is credited with the fund return minus the contractual charges. For universal life, the amount credited could be determined by interest rates guarantees.

To determine how to identify changes in discretionary cash flows for Whole life contracts, we generally regard our commitment to be the expected interest credited to the whole life CSV updated to reflect the policyholder actual credited rate. The interest credited to the whole life CSV is determined based on our discretion and the actual return on asset backing the insurance liability. The changes in estimates of future cash flows arising from the exercise of discretion is the difference between the policyholder expected credited rate and actual credited rate. The difference between the expected interest credited and the actual is broken down into:

- changes due to higher or lower asset earned rate - accounted for in Statement of Income and is partly offset by investment income.
- changes due to our discretion – accounted for as an adjustment to CSM.

The break-down of the interest credited on CSV is conducted at the policy level.

Discount rates

We changed our current hybrid discount rate methodology to a top-down approach in alignment with IFRS 17. The new approach explicitly calculates credit risk and uncertainty, enabling a measurement of credit loss and risk premium deductions which is more relevant to users as it better aligns to our asset-liability management strategy. The change in the discount rate methodology has been applied prospectively and our previously disclosed insurance contract liabilities have not been restated to reflect discounted liability cashflows under the new discount rate methodology.

The tables below set out the discount rates used to discount the cash flows of insurance contracts for Canadian lines of business:

					2025					2024
	1 year	**5 years**	**10 years**	**15 years**	**20 years**	1 year	5 years	10 years	15 years	20 years
Individual Life	**2.99 %**	**3.64 %**	**4.42 %**	**4.86 %**	**5.00 %**	3.72 %	3.64 %	4.38 %	4.67 %	4.74 %
Annuity	**3.24 %**	**3.89 %**	**4.67 %**	**5.11 %**	**5.25 %**	4.16 %	4.14 %	4.82 %	5.08 %	5.15 %
Segregated Fund	**2.30 %**	**2.70 %**	**3.52 %**	**4.13 %**	**4.38 %**	3.14 %	3.18 %	3.84 %	4.31 %	4.44 %

Risk Adjustments for Non-Financial Risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the entity would require for bearing non-financial risk and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique.

The risk adjustments for non-financial risk are determined using the Margin approach).

The confidence level that correspond to the above risk adjustment measurement technique is determined using VaR (Value at risk).

To determine the risk adjustments for non-financial risk for reinsurance contracts held, we apply these techniques to both gross and net of reinsurance and derive the amount of risk being transferred to the reinsurer as the difference between the two results.

In applying the margin approach, cash flow uncertainty is measured at policy level and aggregated for all policies to determine the risk adjustment at entity level for both standalone and consolidated financial statements. The diversification credit among the risks is estimated at the entity level and allocated to each group on a proportional basis to ensure the sum of the risk adjustment of each group is equal to the risk adjustment reported at the entity level.

Applying a confidence level technique, the Company's level of confidence is determined at entity level. The level of confidence for non-financial risks is derived based on the VaR (Value at risk) of the Company's economic capital for non-financial risks. The mean, and standard deviation of the insurance cash flow distribution are derived by using the best estimate liability, aggregate probability distribution, and the VaR of economic capital for non-financial risks. The confidence level of the Company's risk adjustments is then measured statistically by fitting the amount of the risk adjustment into the aggregate probability distribution.

The risk adjustments for non-financial risk for Life risk, traditional participating, annuity and segregated fund contracts issued in Canada correspond to the following confidence levels:

	2025	2024
	Net direct and ceded risk adjustment	Net direct and ceded risk adjustment
CAN	**70% - 75%**	70% - 75%

Contractual Service Margin

Determination of Coverage Units

The CSM of a group of contracts is recognized in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

We determine the quantity of the benefits provided under each contract as follows:

Product	**Basis for determining quality of benefits provided**
Contracts without direct participation features (Term assurance, Non-participating whole-life, Immediate fixed annuity)	Sum assured: the coverage unit is based on sum assured or the maximum benefits the policyholder can receive in the reporting period. Coverage unit for annuity is monthly payment including guarantee payments.
Critical illness	Maximum amount payable (including any premiums waived) on detection of illness
Contracts with direct participation features	For segregated fund, the coverage unit is based on maximum of fund value and guaranteed payment. For Participating policies, the coverage unit is the maximum benefits, including death benefit, cash surrender value, and dividends etc., which the policyholders can possibly obtain at the current period.
Products with multiple benefits in a single contract	The coverage unit of each coverage is aggregated. For Contracts with riders, the coverage unit is the total of sum assured of the base coverage and the riders
Quota share reinsurance	Ceded net amount at risk
Excess of loss	Expected amount of underlying claims to be covered in each period

For insurance contracts that provide both insurance coverage and investment services, the assessment of the quantity of benefits entails determining the relative weighting of the benefits provided to the policyholder by these services, determining how the benefits provided by each service change over the coverage period and aggregating those different benefits.

