

DEFINITY FINANCIAL CORPORATION

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

FOR THE FIRST QUARTER ENDED
MARCH 31, 2025

DEFINITY FINANCIAL CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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DEFINITY FINANCIAL CORPORATION

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions of dollars)

		As at	
	Notes	March 31, 2025	December 31, 2024
ASSETS			
Cash and cash equivalents		\$ 151.0	\$ 322.1
Restricted cash	15	-	14.8
Investments	5	5,448.3	5,270.5
Income taxes receivable		15.7	6.7
Reinsurance contract assets	6	371.1	346.2
Property and equipment		102.9	104.8
Deferred income tax assets		11.1	13.2
Goodwill and intangible assets	4	1,446.8	1,397.5
Other assets	8	232.7	217.5
Total assets		\$ 7,779.6	\$ 7,693.3
LIABILITIES AND EQUITY			
Insurance contract liabilities	6	\$ 3,584.5	\$ 3,603.3
Accounts payable and other liabilities	9	131.5	148.1
Income taxes payable		0.7	42.3
Deferred income tax liabilities		154.8	154.3
Securities sold under repurchase agreements		211.1	110.1
Debt outstanding		114.3	114.3
Demutualization amounts outstanding	15	-	14.8
Total liabilities		4,196.9	4,187.2
EQUITY			
Share capital	10	2,224.4	2,220.4
Contributed surplus	12	30.0	42.4
Retained earnings		1,115.7	1,058.1
Accumulated other comprehensive loss		(1.8)	(1.1)
Equity attributable to common shareholders		3,368.3	3,319.8
Non-controlling interests		214.4	186.3
Total equity		3,582.7	3,506.1
Total liabilities and equity		\$ 7,779.6	\$ 7,693.3

See accompanying notes to the condensed interim consolidated financial statements.

DEFINITY FINANCIAL CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31

(in millions of dollars)

	Notes	2025	2024
Insurance revenue	6	\$ 1,111.9	\$ 991.9
Insurance service expenses	6,13	(958.0)	(858.7)
Net expenses from reinsurance contracts held	6,13	(30.6)	(9.6)
Insurance service result		123.3	123.6
Net investment income	5	49.8	48.2
Recognized gains on FVTPL investments	5	52.2	25.0
Investment income		102.0	73.2
Finance expenses from insurance contracts issued	6	(57.3)	(16.8)
Finance income from reinsurance contracts held	6	5.9	1.4
Net insurance financial result		(51.4)	(15.4)
Net insurance and investment result		173.9	181.4
Distribution revenues		49.0	40.4
Other expenses	13	(97.0)	(79.7)
Interest expense		(2.6)	(1.9)
Income before income taxes		123.3	140.2
Income tax expense	7	(30.5)	(34.5)
Net income		\$ 92.8	\$ 105.7
Net income attributable to:			
Common shareholders		92.0	105.2
Non-controlling interests		0.8	0.5
Earnings per common share (in dollars)	11		
Basic		\$ 0.81	\$ 0.92
Diluted		\$ 0.79	\$ 0.90
Weighted average common shares outstanding (millions)	11		
Basic		114.0	115.0
Diluted		115.9	116.5
Dividends paid per common share (in dollars)	10	\$ 0.1875	\$ 0.160

See accompanying notes to the condensed interim consolidated financial statements.

DEFINITY FINANCIAL CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31

(in millions of dollars)

	Notes	2025	2024
Net income		\$ 92.8	\$ 105.7
Item that may be reclassified subsequently to net income:			
Foreign exchange (loss) gain on investments in associates		(0.1)	0.8
		(0.1)	0.8
Items that will not be reclassified subsequently to net income:			
Recognized (losses) gains on FVTOCI investments	5	(0.8)	14.8
Post-employment benefit obligation (loss) gain		(2.4)	4.4
Income tax recovery (expense)		0.8	(5.0)
		(2.4)	14.2
Other comprehensive (loss) income		(2.5)	15.0
Comprehensive income		\$ 90.3	\$ 120.7
Comprehensive income attributable to:			
Common shareholders		89.5	120.2
Non-controlling interests		0.8	0.5

See accompanying notes to the condensed interim consolidated financial statements.

DEFINITY FINANCIAL CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31

(in millions of dollars)

2025							
		Share	Contributed	Retained	Accumulated	Equity	Total
	Notes	capital	surplus	earnings	comprehensive	attributable to	equity
					loss	non-	
						controlling	
						interests	
Balance, December 31, 2024		\$ 2,220.4	\$ 42.4	\$ 1,058.1	\$ (1.1) ²	\$ 186.3	\$ 3,506.1
Net income attributable to common shareholders		-	-	92.0	-	-	92.0
Net income attributable to non-controlling interests		-	-	-	-	0.8	0.8
Other comprehensive loss		-	-	(1.8) ¹	(0.7)	-	(2.5)
Total comprehensive income (loss)		-	-	90.2	(0.7)	0.8	90.3
Equity-settled share-based compensation	12	15.9	(12.4)	(19.0)	-	-	(15.5)
Shares purchased and held in trust	10	(11.9)	-	-	-	-	(11.9)
Dividends to common shareholders		-	-	(21.1)	-	-	(21.1)
Dividends to non-controlling interests		-	-	-	-	(0.6)	(0.6)
Equity subscriptions		-	-	-	-	16.8	16.8
Business combinations	4	-	-	-	-	11.1	11.1
Return of restricted cash	15	-	-	7.5	-	-	7.5
Balance, March 31, 2025		\$ 2,224.4	\$ 30.0	\$ 1,115.7	\$ (1.8)²	\$ 214.4	\$ 3,582.7

