



MUTUALITY: Coming together to protect

2025

ANNUAL
REPORT

PROMUTUEL
INSURANCE
OUTAOUAIS VALLEY

FRANÇOIS CHARTIER

President

ÉRIC HAYES

General Manager



A WORD FROM THE PRESIDENT AND THE GENERAL MANAGER

Declared International Year of Cooperatives, 2025 gave us the opportunity to highlight the strength and relevance of our mutualist model. Despite a year marked by a challenging economic climate, our teams extolled our values of open-mindedness, solidarity, commitment, and ambition. We came together to improve the experience of our insured members.

CONCRETE IMPROVEMENTS TO SERVE YOU BETTER

In 2025, we faced several challenges, including the work stoppage by Canada Post employees. To ensure service continuity, we upgraded our Client Space by adding new features and making it available to our business insurance clients as well as our brokerage partners' insureds. At the same time, we implemented several technological tools and streamlined our processes to deliver an experience that meets our members' expectations.

Finally, because our mission is still to provide our members with peace of mind, we now offer coverage against flood damage. This new solution expands our product line and further supports our members and our distribution network.

RESULTS THAT REFLECT OUR COMMITMENT

From a financial standpoint, 2025 ended on a positive note, thanks to excellent results. This performance is even more remarkable in a context where the industry has faced significant pressure, particularly due to market trends. Our organization stayed strong by adapting to change and making sound decisions. At the close of the 2025 fiscal year, our premium volume¹ was \$71,835,000, i.e., a 4% increase compared to 2024. This growth can be attributed to the increase in the number of policies and the adjustment of rates to address claims, which are more frequent and more costly.

In 2025, we reported a total of \$36,015,000 in benefits paid to our members who sustained a loss, i.e., a drop of 9% compared to 2024. This shows that our prevention efforts are paying off and are significantly stabilizing our claim ratio.

These results, marked by a net surplus of \$9,765,000, also illustrate the effectiveness of our strategies, which combine growth and profitability.

COMMITMENT THAT SPEAKS VOLUMES

We would like to extend our heartfelt thanks to our board members, our staff, and our partner brokerage firms who embody our mutualist values day after day. Thanks to your dedication, once again, this year we have maintained our title as the most recommended consumer insurer in Quebec². This award reflects our strength and our mutual commitment to building a sustainable and inclusive future.

Handwritten signature of François Chartier in black ink.

Handwritten signature of Éric Hayes in black ink.

1. This measure is not compliant with International Financial Reporting Standards (IFRS). The most comparable IFRS-compliant measure, "Insurance service revenue", is presented in the "Statement of comprehensive income".

2. Promutuel Insurance is the most recommended consumer insurance provider, according to a survey of Quebec adults who hold car or home insurance policies issued by a general insurer authorized to operate in Quebec, conducted by SOM, from May 22 to June 3, 2025.

\$294,000
IN DONATIONS AND SPONSORSHIPS

A COMMITTED AND SUPPORTIVE TEAM WHO SHOWS UP

Our mutualist values inspire our team to take concrete action on behalf of our community. Every year, we wholeheartedly support causes, organizations, and events that contribute to the social and economic well-being of our region. This is our way of showing our commitment and support!



IN 2025, WE SUPPORTED THE FOLLOWING ORGANIZATIONS:

- Moisson Outaouais
- Bouffe Pontiac
- Banque alimentaire de la Petite-Nation
- Banque alimentaire de la Lièvre
- Centraide Outaouais
- Les Grands Feux du Casino Lac-Leamy
- Expo Shawville Fair
- Festival Western Saint-André-Avellin

We also contributed to the Adrien-Guillaume schoolyard renovation in Chénéville; a project that concretely illustrates our commitment to protecting and supporting our communities.



2025 PERFORMANCE

PROMUTUEL
INSURANCE
OUTAOUAIS VALLEY

\$71.8M
in premiums written*
(premiums increase: 4%)

\$10.4M
Insurance service
revenue

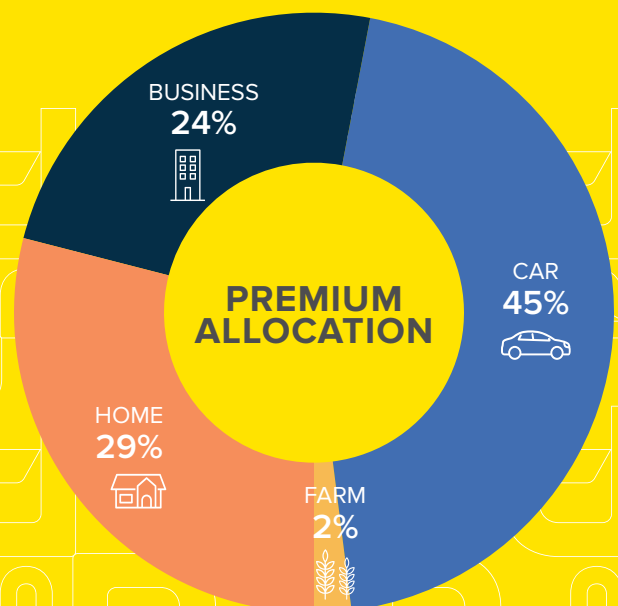
48.9%
Net claims
ratio

\$9.8M
Net income

\$61.0M
Members' equity

375%
MCT Ratio
(Minimum Capital Test)

30,797
Members



*This measure is not compliant with International Financial Reporting Standards (IFRS). The most comparable IFRS-compliant measure, "Insurance service revenue", is presented in the "Statement of comprehensive income" section of the 2025 Financial Report.



MUTUALITY: Coming together to protect

2025

FINANCIAL
REPORT

PROMUTUEL
INSURANCE
OUTAOUAIS VALLEY

Governance

To uphold our mutualist values

Groupe Promutuel and its member companies firmly believe that the rigorous application of best governance practices is the key to upholding mutualist values. Every effort is made to ensure we have the necessary structure and support to establish and uphold sound governance principles.

By embracing best practices in governance, regulatory compliance, and risk management, Groupe Promutuel guarantees that insured members benefit from management that is healthy, prudent, and effective. To that end we have developed governance standards in line with the established policies and processes that govern who we are and what we do.

Roles and responsibilities of board members and management

Our board members and management team must act in an honest, fair, and ethical manner. While showing all the integrity expected of them, they must also possess and develop the skills they need to fulfill the roles, responsibilities, and obligations incumbent upon them.

Business risk management

Our mutual company has a management framework that addresses all the risks to which it is exposed. The framework is administered and overseen by a variety of stakeholders and committees. The Board of directors is responsible for determining risk tolerance levels. It must also approve the development, review, and implementation of risk monitoring and control policies.

Internal controls, independent supervision, and operational audits

Our internal controls are effective and efficient. They are based on reports from the people responsible for risk management and regulatory compliance, along with any other reports drawn up for the Board of directors.

Our internal controls are also subject to various external oversight mechanisms, including external audits for audit-related controls.