To determine the relative weighting of the benefits provided by insurance coverage and investment services, insurance and investment services provided by a product are equally weighted by dollar amount.

An analysis of the expected timing of the allocation of the CSM to profit or loss is disclosed in the section relating to Effect of contracts initially recognized in the year.

Risk Mitigation Option
We have chosen not to use the Risk mitigation option, therefore the changes in the amount of the Company's share of the fair value of the underlying items and the changes in FCF relating to future service, flow through CSM.

Investment Components
We identify the investment component of a contract by determining the amount that we would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses.

Universal life, participating and non-participating whole-life contracts have explicit surrender values. The investment component excluded from insurance revenue and insurance service expenses is determined as the surrender value specified in the contractual terms less any accrued fees and surrender charges.

Our other contracts do not contain investment components. These include term and whole life contracts.

For Annuity contracts (such as TFA) that provide policyholders with a guaranteed payment, we determined that these contracts include investment component for the guaranteed payment, because we are required to pay amount whether the policyholder survives the guaranteed period or not. If the policyholder does not survive before the commencement of the first annuity payment date, any surrender payments are treated as premium refunds for unused coverage. Even though the premium refunds do not represent repayments of investment components, we have disclosed them as part of premium received (i.e. as reduction to premium received).

Fair Value of Insurance Contracts

The Company measures insurance contracts at fair value when it applied the fair value approach on transition to IFRS 17. The Company has measured the fair value of insurance contracts as the sum of (a) the present value of the net cash flows expected to be generated by the contracts, determined using a discounted cash flow technique; and (b) an additional margin, determined using a cost of capital approach.

The cash flows considered in the fair value measurement are consistent with those that were within the contract boundary.

Our approach to measuring fair value differs from the IFRS 17 requirements for measuring fulfilment cash flows in certain respects. These differences gave rise to a CSM at the date of acquisition or transition. In particular, in measuring fair value we:

- Consider the cash flows included in the measurement of fulfilment cash flows but adjust them to reflect the perspective of market participants. For example, expense cash flows are increased to cover a reasonable level of general overheads that are not directly attributable to fulfilling the insurance contracts but that a market participant acquiring the contracts would expect to bear.
- Use the discount rates applied in measuring fulfilment cash flows but increase the rates to reflect the effect of our non-performance risk; and
- Include a margin comprising a risk premium to reflect what market participants would demand as compensation for the uncertainty inherent in the cash flows and a profit margin to reflect what market participants would require to assume the obligations to service the insurance contracts. In determining the risk premium, we allow for certain risks that were not reflected in the fulfilment cash flows but would be considered by market participants – e.g. general operational risk.

Note 13: Investment Contract Liabilities

Policyholders' Amounts on Deposit

Policyholders' amounts on deposit represent funds held for the benefit of policyholders and may accumulate interest. Typically, the funds are applied to pay future premiums but may be withdrawn by policyholders.

Investment Contract Liabilities

Non-life contingent annuity contracts do not meet the definition of insurance contracts as the insurer bears no significant insurance risk. They are classified as investment contracts and comprises of the release of expected fulfilment cash outflows, release of risk adjustment for risk expired in the period, the release of contractual service margin recognized related to coverage units earned in the period, and an allocation of acquisition costs.

For new contracts issued from 2024, they are classified at amortize cost, consistent with investments supporting them. The amortized cost and fair value of these annuity liabilities as at October 31, 2025 of $300,266 ($147,408 in 2024) and $302,832 ($153,427 in 2024) respectively is recorded in Investment Contract Liabilities in our Consolidated Balance Sheet. The change in amortize cost of these annuity liabilities resulted in a decrease of $3,669 for the year ended October 31, 2025 (decrease of $1,695 in 2024).

