DEFINITY FINANCIAL CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SECOND QUARTER ENDED
JUNE 30, 2026

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	**June 30, 2026**	December 31, 2025
ASSETS			
Cash and cash equivalents		**$ 238.2**	$ 355.9
Investments	**7,19**	**9,251.1**	6,896.9
Income taxes receivable		**59.9**	0.9
Reinsurance contract assets	**8**	**720.4**	366.7
Property and equipment		**110.6**	98.6
Deferred income tax assets	**9**	**146.7**	21.0
Goodwill and intangible assets	**6**	**2,618.6**	1,562.3
Other assets	**10**	**324.5**	275.0
Total assets		**$ 13,470.0**	$ 9,577.3
LIABILITIES AND EQUITY			
Insurance contract liabilities	**8,18**	**$ 6,727.8**	$ 3,801.7
Accounts payable and other liabilities	**11**	**234.1**	186.3
Income taxes payable		**26.6**	21.2
Deferred income tax liabilities	**9**	**372.7**	153.3
Securities sold under repurchase agreements		**143.5**	-
Debt outstanding	**12**	**1,513.0**	1,122.7
Total liabilities		**9,017.7**	5,285.2
EQUITY			
Share capital	**13**	**2,607.2**	2,599.7
Contributed surplus	**15**	**50.5**	53.0
Retained earnings		**1,525.8**	1,375.8
Accumulated other comprehensive income		**20.8**	21.2
Equity attributable to common shareholders		**4,204.3**	4,049.7
Non-controlling interests		**248.0**	242.4
Total equity		**4,452.3**	4,292.1
Total liabilities and equity		**$ 13,470.0**	$ 9,577.3

Contingencies **20**

See accompanying notes to the condensed interim consolidated financial statements.

DEFINITY FINANCIAL CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

FOR THE PERIODS ENDED JUNE 30

(in millions of dollars)

		Three months ended		Six months ended	
	Notes	**2026**	2025	**2026**	2025
Insurance revenue	**8**	**$ 1,793.7**	$ 1,162.1	**$ 3,617.6**	$ 2,274.0
Insurance service expenses	**8,16**	**(1,566.9)**	(976.3)	**(3,154.9)**	(1,934.3)
Net expenses from reinsurance contracts held	**8,16**	**(40.5)**	(41.5)	**(84.5)**	(72.1)
Insurance service result		**186.3**	144.3	**378.2**	267.6
Net investment income	**7**	**79.5**	50.7	**159.4**	100.5
Recognized gains on FVTPL investments	**7**	**107.9**	14.1	**71.2**	66.3
Investment income		**187.4**	64.8	**230.6**	166.8
Finance expenses from insurance contracts issued	**8**	**(78.0)**	(15.6)	**(107.2)**	(72.9)
Finance income from reinsurance contracts held	**8**	**8.7**	1.2	**11.2**	7.1
Net insurance financial result		**(69.3)**	(14.4)	**(96.0)**	(65.8)
Net insurance and investment result		**304.4**	194.7	**512.8**	368.6
Distribution revenues		**71.0**	62.9	**126.6**	111.9
Other expenses	**16**	**(149.4)**	(139.0)	**(303.2)**	(236.0)
Interest expense	**12**	**(15.6)**	(2.5)	**(33.6)**	(5.1)
Income before income taxes		**210.4**	116.1	**302.6**	239.4
Income tax expense	**9**	**(53.6)**	(37.8)	**(80.3)**	(68.3)
Net income		**$ 156.8**	$ 78.3	**$ 222.3**	$ 171.1
Net income attributable to:					
Common shareholders		**152.4**	75.1	**216.3**	167.1
Non-controlling interests		**4.4**	3.2	**6.0**	4.0
Earnings per common share (in dollars)	**14**				
Basic		**$ 1.27**	$ 0.65	**$ 1.80**	$ 1.46
Diluted		**$ 1.25**	$ 0.64	**$ 1.77**	$ 1.43
Weighted average common shares outstanding (millions)	**14**				
Basic		**120.2**	115.4	**120.1**	114.7
Diluted		**121.9**	117.2	**121.9**	116.5
Dividends paid per common share (in dollars)	**13**	**$ 0.215**	$ 0.1875	**$ 0.430**	$ 0.375

See accompanying notes to the condensed interim consolidated financial statements.

DEFINITY FINANCIAL CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE PERIODS ENDED JUNE 30

(in millions of dollars)

		Three months ended		Six months ended	
	Notes	**2026**	2025	**2026**	2025
Net income		**$ 156.8**	$ 78.3	**$ 222.3**	$ 171.1
Items that may be reclassified subsequently to net income:					
Unrealized loss on derivatives designated as a cash flow hedge	**6**	**-**	(43.4)	**(1.2)**	(43.4)
Foreign exchange gain (loss) on investments in associates		**0.7**	(2.1)	**1.4**	(2.2)
Income tax (expense) recovery		**(0.2)**	0.2	**-**	0.2
		0.5	(45.3)	**0.2**	(45.4)
Items that will not be reclassified subsequently to net income:					
Recognized gains on FVTOCI investments	**7**	**7.4**	10.5	**7.3**	9.7
Post-employment benefit obligation gain (loss)		**4.9**	(1.8)	**5.7**	(4.2)
Income tax expense		**(3.2)**	(2.2)	**(3.5)**	(1.4)
		9.1	6.5	**9.5**	4.1
Other comprehensive income (loss)		**9.6**	(38.8)	**9.7**	(41.3)
Comprehensive income		**$ 166.4**	$ 39.5	**$ 232.0**	$ 129.8
Comprehensive income attributable to:					
Common shareholders		**162.0**	36.3	**226.0**	125.8
Non-controlling interests		**4.4**	3.2	**6.0**	4.0

See accompanying notes to the condensed interim consolidated financial statements.

DEFINITY FINANCIAL CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30

(in millions of dollars)

	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Equity attributable to non-controlling interests	Total equity
2026							
Balance, December 31, 2025		**$ 2,599.7**	**$ 53.0**	**$ 1,375.8**	**$ 21.2**[2]	**$ 242.4**	**$ 4,292.1**
Net income attributable to common shareholders		**-**	**-**	**216.3**	**-**	**-**	**216.3**
Net income attributable to non-controlling interests		**-**	**-**	**-**	**-**	**6.0**	**6.0**
Other comprehensive income		**-**	**-**	**4.2**[1]	**5.5**	**-**	**9.7**
Total comprehensive income		**-**	**-**	**220.5**	**5.5**	**6.0**	**232.0**
Equity-settled share-based compensation	15	**16.2**	**(2.5)**	**(18.8)**	**-**	**-**	**(5.1)**
Shares purchased and held in trust	13	**(8.7)**	**-**	**-**	**-**	**-**	**(8.7)**
Dividends to common shareholders		**-**	**-**	**(51.7)**	**-**	**-**	**(51.7)**
Dividends to non-controlling interests		**-**	**-**	**-**	**-**	**(1.7)**	**(1.7)**
Equity subscriptions		**-**	**-**	**-**	**-**	**0.4**	**0.4**
Business combinations		**-**	**-**	**-**	**-**	**0.9**	**0.9**
Realization on cumulative gain on cash flow hedge	6	**-**	**-**	**-**	**(5.9)**	**-**	**(5.9)**
Balance, June 30, 2026		**$ 2,607.2**	**$ 50.5**	**$ 1,525.8**	**$ 20.8**[2]	**$ 248.0**	**$ 4,452.3**

	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Equity attributable to non-controlling interests	Total equity
2025							
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		-	-	167.1	-	-	167.1
Net income attributable to non-controlling interests		-	-	-	-	4.0	4.0
Other comprehensive loss		-	-	(3.1)[1]	(38.2)	-	(41.3)
Total comprehensive income		-	-	164.0	(38.2)	4.0	129.8
Equity-settled share-based compensation	15	16.0	(5.5)	(19.7)	-	-	(9.2)
Shares purchased and held in trust	13	(12.2)	-	-	-	-	(12.2)
Dividends to common shareholders		-	-	(43.6)	-	-	(43.6)
Dividends to non-controlling interests		-	-	-	-	(1.2)	(1.2)
Equity subscriptions		-	-	-	-	16.8	16.8
Issuance of common shares	6	375.2	-	-	-	-	375.2
Business combinations		-	-	-	-	30.4	30.4
Return of restricted cash		-	-	7.5	-	-	7.5
Balance, June 30, 2025		$ 2,599.4	$ 36.9	$ 1,166.3	$ (39.3)[2]	$ 236.3	$ 3,999.6

[1] Actuarial gains (losses) for the post-employment benefit obligation recognized in retained earnings (net of income tax expense of $1.5 million (June 30, 2025: $1.1 million income tax recovery)).