An audit committee has been mandated by the Board of directors to ensure compliance with sound and prudent business, and management practices.

Ethics and professional conduct

An Ethics committee that reports to the Board of directors ensures that our mutual company applies a code of ethics and professional conduct that addresses both potential and apparent conflicts of interest. The Ethics committee conducts annual assessments of the Board's integrity and collective competence.

Governance

Our mutual company's governance framework also includes a program, policies, and a self-assessment mechanism based on best governance practices.

Summary

Management Report	2
Independent Auditor's Report	3
Appointed Actuary's Report	5
Financial Statements	
Statement of financial position	6
Statement of comprehensive income	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10

Directors

As of December 31, 2025, the 30,797 members of the mutual company are represented on the Board of Directors by:

Denis Larivière *, President	Campbell's Bay
François Chartier ** , Vice-President	Grenville-sur-la-Rouge
Hélène Boulet **	Otter Lake
Francine Dutrisac **, President of the Audit Committee	Mirabel
Ronald Hodgins ***	Clarendon
Éric Joanisse °	Gatineau
Jean Lacourse °	Shawville
Jonathan Robert °, President of the Ethics Committee	Gatineau

On February 25, 2026, Denis Larivière delegated his duties as president of the Board of Directors to François Chartier.

- * Member of the Executive Committee
- ** Member of the Audit Committee
- ° Member of the Ethics Committee

Management Report

The management of the Company assures the members that the financial statements and all other information contained in this report are fairly represented. These financial statements have been prepared in accordance with International Financial Reporting Standards.

The Company maintains systems of accounting and appropriate administrative controls under the circumstances within reasonable costs. The methods used ensure, to a reasonable extent, proper accounting, accurate information and the protection of the Company's assets.

The Audit Committee is made up of members of the Company's Board of Directors, excluding its employees. The Committee holds regular meetings with the auditor and management in order to discuss their respective roles and the presentation of the financial report.

Under the *Insurers Act*, the Fédération must provide the Company with the services of an auditor. The auditor is responsible to report to the members, to the directors and to the Autorité des marchés financiers as to the accuracy of the presentation of the Company's financial statements in accordance with International Financial Reporting Standards. The auditor fulfils his duty by reviewing the financial statements according to Canadian generally accepted auditing standards.

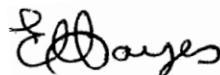
Under the *Insurers Act*, the Fédération must provide the Company with the services of an actuary. The actuary is responsible for ensuring that the assumptions and methods for the valuation of policy liabilities are in accordance with accepted actuarial practice in Canada, applicable legislation and associated regulations and guidelines.

The actuary is required to provide an opinion on the appropriateness of the policy liabilities at the statement of financial position date to meet all policyholder obligations. The work to form that opinion includes a review of sufficiency and reliability of policy data and an analysis of the ability of the assets to support the policy liabilities.

The actuary is required each year to analyze the financial health of the Company and prepare a report for the Board of Directors. The analysis tests the capital adequacy of the Company until December 31, 2025 under economic and business conditions.

The financial statements have been reviewed by the Audit Committee and approved by the Board of Directors. Moreover, reports from the auditor and the actuary appear on the following pages.

Managing Director,



Éric Hayes

Gatineau, February 25, 2026

Independent Auditor's Report

To the members of Promutuel Vallée de l'Outaouais, société mutuelle d'assurance générale,

Opinion

We have audited the financial statements of Promutuel Vallée de l'Outaouais, société mutuelle d'assurance générale (the "Company"), which comprise the statement of financial position as at December 31, 2025 and the income statement, comprehensive income statement, equity statement and cash flows statement for the year then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance¹ for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

February 26th, 2026

¹ CPA auditor, public accountancy permit No. A116139

Appointed Actuary's Report

To the Members of Promutuel Vallée de l'Outaouais, société mutuelle d'assurance générale

I have valued the policy liabilities of Promutuel Vallée de l'Outaouais, société mutuelle d'assurance générale for its financial statements, prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2025.

In my opinion, the amount of policy liabilities is appropriate for this purpose. The valuation conforms to accepted actuarial practice in Canada and the financial statements fairly present the results of the valuations.



Pierre Lepage
Fellow, Canadian Institute of Actuaries

Quebec City, February 25, 2026

Statement of financial position

As at December 31

(in thousands of Canadian dollars, unless otherwise specified)

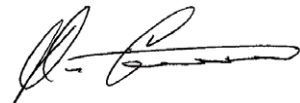
	2025	2024
	\$	\$
ASSETS		
Investments		
Cash and cash equivalents	3,815	2,261
Investments (Note 5)	82,426	67,516
Investment in an associate (Note 6)	14	11
	<u>86,255</u>	<u>69,788</u>
Accounts receivable (Note 7)	188	89
Reinsurance contract assets held (Note 8)	11,276	15,259
Pension plan assets (Note 9)	12	4
Other assets	3	28
Right-of-use assets (Note 11)	744	920
Property, plant and equipment (Note 12)	2,368	2,412
	<u>100,846</u>	<u>88,500</u>
LIABILITIES		
Insurance contract liabilities (Note 8)	33,578	33,024
Accounts payable and accrued liabilities (Note 14)	775	473
Current tax liabilities	1,315	169
Pension plan liabilities (Note 9)	1,197	1,920
Deferred tax liabilities (Note 10)	1,974	1,241
Lease liabilities (Note 11)	974	1,157
	<u>39,813</u>	<u>37,984</u>
EQUITY		
Contributed surplus	11,594	11,594
Retained earnings	47,893	38,128
Accumulated other comprehensive income (Note 16)	1,546	794
	<u>61,033</u>	<u>50,516</u>
	<u>100,846</u>	<u>88,500</u>

Commitments and contingencies (Note 18)

APPROVED BY THE BOARD OF DIRECTORS



François Chartier, President



Denis Larivière, Vice-president

Statement of comprehensive income

Fiscal year ended December 31

(in thousands of Canadian dollars, unless otherwise specified)