We have a run-off block of business issued prior to 2023, we designate these obligations related to these non-life contingent annuity contracts at FVTPL, which reduces an accounting mismatch that would otherwise arise from measuring the annuity liabilities and offsetting changes in the fair value of the investments supporting them on a different basis. The fair value of these annuity liabilities as at October 31, 2025 of $744,614 ($795,713 in 2024) is recorded in Investment Contract Liabilities in our Consolidated Balance Sheet. The change in fair value of these annuity liabilities resulted in a decrease of $17,676 for the year ended October 31, 2025 (increase of $119,720 in 2024).

Investment contract liabilities consist of the following:

(Canadian $ in thousands)	**2025**	2024
Non-par annuity	**1,044,880**	943120

Changes in investment contract liabilities are as follows:

	2025	2024
Balance, beginning of year	**943,120**	708,404
Policyholders' activities		
Deposits	**171,578**	157,346
Withdrawals	**(74,559)**	(65,078)
	97,019	92,268
Operating Activities		
Interest	**33,968**	31,087
Fees	**(7,882)**	(6,664)
Change in fair value	**(17,676)**	119,720
Other	**(3,669)**	(1,695)
	4,741	142,448
Balance, end of year	**1,044,880**	943,120

Note 14: Reinsurance Contracts Held

In the normal course of business, we limit the amount of loss on many of our policies by reinsuring certain levels of risk with other insurers.

Consolidated Balance Sheet amounts for reinsurance contracts held assets are recorded on a gross basis. The income or expenses from a group of reinsurance contracts held, other than insurance finance income or expenses, are presented as a single amount in the Consolidated Statement of Income. The amounts recovered from the reinsurer and an allocation of the premiums paid together give a net amount equal to that single amount.

Amounts recoverable from reinsurers are estimated in a manner consistent with the policy liability associated with the reinsured policy.

Reinsurance is placed with Canadian federally regulated reinsurers with the exception of the modified coinsurance treaty with American General Life Insurance Company and a coinsurance treaty with Legal & General Reinsurance Company No. 2 Limited. The modified coinsurance treaty covers structured settlement business underwritten prior to April 1, 2010. The treaty is experience rated whereby we retain any experience gains. During the year, for this modified coinsurance treaty we recovered $11,250 ($65,926 in 2024) in policyholder benefits and $nil ($405 in 2024) in expenses. The movement in assets required to cover the reinsurance ceded reserves was a withdrawal of $14,627 (withdrawal of $68,729 in 2024). This amount is included in incurred claims on the Consolidated Statement of Income. Effective January 1, 2025, the Company recaptured the modified coinsurance treaty on structured settlement business with Corebridge Financial, at which time the December 31, 2024, memorandum account balance of $379,251 was paid. There were no additional payments made to end the agreement, the reinsurance CSM and Risk Adjustment liability were released into income.

Our coinsurance treaty with Legal & General Reinsurance Company No. 2 Limited covers pension business. During the year, we ceded premiums of $630,213 ($1,091,245 in 2024) and we recovered $160,741 ($91,989 in 2024).

Funds Withheld Arrangement

Our coinsurance treaty with a reinsurer includes FWH arrangement, where certain assets are held in our name with a custodian while the reinsurer gets the benefit of any investment returns of the assets and selects investments. We approximate the accounting of FWH liabilities arising from this arrangement (i.e., liabilities for investment assets withheld by us and investment returns earned on those assets) by offsetting the reinsurance asset balance (i.e., ceded reserves) by the value of the FWH liabilities, which will be equal to the fair value of FWH assets. Any changes in the value of FWH liabilities, which will be equal to the changes in the value of FWH assets, is classified as reinsurance finance income relating to changes in interest rates and other financial assumptions.

We reinsure substantially all of our individual life business on various yearly renewable term and coinsurance bases retaining on average 21% (24% in 2024) of the risk to a maximum face amount of $2,000 ($1,500 in 2024) on any one life.

Reinsurance ceded does not discharge our liability as the primary insurer. Failure of reinsurers to honour their obligations could result in losses to us; consequently, the estimates of the present value of the future cash flows for reinsurance contracts held include the effects of any risk of non-performance by reinsurers, if necessary, for amounts deemed uncollectible. No effects of any risk of non-performance were required in 2025 and 2024.