2024							
		Share	Contributed	Retained	Accumulated	Equity	Total
	Notes	capital	surplus	earnings	comprehensive	attributable to	equity
					loss	non-	
						controlling	
						interests	
Balance, December 31, 2023		\$ 2,273.0	\$ 40.4	\$ 561.3	\$ (27.0)	\$ 159.2	\$ 3,006.9
Net income attributable to common shareholders		-	-	105.2	-	-	105.2
Net income attributable to non-controlling interests		-	-	-	-	0.5	0.5
Other comprehensive income		-	-	3.3 ¹	11.7	-	15.0
Total comprehensive income		-	-	108.5	11.7	0.5	120.7
Equity-settled share-based compensation	12	15.5	(17.7)	(16.4)	-	-	(18.6)
Shares purchased and held in trust	10	(4.1)	-	-	-	-	(4.1)
Dividends to common shareholders		-	-	(18.5)	-	-	(18.5)
Dividends to non-controlling interests		-	-	-	-	(0.9)	(0.9)
Equity subscriptions		-	-	-	-	2.5	2.5
Balance, March 31, 2024		\$ 2,284.4	\$ 22.7	\$ 634.9	\$ (15.3)	\$ 161.3	\$ 3,088.0

¹ Actuarial (losses) gains for the post-employment benefit obligation recognized in retained earnings (net of income tax recovery of \$0.6 million (March 31, 2024: \$1.1 million income tax expense)).

² Included in accumulated other comprehensive loss is \$7.8 million (December 31, 2024: \$7.9 million) related to the cumulative foreign exchange gain on investments in associates.

See accompanying notes to the condensed interim consolidated financial statements.

DEFINITY FINANCIAL CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31

(in millions of dollars)

	Notes	2025	2024
Operating activities:			
Income before income taxes		\$ 123.3	\$ 140.2
Income taxes paid		(84.1)	(140.1)
Adjustments for non-cash items	14	(18.6)	4.7
Changes in operating assets and liabilities	14	(93.7)	(154.0)
Net cash used in operating activities		(73.1)	(149.2)
Investing activities:			
Investments purchased		(855.8)	(1,778.3)
Investments sold, redeemed, or matured		735.3	1,972.7
Commercial loans collected		0.6	0.4
Purchases of intangible assets and property and equipment		(30.7)	(30.2)
Business acquisitions, net of cash acquired		(39.0)	(59.0)
Net cash (used in) provided by investing activities		(189.6)	105.6
Financing activities:			
Dividends paid on common shares		(21.1)	(18.5)
Dividends paid to non-controlling interests		(0.6)	(0.9)
Common shares purchased and held in trust	10	(11.9)	(4.1)
Demutualization payments	15	(7.3)	(14.5)
Net proceeds from securities sold under repurchase agreements		100.9	100.2
Equity subscriptions		16.8	-
Net cash provided by financing activities		76.8	62.2
Cash and cash equivalents, and restricted cash:			
Net (decrease) increase during the period		(185.9)	18.6
Balance, beginning of the period		336.9	441.5
Balance, end of the period		\$ 151.0	\$ 460.1
Cash		\$ 151.0	\$ 120.4
Cash equivalents		-	110.2
Total cash and cash equivalents		\$ 151.0	\$ 230.6
Restricted cash	15	-	229.5
Total cash and cash equivalents, and restricted cash		\$ 151.0	\$ 460.1

See accompanying notes to the condensed interim consolidated financial statements.

DEFINITY FINANCIAL CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

MARCH 31, 2025

1. NATURE OF OPERATIONS

Definity Financial Corporation (the "Company"), through its subsidiaries, offers property and casualty ("P&C") insurance in Canada. The Company was incorporated on June 30, 2021 and is domiciled in Canada. Its registered office and principal place of business is 111 Westmount Road South, Waterloo, Ontario, Canada. The Company's shares are publicly traded on the Toronto Stock Exchange (TSX: DFY).

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements ("interim financial statements") are prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting* ("IAS 34"). Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. The preparation of interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are material to the financial statements, have been set out in note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2024. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2024.

These interim financial statements have been prepared on a historical cost basis, except for those financial instruments, including those held in the defined benefit pension plan, that have been measured at fair value, and liabilities for incurred claims, assets for incurred claims, and benefit plan obligations which are valued on a discounted basis in accordance with accepted actuarial practice.

The financial statements of the subsidiaries and material associates are prepared for the same reporting period as the Company. Where necessary, the accounting policies of subsidiaries and associates are adjusted to align with those of the Company. The interim financial statements include the accounts of Definity Financial Corporation and its subsidiaries. The Company's significant operating subsidiaries are Definity Insurance Company ("Definity Insurance"), Sonnet Insurance Company, Petline Insurance Company, Westmount Financial Inc. ("Westmount"), McDougall Insurance Brokers Limited, Family Insurance Solutions Inc., and TEIG Investment Partnership (which holds the investment portfolio for Definity Insurance and a portion of the investment portfolio for Sonnet Insurance Company). Each of these significant operating subsidiaries operate and are incorporated or established in Canada. The Company has appointed a trust company as its administrative agent and record keeper of its share-based compensation plans.