INCOME	2025	2024
	\$	\$
Insurance service result		
Insurance service revenue (Note 8)	73,395	68,521
Insurance service expenses (Note 8)	<u>(58,989)</u>	<u>(61,249)</u>
	14,406	7,272
Result from reinsurance contracts held		
Premiums ceded to reinsurers (Note 8)	(11,601)	(13,344)
Amounts recovered from reinsurers for claims incurred (Note 8)	<u>7,563</u>	<u>11,323</u>
	(4,038)	(2,021)
Net insurance service result	<u>10,368</u>	<u>5,251</u>
Investment result		
Investment income (Note 20)	6,713	6,976
Investment expenses (Note 20)	(5)	(6)
Share of income from an associate (Note 6)	(114)	(4)
Finance costs	<u>(166)</u>	<u>(208)</u>
	6,428	6,758
Finance income (expenses) on insurance contracts (Note 8)	(727)	(766)
Finance income (expenses) on reinsurance contracts (Note 8)	<u>359</u>	<u>192</u>
	(368)	(574)
Net financial results	<u>6,060</u>	<u>6,184</u>
Other operating income (expenses)		
Other income (Note 21)	695	354
Other expenses (Note 22)	<u>(3,528)</u>	<u>(3,118)</u>
	(2,833)	(2,764)
Income before taxes	<u>13,595</u>	<u>8,671</u>
Income taxes (Note 10)	<u>3,830</u>	<u>1,924</u>
Net income	<u>9,765</u>	<u>6,747</u>
COMPREHENSIVE INCOME		
Net income	<u>9,765</u>	<u>6,747</u>
Other comprehensive income		
Items that will not be reclassified subsequently to net income		
Actuarial gains (losses) on pension plans, net of income taxes of \$ 229 (\$ 243 in 2024)	635	675
Share of actuarial gains (losses) on pension plans from an associate	<u>117</u>	<u>15</u>
Total other comprehensive income	<u>752</u>	<u>690</u>
Comprehensive income	<u>10,517</u>	<u>7,437</u>

Statement of changes in equity

Fiscal year ended December 31

(in thousands of Canadian dollars, unless otherwise specified)

	Contributed surplus	Retained earnings	Accumulated other comprehensive income Actuarial gains (losses) on pension plans	Total
BALANCE AS AT DECEMBER 31, 2023	\$ 11,594	\$ 31,381	\$ 104	\$ 43,079
Comprehensive income	-	6,747	690	7,437
BALANCE AS AT DECEMBER 31, 2024	11,594	38,128	794	50,516
Comprehensive income	-	9,765	752	10,517
BALANCE AS AT DECEMBER 31, 2025	11,594	47,893	1,546	61,033

Statement of cash flows

Fiscal year ended December 31

(in thousands of Canadian dollars, unless otherwise specified)

	2025 \$	2024 \$
Cash flows from operating activities		
Income before taxes	13,595	8,671
Income taxes recovered (paid)	(2,180)	(2,438)
Adjustments for:		
Finance income (expenses) on insurance contracts (Note 8)	(13,679)	(6,506)
Finance income (expenses) on reinsurance contracts held (Note 8)	3,679	1,829
Depreciation of property and equipment	250	343
Depreciation of intangible assets	-	6
Amortization of right-of-use assets	176	175
Realized gains (losses) on investments	-	(759)
Unrealized gains (losses) on investments	(6,516)	(5,907)
Losses (gains) on disposal of property and equipment	(20)	-
Share of income from an associate	114	4
Expenses related to pension plans	616	666
Capitalized investment income	(11)	14
Interest on lease liabilities	74	84
	<u>(3,902)</u>	<u>(3,818)</u>
Changes in other operational assets and liabilities		
Assets related to reinsurance contracts (Note 8)	304	(7,377)
Liabilities related to insurance contracts (Note 8)	14,233	13,055
Accounts receivable	(99)	(36)
Other assets	25	5
Accounts payable and accrued liabilities	305	(407)
Contributions to pension plans	(483)	(431)
	<u>10,383</u>	<u>991</u>
Cash flows from investing activities		
Acquisitions		
Investments	(8,383)	(13,251)
Property and equipment	(211)	(192)
Disposals		
Investments	-	11,650
Property and equipment	22	9
	<u>(8,572)</u>	<u>(1,784)</u>
Cash flows from financing activities		
Repayment of lease liabilities	(257)	(251)
	<u>(257)</u>	<u>(251)</u>
Change in cash and cash equivalents	1,554	(1,044)
Cash and cash equivalents at beginning of year	2,261	3,305
Cash and cash equivalents at end of year	<u>3,815</u>	<u>2,261</u>

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

1 Statute and nature of activities

Promutuel Vallée de l'Outaouais, société mutuelle d'assurance générale (the "Company"), incorporated under the *Insurers Act*, provides damage insurance to its members. These services are only provided in Canada. The head office is located at 1400, Gréber Boulevard, Gatineau, (Quebec), J8R 0E1, Canada.

2 Material accounting policies

Statement of compliance

The financial statements have been prepared in accordance with IFRS[®] Accounting Standards. The accounting policies and the financial information presented are consistent with the recommendations of the International Accounting Standards Board ("IASB").

The financial statements were approved by the Company's Board of Directors on February 25, 2026.

Basis of measurement

The financial statements have been prepared on a going concern basis and on the historical cost basis, except for the following items:

At fair value:

- Financial assets at fair value through profit or loss;
- Financial assets at fair value through other comprehensive income;

Under IFRS 17, Insurance Contracts:

- Reinsurance contract assets held;
- Insurance contract liabilities;

The statement of financial position is presented in order of liquidity. The amounts included in each line item may comprise both current and non-current balances. Where applicable, the breakdown between current and non-current balances is provided in the accompanying notes.

Functional and presentation currency

The Company's financial statements are presented in Canadian dollars, which is the Company's functional currency. Financial information is presented in Canadian dollars, rounded to the nearest thousand, unless otherwise indicated.

Information on material accounting policies

The material accounting policies described below have been applied consistently by the Company to all the periods presented in these financial statements, unless otherwise indicated.

Financial instruments

Classification and measurement of financial assets

At initial recognition, all financial assets are measured at fair value in the statement of financial position. After initial recognition, financial assets are measured based on the characteristics of their contractual cash flows and the business model within which they are held.

Contractual cash flow characteristics

For the purpose of classifying a financial asset, the Company assesses whether the contractual cash flows associated with the asset are solely payments of principal and interest on the principal amount outstanding. Principal is generally the fair value of the financial asset at initial recognition. Interest primarily represents consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a given period, and for other basic lending risks and costs, together with a profit margin. When the contractual cash flows of a financial asset are not solely payments of principal and interest, the asset must be classified as measured at fair value through profit or loss.

Business model

The business model reflects how the Company manages its financial assets in order to achieve its objectives. Assessing the business model requires the use of judgment to determine whether the cash flows that will arise from these assets will result from collecting contractual cash flows, from selling financial assets, or from both.

Financial assets can be classified into the following categories:

Amortized cost

Financial assets subsequently measured at amortized cost are financial assets held within a business model whose objective is to collect contractual cash flows and whose contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Assets in this category are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Interest calculated using this method, as well as gains and losses on disposal, are recognized in net income.

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

2 Material accounting policies (continued)

At fair value through other comprehensive income

Financial assets in this category are held within a business model whose objective is both to collect contractual cash flows and to sell financial assets, when those cash flows are solely payments of principal and interest. They are measured at fair value, with changes recognized in other comprehensive income. Upon derecognition, cumulative gains and losses are reclassified to profit or loss for debt instruments, whereas for equity instruments irrevocably designated at fair value through other comprehensive income, they are transferred directly to equity with no recycling to net income.

At fair value through profit or loss

By default, all financial assets that do not fall into the preceding categories are measured at fair value through profit or loss. Changes in fair value for assets in this category are recognized in profit or loss within investment income.