We evaluate the financial condition of our reinsurers and monitor concentrations of credit risk arising from activities or economic characteristics of the reinsurers to minimize our exposure to losses from reinsurer insolvency. We review third party reports from AM Best, Standard and Poor's, and Moody's to evaluate the financial condition of our reinsurers. The average credit quality of our reinsurers is A (A in 2024).

Reinsurance assumed is accounted for as an insurance contract. As of October 31, 2025 we reinsured a block of Creditor business and assumed insurance liabilities $24,486 ($30,612 in 2024).

Note 15: Related Party Transactions and Balances

Transactions with related parties are measured at the agreed upon exchange amount. Pursuant to the Act, BMO's Board of Directors has established an Audit and Conduct Review Committee (the Committee), comprised of directors who are not affiliated with us, to review all proposed and permitted transactions with related parties, to ensure compliance with the self-dealing provisions of governing legislation, and oversee business ethics applicable to employees, directors and the shareholder.

Governing legislation requires us to report annually to OSFI on the proceedings of the Committee and all transactions and other matters it has reviewed.

We assume and administer certain annuity policies underwritten by BMO Life Insurance Company.

We use the technical systems, premises, marketing, accounting, banking services and staff of BMO. BMO employees that support our operations receive employee and pension benefits from BMO. BMO is paid a fee for providing these services.

We use: Investment and management services of BMO Asset Management Inc.; Marketing services of BMO Investments Inc.; Consulting services of BMO Capital Markets Real Estate Inc.; and staff of BMO Nesbitt Burns Financial Services Inc. All are common controlled enterprises and are paid a fee for their services.

We use the payment processing services supplied by Moneris Solutions Inc., a joint venture of BMO. Moneris Solutions Inc. is paid a fee for providing these services.

These transactions are provided at normal commercial rates and take place on terms that are similar with terms we would be charged by unrelated parties.

Expenses/income in respect of services provided by/to related parties and amounts payable as a result of related administration fees, rent and operating expense transactions are summarized as follows:

(Canadian $ in thousands)	**2025**	2024
Bank of Montreal	**73,163**	60,082
BMO Life Insurance Company	**(26)**	(8)
BMO Nesbitt Burns Financial Services Inc.	**8,866**	6,491
BMO Reinsurance Limited	**586**	135
Moneris Solutions Inc.	**89**	134
BMO Asset Management Inc.	**7,564**	6,486
BMO Investments Inc.	**3,756**	2,423
Total cash outflows (inflows)	**93,998**	75,743

(Canadian $ in thousands)	**2025**	2024
Bank of Montreal	**6,139**	5,388
Nesbitt Burns Financial Services Inc.	**492**	434
BMO Reinsurance Limited	**649**	135
BMO Asset Management Inc.	**662**	587
BMO Investments Inc.	**264**	264
Amounts due to related parties, net	**8,206**	6,808

We assume annuity business from BMO Life Insurance Company. During the year, annuity premiums assumed were $nil ($159,426 in 2024) and included in the provision for insurance contract liabilities is $610,724 ($627,112 in 2024).

In addition, we receive certain management services and the use of premises from BMO without charge. These amounts are not deemed to be material.

In 2025, we paid a dividend of $75,000 to our former parent, BMO Life Holdings (Canada), ULC and $75,000 to our immediate parent, BMO Life Insurance Company ($50,000 in 2024).

BMO leases real estate from us on non-cancellable lease terms of between 12 to 15 years, requiring annual rental payments of $8,080 ($8,080 in 2024).

Amounts relating to short-term leases, which were expensed during the year ended October 31, 2025, totalled $809 ($791 in 2024).

In 2020, we invested in BMO First Canadian Capital Partners LP, a private equity fund, Fund I, managed by BMO Asset Management Inc., which held its first closing on November 1, 2019. Fund I's term is 10 years from Initial Closing date, extendable up to three additional one year periods. During the year, we invested in a second BMO First Canadian Capital Partners, private equity fund, Fund II, which held its first closing on June 28, 2024. The total commitment between the two funds (the Funds) is $300 million. As of October 31, 2024, $113,396 (drawdown) was invested in the Funds (drawdown of $17,730 in 2025).