The Company's non-controlling interest investments in companies subject to significant influence are accounted for using the equity method and are included in "Other assets". Under the equity method, the original cost of the investments is increased by the comprehensive income of the non-controlling interest since acquisition and reduced by any dividends received. All intercompany transactions and balances have been eliminated on consolidation to the extent of the interest in the associate.

All amounts in the notes are shown in millions of Canadian dollars, unless otherwise stated.

The interim financial statements, which include the Company and its subsidiaries, were authorized for issuance and approved by the Company's Board of Directors on May 8, 2025.

DEFINITY FINANCIAL CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

MARCH 31, 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The interim financial statements were prepared using the same accounting policies as disclosed in note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2024.

4. BUSINESS COMBINATIONS

During the three months ended March 31, 2025, the Company through its subsidiaries signed two broker acquisition agreements for a total purchase price of approximately \$110 million (subject to post-closing adjustments). One of these acquisitions closed during the period, with the other scheduled to close in the second quarter. For the acquisition that closed in the three months ended March 31, 2025, the Company recorded customer relationships of \$21.2 million, non-controlling interest of \$11.1 million, and a residual of \$24.4 million allocated to goodwill. The fair value of the customer relationships was based on the multi-period excess earnings method. Key estimates and assumptions included estimating growth rates and profitability, contributory asset charges, and the discount rates which were based on the broker's weighted-average cost of capital. The acquired customer relationships are being amortized on a straight-line basis over 15 years.

The goodwill was attributable to expected growth and profitability contributions and the workforce of the acquired business. The goodwill arising from the acquisition is not deductible for income tax purposes.

5. INVESTMENTS

(a) Investment income and balances

Total investment income recognized in net income and other comprehensive (loss) income ("OCI") by financial instrument classification was as follows:

<i>(in millions of dollars)</i>	Three months ended March 31, 2025		
	FVTPL	FVTOCI	Total
Interest	\$ 43.8	\$ -	\$ 43.8
Dividends	4.8	2.8	7.6
Investment expenses	-	-	(1.6)
Net investment income	48.6	2.8	49.8
Recognized gains (losses) on:			
Short-term investments	(0.4)	-	(0.4)
Bonds	45.5	-	45.5
Preferred stocks	(0.4)	-	(0.4)
Common stocks	8.1	-	8.1
Pooled funds	(0.7)	-	(0.7)
Commercial loans	0.1	-	0.1
Recognized gains on FVTPL investments in net income	52.2	-	52.2
Recognized losses on investments in OCI	-	(0.8)	(0.8)
	\$ 100.8	\$ 2.0	\$ 101.2

DEFINITY FINANCIAL CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

MARCH 31, 2025

5. INVESTMENTS (continued)

(a) Investment income and balances (continued)

<i>(in millions of dollars)</i>	Three months ended March 31, 2024		
	FVTPL	FVTOCI	Total
Interest	\$ 41.0	\$ -	\$ 41.0
Dividends	6.2	2.6	8.8
Investment expenses	-	-	(1.6)
Net investment income	47.2	2.6	48.2
Recognized gains (losses) on:			
Short-term investments	(0.5)	-	(0.5)
Bonds	(42.5)	-	(42.5)
Preferred stocks	17.4	-	17.4
Common stocks	45.7	-	45.7
Pooled funds	4.9	-	4.9
Recognized gains on FVTPL investments in net income	25.0	-	25.0
Recognized gains on investments in OCI	-	14.8	14.8
	\$ 72.2	\$ 17.4	\$ 88.0

Investment carrying values by financial instrument classification were as follows:

<i>(in millions of dollars)</i>	As at March 31, 2025		
	FVTPL	FVTOCI	Total
Short-term investments	\$ 109.6	\$ -	\$ 109.6
Bonds:			
Government	2,848.5	-	2,848.5
Corporate	1,567.1	-	1,567.1
Preferred stocks	146.0	184.7	330.7
Common stocks	488.1	-	488.1
Pooled funds	88.6	-	88.6
Commercial loans	15.7	-	15.7
	\$ 5,263.6	\$ 184.7	\$ 5,448.3

<i>(in millions of dollars)</i>	As at December 31, 2024		
	FVTPL	FVTOCI	Total
Short-term investments	\$ 97.4	\$ -	\$ 97.4
Bonds:			
Government	2,555.9	-	2,555.9
Corporate	1,487.2	-	1,487.2
Preferred stocks	143.7	182.8	326.5
Common stocks	698.4	-	698.4
Pooled funds	88.9	-	88.9
Commercial loans	16.2	-	16.2
	\$ 5,087.7	\$ 182.8	\$ 5,270.5

The fair value of the FVTOCI preferred stocks disposed of during the three months ended March 31, 2025 was \$11.8 million (March 31, 2024: \$10.6 million).

The fair value yield as at March 31, 2025 for the bond portfolio was 3.00% (December 31, 2024: 3.36%).