[2] Included in accumulated other comprehensive income is $7.4 million (December 31, 2025: $6.0 million) related to the cumulative foreign exchange gain (loss) 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 PERIODS ENDED JUNE 30

(in millions of dollars)

		Three months ended		Six months ended	
	Notes	**2026**	2025	**2026**	2025
Operating activities:					
Income before income taxes		**$ 210.4**	$ 116.1	**$ 302.6**	$ 239.4
Income taxes paid, net		**(60.5)**	(48.2)	**(184.3)**	(132.3)
Adjustments for non-cash items	**17**	**(56.1)**	40.7	**32.0**	22.1
Changes in operating assets and liabilities	**17**	**135.9**	95.5	**(51.1)**	1.8
Net cash provided by operating activities		**229.7**	204.1	**99.2**	131.0
Investing activities:					
Investments purchased		**(4,310.6)**	(909.1)	**(11,781.3)**	(1,764.9)
Investments sold, redeemed, or matured		**4,175.5**	795.3	**14,109.8**	1,530.6
Commercial loans collected		**0.1**	12.3	**0.2**	12.9
Purchases of intangible assets and property and equipment		**(22.9)**	(20.5)	**(57.0)**	(51.2)
Proceeds from property sold		**-**	22.1	**-**	22.1
Business acquisitions, net of cash acquired	**6**	**(12.0)**	(86.2)	**(2,958.9)**	(125.2)
Net cash used in investing activities		**(169.9)**	(186.1)	**(687.2)**	(375.7)
Financing activities:					
Dividends paid on common shares		**(25.9)**	(22.5)	**(51.7)**	(43.6)
Dividends paid to non-controlling interests		**(0.8)**	(0.6)	**(1.7)**	(1.2)
Common shares purchased and held in trust	**13**	**(8.7)**	(0.3)	**(8.7)**	(12.2)
Demutualization payments		**-**	-	**-**	(7.3)
Net (repurchase of) proceeds from securities sold under repurchase agreements		**(85.0)**	(60.1)	**142.4**	40.8
Net proceeds from the issuance of common shares	**6**	**-**	371.5	**-**	371.5
Excess capital loan, bank term loan and credit facility	**6**	**15.1**	-	**1,490.1**	-
Repayment of excess capital term loan	**6**	**-**	-	**(1,100.0)**	-
Equity subscriptions		**1.0**	-	**(0.1)**	16.8
Net cash (used in) provided by financing activities		**(104.3)**	288.0	**470.3**	364.8
Cash and cash equivalents:					
Net (decrease) increase during the period		**(44.5)**	306.0	**(117.7)**	120.1
Balance, beginning of the period		**282.7**	151.0	**355.9**	336.9
Balance, end of the period		**$ 238.2**	$ 457.0	**$ 238.2**	$ 457.0
Cash		**$ 238.0**	$ 456.8	**$ 238.0**	$ 456.8
Cash equivalents		**0.2**	0.2	**0.2**	0.2
Total cash and cash equivalents		**$ 238.2**	$ 457.0	**$ 238.2**	$ 457.0

See accompanying notes to the condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS

Definity Financial Corporation (the "Company"), through its subsidiaries, offers property and casualty ("P&C") insurance in Canada. Its registered office and principal place of business is 111 Westmount Road South, Waterloo, Ontario, Canada. Definity Financial Corporation is incorporated under the *Canada Business Corporations Act* and is domiciled in 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 ("IFRS"), 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 as at and for the year ended December 31, 2025. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2025.

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, Definity Insurance Company of Canada, The Dominion of Canada General Insurance Company, Westmount Financial Inc., 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 July 30, 2026.

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 as at and for the year ended December 31, 2025, except for the application of the general measurement model ("GMM") when measuring the liability for remaining coverage for claims acquired in a business combination.

Measurement – GMM

Acquired claims are treated as new insurance contracts issued by the Company at the date of their acquisition, in accordance with IFRS 17 – *Insurance Contracts* ("IFRS 17"). For acquired insurance contracts, which cover events that have already occurred but the financial effect of which is uncertain, the insured event is the determination of the ultimate cost of the claim. The Company is deemed to have received a premium in consideration to cover adverse development of claims that are expected to be greater than one year, and are therefore measured using GMM. As a result, acquired outstanding claims are reclassified as a liability for remaining coverage and acquired ceded claims are reclassified as an asset for remaining coverage in the consolidated balance sheets.

Insurance contracts – initial measurement under GMM

The GMM measures a group of insurance contracts as the total of:

- Fulfilment cash flows, representing discounted estimates of future cash flows, including a risk adjustment for non-financial risk
- A contractual service margin ("CSM") representing the unearned profit the Company will recognize in net income as it provides insurance contract services under the insurance contracts in the group

On initial recognition, the premium consideration received approximates the fair value of the acquired claims, and is the initial carrying amount of the liability for remaining coverage.

Reinsurance contracts held – initial measurement under GMM

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- The Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer; and
- The Company recognizes both a net cost or net gain on purchasing reinsurance at initial recognition as a CSM on the consolidated balance sheets and releases this to net income as the reinsurer renders services.

Insurance contracts – subsequent measurement under GMM

The carrying amount of the CSM at the end of the reporting period for acquired claims equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition;
- The changes in fulfilment cash flows relating to future service, except to the extent that (i) increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss component or (ii) decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage;
- The effect of any currency exchange differences on the CSM; and
- The amount recognized as insurance revenue, determined by the allocation of the CSM over the current and remaining coverage period, which is the expected claims settlement pattern for acquired claims.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Insurance contracts – subsequent measurement under GMM (continued)

The amount of the CSM recognized in net income as insurance revenue in each period is determined by:

- Identifying the coverage units in the group (based on the expected claims settlement pattern);
- Allocating the CSM at the end of the period (before recognizing any amounts in net income to reflect the insurance contract services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future; and
- Recognizing in net income the amount allocated to coverage units provided in the period.

The changes in fulfilment cash flows relating to future service for acquired claims that adjust the CSM consist of:

- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognized in the statement of net income rather than adjusting the CSM); and
- Changes in the risk adjustment for non-financial risk that relate to future service. Changes in risk adjustment for expired risk are recognized immediately in net income.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

Reinsurance contracts held – subsequent measurement under GMM

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception that changes in the fulfilment cash flows are recognized in net income if the related changes arising from the underlying ceded contracts have been recognized in net income. Alternatively, changes in the fulfilment cash flows adjust the CSM.

Insurance revenue under GMM

As claims are settled, insurance service revenue is recognized equal to the initial estimate of the claim with a corresponding insurance service expense equal to the total amount of the settled claim. This results in a gross up of both insurance revenue and insurance service expenses in each period.

The total consideration for a group of insurance contracts covers amounts related to the provision of services and is composed of insurance service expenses, excluding any amounts allocated to the loss component of the liability for remaining coverage, and the CSM release.

4. MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

The most complex and material judgments, estimates, and assumptions used in preparing the Company's consolidated financial statements are disclosed in note 4 of the Company's audited consolidated financial statements as at and for the year ended December 31, 2025. Estimates with respect to the GMM include the following:

Estimate of fulfilment cash flows

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk. The Company's objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

The Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing, and uncertainty of those future cash flows. The Company estimates the probabilities and amounts of future payments under existing contracts based on information obtained.

Amortization of the CSM

The amount of the CSM recognized in net income as insurance revenue in each period is based on coverage units provided in the period. The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering the quantity of the benefits provided and the expected coverage period. The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period. They are allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future. The Company has determined that the expected settlement pattern of outstanding future cash flows to be the best representation of service provided.

5. ADOPTION OF NEW ACCOUNTING STANDARDS

In May 2024, the IASB issued amendments to IFRS 9 – *Financial Instruments* and IFRS 7 – *Financial Instruments: Disclosures*. The amendments clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion and clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. The amendments also introduced additional disclosure requirements regarding investments in equity instruments designated at fair value through other comprehensive income ("FVTOCI") and financial instruments with contractual terms that can change cash flows, such as some instruments with features linked to the achievement of environmental, social, and governance targets. The amendments are effective for annual periods beginning on or after January 1, 2026, with earlier application permitted. Retrospective application is required. The Company has elected to apply these amendments to all payments, excluding contracts in the scope of IFRS 17, with no restatement to the comparative figures. The impact of the amendments on the Company's consolidated financial statements was not material.

6. BUSINESS COMBINATION

(a) Acquisition of Travelers' Canadian P&C Insurance Business

On January 2, 2026, the Company successfully completed the acquisition of all of the issued and outstanding shares of 8527512 Canada Inc., a Canadian holding company, and Definity Insurance Company of Canada (then known as Travelers Insurance Company of Canada) and The Dominion of Canada General Insurance Company, both of which are Canadian insurance companies, for cash consideration of approximately $3.3 billion (the "Travelers Transaction"). Travelers retained its Canadian surety business and certain select business lines. Travelers also retained the Canadian branch of St. Paul Fire and Marine Insurance Company, which entered into assumption reinsurance agreements with Definity Insurance Company of Canada to cause Definity Insurance Company of Canada to assume the St. Paul Fire and Marine Insurance Company business that the Company had acquired, and, conversely, for St. Paul Fire and Marine Insurance Company to assume the Definity Insurance Company of Canada business that Travelers had retained.

The Travelers' Canadian P&C insurance business is a well-established multi-line business, which includes commercial and specialty lines portfolios, and personal lines business. The Travelers Transaction strengthens the Company's leadership position, particularly in the broker channel, and delivers on the Company's financial objectives and inorganic growth strategy.

The Company financed the approximate $3.3 billion in cash consideration as follows:

- $385.4 million in gross proceeds were raised on June 11, 2025 from concurrent private placements of common shares to the Company's cornerstone investor, Healthcare of Ontario Pension Plan Trust Fund, representing 19.9% of the gross proceeds, and a group of underwriters through the issuance of 5,782,256 common shares of the Company at a price of $66.65 per common share. After payment of underwriter commissions of $13.9 million ($10.2 million net of applicable taxes), $375.2 million was recorded as incremental share capital.
- On September 12, 2025, the Company completed a private placement of notes for gross proceeds of $1 billion comprised of (i) $650 million principal amount of 3.709% Series 1 senior unsecured notes due September 12, 2030 and (ii) $350 million principal amount of 4.393% Series 2 senior unsecured notes due September 12, 2035.
- The Company secured fully syndicated acquisition-related bank facilities, comprised of a $1.1 billion excess capital term loan and a $375 million bank term loan, which were fully drawn upon the closing of the Travelers Transaction on January 2, 2026. On February 2, 2026, the excess capital term loan was repaid in its entirety.
- The remaining cash requirement of approximately $0.4 billion was funded through internal cash and investments.