Part VI.1 Tax

In fiscal 2021, the Bank entered into an agreement to transfer to its subsidiary, BMO Mortgage Corp ("BMO MC"), the Bank's liability for Part VI.1 Tax for the year ended October 31, 2020 ("fiscal 2020"). In the fourth quarter of 2025, the Bank amended this agreement (the "Amended Agreement") to remove the liability transferred to BMO MC. Under the Amended Agreement, the Bank transferred to the Company some of its fiscal 2020 Part VI.1 Tax liability of $32,260 and therefore the Company became entitled to an additional income deduction (equal to 3.5 times the Part VI.1 Tax paid for fiscal 2020), reducing Federal Part I Tax and provincial income taxes payable by the Company. The Company recovered Federal Part I Tax and provincial taxes of $29,946, for a net payable of $2,314. The impact of this Amended Agreement was reflected as a decrease in retained earnings of $2,314 (nil in 2024).

Key Management Personnel and Their Close Family Members

We have no key employees or directors; therefore, the Company does not remunerate key management personnel. Key decision makers of the Company are all employees of our ultimate parent, the bank. Throughout the year, the bank incurs key management personnel compensation expenses, a portion of which are recharged to the Company as part of a cost sharing agreement.

Employee Compensation

We have a number of arrangements that provide pension, stock-based compensation and other employee future benefits including health and dental care benefits and life insurance, for current and retired employees.

We offer our employees the option of directing a portion of their gross salary toward the purchase of BMO's common shares. We match 50% of employee contributions up to 6% of their individual gross salary, to a maximum of $75 ($100 prior to December 31, 2020). The BMO shares in the employee share purchase plan are purchased on the open market. The dividends earned on BMO common shares held by the plan are used to purchase additional BMO common shares on the open market. We account for our contribution as salaries and benefits expense when it is contributed to the plan.

Pension arrangements include defined benefit statutory pension plans, as well as supplemental arrangements that provide pension benefits in excess of statutory limits. Generally, under these plans we provide retirement benefits based on an employee's years of service and average annual earnings over a period of time prior to retirement. We are responsible for meeting our statutory obligations for funding of the pension plans. Some groups of employees are eligible to make voluntary contributions in order to receive enhanced benefits.

Effective December 31, 2020, the primary defined benefit pension plan for employees in Canada was closed to new employees hired after that date. Employees hired effective January 1, 2021 and onwards will be eligible to participate in a defined contribution pension plan after a six-month waiting period.

The short-term employee benefits, pension and other employee future benefit expense is included in the fee charged by BMO for providing technical, systems, marketing, accounting, banking services and staff, included in Note 15.

Note 16: Insurance Service and Operating Expenses

(Canadian $ in thousands)	**2025**	2024
Insurance contracts claims and benefits	**931,728**	835,270
Losses and reversals of losses on onerous contracts	**9,594**	31,996
Salary and benefit expenses	**39,179**	36,388
Professional services	**29,089**	16,547
Rent and equipment	**2,039**	3,444
Technology and operation costs	**10,072**	18,613
Insurance contracts commissions	**57,169**	61,525
Amortization of property and equipment and intangibles	**11,352**	9,068
Miscellaneous operating expenses (1)	**39,322**	19,363
Interest expenses		–
Subtotal	**1,129,544**	1,032,214
Attributable expenses reclass to insurance service expenses	**(41,610)**	(38,154)
Amortization of insurance acquisition cash flows	**25,396**	14,421
Total	**1,113,330**	1,008,481
Represented by:		
Insurance service expenses	**1,083,675**	991,644
Non-insurance expenses	**29,655**	16,837
Total	**1,113,330**	1,008,481

(1) Includes Input Tax Credits of $1,942 ($1,613 in 2024).

Note 17: Financial Liabilities

Policyholders' amounts on deposit, amounts due to related parties, mortgage loans, and accounts payable and other liabilities are classified as financial liabilities. These liabilities are recorded at amortized cost.

Mortgage loans consist of the following:

(Canadian $ in thousands, except as noted)				**2025**	2024
Lender	**Issue Date**	**Maturity Date**	**Rate**	**Total**	Total
Great West Life	February, 2019	February, 2031	3.41 %	**17,200**	17,676
Great West Life	February, 2019	February, 2031	3.41 %	**14,840**	15,251
Great West Life	November, 2019	December, 2030	3.83 %	**30,632**	31,437
CMLS	October, 2012	September, 2032	4.66 %	**3,666**	4,099
Desjardins	May, 2020	March, 2026	2.70 %	**3,829**	3,969
CMLS	April, 2013	March, 2028	4.68 %	**255**	283
CMLS	April, 2013	March, 2028	4.68 %	**1,241**	1,380
				71,663	74,095

Accounts payable and other liabilities consist of the following:

	2025	2024
Payables and accruals	**115,860**	62,584
Other	**14,957**	12,895
	130,817	75,479

Note 18: Income Taxes

We report our provision for income taxes in our Consolidated Statement of Income based upon transactions recorded in our consolidated financial statements regardless of when they are recognized for income tax purposes.