Of the bonds held as at March 31, 2025, 88.4% (December 31, 2024: 85.8%) were rated "A-" or better and 89.9% (December 31, 2024: 90.8%) of the preferred stocks were rated "P2L" or better.

DEFINITY FINANCIAL CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

MARCH 31, 2025

5. INVESTMENTS (continued)

(a) Investment income and balances (continued)

Of the preferred stocks and corporate bonds held, the industry of issuer was as follows:

	As at March 31, 2025	As at December 31, 2024
Financial services	55.5%	52.9%
Energy	15.0%	14.9%
Communication services	8.0%	10.2%
Utilities	7.1%	6.5%
Industrials	5.9%	6.1%
Consumer discretionary	2.7%	2.8%
Other	5.8%	6.6%
	100.0%	100.0%

Of the preferred stocks and bonds held, the country of issuer was as follows:

	As at March 31, 2025	As at December 31, 2024
Canada	98.9%	98.9%
United States	1.1%	1.1%
	100.0%	100.0%

(b) Financial instruments measured at fair value

Distribution of financial instruments measured at fair value in the three-level hierarchy was as follows:

<i>(in millions of dollars)</i>	As at March 31, 2025			
	Level 1	Level 2	Level 3	Total
Short-term investments	\$ -	\$ 109.6	\$ -	\$ 109.6
Bonds	-	4,415.6	-	4,415.6
Preferred stocks	330.7	-	-	330.7
Common stocks	488.1	-	-	488.1
Pooled funds	-	54.4	34.2	88.6
Commercial loans	-	-	15.7	15.7
	\$ 818.8	\$ 4,579.6	\$ 49.9	\$ 5,448.3

<i>(in millions of dollars)</i>	As at December 31, 2024			
	Level 1	Level 2	Level 3	Total
Short-term investments	\$ -	\$ 97.4	\$ -	\$ 97.4
Bonds	-	4,043.1	-	4,043.1
Preferred stocks	326.5	-	-	326.5
Common stocks	698.4	-	-	698.4
Pooled funds	-	55.4	33.5	88.9
Commercial loans	-	-	16.2	16.2
	\$ 1,024.9	\$ 4,195.9	\$ 49.7	\$ 5,270.5

There were no transfers of financial instruments between the levels during the three months ended March 31, 2025 (year ended December 31, 2024: nil).

DEFINITY FINANCIAL CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

MARCH 31, 2025

5. INVESTMENTS (continued)

(c) Derivative financial instruments

The Company holds futures contracts, which are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organized market. The futures contracts are exchange-traded and collateralized by cash. As at March 31, 2025, the Company had derivative financial assets with a notional amount of \$186.5 million (December 31, 2024: \$145.8 million). These derivatives have an expected maturity date within the next year. The fair value of the derivative financial instruments was not significant.

6. INSURANCE AND REINSURANCE CONTRACTS

(a) Insurance contract liabilities

The roll-forward of the liabilities for insurance contracts issued, showing the liabilities for remaining coverage and the liabilities for incurred claims, is presented in the following tables:

<i>(in millions of dollars)</i>	Three months ended March 31, 2025					Total
	Liabilities for remaining coverage		Liabilities for incurred claims			
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk		
Insurance contract liabilities, beginning of period	\$ 364.3	\$ 13.8	\$ 3,046.8	\$ 178.4		\$ 3,603.3
Insurance revenue	(1,111.9)	-	-	-		(1,111.9)
Insurance service expenses:						
Incurred claims and other directly attributable expenses	-	(6.2)	737.7	19.7		751.2
Amortization of insurance acquisition cash flows	228.2	-	-	-		228.2
Changes in fulfilment cash flows relating to the liabilities for incurred claims	-	-	(3.4)	(18.0)		(21.4)
Losses on onerous contracts and reversals of such losses	-	-	-	-		-
Insurance service result	(883.7)	(6.2)	734.3	1.7		(153.9)
Finance expenses from insurance contracts issued	-	-	57.3	-		57.3
Total changes in the interim consolidated statements of income	(883.7)	(6.2)	791.6	1.7		(96.6)
Cash flows:						
Premiums received	1,123.7	-	-	-		1,123.7
Claims and other directly attributable expenses paid	-	-	(756.5)	-		(756.5)
Insurance acquisition cash flows	(267.5)	-	-	-		(267.5)
Total cash flows	856.2	-	(756.5)	-		99.7
Other movements	-	-	(21.9)	-		(21.9)
Insurance contract liabilities, end of period	\$ 336.8	\$ 7.6	\$ 3,060.0	\$ 180.1		\$ 3,584.5

DEFINITY FINANCIAL CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

MARCH 31, 2025

6. INSURANCE AND REINSURANCE CONTRACTS (continued)

(a) Insurance contract liabilities (continued)