Classification and measurement of financial liabilities

At initial recognition, all financial liabilities are measured at fair value in the statement of financial position. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Interest calculated using this method is recognized in net income. When a financial instrument is derecognized, any resulting gains and losses are recognized in net income.

The Company's financial instruments are classified into the following categories:

Financial assets and liabilities	Classification
Cash and cash equivalents	Amortized cost
Limited partnerships	At fair value through profit or loss
Promutuel Réassurance and Fonds de garantie Promutuel	At fair value through profit or loss
Promutuel Strategic Growth Fund L.P.	At fair value through profit or loss
Accounts receivable	Amortized cost
Accounts payable	Amortized cost

Transaction costs related to financial assets and financial liabilities measured at fair value through profit or loss are recognized as finance costs in net income when incurred. Transaction costs related to financial assets and financial liabilities measured at amortized cost or at fair value through other comprehensive income are included in their initial carrying amount and amortized using the effective interest method. The finance costs incurred by the Company consist primarily of management fees, custodial fees, and transaction costs. Investment income is recognized on an accrual basis and presented net of fees. Realized gains and losses on disposal are determined using the average cost method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other highly liquid investments that are readily convertible to cash and subject to an insignificant risk of changes in value. Cash and cash equivalents consist solely of cash.

Regular way purchases and sales

Financial instruments with a regular way delivery period are accounted for using the settlement date.

Loans

Loans are measured at amortized cost using the effective interest method and adjusted for impairment losses, when applicable. Interest income is recognized in net income on an accrual basis.

Derecognition of financial assets and financial liabilities

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset to another entity and substantially all the risks and rewards of ownership of the asset. Upon derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the consideration received or receivable is recognized in net income.

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

2 Material accounting policies (continued)

The Company derecognizes a financial liability when, and only when, its obligations are discharged, cancelled, or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in net income. When the Company exchanges a debt instrument with an existing lender for another debt instrument with substantially different terms, the exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for a substantial modification of the terms of an existing financial liability, or a part of it, as an extinguishment of the original financial liability and the recognition of a new financial liability. If the modification is not substantial, the difference between the carrying amount of the liability before the modification and the present value of the modified cash flows is recognized in net income as a modification gain or loss within investment income.

Impairment of financial assets

IFRS 9, *Financial Instruments*, introduces a single impairment model based on expected credit losses that reflects changes in credit quality since initial recognition. This model applies to financial assets measured at amortized cost and to financial assets measured at fair value through other comprehensive income.

The estimation of the allowance for expected credit losses is based on a three-stage impairment model:

- 1) For financial instruments for which credit risk has not increased significantly since initial recognition, a loss allowance for 12-month expected credit losses is recognized.
- 2) For financial instruments for which credit risk has increased significantly since initial recognition, a loss allowance for lifetime expected credit losses is recognized.
- 3) For financial instruments that are considered credit-impaired, a loss allowance for lifetime expected credit losses continues to be recognized.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is based on the probability of default, the loss given default (that is, the magnitude of the loss if default occurs), and the exposure at default. The assessment of the probability of default and the loss given default is based on historical data adjusted for forward-looking information, as described above. With respect to the exposure at default, it corresponds to the gross carrying amount of the assets at the reporting date.

Expected credit losses are measured as the difference between the total contractual cash flows that are due to the Company in accordance with the contract and the total cash flows that the Company expects to receive, discounted at the asset's original effective interest rate. If, in the previous reporting period, the Company measured the loss allowance for the financial instrument at an amount equal to lifetime expected credit losses, but determines at the reporting date that the criteria for recognizing lifetime expected credit losses are no longer met, it measures the loss allowance at an amount equal to 12-month expected credit losses, except for assets for which the simplified approach has been applied.

The Company recognizes a loss allowance for expected credit losses on financial assets measured at FVOCI and at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk that have occurred since the initial recognition of the related financial instrument.

The Company recognizes a loss allowance and a corresponding adjustment to the carrying amount of financial assets through a loss allowance account, except for bond investments measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in gains (losses) on FVOCI assets, and does not reduce the carrying amount of the financial asset in the statement of financial position.

For financial instruments other than trade receivables, the Company recognizes lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk associated with the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events that are possible within 12 months after the reporting date.

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

2 Material accounting policies (continued)

To assess whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of default at the reporting date with the risk of default at the date of initial recognition of the financial instrument. In making this assessment, the Company considers reasonable and supportable quantitative and qualitative information, including past experience and forward-looking information that is available without undue cost or effort.

The Company presumes that the credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information demonstrating that the credit risk has not increased.

The Company considers a default to have occurred when a financial asset is more than 90 days past due, unless the entity has reasonable and supportable information to demonstrate that a later default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flows of that financial asset.

Income taxes

The Company accounts for income taxes using the balance sheet liability method. The provision for income taxes includes two components: current tax and deferred tax. Current tax consists of amounts expected to be payable or recoverable in respect of taxable income for the current year. Deferred tax, calculated on an undiscounted basis, arises from changes during the year in the cumulative temporary differences between the carrying amounts of assets and liabilities and their respective tax bases, using tax rates that are enacted or substantively enacted for the periods in which the temporary differences are expected to reverse. A deferred tax asset is recognized to the extent that the realization of the related tax benefit is probable. The effect of a change in tax rates on deferred tax is recognized in net income, except for tax relating to items recognized in other comprehensive income, in which case the effect of the change in tax rates is recognized in other comprehensive income.

Uncertainties exist regarding the interpretation of complex tax regulations, which may affect both the amount and the timing of income tax recognition. Given this complexity, adjustments to previously recognized income taxes may be required to reflect differences between actual outcomes and the provisions recorded. The amount of these provisions is determined based on various factors, including the results of tax audits and differing interpretations between the Company and tax authorities regarding the application of tax rules.

Employee benefits

Salaries and short-term employee benefits

These are benefits payable within twelve months after the reporting date, other than termination benefits, such as salaries and commissions, social security contributions and certain bonuses. An expense is recognized for these short-term employee benefits in the period during which the related services are rendered.

Post-employment benefits

The employees and the Company participate in multi-employer defined benefit pension plans that include Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale, its related institutions, and the mutual companies that are members of the Group. These pension plans are defined benefit plans in which the Company participates and for which it is formally committed to a level of benefits, thereby assuming both actuarial and investment risk. The plans provide retirement benefits to employees and executives based on years of service and the average salary of the highest-paid years. Calculations are performed at each annual reporting date, and individual employee data is reviewed annually by an independent actuary.

The service cost, which includes current service cost and past service cost, is recognized in the statement of income. Interest expense is calculated by applying the discount rate to the pension plan liabilities or assets for the period. The discount rate is determined by reference to market yields on high-quality corporate bonds. Interest expense is presented in the statement of income within finance costs.