Current tax is the amount of income tax recoverable (payable) in respect of the taxable loss (profit) for a period. Deferred income tax balances are the cumulative amount of tax applicable to temporary differences between the accounting and tax values of our assets and liabilities. Deferred income tax assets and liabilities are measured at the tax rates expected to apply when these differences reverse. Changes in deferred income tax assets and liabilities related to a change in tax rates are recorded in income in the year the tax rate is substantively enacted. Our deferred income tax liability is expected to be recognized in the normal course of operations.

The components of the total provision for income taxes are as follows:

(Canadian $ in thousands)	**2025**	2024
Current tax expense		
Current year	**100,975**	17,052
Adjustment for prior years	**(4,852)**	2,429
	96,123	19,481
Deferred tax expense		
Origination and reversal of temporary differences	**27,023**	72,703
Change in tax rate	**170**	—
Adjustment for prior years	**5,475**	1,525
	32,668	74,228

The components of and movement in the deferred income tax asset (liability) balances are as follows:

(Canadian $ in thousands)	**2024**	**Benefit (expense) to income statement**	**Translation and Other**	**2025**
Insurance contract liabilities	**356,574**	**(17,766)**	**1**	**338,809**
Premises and equipment	**(116,982)**	**(13,977)**	**–**	**(130,959)**
Other	**1,770**	**(925)**	**4**	**849**
	241,362	**(32,668)**	**5**	**208,699**

(Canadian $ in thousands)	Restated 2023	Benefit (expense) to income statement	Translation and Other	2024
Insurance contract liabilities	410,414	(53,840)	–	356,574
Premises and equipment	(95,968)	(21,014)	–	(116,982)
Other	1,144	626	–	1,770
	315,590	(74,228)	–	241,362

Tax recognized in OCI is as follows:

(Canadian $ in thousands)			2025
	Before tax	Tax	Net of tax
FVOCI Investments			
Change in net unrealized gains	9,802	(2,716)	7,086
Reclassification of net losses	192	(53)	139
Unrealized gains (losses) on translation of net foreign operations	(140)	39	(101)
Gains on remeasurement of own credit risk in financial liabilities designated at fair value	28,009	(7,761)	20,248
	37,863	(10,491)	27,372

(Canadian $ in thousands)			2024
	Before tax	Tax	Net of tax
FVOCI Investments			
Change in net unrealized gains	28,071	(7,784)	20,287
Reclassification of net losses	184	(51)	133
Unrealized gains (losses) on translation of net foreign operations	1	—	1
Gains on remeasurement of own credit risk in financial liabilities designated at fair value	(33,211)	9,209	(24,002)
	(4,955)	1,374	(3,581)

A reconciliation of our income taxes that would be payable at statutory tax rates to the provision for income tax recorded in the Consolidated Statement of Income is set out below:

(Canadian $ in thousands, except as noted)	2025	2024
Income before income taxes	468,497	329,450
Statutory tax rate	27.71 %	27.73 %
Income tax reconciliation		
Tax provision based on statutory rate	129,821	91,356
Non-taxable/non-deductible items	(2,392)	(1,601)
Adjustments related to prior years	623	(3,111)
Effect of changes in deferred tax rates	170	—
Other adjustments	569	7,065
Tax provision on the Consolidated Statement of Income	128,791	93,709

Note 19: Commitments, Provisions and Contingent Liabilities

Commitments

Commitments include commitments to the two private equity funds at the time the commitment is drawn. The maximum amount payable related to the commitments is $300,000 ($150,000 in 2024) between the two funds. As of October 31, 2025, of which $113,396 ($92,470 in 2024) has already been drawdown. Other outstanding investment commitments were $319,326 ($303,170 in 2024) of which $142,297 ($98,662 in 2024) has been drawn.