<i>(in millions of dollars)</i>	Three months ended March 31, 2024					Total
	Liabilities for remaining coverage		Liabilities for incurred claims			
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk		
Insurance contract liabilities, beginning of period	\$ 336.2	\$ 23.1	\$ 2,962.2	\$ 172.3		\$ 3,493.8
Insurance revenue	(991.9)	-	-	-		(991.9)
Insurance service expenses:						
Incurred claims and other directly attributable expenses	-	(9.5)	629.0	15.3		634.8
Amortization of insurance acquisition cash flows	209.7	-	-	-		209.7
Changes in fulfilment cash flows relating to the liabilities for incurred claims	-	-	26.5	(20.0)		6.5
Losses on onerous contracts and reversals of such losses	-	7.7	-	-		7.7
Insurance service result	(782.2)	(1.8)	655.5	(4.7)		(133.2)
Finance expenses from insurance contracts issued	-	-	16.8	-		16.8
Total changes in the interim consolidated statements of income	(782.2)	(1.8)	672.3	(4.7)		(116.4)
Cash flows:						
Premiums received	986.7	-	-	-		986.7
Claims and other directly attributable expenses paid	-	-	(744.1)	-		(744.1)
Insurance acquisition cash flows	(222.7)	-	-	-		(222.7)
Total cash flows	764.0	-	(744.1)	-		19.9
Other movements	-	-	(21.8)	-		(21.8)
Insurance contract liabilities, end of period	\$ 318.0	\$ 21.3	\$ 2,868.6	\$ 167.6		\$ 3,375.5

The composition of the insurance contract liabilities was as follows:

<i>(in millions of dollars)</i>	As at March 31, 2025	As at March 31, 2024
Premiums receivable	\$ (1,339.4)	\$ (1,237.0)
Unearned premiums	2,054.7	1,888.5
Unearned premiums received	715.3	651.5
Unamortized insurance acquisition cash flows	(378.5)	(333.5)
Onerous loss provision	7.6	21.3
Provision for unpaid claims and other directly attributable payables	3,240.1	3,036.2
	\$ 3,584.5	\$ 3,375.5

DEFINITY FINANCIAL CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

MARCH 31, 2025

6. INSURANCE AND REINSURANCE CONTRACTS (continued)

(b) Reinsurance contract assets

The roll-forward of the reinsurance contract assets showing the assets for remaining coverage and the assets for incurred claims is presented in the following tables:

<i>(in millions of dollars)</i>	Three months ended March 31, 2025				
	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets, beginning of period	\$ 23.8	\$ -	\$ 304.1	\$ 18.3	\$ 346.2
Allocation of reinsurance premiums	(85.3)	-	-	-	(85.3)
Amounts recoverable from reinsurers for incurred claims:					
Amounts recoverable for incurred claims and other directly attributable expenses	-	-	51.4	2.5	53.9
Changes to amounts recoverable for incurred claims	-	-	2.8	(2.0)	0.8
Net expenses from reinsurance contracts held	(85.3)	-	54.2	0.5	(30.6)
Finance income from reinsurance contracts held	-	-	5.9	-	5.9
Total changes in the interim consolidated statements of income	(85.3)	-	60.1	0.5	(24.7)
Cash flows:					
Premiums paid	101.7	-	-	-	101.7
Amounts received	-	-	(52.1)	-	(52.1)
Total cash flows	101.7	-	(52.1)	-	49.6
Reinsurance contract assets, end of period	\$ 40.2	\$ -	\$ 312.1	\$ 18.8	\$ 371.1

DEFINITY FINANCIAL CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

MARCH 31, 2025

6. INSURANCE AND REINSURANCE CONTRACTS (continued)

(b) Reinsurance contract assets (continued)

<i>(in millions of dollars)</i>	Three months ended March 31, 2024				
	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets, beginning of period	\$ 45.3	\$ -	\$ 270.5	\$ 14.6	\$ 330.4
Allocation of reinsurance premiums	(73.6)	-	-	-	(73.6)
Amounts recoverable from reinsurers for incurred claims:					
Amounts recoverable for incurred claims and other directly attributable expenses	-	-	42.8	1.5	44.3
Changes to amounts recoverable for incurred claims	-	-	20.9	(1.2)	19.7
Net expenses from reinsurance contracts held	(73.6)	-	63.7	0.3	(9.6)
Finance income from reinsurance contracts held	-	-	1.4	-	1.4
Total changes in the interim consolidated statements of income	(73.6)	-	65.1	0.3	(8.2)
Cash flows:					
Premiums paid	44.4	-	-	-	44.4
Amounts received	-	-	(40.0)	-	(40.0)
Total cash flows	44.4	-	(40.0)	-	4.4
Reinsurance contract assets, end of period	\$ 16.1	\$ -	\$ 295.6	\$ 14.9	\$ 326.6

The composition of the reinsurance contract assets was as follows:

<i>(in millions of dollars)</i>	As at March 31, 2025	As at March 31, 2024
Premiums ceded payable	\$ (17.5)	\$ (32.9)
Unearned premiums ceded	71.4	61.2
Unearned reinsurance premiums paid	53.9	28.3
Claims recoverable from reinsurance contracts held	331.2	310.1
Unearned reinsurance commissions received	(14.0)	(11.8)
	\$ 371.1	\$ 326.6

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6. INSURANCE AND REINSURANCE CONTRACTS (continued)

(b) Reinsurance contract assets (continued)

The Company follows the policy of underwriting and reinsuring contracts of insurance, which limits the liability of the Company for individual large losses and in the event of a series of claims arising out of a single occurrence and for an aggregation of several such occurrences in the same year. These limits were as follows:

<i>(in millions of dollars)</i>	As at March 31, 2025	As at December 31, 2024
Individual loss		
Property		
Net company retention ¹	\$ 5.0	\$ 5.0
Maximum limit ²	100.0	100.0
Auto and general liability		
Net company retention ¹	4.0	4.0
Maximum limit	40.0	40.0
Catastrophe – primary		
Net company retention ¹	75.0	60.0
Maximum limit ²	2,075.0	2,075.0
Catastrophe – aggregate		
Annual aggregate deductible ³	-	65.0
Annual aggregate limit ³	-	25.0

¹ Excludes reinstatement premiums, co-participations between the retention level and maximum limit, and tax impacts.