Actuarial gains and losses arise from the difference between the actual return and the discount rate on plan assets, from changes in the actuarial assumptions used to determine the defined benefit obligation, and from experience adjustments on that obligation. All actuarial differences are recognized immediately in other comprehensive income. Actuarial gains and losses recognized in other comprehensive income are included in accumulated other comprehensive income and are not reclassified to net income.

The asset or liability related to pension plans is measured as the present value of the defined benefit obligation net of the fair value of plan assets. Each plan's assets are measured at fair value and are held in a separate pension trust.

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

2 Material accounting policies (continued)

Insurance contracts

Classification of contracts

In the normal course of its operations, the Company issues insurance contracts under which it accepts insurance risk. It also holds a reinsurance contract to limit its exposure to insurance risk. Contracts issued by the Company are classified as insurance contracts when the Company accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder if a specified uncertain future event (the "insured event") adversely affects the policyholder. Insurance risk is significant if an insured event could cause the Company to pay substantial additional amounts to the policyholder in any scenario that has commercial substance even if the insured event is extremely unlikely or the expected present value of possible cash flows represents only a small proportion of the expected present value of the remaining cash flows of the contract. The Company determines whether it has significant insurance risk by comparing the benefits payable or receivable after an insured event with those payable or receivable if the insured event had not occurred. This assessment is performed for each contract at the contract's inception. In making this assessment, the Company considers all substantive rights and obligations, whether arising from contractual, legal, or regulatory requirements.

All insurance contracts issued and reinsurance contracts held by the Company are accounted for in accordance with the insurance contracts standard.

Grouping of a set or series of contracts

The Company may enter into two or more contracts at the same time with the same counterparties, or with related parties, in order to achieve an overall commercial effect. The Company accounts for such a set of contracts as a single insurance contract when this reflects the substance of the arrangements. To make this assessment, the Company considers whether:

- The rights and obligations differ depending on whether the contracts are considered collectively or individually;
- The Company is unable to assess one contract without considering the other.

Separation of components

The Company reviews its insurance and reinsurance contracts to determine whether they contain components that must be accounted for under another standard. The Company's contracts do not include any distinct components requiring separation.

Level of aggregation of contracts

Insurance and reinsurance contracts are grouped into portfolios and groups for measurement purposes. Portfolios consist of contracts that are subject to similar risks and are managed together.

Each portfolio is subdivided into groups of contracts to which the recognition and measurement requirements of IFRS 17 are applied. At initial recognition, the Company separates contracts based on their issuance date. A cohort includes all contracts that were issued during a 12-month period. Each cohort is then subdivided into three groups of contracts, being:

- Contracts that are onerous at initial recognition;
- Contracts which, at initial recognition, have no significant possibility of becoming onerous subsequently;
- Other contracts, if any.

The Company exercises judgment in determining which contracts can be grouped together to assess the expected profitability of the contracts. In the absence of such information, the Company assesses each contract individually. The composition of the groups established at initial recognition is not subsequently re-assessed.

The Company assumes that none of the contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. The Company assesses the likelihood of changes in the relevant facts and circumstances to determine whether the contracts that are not onerous at initial recognition, belong to a group of contracts that have no significant possibility of becoming onerous subsequently.

Recognition

The Company recognizes groups of insurance contracts issued from the earliest of the following dates:

- The date on which the coverage period of the group of contracts begins;
- The date on which the first payment from a policyholder in the group becomes due;
- The date on which a group of contracts becomes onerous.

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

2 Material accounting policies (continued)

The Company recognizes groups of reinsurance contracts from the earliest of the following dates:

- The date on which the coverage period of the group of contracts begins;
- The date on which a group of underlying insurance contracts that is onerous is recognized, to the extent that a reinsurance contract covering those contracts is entered into on that date.

Scope of contracts

The measurement of a group of insurance contracts includes all future cash flows that are expected to fall within the contract boundary of each insurance contract in the group.

To determine the cash flows that fall within the contract boundary, the Company assesses both its substantive rights and obligations arising from the contractual terms, as well as those arising from applicable laws and regulations and customary business practices. The Company determines that cash flows fall within the contract boundary if they arise from substantive rights and obligations that exist during the financial reporting period in which the entity can compel the policyholder to pay premiums or in which the Company has a substantive obligation to provide services under the insurance contract.

Measurement methods for insurance contracts

The Company applies the Premium Allocation Approach ("PAA") to all of its insurance contracts. The coverage period for each contract within the groups does not exceed one year.

At initial recognition, the Company measures the liability for remaining coverage at the amount of premiums received in cash. Premiums due to the Company for insurance contract services already provided during the period, but not yet received at the end of the financial reporting period, are included in the liability for remaining coverage. The carrying amount of the liability for remaining coverage at the end of each subsequent financial reporting period corresponds to the carrying amount at the beginning of the period, adjusted for premiums received during the period and for the amount recognized as insurance revenue for services provided under the insurance contracts during that period.

The Company has determined that its insurance contracts, for which the coverage period does not exceed one year, do not contain a significant financing component. The Company does not discount the liability for remaining coverage to reflect the time value of money or the effect of financial risk for such insurance contracts.

The carrying amount of the liability for incurred claims is measured using the general model. After initial recognition, at the end of each financial reporting period, the carrying amount of the group of insurance contracts includes an estimate of the liability for incurred claims at that date. The liability for incurred claims includes the obligation to settle valid claims relating to insured events that have already occurred and other insurance-related expenses arising from past services, and includes the obligation for claims that have occurred but have not yet been reported. The current estimate of the liability for incurred claims includes the fulfilment cash flows related to current and past services allocated to the group at the reporting date.

Fulfilment cash flows

Fulfilment cash flows are current, objective, probability-weighted estimates of the present value of future cash flows, including an adjustment for non-financial risk. To arrive at a probability-weighted average, the Company considers multiple scenarios to reflect the full range of possible outcomes, taking into account all reasonable and supportable information available without undue cost or effort regarding the amount, timing and uncertainty of expected future cash flows. The estimates of future cash flows reflect the conditions existing at the measurement date, including the assumptions at that date about the future.

Cash flows related to acquisition costs

Cash flows related to acquisition costs arise from the costs of selling, underwriting and initiating a group of insurance contracts, issued or to be issued, that are directly attributable to a portfolio of insurance contracts. These cash flows include direct costs, such as commissions and premium taxes, as well as indirect costs such as salaries, rent and technology-related expenses. The Company amortizes these costs on a straight-line basis over the coverage period of the groups of insurance contracts to which they relate.

Discount rates

Estimates of future cash flows must be discounted to reflect the time value of money and the financial risks that reflect the characteristics of the liabilities and the duration of each portfolio. Because the Company applies the PAA, only the liability for incurred claims and the loss component, when a group of contracts is onerous, are discounted. The Company establishes discount rate curves using a hybrid approach in which a liquidity premium is added to the risk-free yield curve. This liquidity premium reflects the characteristics of the insurance contracts. The risk-free yield curve is derived from federal bonds. Liquidity premiums are determined based on provincial and/or corporate bonds rated BBB or higher. Market, credit and currency risks are excluded from the liquidity premiums.