Provisions and Contingent Liabilities

Provisions are recognized when we have a legal or constructive obligation as a result of past events, such as contractual commitments, legal or other obligations where we can reliably estimate the obligation, and it is probable that we will be required to settle the obligation. We recognize as a provision the best estimate of the amount required to settle the obligation as of the consolidated balance sheet date, taking into account the risks and uncertainties surrounding the obligation. The provision is included in benefits payable and in accounts payable and other liabilities.

Changes in the provision balance during the year are as follows:

(Canadian $ in thousands)			2025	2024
	Restructuring and severance	**Legal**	**Total**	Total
Balance, beginning of year	**1,059**	**631**	**1,690**	539
Additional provision/increase in provisions	**1,692**	**600**	**2,292**	1,653
Provisions utilized	**(1,554)**	**–**	**(1,554)**	(362)
Amounts reversed	**–**	**(601)**	**(601)**	(140)
Balance, end of year	**1,197**	**630**	**1,827**	1,690

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within our control. There were no significant contingent liabilities as at October 31, 2025 and 2024.

Legal Proceedings

From time to time, in connection with our operations, we are party to legal and regulatory proceedings. While there is inherent difficulty in predicting the outcome of these proceedings, management does not expect the outcome of any of these proceedings, individually or in the aggregate, to have a material adverse effect on our financial position or results of operations.

Note 20: Capital Stock

Our authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares.

In 2025, we paid a dividend on common shares of $75,000 to our former parent, BMO Life Holdings (Canada), ULC and $75,000 to our immediate parent, BMO Life Insurance Company ($50,000 in 2024).

Common Shares

At October 31, 2025, 10,000,000, non-redeemable, non-convertible and non-par common shares are outstanding (10,000,000 in 2024).

Note 21: Distribution of Income to Participating Policyholders

Distributions of income to participating policyholders are established by resolutions of the Board of Directors. From time to time, our Board of Directors sets a portion of the income of the participating account as safe and proper for distribution as dividends or bonuses to participating policyholders as recommended by the Appointed Actuary. Provided the ability of the participating account to meet future dividend obligations is not impaired, the shareholder is entitled to a percentage specified in the governing statute.

We maintain two participating accounts, one which has bonuses allotted on the Simple Reversionary Plan or Compound Reversionary Plan depending on the policy generation, whereas the other has bonuses allotted on a Cash Basis. Participating Surplus contains the present value of future transfers to Shareholder's equity and therefore, at transition has been reclassified to CSM. Based on the requirement from IFRS 17, the Participating blocks are measured using IFRS 17 VFA approach, in which the Fulfilment cash flow is the Participating Fund minus the present value of future transfer out to shareholders. With the new VFA approach, the participating surplus under IFRS 4 has become a part of IFRS 17 liability. A new component CSM, which is the unearned profit, has been added to the liabilities as an extra margin of the provision.

The statement of changes for the Participating Accounts is as follows:

(Canadian $ in thousands)			2025			2024
	Cash Bonus	**Reversionary Plan**	**Total**	Cash Bonus	Reversionary Plan	Total
Opening balance, beginning of year			**–**	–	–	—
Net Income	**9**	**461**	**470**	–	945	945
Transfer from Participating Accounts to Shareholder's equity	**(9)**	**(461)**	**(470)**	–	(945)	(945)
Balance, end of year	**0**	**0**	**0**	0	0	0

Cash bonuses and dividends to policyholders including special additional temporary bonuses included in claims and policyholder benefits totalled $5,042 ($8,955 in 2024). This amount was previously reserved for in the liability. Cash bonuses and dividends will be increased (decreased) if experience is better (worse) than expected. During the year, the Company entered into an Assumption Reinsurance Agreement to transfer the assets and liabilities from the Company's Participating portfolios (both the cash basis plan and the reversionary plan). The transaction closed on June 6, 2025. As a result, there are no participating liabilities or policyholders at the end of the year and there are no longer dividend distributions.

Note 22: Subsequent Events and Future Operations

Subsequent to the reporting period, the Company, and BMO Life Insurance Company (the Company’s parent), entered into an amalgamation agreement with a new entity, maintaining the name BMO Life Assurance Company, effective December 1, 2025. Regulatory approvals have been received. All assets and liabilities of both predecessor companies will be assumed by the newly amalgamated entity. The amalgamation is expected to result in operational synergies, streamlined governance, and enhanced financial capacity. As the amalgamation occurred after the reporting date, the financial statements do not reflect any adjustments related to the transaction.