² Excludes co-participation.

³ Effective January 1, 2025, the catastrophe aggregate reinsurance treaty was not renewed, but claims occurring prior to January 1, 2025 will continue to be managed on the previous treaty years as applicable. Contributing event to the annual aggregate deductible and limit was a maximum of \$27 million on events above \$3 million as at December 31, 2024.

For catastrophe events, the Company participated an average of 2.4% on layers between the net company retention and the maximum limit as at March 31, 2025 (December 31, 2024: 2.7%). There is no Company participation on individual loss events between \$75 million and \$180 million, subject to reinstatement premiums.

The Company also purchases other types of reinsurance tailored to individual risks or specific exposures as required by its underwriting guidelines and risk management practices. The Company may retain small participations on other reinsurance treaties based on market conditions and risk appetite.

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MARCH 31, 2025

7. INCOME TAXES

The reconciliation of income tax calculated at the Canadian statutory tax rate to the income tax expense at the effective tax rate recorded in net income in the interim consolidated statements of income is provided in the table below:

<i>(in millions of dollars, except as otherwise noted)</i>	Three months ended March 31			
		2025		2024
Income tax expense calculated based on statutory tax rates	26.3%	\$ 32.4	26.3%	\$ 36.9
Investment income not subject to tax	(1.9%)	(2.3)	(1.5%)	(2.1)
Non-deductible expenses	0.2%	0.2	0.1%	0.1
Other	0.2%	0.2	(0.3%)	(0.4)
Income tax expense recorded in net income	24.8%	\$ 30.5	24.6%	\$ 34.5

The major components of the income tax expense were as follows:

<i>(in millions of dollars)</i>	Three months ended March 31	
	2025	2024
Current income taxes	\$ 36.0	\$ 39.9
Deferred income taxes	(5.5)	(5.4)
Income tax expense	\$ 30.5	\$ 34.5

8. OTHER ASSETS

Other assets, as presented in the interim consolidated balance sheets, were composed of the following:

<i>(in millions of dollars)</i>	As at	As at
	March 31, 2025	December 31, 2024
Other receivables	\$ 54.7	\$ 50.8
Prepaid expenses and other	49.4	41.3
Investments in associates	46.8	47.5
Pension asset	46.7	48.1
Accrued investment income	35.1	29.8
	\$ 232.7	\$ 217.5

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities, as presented in the interim consolidated balance sheets, were composed of the following:

<i>(in millions of dollars)</i>	Note	As at	As at
		March 31, 2025	December 31, 2024
Accounts payable and other		\$ 57.8	\$ 77.0
Lease liabilities		33.3	35.2
Other post-employment benefit plan obligation		27.0	26.5
Deferred share unit plans	12	13.4	9.4
		\$ 131.5	\$ 148.1

DEFINITY FINANCIAL CORPORATION

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10. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares issuable in series. The Company's issued and outstanding common shares were as follows:

<i>(in millions of dollars, except as otherwise noted)</i>	Three months ended March 31			
	2025		2024	
	Number of shares (in millions)	Amount	Number of shares (in millions)	Amount
Issued and outstanding, beginning and end of period	115.8	\$ 2,307.8	115.9	\$ 2,307.8
Shares held in trust, beginning of period	(1.8)	(87.4)	(1.0)	(34.8)
Purchased for future settlement of the Long-Term Incentive Plan ("LTIP") and Medium-Term Incentive Plan ("MTIP")	(0.2)	(11.9)	(0.1)	(4.1)
Released for the settlement of the LTIP and MTIP	0.3	15.9	0.4	15.5
Shares held in trust, end of period	(1.7)	(83.4)	(0.7)	(23.4)
Issued and outstanding, net of shares held in trust, end of period	114.1	\$ 2,224.4	115.2	\$ 2,284.4

On May 8, 2025, the Board of Directors declared a \$0.1875 per share dividend, payable on June 26, 2025 to shareholders of record at the close of business on June 12, 2025.

No preferred shares were issued and outstanding.

11. EARNINGS PER COMMON SHARE

Basic earnings per common share ("EPS") is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by adjusting the net earnings available to common shareholders, if applicable, and the weighted average number of common shares outstanding for the effects of dilutive instruments pertaining to the Company's share-based compensation plans.

<i>(in millions of dollars, except as otherwise noted)</i>	Three months ended March 31	
	2025	2024
Net income attributable to common shareholders	\$ 92.0	\$ 105.2
Weighted average common shares outstanding (in millions) ¹	114.0	115.0
Dilutive effect of share-based compensation plans (in millions)	1.9	1.5
Weighted average of diluted common shares outstanding (in millions)	115.9	116.5
EPS (in dollars)		
Basic	\$ 0.81	\$ 0.92
Diluted	\$ 0.79	\$ 0.90

¹ Net of shares held in trust.