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

2 Material accounting policies (continued)

Non-financial risk adjustment

The measurement of the liability for incurred claims and of the loss component included in the liability for remaining coverage for insurance contracts includes a non-financial risk adjustment. The non-financial risk adjustment ("NFRA") reflects the compensation the entity requires for bearing the uncertainty surrounding the amount and timing of the estimated cash flows. The method used is the margin approach. The non-financial risk adjustment is determined for all mutual companies that are members of Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale and allocated to the analysis categories based on the risk profile of each category. Diversification is also reflected at the level of these analysis categories. This diversification is determined using a technique based on a correlation matrix.

Onerous contracts

Under the PAA, at initial recognition, the Company assumes that no group of contracts is potentially onerous unless facts and circumstances indicate otherwise.

If facts and circumstances indicate that certain contracts may be onerous at initial recognition or that the group of contracts has become onerous, the Company performs a quantitative assessment to determine whether the carrying amount of the liability for remaining coverage measured under the PAA is lower than the fulfilment cash flows related to the remaining coverage measured under the general model. A loss component, determined based on the estimated fulfilment cash flows, previously recognized acquisition-cost cash flows and cash flows arising from the contract at the date of initial recognition, represents a net outflow of cash and is included in the liability for remaining coverage and in profit or loss. The loss component may be reduced by a loss-recovery component if the onerous contracts are covered by reinsurance.

Reinsurance contracts held

In the normal course of business, the Company uses reinsurance to limit its exposure to insurance risk. Reinsurance represents the transfer of insurance risk and premiums to a reinsurer. The Company presents the reinsurance-related balances on a gross basis in the statement of financial position and the statement of income to reflect its obligations to policyholders and the significance of the credit risk associated with reinsurance arrangements.

Reinsurance contracts held are accounted for in accordance with IFRS 17 if they meet the definition of an insurance contract. This includes the requirement that the contract must transfer significant insurance risk. Reinsurance contracts transfer significant insurance risk only if they transfer to the reinsurer substantially all of the insurance risk relating to the reinsured portion of the underlying insurance contracts, even if they do not expose the issuer (the reinsurer) to a significant possibility of loss.

For the purpose of grouping reinsurance contracts held, the Company identifies portfolios in the same manner as it identifies the portfolios of underlying insurance contracts issued. The Company considers that it holds only one distinct reinsurance portfolio.

The Company allocates the reinsurance contracts held within a portfolio into three groups:

- Contracts that, at initial recognition, generate a net profit;
- Contracts that, at initial recognition, have no significant possibility of subsequently generating a net profit;
- Any remaining reinsurance contract held within the portfolio.

The Company applies the PAA to all of its reinsurance contracts held. The Company applies the same accounting policies to measure a group of reinsurance contracts held as those used for a group of insurance contracts, adapted as necessary to reflect characteristics that differ from those of insurance contracts.

Under the PAA, the initial measurement of the asset for remaining coverage is equal to the reinsurance premium paid. The Company measures the amount related to the remaining services by allocating the premium paid over the coverage period of the group. For all reinsurance contracts held, this allocation is performed on the basis of the passage of time.

The Company assumes that the reinsurance contracts held within each portfolio will not give rise to a net profit at initial recognition, unless facts and circumstances indicate otherwise.

When the reinsurance contracts held cover a group of underlying insurance contracts that is onerous, the Company adjusts the carrying amount of the asset for remaining coverage and recognizes a gain when, in the same period, it recognizes a loss at the initial recognition of an onerous group of underlying insurance contracts or upon the addition of onerous underlying insurance contracts to a group. The recognition of this gain results in the recognition of the loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held.

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

2 Material accounting policies (continued)

Modification and derecognition

The Company derecognizes an insurance contract if, and only if, the contract is:

- Extinguished when the obligation specified in the contract expires, is discharged, or is cancelled;
- Modified and the modification meets the criteria for derecognition.

Presentation

Each portfolio of insurance contracts, as well as the portfolio of reinsurance contracts held, is presented separately in the statement of financial position, based on their respective balances as assets or liabilities.

The Company does not allocate the change in the non-financial risk adjustment between financial and non-financial risk. It recognizes the entire change in insurance service expenses.

Revenue recognition

Since the Company applies the PAA, it recognizes insurance revenue for the period based on the passage of time, allocating expected premium receipts, including experience adjustments arising from premiums, over the service periods. However, when the expected pattern of risk release over the coverage period differs significantly from the passage of time, premium receipts are allocated based on the expected pattern of insurance service expenses incurred.

As the Company provides insurance services under a group of insurance contracts issued, it reduces its liability for remaining coverage and recognizes insurance revenue, measured at the amount of consideration to which the Company expects to be entitled in exchange for those services.

Insurance service expenses

Insurance service expenses include the fulfilment cash flows of the contracts and the cash flows related to acquisition costs. The expenses include costs directly attributable to insurance contracts, as well as an allocation of overhead costs.

Net result of reinsurance contracts held

Revenues or expenses related to reinsurance contracts held are allocated between the following two amounts:

- Premiums ceded to reinsurers;
- Amounts recovered from reinsurers for claims incurred.

Finance income (expenses) on insurance and reinsurance contracts

Finance income (expenses) on insurance and reinsurance contracts reflect the effect of the time value of money and the changes therein, as well as the effect of financial risk and changes therein, for a group of insurance contracts and a group of reinsurance contracts held.

The Company does not discount the liability for remaining coverage to reflect the time value of money and financial risk for insurance contracts with a coverage period of no more than one year.

Groupement des assureurs automobiles

The Groupement des assureurs automobiles ("GAA") administers the Risk Sharing Plan ("RSP"), a mechanism that promotes access to automobile insurance for all. An insurance company that does not wish to retain in its portfolio a policyholder representing a higher risk may transfer the policy to the RSP. As a result, all insurers underwriting automobile insurance in Quebec collectively share this risk in proportion to their market share in Quebec. The Company does not differentiate in the application of its accounting policies for insurance contracts that are transferred to the RSP.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment includes costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating as intended.

Land is not depreciated as it is considered to have an indefinite useful life. The cost of assets is depreciated in full over their estimated useful lives using the straight-line method. Estimated useful lives, residual values and the depreciation method are reviewed at the end of each reporting period, and the effect of any changes in estimates is accounted for prospectively.

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

2 Material accounting policies (continued)

The following useful lives have been used for depreciation purposes:

Category	Terms
Building	25 and 40 years
Leasehold improvements	Term of the lease
Furniture and equipment	10 years
Computer equipment	3 years
Automobile	5 years

Useful lives, depreciation methods and residual values are reviewed annually, taking into account the nature of the assets, their intended use and technological developments. Gains or losses on disposal represent the difference between the proceeds of disposal and the carrying amount. Depreciation and gains or losses on disposal are presented in "Insurance service expenses" when attributable to insurance activities; otherwise, they are presented in "Other expenses".