In May 2025, the Company entered into a foreign exchange forward contract with a notional amount of $2.4 billion United States dollars, which was contingent on the closing of the acquisition, to hedge the expected purchase price. The contract was designated as a cash flow hedge against the risk of adverse currency movements between the announcement and closing date of the acquisition. The acquisition was considered to be highly probable. Sources of hedge ineffectiveness included the hedging premium associated with deal contingent foreign exchange forwards. During the three months ended March 31, 2026, a $1.2 million loss on the designated hedge was recorded in "Other comprehensive income (loss)" ("OCI") in the interim consolidated statements of comprehensive income. Upon the closing of the acquisition and settlement of the foreign exchange forward contract, amounts recorded in OCI have been reclassified to the acquisition consideration.

6. BUSINESS COMBINATION (continued)

(a) Acquisition of Travelers' Canadian P&C Insurance Business (continued)

During the three months ended June 30, 2026, the Company incurred acquisition-related expenses of $0.2 million (June 30, 2025: $13.4 million) and integration expenses of $16.8 million (June 30, 2025: $1.8 million) related to the Travelers Transaction, which are included in "Other expenses" in the interim consolidated statements of income. During the six months ended June 30, 2026, the Company incurred acquisition-related expenses of $16.5 million (June 30, 2025: $13.4 million) and integration expenses of $33.4 million (June 30, 2025: $1.8 million) related to the Travelers Transaction. During the three and six months ended June 30, 2026, the Company recognized $545.8 million and $1,177.1 million in revenue (included in "Insurance revenue"), respectively, and $47.7 million and $78.9 million of net income, respectively, from the acquisition in the interim consolidated statements of income. Insurance revenue and net income reflect the application of GMM accounting, which results in a gross up presentation of insurance revenue, as disclosed in note 8(c).

The preliminary allocation of the purchase price consideration of the acquisition to the fair value of assets acquired and liabilities assumed as at the acquisition date was as follows:

(*in millions of dollars*)

Purchase price cash consideration (net of cash acquired of $348.2 million)	$ 2,942.4
Foreign exchange forward contract hedge	(5.9)
Total purchase price	$ 2,936.5
Allocated to:	
Investments	4,594.1
Income taxes receivable	2.4
Reinsurance contract assets	308.5
Property and equipment	19.9
Deferred income tax assets	65.7
Other assets	42.0
Insurance contract liabilities	(2,841.9)
Accounts payable and other liabilities	(100.5)
Income taxes payable	(45.3)
Net identifiable tangible assets acquired	2,044.9
Finite-life intangible assets acquired:	
Distribution network	620.0
Software	1.9
Deferred income tax liabilities (associated with intangible assets)	(163.1)
Goodwill	432.8
	$ 2,936.5

The final determination of the fair value of assets acquired and liabilities assumed will be completed within the prescribed period of one year.

The preliminary fair value of the distribution network was based on the multi-period excess earnings method. Key estimates and assumptions included estimating growth rates and profitability, attrition rate, contributory asset charges, and the discount rate which was based on the relative risk of this intangible asset relative to the weighted average cost of capital of the Travelers' Canadian P&C insurance business, corroborated against the internal rate of return of the Travelers Transaction. The acquired distribution network is being amortized on a straight-line basis over 25 years in "Other expenses" in the interim consolidated statements of income. The resulting goodwill recorded from the transaction was attributable to expected growth and profitability contributions from future distribution channels or customers and the assembled workforce of the acquired business. The goodwill arising from the acquisition is not deductible for income tax purposes.

6. BUSINESS COMBINATION (continued)

(b) National Brokerage Platform

During 2026, the Company through its subsidiaries completed broker acquisitions with a total purchase price of approximately $16 million (subject to post-closing adjustments). The initial purchase price of the acquisitions was funded with cash of $14 million, net of holdbacks for post-closing adjustments, and $1 million in equity subscriptions in McDougall. Upon completion of the broker acquisitions during 2026, the Company's ownership interest in McDougall was approximately 73% (2025: 73%).

7. INVESTMENTS

(a) Investment income and balances

Total investment income recognized in net income and OCI by financial instrument classification was as follows:

(in millions of dollars)	Three months ended June 30, 2026		
	FVTPL	FVTOCI	Total
Interest	$ 71.2	$ -	$ 71.2
Dividends	6.0	4.1	10.1
Investment expenses	-	-	(1.8)
Net investment income	77.2	4.1	79.5
Recognized gains on:			
Short-term investments	0.1	-	0.1
Bonds	40.6	-	40.6
Preferred stocks	0.4	-	0.4
Common stocks	56.4	-	56.4
Pooled funds	10.4	-	10.4
Recognized gains on FVTPL investments in net income	107.9	-	107.9
Realized gains on FVTOCI preferred stocks	-	0.1	0.1
Unrealized gains on FVTOCI preferred stocks	-	7.3	7.3
Recognized gains on investments in OCI	-	7.4	7.4
	$ 185.1	$ 11.5	$ 194.8

(in millions of dollars)	Three months ended June 30, 2025		
	FVTPL	FVTOCI	Total
Interest	$ 43.1	$ -	$ 43.1
Dividends	6.1	2.8	8.9
Investment expenses	-	-	(1.3)
Net investment income	49.2	2.8	50.7
Recognized (losses) gains on:			
Bonds	(24.2)	-	(24.2)
Preferred stocks	0.9	-	0.9
Common stocks	33.8	-	33.8
Pooled funds	3.2	-	3.2
Commercial loans	0.4	-	0.4
Recognized gains on FVTPL investments in net income	14.1	-	14.1
Unrealized gains on FVTOCI preferred stocks	-	10.5	10.5
Recognized gains on investments in OCI	-	10.5	10.5
	$ 63.3	$ 13.3	$ 75.3

7. INVESTMENTS (continued)

(a) Investment income and balances (continued)

(in millions of dollars)	Six months ended June 30, 2026		
	FVTPL	FVTOCI	Total
Interest	$ 143.6	$ -	$ 143.6
Dividends	11.2	7.9	19.1
Investment expenses	-	-	(3.3)
Net investment income	154.8	7.9	159.4
Recognized (losses) gains on:			
Short-term investments	(0.3)	-	(0.3)
Bonds	0.1	-	0.1
Preferred stocks	(0.1)	-	(0.1)
Common stocks	62.7	-	62.7
Pooled funds	8.8	-	8.8
Recognized gains on FVTPL investments in net income	71.2	-	71.2
Realized gains on FVTOCI preferred stocks	-	0.1	0.1
Unrealized gains on FVTOCI preferred stocks	-	7.2	7.2
Recognized gains on investments in OCI	-	7.3	7.3
	$ 226.0	$ 15.2	$ 237.9

(in millions of dollars)	Six months ended June 30, 2025		
	FVTPL	FVTOCI	Total
Interest	$ 86.9	$ -	$ 86.9
Dividends	10.9	5.6	16.5
Investment expenses	-	-	(2.9)
Net investment income	97.8	5.6	100.5
Recognized (losses) gains on:			
Short-term investments	(0.4)	-	(0.4)
Bonds	21.3	-	21.3
Preferred stocks	0.5	-	0.5
Common stocks	41.9	-	41.9
Pooled funds	2.5	-	2.5
Commercial loans	0.5	-	0.5
Recognized gains on FVTPL investments in net income	66.3	-	66.3
Realized gains on FVTOCI preferred stocks	-	0.9	0.9
Unrealized gains on FVTOCI preferred stocks	-	8.8	8.8
Recognized gains on investments in OCI	-	9.7	9.7
	$ 164.1	$ 15.3	$ 176.5

7. INVESTMENTS (continued)

(a) Investment income and balances (continued)

Investment carrying values by financial instrument classification were as follows:

(in millions of dollars)	As at June 30, 2026		
	FVTPL	FVTOCI	Total
Short-term investments	$ 55.4	$ -	$ 55.4
Bonds:			
Government	5,223.8	-	5,223.8
Corporate	2,664.8	-	2,664.8
Preferred stocks	136.2	288.9	425.1
Common stocks	685.8	-	685.8
Pooled funds	192.5	-	192.5
Commercial loans	3.7	-	3.7
	$ 8,962.2	$ 288.9	$ 9,251.1

(in millions of dollars)	As at December 31, 2025		
	FVTPL	FVTOCI	Total
Short-term investments	$ 1,234.5	$ -	$ 1,234.5
Bonds:			
Government	3,120.9	-	3,120.9
Corporate	1,373.6	-	1,373.6
Preferred stocks	143.8	252.1	395.9
Common stocks	613.9	-	613.9
Pooled funds	154.5	-	154.5
Commercial loans	3.6	-	3.6
	$ 6,644.8	$ 252.1	$ 6,896.9

The fair value of the FVTOCI preferred stocks disposed of during the three months ended June 30, 2026 was $4.7 million (June 30, 2025: $0.4 million). The fair value of the FVTOCI preferred stocks disposed of during the six months ended June 30, 2026 was $4.7 million (June 30, 2025: $12.2 million).