DEFINITY FINANCIAL CORPORATION

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12. SHARE-BASED COMPENSATION PLANS

(a) Medium-term and long-term incentive plans

Restricted units (“RUs”) and Restricted Share Units (“RSUs”)

The following table shows the movements in the RUs and RSUs under the MTIP and LTIP during the period:

	Three months ended March 31	
	2025	2024
	Number of units	Number of units
Outstanding, beginning of period	699,781	857,319
Awarded	152,118	212,379
Forfeited	(948)	(21,599)
Settled	(273,090)	(358,824)
Outstanding, end of period	577,861	689,275

The recorded compensation expense during the three months ended March 31, 2025 for the RUs and RSUs was \$2.3 million (March 31, 2024: \$1.8 million), and the aggregate contributed surplus balance attributable to the RUs and RSUs as at March 31, 2025 was \$10.5 million (December 31, 2024: \$16.5 million).

Performance units (“PUs”) and Performance Share Units (“PSUs”)

The following table shows the movements in the PUs and PSUs under the MTIP and LTIP during the period:

	Three months ended March 31	
	2025	2024
	Number of units	Number of units
Outstanding, beginning of period	1,147,938	747,500
Awarded	139,027	173,416
Forfeited	-	(12,250)
Settled	(240,649)	(317,568)
Outstanding, end of period	1,046,316	591,098

The recorded compensation expense during the three months ended March 31, 2025 for the PUs and PSUs was \$4.5 million (March 31, 2024: \$1.2 million), and the aggregate contributed surplus balance attributable to the PUs and PSUs as at March 31, 2025 was \$17.3 million (December 31, 2024: \$24.1 million).

(b) Deferred share unit plans

As at March 31, 2025, there were 214,415 deferred share units (“DSUs”) outstanding (December 31, 2024: 162,143 DSUs). The DSU liability as at March 31, 2025 was \$13.4 million (December 31, 2024: \$9.4 million). The recorded compensation expense during the three months ended March 31, 2025 for the DSUs was \$4.0 million (March 31, 2024: \$1.8 million).

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12. SHARE-BASED COMPENSATION PLANS (continued)

(c) Stock option plan

The following table shows the movements in the stock options under the stock option plan during the period:

	Three months ended March 31			
	2025		2024	
	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share
Outstanding, beginning of period	357,697	\$ 40.18	182,042	\$ 36.48
Granted	135,192	\$ 59.64	175,655	\$ 44.01
Outstanding, end of period	492,889	\$ 45.53	357,697	\$ 40.18
Exercisable, end of period	133,890	\$ 38.96	44,467	\$ 36.48

The weighted average remaining contractual life for the outstanding options as at March 31, 2025 was 8.8 years (December 31, 2024: 8.7 years).

The fair value of stock options granted was measured using the Black-Scholes option pricing model. The fair value of stock options granted during the three months ended March 31, 2025 was \$1.7 million (March 31, 2024: \$1.6 million). The recorded compensation expense during the three months ended March 31, 2025 for the stock options was \$0.4 million (March 31, 2024: \$0.3 million).

The key assumptions used to measure the fair value of options granted under the Black-Scholes option pricing model at the date of grant were as follows during the period:

	Three months ended March 31	
	2025	2024
Share price at the date of grant	\$ 59.64	\$ 44.01
Exercise price	\$ 59.64	\$ 44.01
Expected share price volatility	20.0%	19.0%
Expected life of options	6.25 years	6.25 years
Expected dividend yield	1.5%	1.7%
Risk-free interest rate	2.8%	3.5%

Given the Company's initial public offering was in November 2021, the Company does not yet have sufficient history to use the volatility of its own share price to determine the Company's expected share price volatility. As a result, the Company also considered the volatility of share prices of comparable companies.

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13. EXPENSES

(a) Insurance service expenses and other expenses

Insurance service expenses and other expenses incurred by the Company, as presented in the interim consolidated statements of income, are composed of the following:

<i>(in millions of dollars)</i>	Three months ended March 31, 2025			
	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other expenses	Total
Claims and adjustment expenses	\$ -	\$ 697.5	\$ 16.8	\$ 714.3
Discounting recovery in insurance service expenses	-	(35.6)	-	(35.6)
Risk adjustment expenses	-	1.7	-	1.7
Commissions	147.3	17.7	-	165.0
Operating expenses	44.2	53.4	24.1	121.7
Premium taxes	38.0	-	-	38.0
Gains on onerous insurance contracts	-	(6.2)	-	(6.2)
Corporate expenses	-	-	8.8	8.8
Distribution:				
Distribution business expenses	-	-	38.0	38.0
Amortization of intangible assets recognized in business combinations on distribution business	-	-	8.6	8.6
Demutualization-related expenses, less interest on restricted cash	-	-	1.8	1.8
Share of loss from investments in associates	-	-	0.8	0.8
Other	-	-	(1.9)	(1.9)
	\$ 229.5	\$ 728.5	\$ 97.0	\$ 1,055.0
Insurance service expenses				958.0
Other expenses				97.0
				\$ 1,055.0