Intangible assets

Intangible assets are recognized at cost less accumulated amortization and accumulated impairment losses. The cost of the assets is amortized in full over their estimated useful lives using the straight-line method.

The following useful lives have been used for amortization purposes:

Category	Term
Customer relationships	3 and 5 years

Useful lives, amortization methods and residual values are reviewed annually, taking into account the nature of the assets, their intended use and technological developments. Gains or losses on disposal represent the difference between the proceeds of disposal and the carrying amount. Amortization of customer relationships and gains or losses on disposal are presented in "Insurance service expenses" when attributable to insurance activities; otherwise, they are presented in "Other expenses".

Lease contracts

At the contract inception date, the Company assesses whether the arrangement is, or contains, a lease. At the commencement date of the lease, a right-of-use asset and a lease liability are recognized. The right-of-use asset is initially measured at cost, which corresponds to the amount of the lease liability adjusted for any lease payments made at or before the commencement date, net of any lease incentives received.

The right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses. The Company calculates depreciation on a straight-line basis over the term of the lease. Right-of-use assets are amortized over periods ranging from 5 to 15 years.

The lease liability is initially measured at the present value of lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate, which is generally used by the Company. The lease term is assessed based on the contractual provisions. The Company determines whether it is reasonably certain to exercise an extension option or a termination option, if applicable. When it is reasonably certain that such an option will be exercised, the option is taken into account in determining the lease term. Lease payments include fixed payments, amounts that vary based on an index or rate using the index or rate at the commencement date, an estimate of any amounts payable under a residual value guarantee, and amounts the Company is reasonably certain to pay for a purchase or renewal option or for a penalty. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the Company revises its estimates or when it exercises an extension or termination option. In such cases, a corresponding adjustment is made to the right-of-use asset.

The Company has elected to apply the exemption for lease contracts with a term of 12 months or less and for those whose underlying asset is of low value. Accordingly, these lease contracts are recognized as expenses on a straight-line basis.

Right-of-use assets and lease liabilities are presented separately in the Company's statement of financial position. Interest expense is presented in "Finance costs" and depreciation of right-of-use asset is presented in "Insurance service expenses" when the expense is attributable to insurance activities; otherwise, it is presented in "Other expenses".

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

2 Material accounting policies (continued)

Impairment of long-lived assets

When major events or circumstances that may indicate a loss in value occur, the Company re-evaluates the carrying amount of long-lived assets. A loss in value exists when the carrying amount of the asset exceeds its recoverable amount. The asset's recoverable amount is considered the highest value between its fair value less the sale costs and its useful life value. The amount of any loss in value represents the excess of the net carrying amount over the recoverable fair value and is charged to the statement of income.

Members' shares

Members' shares are classified as liabilities because there is a contractual obligation to deliver cash at the option of the holder.

Equity

Preferred shares are presented at the par value at which they were issued. Interest on preferred shares is included in equity in the period the payment is approved by the Board of Directors.

Retained earnings include the results of prior years and the current year. The accumulated other comprehensive income balance consists of unrealized gains and losses on financial assets measured at FVOCI and the cumulative actuarial gains and losses on pension plans.

Member rebates are recognized as liabilities and in net income in the period in which the payment is approved by the Board of Directors.

The contributed surplus represents the fair value of the net assets transferred by a mutual company in the merger of two mutual entities.

Foreign currency transactions

Foreign currency transactions are translated at the exchange rates in effect on the transaction dates. Financial instruments denominated in foreign currencies are translated at the exchange rates in effect at the reporting date. Foreign exchange gains and losses are recognized in investment income, except for financial instruments classified as FVOCI, for which such gains and losses are recognized in other comprehensive income until the assets are sold or impaired.

Transactions with Groupe Promutuel institutions

The Company conducts transactions with institutions within Groupe Promutuel. These transactions are carried out in the normal course of business and are subject to normal market terms and conditions. The main transactions are presented separately in the financial statements.

The preparation of financial statements in accordance with IFRS requires management to exercise judgment, make estimates and apply assumptions that affect the application of accounting policies and carrying amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates.

The underlying estimates and assumptions are reviewed on a regular basis. Any revision to accounting estimates is recognized in the period in which the estimate is revised and in future periods affected by the revision.

Critical judgments in applying accounting policies

The financial statements require management to exercise judgment in the accounting for financial instruments, the assessment of lease terms and discount rates in recognizing lease liabilities, the determination of components of property and equipment, and the evaluation of impairment. In addition, insurance and reinsurance contracts require the use of judgment in several areas, as described below.

Insurance and reinsurance contracts

The following analysis presents the critical judgments, excluding those involving estimates, made by management in applying the Company's accounting policies that had the most significant impact on the amounts recognized in the financial statements in relation to insurance and reinsurance contracts.

Assessment of the significance of insurance risk:

The Company exercises judgment in determining whether a contract transfers significant insurance risk to the issuer. A contract transfers significant insurance risk if, and only if, an insured event could cause the Company to pay significant additional amounts, even if the insured event is extremely unlikely to occur. Assessing whether the additional amounts payable upon the occurrence of an insured event are significant, and whether there exists a scenario with commercial substance in which the issuer could incur a loss on a present-value basis, requires significant judgment and is performed on a contract-by-contract basis at initial recognition.

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

3 Use of estimates and judgments

Combination of insurance contracts:

To determine whether a set or series of insurance contracts has, or is intended to have, an overall commercial effect, the Company assesses whether the rights and obligations differ when considered collectively versus individually, and whether the Company is unable to evaluate one contract without considering the other.

Separation of non-insurance components from insurance contracts:

The Company issues certain insurance contracts that contain multiple elements in addition to the insurance coverage service. Some of these elements must be separated and accounted for under other standards, while other elements are measured under the insurance contract measurement model. Significant judgment is required in assessing whether the components meet the criteria for separation and whether they should be separated.

Separation of insurance components from an insurance contract:

The Company issues insurance contracts that provide protection against different types of insurance risks within a single contract. IFRS 17 neither requires nor permits the separation of components of an insurance contract unless the legal form of a single contract does not reflect the substance of its contractual rights and obligations. In such cases, separate insurance components must be accounted for. Rebutting the presumption that the "contract as a whole" is the unit of account requires significant judgment and is not an accounting policy choice. In assessing whether a contract reflects its substance, the Company considers the interdependence among the various risks covered, the ability of all components to mature independently of one another, and the ability to price and sell the components separately.

Determination of the contract boundary:

The measurement of a group of insurance contracts includes all future cash flows within the contract boundary. In determining the cash flows that fall within the contract boundary, the Company considers its substantive rights and obligations arising from contractual, legal or regulatory requirements, as well as its customary business practices. Cash flows are considered to be outside the contract boundary when the Company has the practical ability to reassess the risks of an existing contract and adjust its pricing accordingly, and when the price for coverage up to the reassessment date reflects only the risks borne until that date. The Company exercises judgment in determining whether it has the practical ability to set a price that fully reflects all risks associated with the contract or the portfolio. In making this assessment, the Company considers contractual, legal and regulatory constraints and exercises judgment in determining whether such constraints have commercial substance.