The fair value yield as at June 30, 2026 for the bond portfolio was 3.26% (December 31, 2025: 3.09%).

Of the bonds held as at June 30, 2026, 85.1% (December 31, 2025: 90.1%) were rated “A-” or better and 83.6% (December 31, 2025: 86.2%) of the preferred stocks were rated “P2L” or better.

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

	As at June 30, 2026	As at December 31, 2025
Financial services	52.2%	58.1%
Energy	11.5%	14.1%
Utilities	10.7%	6.8%
Real estate	8.2%	2.2%
Communication services	6.8%	6.5%
Industrials	5.6%	5.2%
Other	5.0%	7.1%
	100.0%	100.0%

7. INVESTMENTS (continued)

(a) Investment income and balances (continued)

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

	As at June 30, 2026	As at December 31, 2025
Canada	99.7%	99.1%
United States	0.3%	0.9%
	100.0%	100.0%

(b) Financial instruments measured at fair value

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

(in millions of dollars)	As at June 30, 2026			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ -	$ 55.4	$ -	$ 55.4
Bonds	-	7,888.6	-	7,888.6
Preferred stocks	425.1	-	-	425.1
Common stocks	685.8	-	-	685.8
Pooled funds	-	71.7	120.8	192.5
Commercial loans	-	-	3.7	3.7
	$ 1,110.9	$ 8,015.7	$ 124.5	$ 9,251.1

(in millions of dollars)	As at December 31, 2025			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ -	$ 1,234.5	$ -	$ 1,234.5
Bonds	-	4,494.5	-	4,494.5
Preferred stocks	395.9	-	-	395.9
Common stocks	613.9	-	-	613.9
Pooled funds	-	63.6	90.9	154.5
Commercial loans	-	-	3.6	3.6
	$ 1,009.8	$ 5,792.6	$ 94.5	$ 6,896.9

There were no transfers of financial instruments between the levels during the three months or six months ended June 30, 2026 (year ended December 31, 2025: nil).

(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 June 30, 2026, the Company had derivative financial assets related to futures contracts with a notional amount of $323.0 million (December 31, 2025: nil) and derivative financial liabilities related to futures contracts with a notional amount of $365.8 million (December 31, 2025: $360.0 million). These derivatives have an expected maturity date within the next year. The fair value of the derivative financial instruments related to futures contracts was not significant.

8. 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:

(in millions of dollars)	Three months ended June 30, 2026					
	Liabilities for remaining coverage		Liabilities for incurred claims			
				Contracts under PAA		
	Excluding loss component	Loss component	Contracts under GMM	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance contract liabilities, beginning of period	$ 2,913.0	$ 72.0	$ -	$ 3,395.9	$ 196.6	$ 6,577.5
Insurance revenue	(1,793.7)	-	-	-	-	(1,793.7)
Insurance service expenses:						
Incurred claims and other directly attributable expenses	-	-	148.5	1,037.8	25.2	1,211.5
Amortization of insurance acquisition cash flows	329.4	-	-	-	-	329.4
Changes in fulfilment cash flows relating to the liabilities for incurred claims	-	-	-	(7.6)	(12.4)	(20.0)
Losses on onerous contracts and reversals of such losses	-	46.0[1]	-	-	-	46.0
Insurance service result	(1,464.3)	46.0	148.5	1,030.2	12.8	(226.8)
Finance expenses from insurance contracts issued	31.2	-	-	46.8	-	78.0
Total changes in the interim consolidated statements of income	(1,433.1)	46.0	148.5	1,077.0	12.8	(148.8)
Cash flows:						
Premiums received	1,603.2	-	-	-	-	1,603.2
Claims and other directly attributable expenses paid	-	-	(148.5)	(802.9)	-	(951.4)
Insurance acquisition cash flows	(327.4)	-	-	-	-	(327.4)
Total cash flows	1,275.8	-	(148.5)	(802.9)	-	324.4
Other movements	-	-	-	(25.3)	-	(25.3)
Insurance contract liabilities, end of period	$ 2,755.7	$ 118.0	$ -	$ 3,644.7	$ 209.4	$ 6,727.8

[1] The loss component relates to acquired claims accounted for under the GMM and reflects claims that the Company expects to settle later than initially anticipated.

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

(a) Insurance contract liabilities (continued)

(in millions of dollars)	Three months ended June 30, 2025				
	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	Total
Insurance contract liabilities, beginning of period	$ 336.8	$ 7.6	$ 3,060.0	$ 180.1	$ 3,584.5
Insurance revenue	(1,162.1)	-	-	-	(1,162.1)
Insurance service expenses:					
Incurred claims and other directly attributable expenses	-	(4.1)	752.6	14.8	763.3
Amortization of insurance acquisition cash flows	233.1	-	-	-	233.1
Changes in fulfilment cash flows relating to the liabilities for incurred claims	-	-	(5.3)	(14.8)	(20.1)
Losses on onerous contracts and reversals of such losses	-	-	-	-	-
Insurance service result	(929.0)	(4.1)	747.3	-	(185.8)
Finance expenses from insurance contracts issued	-	-	15.6	-	15.6
Total changes in the interim consolidated statements of income	(929.0)	(4.1)	762.9	-	(170.2)
Cash flows:					
Premiums received	1,196.1	-	-	-	1,196.1
Claims and other directly attributable expenses paid	-	-	(723.7)	-	(723.7)
Insurance acquisition cash flows	(209.3)	-	-	-	(209.3)
Total cash flows	986.8	-	(723.7)	-	263.1
Other movements	-	-	(23.2)	-	(23.2)
Insurance contract liabilities, end of period	$ 394.6	$ 3.5	$ 3,076.0	$ 180.1	$ 3,654.2

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

(a) Insurance contract liabilities (continued)

(in millions of dollars)	Six months ended June 30, 2026					
	Liabilities for remaining coverage		Liabilities for incurred claims			
				Contracts under PAA		
	Excluding loss component	Loss component	Contracts under GMM	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance contract liabilities, beginning of period	$ 408.4	$ -	$ -	$ 3,205.8	$ 187.5	$ 3,801.7
Insurance revenue	(3,617.6)	-	-	-	-	(3,617.6)
Insurance service expenses:						
Incurred claims and other directly attributable expenses	-	-	337.2	2,032.4	51.9	2,421.5
Amortization of insurance acquisition cash flows	651.7	-	-	-	-	651.7
Changes in fulfilment cash flows relating to the liabilities for incurred claims	-	-	-	(6.3)	(30.0)	(36.3)
Losses on onerous contracts and reversals of such losses	-	118.0[1]	-	-	-	118.0
Insurance service result	(2,965.9)	118.0	337.2	2,026.1	21.9	(462.7)
Finance expenses from insurance contracts issued	43.2	-	-	64.0	-	107.2
Total changes in the interim consolidated statements of income	(2,922.7)	118.0	337.2	2,090.1	21.9	(355.5)
Cash flows:						
Premiums received[2]	5,955.8	-	-	-	-	5,955.8
Claims and other directly attributable expenses paid	-	-	(337.2)	(1,599.7)	-	(1,936.9)
Insurance acquisition cash flows	(685.8)	-	-	-	-	(685.8)
Total cash flows	5,270.0	-	(337.2)	(1,599.7)	-	3,333.1
Other movements	-	-	-	(51.5)	-	(51.5)
Insurance contract liabilities, end of period	$ 2,755.7	$ 118.0	$ -	$ 3,644.7	$ 209.4	$ 6,727.8

[1] The loss component relates to acquired claims accounted for under the GMM and reflects claims that the Company expects to settle later than initially anticipated.

[2] Included in premiums received is claims acquired from the Travelers Transaction accounted for under the GMM.

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

(a) Insurance contract liabilities (continued)

(in millions of dollars)	Six months ended June 30, 2025				
	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	Total
Insurance contract liabilities, beginning of period	$ 364.3	$ 13.8	$ 3,046.8	$ 178.4	$ 3,603.3
Insurance revenue	(2,274.0)	-	-	-	(2,274.0)
Insurance service expenses:					
Incurred claims and other directly attributable expenses	-	(10.3)	1,490.3	34.5	1,514.5
Amortization of insurance acquisition cash flows	461.3	-	-	-	461.3
Changes in fulfilment cash flows relating to the liabilities for incurred claims	-	-	(8.7)	(32.8)	(41.5)
Losses on onerous contracts and reversals of such losses	-	-	-	-	-
Insurance service result	(1,812.7)	(10.3)	1,481.6	1.7	(339.7)
Finance expenses from insurance contracts issued	-	-	72.9	-	72.9
Total changes in the interim consolidated statements of income	(1,812.7)	(10.3)	1,554.5	1.7	(266.8)
Cash flows:					
Premiums received	2,319.8	-	-	-	2,319.8
Claims and other directly attributable expenses paid	-	-	(1,480.2)	-	(1,480.2)
Insurance acquisition cash flows	(476.8)	-	-	-	(476.8)
Total cash flows	1,843.0	-	(1,480.2)	-	362.8
Other movements	-	-	(45.1)	-	(45.1)
Insurance contract liabilities, end of period	$ 394.6	$ 3.5	$ 3,076.0	$ 180.1	$ 3,654.2

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

(a) Insurance contract liabilities (continued)

The roll-forward of the liabilities for insurance contracts issued, showing estimates of the present value of future cash flows, risk adjustment, and CSM for contracts measured under the GMM, is presented in the following table:

(in millions of dollars)	Three months ended June 30, 2026			
	Present value of future cash flows	Risk adjustment	Contractual service margin	Total
Insurance contract liabilities, beginning of period	$ 2,282.4	$ 123.3	$ 1.7	$ 2,407.4
Changes that relate to current services:				
Contractual service margin recognized for services provided	-	-	(0.1)	(0.1)
Risk adjustment recognized for the risk expired	-	(6.4)	-	(6.4)
Experience adjustments	(40.2)	-	-	(40.2)
Changes that relate to future services:				
Changes in estimates that adjust the contractual service margin	(0.4)	0.3	0.1	-
Changes in estimates that do not adjust the contractual service margin	44.7	1.3	-	46.0
Insurance service result	4.1	(4.8)	-	(0.7)
Finance expenses from insurance contracts issued	31.2	-	-	31.2
Total changes in the interim consolidated statements of income	35.3	(4.8)	-	30.5
Cash flows:				
Premiums received	-	-	-	-
Claims and other directly attributable expenses paid	(148.5)	-	-	(148.5)
Total cash flows	(148.5)	-	-	(148.5)
Insurance contract liabilities, end of period	$ 2,169.2	$ 118.5	$ 1.7	$ 2,289.4

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

(a) Insurance contract liabilities (continued)

(in millions of dollars)	Six months ended June 30, 2026			
	Present value of future cash flows	Risk adjustment	Contractual service margin	Total
Insurance contract liabilities, beginning of period	$ -	$ -	$ -	$ -
Changes that relate to current services:				
Contractual service margin recognized for services provided	-	-	(0.2)	(0.2)
Risk adjustment recognized for the risk expired	-	(16.2)	-	(16.2)
Experience adjustments	(113.8)	-	-	(113.8)
Changes that relate to future services:				
Contracts initially recognized in the period	(130.9)	130.9	-	-
Changes in estimates that adjust the contractual service margin	(1.4)	(0.5)	1.9	-
Changes in estimates that do not adjust the contractual service margin	113.7	4.3	-	118.0
Insurance service result	(132.4)	118.5	1.7	(12.2)
Finance expenses from insurance contracts issued	43.2	-	-	43.2
Total changes in the interim consolidated statements of income	(89.2)	118.5	1.7	31.0
Cash flows:				
Premiums received	2,595.6	-	-	2,595.6
Claims and other directly attributable expenses paid	(337.2)	-	-	(337.2)
Total cash flows	2,258.4	-	-	2,258.4
Insurance contract liabilities, end of period	$ 2,169.2	$ 118.5	$ 1.7	$ 2,289.4

The composition of the insurance contract liabilities measured under the PAA was as follows:

(in millions of dollars)	As at June 30, 2026	As at June 30, 2025
Premiums receivable	$ (1,967.3)	$ (1,485.2)
Unearned premiums	3,081.3	2,234.5
Unearned premiums received	1,114.0	749.3
Unamortized insurance acquisition cash flows	(529.7)	(354.7)
Onerous loss provision	-	3.5
Provision for unpaid claims and other directly attributable payables	3,854.1	3,256.1
	$ 4,438.4	$ 3,654.2

8. 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:

(in millions of dollars)	Three months ended June 30, 2026					
	Assets for remaining coverage		Assets for incurred claims			
				Contracts under PAA		
	Excluding loss-recovery component	Loss-recovery component	Contracts under GMM	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets, beginning of period	$ 321.1	$ 7.0	$ -	$ 344.4	$ 20.6	$ 693.1
Allocation of reinsurance premiums	(140.2)	-	-	-	-	(140.2)
Amounts recoverable from reinsurers for incurred claims:						
Amounts recoverable for incurred claims and other directly attributable expenses	-	-	9.5	76.7	3.1	89.3
Changes to amounts recoverable for incurred claims	-	-	-	1.3	(0.8)	0.5
Loss recoveries and reversals on onerous contracts	-	9.9[1]	-	-	-	9.9
Net expenses from reinsurance contracts held	(140.2)	9.9	9.5	78.0	2.3	(40.5)
Finance income from reinsurance contracts held	3.8	-	-	4.9	-	8.7
Total changes in the interim consolidated statements of income	(136.4)	9.9	9.5	82.9	2.3	(31.8)
Cash flows:						
Premiums paid	130.9	-	-	-	-	130.9
Amounts received	-	-	(9.5)	(62.3)	-	(71.8)
Total cash flows	130.9	-	(9.5)	(62.3)	-	59.1
Reinsurance contract assets, end of period	$ 315.6	$ 16.9	$ -	$ 365.0	$ 22.9	$ 720.4

[1] The loss-recovery component relates to acquired claims accounted for under the GMM and relates to the underlying loss component.

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

(b) Reinsurance contract assets (continued)

(in millions of dollars)	Three months ended June 30, 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	$ 40.2	$ -	$ 312.1	$ 18.8	$ 371.1
Allocation of reinsurance premiums	(90.8)	-	-	-	(90.8)
Amounts recoverable from reinsurers for incurred claims:					
Amounts recoverable for incurred claims and other directly attributable expenses	-	-	46.2	1.7	47.9
Changes to amounts recoverable for incurred claims	-	-	2.6	(1.2)	1.4
Net expenses from reinsurance contracts held	(90.8)	-	48.8	0.5	(41.5)
Finance income from reinsurance contracts held	-	-	1.2	-	1.2
Total changes in the interim consolidated statements of income	(90.8)	-	50.0	0.5	(40.3)
Cash flows:					
Premiums paid	79.3	-	-	-	79.3
Amounts received	-	-	(58.4)	-	(58.4)
Total cash flows	79.3	-	(58.4)	-	20.9
Reinsurance contract assets, end of period	$ 28.7	$ -	$ 303.7	$ 19.3	$ 351.7

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

(b) Reinsurance contract assets (continued)

(in millions of dollars)	Six months ended June 30, 2026					
	Assets for remaining coverage		Assets for incurred claims			
				Contracts under PAA		
	Excluding loss-recovery component	Loss-recovery component	Contracts under GMM	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets, beginning of period	$ 41.0	$ -	$ -	$ 306.2	$ 19.5	$ 366.7
Allocation of reinsurance premiums	(269.8)	-	-	-	-	(269.8)
Amounts recoverable from reinsurers for incurred claims:						
Amounts recoverable for incurred claims and other directly attributable expenses	-	-	15.1	145.0	6.1	166.2
Changes to amounts recoverable for incurred claims	-	-	-	4.9	(2.7)	2.2
Loss recoveries and reversals on onerous contracts	-	16.9[1]	-	-	-	16.9
Net expenses from reinsurance contracts held	(269.8)	16.9	15.1	149.9	3.4	(84.5)
Finance income from reinsurance contracts held	5.0	-	-	6.2	-	11.2
Total changes in the interim consolidated statements of income	(264.8)	16.9	15.1	156.1	3.4	(73.3)
Cash flows:						
Premiums paid[2]	539.4	-	-	-	-	539.4
Amounts received	-	-	(15.1)	(97.3)	-	(112.4)
Total cash flows	539.4	-	(15.1)	(97.3)	-	427.0
Reinsurance contract assets, end of period	$ 315.6	$ 16.9	$ -	$ 365.0	$ 22.9	$ 720.4

[1] The loss-recovery component relates to acquired claims accounted for under the GMM and relates to the underlying loss component.

[2] Included in premiums paid is claim recoveries from the Travelers Transaction accounted for under the GMM.

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

(b) Reinsurance contract assets (continued)

(in millions of dollars)	Six months ended June 30, 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	(176.1)	-	-	-	(176.1)
Amounts recoverable from reinsurers for incurred claims:					
Amounts recoverable for incurred claims and other directly attributable expenses	-	-	97.6	4.2	101.8
Changes to amounts recoverable for incurred claims	-	-	5.4	(3.2)	2.2
Net expenses from reinsurance contracts held	(176.1)	-	103.0	1.0	(72.1)
Finance income from reinsurance contracts held	-	-	7.1	-	7.1
Total changes in the interim consolidated statements of income	(176.1)	-	110.1	1.0	(65.0)
Cash flows:					
Premiums paid	181.0	-	-	-	181.0
Amounts received	-	-	(110.5)	-	(110.5)
Total cash flows	181.0	-	(110.5)	-	70.5
Reinsurance contract assets, end of period	$ 28.7	$ -	$ 303.7	$ 19.3	$ 351.7

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

(b) Reinsurance contract assets (continued)

The roll-forward of the reinsurance contract assets showing estimates of the present value of future cash flows, risk adjustment, and CSM for reinsurance held portfolios measured under the GMM, is presented in the following table:

(in millions of dollars)	Three months ended June 30, 2026			
	Present value of future cash flows	Risk adjustment	Contractual service margin	Total
Reinsurance contract assets, beginning of period	$ 256.7	$ 12.3	$ (3.6)	$ 265.4
Changes that relate to current services:				
Contractual service margin recognized for services received	-	-	0.7	0.7
Risk adjustment recognized for the risk expired	-	(0.4)	-	(0.4)
Experience adjustments	(5.1)	-	-	(5.1)
Changes that relate to future services:				
Changes in estimates that adjust the contractual service margin	3.4	-	(3.4)	-
Changes in estimates that do not adjust the contractual service margin	9.7	0.3	-	10.0
Net recovery from reinsurance contracts held	8.0	(0.1)	(2.7)	5.2
Finance income from reinsurance contracts held	3.8	-	-	3.8
Total changes in the interim consolidated statements of income	11.8	(0.1)	(2.7)	9.0
Cash flows:				
Premiums paid	-	-	-	-
Amounts received	(9.5)	-	-	(9.5)
Total cash flows	(9.5)	-	-	(9.5)
Reinsurance contract assets, end of period	$ 259.0	$ 12.2	$ (6.3)	$ 264.9