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13. EXPENSES (continued)

(a) Insurance service expenses and other expenses (continued)

<i>(in millions of dollars)</i>	Three months ended March 31, 2024			
	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other expenses	Total
Claims and adjustment expenses	\$ -	\$ 620.4	\$ 14.4	\$ 634.8
Discounting recovery in insurance service expenses	-	(33.0)	-	(33.0)
Risk adjustment recovery	-	(4.7)	-	(4.7)
Commissions	130.9	17.2	-	148.1
Operating expenses	46.3	49.5	20.6	116.4
Premium taxes	33.9	-	-	33.9
Gains on onerous insurance contracts	-	(1.8)	-	(1.8)
Corporate expenses	-	-	6.7	6.7
Distribution:				
Distribution business expenses	-	-	30.4	30.4
Amortization of intangible assets recognized in business combinations on distribution business	-	-	8.0	8.0
Interest on restricted cash, less demutualization-related expenses	-	-	(1.2)	(1.2)
Share of loss from investments in associates	-	-	2.2	2.2
Other	-	-	(1.4)	(1.4)
	\$ 211.1	\$ 647.6	\$ 79.7	\$ 938.4
Insurance service expenses				858.7
Other expenses				79.7
				\$ 938.4

(b) Net expenses from reinsurance contracts held

Net expenses from reinsurance contracts held incurred by the Company, as presented in the interim consolidated statements of income, are composed of the following:

<i>(in millions of dollars)</i>	Three months ended March 31	
	2025	2024
Earned reinsurance premiums	\$ 102.0	\$ 86.6
Claims recoverable from reinsurers for incurred claims	(56.7)	(66.6)
Commissions earned on ceded reinsurance	(18.6)	(14.3)
Discounting expense in net expenses from reinsurance contracts held	4.4	4.2
Risk adjustment recovery	(0.5)	(0.3)
	\$ 30.6	\$ 9.6

DEFINITY FINANCIAL CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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14. CASH FLOWS FROM OPERATING ACTIVITIES

The following table shows the adjustments for non-cash items and changes in operating assets and liabilities included in the interim consolidated statements of cash flows during the period:

<i>(in millions of dollars)</i>	Three months ended March 31	
	2025	2024
Adjustments for non-cash items:		
Amortization and depreciation		
Bond premium/discount	\$ (6.5)	\$ (7.2)
Property and equipment	3.6	3.6
Intangible assets	28.5	27.8
Recognized gains on FVTPL investments	(52.2)	(25.0)
Share-based compensation	7.2	3.3
Share of loss from investments in associates	0.8	2.2
	<u>\$ (18.6)</u>	<u>\$ 4.7</u>
Changes in operating assets and liabilities:		
Reinsurance contract assets	(24.9)	3.8
Other operating assets	(13.4)	(3.8)
Insurance contract liabilities	(18.8)	(118.3)
Accounts payable and other liabilities	(36.6)	(35.7)
	<u>\$ (93.7)</u>	<u>\$ (154.0)</u>

The following table shows other operating activity cash flows included in the interim consolidated statements of cash flows during the period:

<i>(in millions of dollars)</i>	Three months ended March 31	
	2025	2024
Interest received	\$ 39.3	\$ 32.9
Dividends received	7.6	8.5
Interest paid	2.4	1.6

15. RETURN OF RESTRICTED CASH

A portion of the eligible policyholders in the demutualization of Definity Insurance became Lost Recipients as defined in the plan setting out the terms for the conversion of Definity Insurance (“Conversion Plan”) because their address was unknown at the time that benefits were distributed or because they did not act upon their demutualization benefits within six months of the date on which those benefits were sent. Pursuant to the Conversion Plan, the entitlement of any remaining Lost Recipients ceased on the Lost Recipient Claim Deadline of October 23, 2024, being 35 months following completion of demutualization.

Definity has made sustained efforts over several years to effect distribution of demutualization benefits to Lost Recipients, including an administrative processing period following the Lost Recipient Claim Deadline to complete the distribution. This administrative processing period concluded in the three months ended March 31, 2025. Shares issued to Lost Recipients were cancelled and cash benefits being held on behalf of Lost Recipients have been transferred from the depository agent to Definity Insurance. The Company believes that the return of restricted cash is non-taxable and accordingly \$7.5 million has been recorded in the period directly to “Retained earnings” in the Company’s interim consolidated financial statements. In total, \$157.5 million has been recorded as an increase in “Retained earnings” since the Lost Recipient Claim Deadline.

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16. RISKS RELATED TO ECONOMIC UNCERTAINTY

Geopolitical events, including the imposition of new cross-border tariffs, have resulted in heightened economic uncertainty and volatile global financial markets. The Company is continuing to closely monitor the resulting and evolving economic impact on its operations and capital position, and on the material judgments, estimates, and assumptions used in preparing the Company's interim consolidated financial statements. The most immediate impact of the uncertainty is volatility in capital markets and the related impact on gains and losses on our investment portfolio. Proactive measures were taken during the quarter to de-risk the Company's investment portfolio. The Company's strong capital position, resilient operating model, and diversified risk profile continue to position the Company well for this period of elevated uncertainty.