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

(b) Reinsurance contract assets (continued)

(in millions of dollars)	Six months ended June 30, 2026			
	Present value of future cash flows	Risk adjustment	Contractual service margin	Total
Reinsurance contract assets, beginning of period	$ -	$ -	$ -	$ -
Changes that relate to current services:				
Contractual service margin recognized for services received	-	-	0.9	0.9
Risk adjustment recognized for the risk expired	-	(1.1)	-	(1.1)
Experience adjustments	(15.9)	-	-	(15.9)
Changes that relate to future services:				
Contracts initially recognized in the period	(12.8)	12.8	-	-
Changes in estimates that adjust the contractual service margin	7.2	-	(7.2)	-
Changes in estimates that do not adjust the contractual service margin	16.5	0.5	-	17.0
Net recovery from reinsurance contracts held	(5.0)	12.2	(6.3)	0.9
Finance income from reinsurance contracts held	5.0	-	-	5.0
Total changes in the interim consolidated statements of income	-	12.2	(6.3)	5.9
Cash flows:				
Premiums paid	274.1	-	-	274.1
Amounts received	(15.1)	-	-	(15.1)
Total cash flows	259.0	-	-	259.0
Reinsurance contract assets, end of period	$ 259.0	$ 12.2	$ (6.3)	$ 264.9

The composition of the reinsurance contract assets measured under the PAA was as follows:

(in millions of dollars)	As at June 30, 2026	As at June 30, 2025
Premiums ceded payable	$ (54.0)	$ (33.3)
Unearned premiums ceded	145.9	75.2
Unearned reinsurance premiums paid	91.9	41.9
Claims recoverable from reinsurance contracts held	388.3	323.3
Unearned reinsurance commissions received	(24.7)	(13.5)
	$ 455.5	$ 351.7

8. 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:

(in millions of dollars)	As at June 30, 2026	As at December 31, 2025
Individual loss		
Property		
Net company retention[1]	$ 6.0	$ 5.0
Maximum limit[2]	110.0	100.0
Auto and general liability		
Net company retention[1]	5.0	4.0
Maximum limit	50.0	40.0
Catastrophe – primary		
Net company retention[1]	90.0	75.0
Maximum limit[2]	2,680.0	2,075.0

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

[2] Excludes co-participation.

For catastrophe events, the Company participated an average of 3.8% on layers between the net company retention and the maximum limit as at June 30, 2026 (December 31, 2025: 2.4%). There is no Company participation on individual loss events between $90 million and $630 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.

(c) Insurance revenue

Insurance revenue, as presented in the interim consolidated statements of income, was composed of the following:

(in millions of dollars)	Three months ended June 30 2026	2025
Contracts measured under PAA	$ 1,598.5	$ 1,162.1
Contracts measured under GMM[1]:		
Amounts relating to the changes in the liability for remaining coverage:		
Expected insurance service expenses incurred in the period	188.7	-
Change in the risk adjustment for non-financial risk	6.4	-
Amount of CSM recognized in net income	0.1	-
Insurance revenue	$ 1,793.7	$ 1,162.1

[1] Relates to acquired claims from the Travelers Transaction.

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

(c) Insurance revenue (continued)

(in millions of dollars)	Six months ended June 30 2026	2025
Contracts measured under PAA	$ 3,150.2	$ 2,274.0
Contracts measured under GMM[1]:		
Amounts relating to the changes in the liability for remaining coverage:		
Expected insurance service expenses incurred in the period	451.0	-
Change in the risk adjustment for non-financial risk	16.2	-
Amount of CSM recognized in net income	0.2	-
Insurance revenue	$ 3,617.6	$ 2,274.0

[1] Relates to acquired claims from the Travelers Transaction.

9. INCOME TAXES

(a) Income tax expense

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:

(in millions of dollars)	Three months ended June 30 2026		2025	
Income tax expense calculated based on statutory tax rates	26.3%	$ 55.4	26.3%	$ 30.5
Investment income not subject to tax	(0.9%)	(2.1)	(1.7%)	(2.0)
Non-deductible expenses	0.1%	0.3	0.2%	0.2
Non-deductible acquisition-related expenses	-	-	2.3%	2.7
Other	-	-	5.5%	6.4
Income tax expense recorded in net income	25.5%	$ 53.6	32.6%	$ 37.8

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

(in millions of dollars)	Three months ended June 30 2026	2025
Current income taxes	$ 69.8	$ 42.8
Deferred income taxes	(16.2)	(5.0)
Income tax expense	$ 53.6	$ 37.8

(in millions of dollars)	Six months ended June 30 2026		2025	
Income tax expense calculated based on statutory tax rates	26.3%	$ 79.6	26.3%	$ 63.0
Investment income not subject to tax	(1.4%)	(4.2)	(1.8%)	(4.3)
Non-deductible expenses	0.2%	0.5	0.2%	0.4
Non-deductible acquisition-related expenses	1.4%	4.3	1.3%	3.2
Other	0.1%	0.1	2.5%	6.0
Income tax expense recorded in net income	26.6%	$ 80.3	28.5%	$ 68.3

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

(in millions of dollars)	Six months ended June 30 2026	2025
Current income taxes	$ 86.0	$ 78.8
Deferred income taxes	(5.7)	(10.5)
Income tax expense	$ 80.3	$ 68.3

9. INCOME TAXES (continued)

(b) Deferred income taxes

The components comprising net deferred income tax assets (liabilities) were as follows:

(in millions of dollars)	As at June 30, 2026	As at December 31, 2025
Insurance contract liabilities	$ 71.6	$ 15.0
Post-employment benefit plans	(2.6)	(3.6)
Property and equipment	(13.4)	(10.2)
Intangible assets	(324.9)	(168.2)
Income tax loss carryforwards	3.7	0.2
Deferred expenses for tax purposes	24.8	22.9
Other	14.8	11.6
	$ (226.0)	$ (132.3)

The Company anticipates that it will generate taxable income from ordinary operations sufficient to utilize its deferred income tax assets.

The net movement of the deferred income taxes was as follows:

(in millions of dollars)	Note	As at June 30, 2026	As at December 31, 2025
Balance, beginning of period		$ (132.3)	$ (141.1)
Income tax expense:			
Recorded in net income		5.7	38.3
Recorded in OCI		(1.5)	(1.2)
Recorded in equity		-	(3.5)
Business combinations	6	(97.9)	(24.8)
Balance, end of period		$ (226.0)	$ (132.3)

10. OTHER ASSETS

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

(in millions of dollars)	As at June 30, 2026	As at December 31, 2025
Other receivables	$ 104.4	$ 78.7
Prepaid expenses and other	71.1	65.5
Accrued investment income	57.1	33.1
Pension asset	54.2	40.3
Investments in associates	37.7	57.4
	$ 324.5	$ 275.0

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

(in millions of dollars)	Note	As at June 30, 2026	As at December 31, 2025
Accounts payable and other		$ 124.4	$ 79.9
Lease liabilities		47.8	41.9
Other post-employment benefit plan obligation		44.0	26.7
Foreign exchange forward contract		-	20.7
Deferred share unit plans	15	17.9	17.1
		$ 234.1	$ 186.3

12. DEBT OUTSTANDING

Debt outstanding, as presented in the interim consolidated balance sheets, was composed of the following:

(in millions of dollars)	Principal amount	Interest	Maturity date	As at June 30, 2026	As at December 31, 2025
Senior unsecured notes					
Series 1	$ 650.0	3.709%, paid semi-annually	September 12, 2030	$ 655.3	$ 655.2
Series 2	350.0	4.393%, paid semi-annually	September 12, 2035	353.3	353.2
Bank term loan	375.0	CORRA loans or Canadian prime plus an applicable margin	January 2, 2028	375.0	-
Credit facility		Current period's CORRA rate, Canadian prime rate, or SOFR plus a margin, paid quarterly	August 12, 2030	129.4	114.3
				$ 1,513.0	$ 1,122.7

On September 12, 2025, the Company completed a private placement of notes for gross proceeds of $1 billion. The proceeds were used by the Company to fund a portion of the purchase price of the Travelers Transaction on January 2, 2026. The Company recorded interest expense on these notes of $10.0 million during the three months ended June 30, 2026 and $19.9 million during the six months ended June 30, 2026.

On May 27, 2025, the Company secured access to additional bank facilities to support funding of the Travelers Transaction. The facilities totalled an aggregate of $1,475 million, as summarized below, which were fully drawn upon the closing of the Travelers Transaction on January 2, 2026:

(in millions of dollars)	Amount	Term[1]	Interest
Acquisition debt facilities			
Excess capital term loan	$ 1,100	1 year	CORRA loans or Canadian prime plus an applicable margin
Bank term loan	375	2 years	CORRA loans or Canadian prime plus an applicable margin
	$ 1,475		

[1] Term from closing date of the Travelers Transaction.

The Company recorded interest expense on these facilities of $3.1 million during the three months ended June 30, 2026 and $9.2 million during the six months ended June 30, 2026. On February 2, 2026, the excess capital term loan was repaid in its entirety.

12. DEBT OUTSTANDING (continued)

The Company and certain of its subsidiaries also have access to a $1.0 billion unsecured committed credit facility. The credit facility has a term ending on August 12, 2030, contains certain covenants, and incorporates pricing adjustments that are linked to meeting certain sustainability targets. The interest rate applicable is based on the current period's CORRA rate, Canadian prime rate, or SOFR plus a margin. As at June 30, 2026, an amount of $129.4 million (December 31, 2025: $114.3 million) had been drawn under this credit facility. The Company recorded interest expense on this facility of $1.0 million during the three months ended June 30, 2026 (June 30, 2025: $1.0 million) and $2.2 million during the six months ended June 30, 2026 (June 30, 2025: $2.2 million).

As at June 30, 2026, the Company remained fully in compliance with the covenants of all its debt facilities, including its unsecured committed credit facility.

13. 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:

			Six months ended June 30		
(in millions of dollars, except as otherwise noted)	Note		2026		2025
		Number of shares (in millions)	Amount	Number of shares (in millions)	Amount
Issued and outstanding, beginning of period		121.6	$ 2,683.0	115.8	$ 2,307.8
Issuance of common shares	6	-	-	5.8	375.2
Issued and outstanding, end of period		121.6	2,683.0	121.6	2,683.0
Shares held in trust, beginning of period		(1.7)	(83.3)	(1.8)	(87.4)
Purchased for future settlement of the Long-Term Incentive Plan ("LTIP")		(0.1)	(8.7)	(0.2)	(12.2)
Released for the settlement of the LTIP		0.3	15.9	0.3	16.0
Issuance of common shares on exercise of stock options	15	-	0.3	-	-
Shares held in trust, end of period		(1.5)	(75.8)	(1.7)	(83.6)
Issued and outstanding, net of shares held in trust, end of period		120.1	$ 2,607.2	119.9	$ 2,599.4

On July 30, 2026, the Board of Directors declared a $0.215 per share dividend, payable on September 23, 2026 to shareholders of record at the close of business on September 11, 2026.

No preferred shares were issued and outstanding.

14. 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.

14. EARNINGS PER COMMON SHARE (continued)

(in millions of dollars, except as otherwise noted)	Three months ended June 30 2026	2025
Net income attributable to common shareholders	$ 152.4	$ 75.1
Weighted average common shares outstanding (in millions)[1]	120.2	115.4
Dilutive effect of share-based compensation plans (in millions)	1.7	1.8
Weighted average of diluted common shares outstanding (in millions)	121.9	117.2
EPS (in dollars)		
Basic	$ 1.27	$ 0.65
Diluted	$ 1.25	$ 0.64

(in millions of dollars, except as otherwise noted)	Six months ended June 30 2026	2025
Net income attributable to common shareholders	$ 216.3	$ 167.1
Weighted average common shares outstanding (in millions)[1]	120.1	114.7
Dilutive effect of share-based compensation plans (in millions)	1.8	1.8
Weighted average of diluted common shares outstanding (in millions)	121.9	116.5
EPS (in dollars)		
Basic	$ 1.80	$ 1.46
Diluted	$ 1.77	$ 1.43

[1] Net of shares held in trust.

15. SHARE-BASED COMPENSATION PLANS

(a) Long-term incentive plan

Restricted share units (“RSUs”)
The following table shows the movements in the RSUs under the LTIP during the period:

	Three months ended June 30 2026	2025
	Number of units	Number of units
Outstanding, beginning of period	650,516	577,861
Awarded	12,708	5,067
Forfeited	(11,341)	(1,455)
Settled	(610)	-
Outstanding, end of period	651,273	581,473

	Six months ended June 30 2026	2025
	Number of units	Number of units
Outstanding, beginning of period	570,358	699,781
Awarded	363,622	157,185
Forfeited	(21,543)	(4,297)
Settled	(261,164)	(271,196)
Outstanding, end of period	651,273	581,473

The recorded compensation expense during the three months ended June 30, 2026 for the RSUs was $3.3 million (June 30, 2025: $2.1 million). The recorded compensation expense during the six months ended June 30, 2026 for the RSUs was $6.7 million (June 30, 2025: $4.4 million). The aggregate contributed surplus balance attributable to the RSUs as at June 30, 2026 was $18.8 million (December 31, 2025: $16.8 million).

15. SHARE-BASED COMPENSATION PLANS (continued)

(a) Long-term incentive plan (continued)

Performance share units ("PSUs")
The following table shows the movements in the PSUs under the LTIP during the period:

	Three months ended June 30 2026	2025
	Number of units	Number of units
Outstanding, beginning of period	867,457	1,046,316
Awarded	6,467	2,856
Forfeited	(10,241)	-
Outstanding, end of period	863,683	1,049,172

	Six months ended June 30 2026	2025
	Number of units	Number of units
Outstanding, beginning of period	1,051,079	1,147,938
Awarded	166,376	141,883
Forfeited	(15,681)	-
Settled	(338,091)	(240,649)
Outstanding, end of period	863,683	1,049,172

The recorded compensation expense during the three months ended June 30, 2026 for the PSUs was $4.6 million (June 30, 2025: $4.4 million). The recorded compensation expense during the six months ended June 30, 2026 for the PSUs was $9.1 million (June 30, 2025: $8.9 million). The aggregate contributed surplus balance attributable to the PSUs as at June 30, 2026 was $27.5 million (December 31, 2025: $32.9 million).

(b) Deferred share unit plans

As at June 30, 2026, there were 238,631 deferred share units ("DSUs") outstanding (December 31, 2025: 224,232 DSUs). The DSU liability as at June 30, 2026 was $17.9 million (December 31, 2025: $17.1 million). The recorded compensation expense during the three months ended June 30, 2026 for the DSUs was $2.5 million (June 30, 2025: $3.7 million expense). The recorded compensation expense during the six months ended June 30, 2026 for the DSUs was $0.8 million (June 30, 2025: $7.7 million expense).

(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 June 30			
	2026		2025	
	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share
Outstanding, beginning of period	653,603	$ 50.88	492,889	$ 45.53
Exercised	(6,215)	$ 42.63	-	$ -
Outstanding, end of period	647,388	$ 50.96	492,889	$ 45.53
Exercisable, end of period	250,900	$ 42.10	133,890	$ 38.96

15. SHARE-BASED COMPENSATION PLANS (continued)

(c) Stock option plan (continued)

	Six months ended June 30			
	2026		2025	
	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share
Outstanding, beginning of period	492,889	$ 45.53	357,697	$ 40.18
Granted	160,714	$ 67.29	135,192	$ 59.64
Exercised	(6,215)	$ 42.63	-	$ -
Outstanding, end of period	647,388	$ 50.96	492,889	$ 45.53
Exercisable, end of period	250,900	$ 42.10	133,890	$ 38.96

The weighted average remaining contractual life for the outstanding options as at June 30, 2026 was 8.0 years (December 31, 2025: 8.0 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 six months ended June 30, 2026 was $2.2 million (June 30, 2025: $1.7 million). The recorded compensation expense during the three months ended June 30, 2026 for the stock options was $0.4 million (June 30, 2025: $0.3 million). The recorded compensation expense during the six months ended June 30, 2026 for the stock options was $0.9 million (June 30, 2025: $0.7 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:

	Six months ended June 30	
	2026	2025
Share price at the date of grant	$ 67.29	$ 59.64
Exercise price	$ 67.29	$ 59.64
Expected share price volatility	20.0%	20.0%
Expected life of options	6.25 years	6.25 years
Expected dividend yield	1.7%	1.5%
Risk-free interest rate	2.9%	2.8%

During the three and six months ended June 30, 2026, 6,215 stock options were exercised for cash proceeds of $0.2 million. The Company transferred $0.1 million from contributed surplus to share capital, representing the fair value of the exercised options, resulting in an increase in share capital of $0.3 million.

16. 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, were composed of the following:

(in millions of dollars)	Three months ended June 30, 2026			
	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other expenses	Total
Claims and adjustment expenses	$ -	$ 1,185.2	$ 22.9	$ 1,208.1
Discounting recovery in insurance service expenses	-	(55.1)	-	(55.1)
Risk adjustment expenses	-	12.8	-	12.8
Commissions	213.9	20.2	-	234.1
Operating expenses	62.3	73.0	31.9	167.2
Premium taxes	54.6	-	-	54.6
Corporate expenses	-	-	10.6	10.6
Distribution:				
Distribution business expenses	-	-	46.5	46.5
Amortization of intangible assets recognized in business combinations on distribution business	-	-	9.8	9.8
Share of profit from investments in associates	-	-	(0.4)	(0.4)
Amortization of intangible assets recognized in business combinations	-	-	6.2	6.2
Acquisition-related expenses	-	-	0.3	0.3
Integration expenses	-	-	16.8	16.8
Other	-	-	4.8	4.8
	$ 330.8	$ 1,236.1	$ 149.4	$1,716.3
Insurance service expenses				1,566.9
Other expenses				149.4
				$1,716.3

16. EXPENSES (continued)

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

(in millions of dollars)	Three months ended June 30, 2025			
	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other expenses	Total
Claims and adjustment expenses	$ -	$ 709.5	$ 17.5	$ 727.0
Discounting recovery in insurance service expenses	-	(35.6)	-	(35.6)
Commissions	150.0	17.2	-	167.2
Operating expenses	44.9	54.6	24.2	123.7
Premium taxes	39.8	-	-	39.8
Gains on onerous insurance contracts	-	(4.1)	-	(4.1)
Corporate expenses	-	-	9.0	9.0
Distribution:				
Distribution business expenses	-	-	41.0	41.0
Amortization of intangible assets recognized in business combinations on distribution business	-	-	8.9	8.9
Demutualization-related expenses, less interest on restricted cash	-	-	1.5	1.5
Share of profit from investments in associates	-	-	(2.0)	(2.0)
Gain on sale of property	-	-	(5.9)	(5.9)
Foreign exchange forward contract hedge ineffectiveness	-	-	27.8	27.8
Acquisition-related expenses	-	-	13.8	13.8
Integration expenses	-	-	1.8	1.8
Other	-	-	1.4	1.4
	$ 234.7	$ 741.6	$ 139.0	$1,115.3
Insurance service expenses				976.3
Other expenses				139.0
				$1,115.3

16. EXPENSES (continued)

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

(in millions of dollars)	Six months ended June 30, 2026			
	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other expenses	Total
Claims and adjustment expenses	$ -	$ 2,386.4	$ 45.7	$ 2,432.1
Discounting recovery in insurance service expenses	-	(101.5)	-	(101.5)
Risk adjustment expenses	-	21.9	-	21.9
Commissions	423.9	39.2	-	463.1
Operating expenses	123.4	154.2	63.8	341.4
Premium taxes	107.4	-	-	107.4
Corporate expenses	-	-	19.8	19.8
Distribution:				
Distribution business expenses	-	-	90.9	90.9
Amortization of intangible assets recognized in business combinations on distribution business	-	-	19.5	19.5
Share of loss from investments in associates	-	-	0.4	0.4
Amortization of intangible assets recognized in business combinations	-	-	12.4	12.4
Acquisition-related expenses	-	-	16.8	16.8
Integration expenses	-	-	33.4	33.4
Other	-	-	0.5	0.5
	$ 654.7	$ 2,500.2	$ 303.2	$3,458.1
Insurance service expenses				3,154.9
Other expenses				303.2
				$3,458.1

16. EXPENSES (continued)

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

(in millions of dollars)	Six months ended June 30, 2025			
	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other expenses	Total
Claims and adjustment expenses	$ -	$ 1,407.0	$ 34.3	$1,441.3
Discounting recovery in insurance service expenses	-	(71.2)	-	(71.2)
Risk adjustment expenses	-	1.7	-	1.7
Commissions	297.3	34.9	-	332.2
Operating expenses	89.1	108.0	48.3	245.4
Premium taxes	77.8	-	-	77.8
Gains on onerous insurance contracts	-	(10.3)	-	(10.3)
Corporate expenses	-	-	17.8	17.8
Distribution:				
Distribution business expenses	-	-	79.0	79.0
Amortization of intangible assets recognized in business combinations on distribution business	-	-	17.5	17.5
Demutualization-related expenses, less interest on restricted cash	-	-	3.3	3.3
Share of profit from investments in associates	-	-	(1.2)	(1.2)
Gain on sale of property	-	-	(5.9)	(5.9)
Foreign exchange forward contract hedge ineffectiveness	-	-	27.8	27.8
Acquisition-related expenses	-	-	15.6	15.6
Integration expenses	-	-	1.8	1.8
Other	-	-	(2.3)	(2.3)
	$ 464.2	$ 1,470.1	$ 236.0	$2,170.3
Insurance service expenses				1,934.3
Other expenses				236.0
				$2,170.3

(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, were composed of the following:

	Three months ended June 30	
(in millions of dollars)	2026	2025
Earned reinsurance premiums	$ 166.6	$ 108.0
Claims recoverable from reinsurers for incurred claims	(103.3)	(53.1)
Commissions earned on ceded reinsurance	(26.8)	(17.2)
Discounting expense in net expenses from reinsurance contracts held	6.3	4.3
Risk adjustment recovery	(2.3)	(0.5)
	$ 40.5	$ 41.5

16. EXPENSES (continued)

(b) Net expenses from reinsurance contracts held (continued)

	Six months ended June 30	
(in millions of dollars)	2026	2025
Earned reinsurance premiums	$ 319.9	$ 210.0
Claims recoverable from reinsurers for incurred claims	(191.9)	(109.8)
Commissions earned on ceded reinsurance	(50.7)	(35.8)
Discounting expense in net expenses from reinsurance contracts held	10.6	8.7
Risk adjustment recovery	(3.4)	(1.0)
	$ 84.5	$ 72.1

17. 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:

	Three months ended June 30		Six months ended June 30	
(in millions of dollars)	2026	2025	2026	2025
Adjustments for non-cash items:				
Amortization and depreciation				
Bond premium/discount	$ 0.5	$ (5.9)	$ (1.5)	$ (12.4)
Property and equipment	6.0	3.9	11.7	7.5
Intangible assets	37.4	30.1	75.9	58.6
Recognized gains on FVTPL investments	(107.9)	(14.1)	(71.2)	(66.3)
Share-based compensation	8.3	6.8	16.7	14.0
Share of (profit) loss from investments in associates	(0.4)	(2.0)	0.4	(1.2)
Foreign exchange forward contract hedge ineffectiveness	-	27.8	-	27.8
Gain on sale of property	-	(5.9)	-	(5.9)
	$ (56.1)	$ 40.7	$ 32.0	$ 22.1
Changes in operating assets and liabilities:				
Reinsurance contract assets	(27.3)	19.4	(45.2)	(5.5)
Other operating assets	(2.0)	0.2	(6.0)	(13.2)
Insurance contract liabilities	150.3	69.7	84.2	50.9
Accounts payable and other liabilities	14.9	6.2	(84.1)	(30.4)
	$ 135.9	$ 95.5	$ (51.1)	$ 1.8

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

	Three months ended June 30		Six months ended June 30	
(in millions of dollars)	2026	2025	2026	2025
Interest received	$ 84.5	$ 41.3	$ 144.3	$ 73.8
Dividends received	10.8	9.2	19.4	16.8
Interest paid	4.9	2.3	32.3	4.7

18. INSURANCE RISK MANAGEMENT

The liability for remaining coverage ("LRC") and assets for remaining coverage ("ARC") measured under the GMM, as well as liabilities for incurred claims ("LIC") and assets for incurred claims ("AIC") are sensitive to changes in interest rates and the risk adjustment for non-financial risk.

The following table presents the interest rate sensitivity analysis on the net of LRC and ARC as at June 30, 2026 for a one percentage point change in interest rates (assuming a parallel shift across the yield curve):

(in millions of dollars)

Change in interest rate (on the net of LRC and ARC)	+1 pt	-1 pt
Impact on income before income taxes	$ 53.7	$ (56.9)

The following table presents the sensitivity of risk adjustment for a five percentage point change in the confidence level on the net of LRC and ARC as at June 30, 2026:

(in millions of dollars)

Change in risk adjustment (on the net of LRC and ARC)	+ 5 pts	- 5 pts
Impact on income before income taxes	$ (28.2)	$ 27.3

The following table presents the interest rate sensitivity analysis on the net of LIC and AIC as at June 30, 2026 for a one percentage point change in interest rates (assuming a parallel shift across the yield curve):

(in millions of dollars)

Change in interest rate (on the net of LIC and AIC)	+1 pt	-1 pt
Impact on income before income taxes	$ 73.2	$ (77.4)

The following table presents the sensitivity of risk adjustment for a five percentage point change in the confidence level on the net of LIC and AIC as at June 30, 2026:

(in millions of dollars)

Change in risk adjustment (on the net of LIC and AIC)	+5 pts	-5 pts
Impact on income before income taxes	$ (52.5)	$ 40.0

19. FINANCIAL RISK MANAGEMENT

The Company's financial instruments, including investments, are exposed to variability from interest rate risk (including the impact of credit spreads), equity market price risk and preferred stock price risk, credit risk, foreign exchange risk, and liquidity risk as disclosed in note 7 of the Company's audited consolidated financial statements as at and for the year ended December 31, 2025. The below table has been updated as at June 30, 2026 to reflect the acquisition of the Canadian P&C insurance operations of Travelers.

The impact of an immediate hypothetical one percentage point change in interest rates (assuming a parallel shift across the yield curve) on the Company's bond portfolio, with all other variables held constant, is as follows:

(in millions of dollars)

Change in interest rate (on the measurement of the Company's bond portfolio)	+ 1 pt	- 1 pt
Impact on income before income taxes	$ (323.3)	$ 341.9

20. CONTINGENCIES

Along with many other P&C insurers in Canada, Definity Insurance was named as a defendant in litigation commenced in Ontario in 2020 for business interruption losses related to the COVID-19 pandemic, seeking to establish coverage under insurance policies. In June 2026, the Ontario Superior Court of Justice ordered the discontinuance of this Ontario class action proceeding on behalf of a national class (excluding Québec) against Definity Insurance, with no settlement payment being made by Definity Insurance and no legal costs being awarded against Definity Insurance, effective as of October 23, 2026. Definity Insurance was also previously a defendant in similar class proceedings in other provinces, all of which have either been rejected or discontinued as against Definity Insurance. As a result, Definity is no longer actively involved in any COVID-19 related class action proceedings.

21. RISKS RELATED TO ECONOMIC UNCERTAINTY

Geopolitical events, including the imposition of cross-border tariffs and political unrest including the conflicts involving Iran, 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 financial statements. The most immediate impact of the uncertainty is volatility in capital markets and the related impact on gains and losses on 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.