Identification of portfolios:

The Company defines a portfolio as a group of insurance contracts that are subject to similar risks and are managed together. Contracts within the same product line are expected to be included in the same portfolio because they are exposed to similar risks and are managed together. Judgment is required in identifying similar risks and determining how the contracts are managed.

Level of aggregation:

The Company exercises judgment in distinguishing between contracts that have no significant possibility of becoming onerous and other profitable contracts.

Assessment of directly attributable cash flows:

The Company exercises judgment in determining whether cash flows are directly attributable to a portfolio of insurance contracts. Acquisition-related cash flows are included in the measurement of a group of insurance contracts only if they are directly attributable to the Company's individual contracts, to the group itself, or to the portfolio of insurance contracts to which the group belongs. In estimating fulfilment cash flows, the Company also includes allocations of fixed and variable overheads that are directly attributable to the fulfilment of insurance contracts.

Assessment of the significance of a modification:

The Company derecognizes the original contract and recognizes the modified contract as a new contract if the derecognition criteria are met. The Company exercises judgment in determining whether the modified terms of the contract cause the original contract to meet the derecognition criteria.

Key sources of estimation uncertainty for the Company

Information on key assumptions about the future and other major sources of estimation uncertainty at the reporting date that carry a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, other than for insurance and reinsurance contracts, is provided in the following notes:

- Pension plan liabilities;
- Fair value of financial instruments.

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

3 Use of estimates and judgments (continued)

Insurance and reinsurance contracts

The following analysis presents the key estimates applied by management in implementing the Company's accounting policies that had the most significant impact on the amounts recognized in the financial statements in respect of insurance and reinsurance contracts.

Estimates may vary significantly during the financial year following their initial determination or until the ultimate settlement of claims. Such variation arises from events that have not yet occurred at the reporting date and that may not materialize for some time. Variations may also be recognized when additional information becomes available, when court interpretations of contracts change, or when actual experience deviates materially from historical trends in claim severity or frequency. The estimates are primarily based on the Company's experience. In the Company's view, the methods applied produce reasonable results based on the information known and available.

To measure insurance and reinsurance contracts in accordance with IFRS 17, the Company has developed estimates in respect of the key elements described below. These estimates form an integral part of the asset and liability balances for insurance contracts and for reinsurance contracts held:

- Discount rates;
- Non-financial risk adjustment.

Each of these elements, including the Company's estimation methods and assumptions, as well as other sources of estimation uncertainty, is described in greater detail below.

Method for estimating discount rates

The Company establishes discount rate curves using a hybrid approach that combines both bottom-up and top-down methods, whereby a liquidity premium is added to the risk-free yield curve. This liquidity premium reflects the characteristics of the insurance contracts.

Liquidity premiums are determined based on the adjusted yield of the reference portfolio, from which the risk-free yield is deducted. The reference portfolio consists of provincial and/or corporate bonds rated BBB or higher. The risk-free yield curve is derived from federal government bonds.

The reference portfolio is adjusted to remove risk characteristics that are not inherent to the insurance contracts. Since the modelling is based on bonds, no adjustment for market risk is required. The use of Canadian securities eliminates currency risk. Credit risk is excluded from the liquidity premiums using default probabilities produced by Moody's. A factor of 2 is applied to reflect unexpected default risk.

The Company uses as its reference portfolio the SEC Bond Funds of Fonds de placement Promutuel Inc., together with a complementary portfolio to address credibility limitations. The Company relies on observable data from the bond market. Judgment is applied in assessing the degree of similarity between the characteristics of a reference asset portfolio for which observable market information is available and the characteristics of the insurance contracts being measured. Given the short claims-settlement period, the Company does not need to determine discount rates beyond the observable period.

The Company uses the market price of credit derivatives as a reference point. The primary source of estimation uncertainty relates to determining discount rates beyond the last observable period for which credit derivatives are available. Another major source of estimation uncertainty arises from assessing the impact of differences in the amount, timing and uncertainty of cash flows between the components of the reference portfolio and those of the group of insurance contracts.

To derive the yield curve from the reference portfolio, the Company uses observable market data, such as market prices in an active market. Judgment is applied in assessing the degree of similarity between the characteristics of a reference asset portfolio for which observable market information is available and the characteristics of the insurance contracts being measured.

Non-financial risk adjustment

The non-financial risk adjustment represents the compensation required by the Company for bearing the uncertainty related to the amount and timing of cash flows arising from insurance risk and other non-financial risks, such as lapse risk and expense risk. It reflects the degree of variability in expected future cash flows and the Company's own price for bearing this risk, and captures the Company's degree of risk aversion. The Company determines the non-financial risk adjustment using the margin approach. The NFRA is determined for all mutual companies that are members of Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale and allocated to the analysis categories based on the risk profile of each category. Diversification is also reflected at the level of these analysis categories. This diversification is determined using a technique based on a correlation matrix.

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

3 Use of estimates and judgments (continued)

The resulting NFRA corresponds to a confidence level of 69 % (69 % in 2024).

The margin approach and diversification are applied on both a gross and net-of-reinsurance basis, and the difference between the two results is used to determine the NFRA applicable to reinsurance contracts held.

4 New standards and interpretations not yet applied

Accounting standards or amendments issued by the IASB but not yet in effect as at December 31, 2025 are presented below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 7, *Financial Instruments: Disclosures* and IFRS 9, *Financial Instruments*

In May 2024, the IASB issued amendments to IFRS 7, *Financial Instruments: Disclosures*, and IFRS 9, *Financial Instruments*, following the post-implementation review of the IFRS 9 requirements and the related provisions of IFRS 7. The IASB amended IFRS 9 to clarify the recognition and derecognition date for certain financial assets and financial liabilities, introducing a new exception for certain financial liabilities settled in cash through an electronic payment system, and to clarify and provide additional guidance for assessing whether the cash flows of a financial asset represent solely payments of principal and interest on the principal amount outstanding. The IASB amended IFRS 7 to introduce new disclosures for certain instruments whose contractual terms may modify cash flows, and to enhance the presentation of disclosures for equity instruments designated at fair value through other comprehensive income. The Company is currently assessing the impact of adopting these amendments, which will be applicable to annual periods beginning on or after January 1, 2026.

Annual Improvements to IFRS Accounting Standards

In July 2024, the IASB issued narrow-scope amendments as part of its periodic maintenance of IFRS Accounting Standards. These amendments include clarifications, simplifications, corrections or modifications intended to improve the consistency of the following standards:

- IFRS 7, *Financial Instruments: Disclosures*, together with its application guidance
- IFRS 9, *Financial Instruments*
- IAS 7, *Statement of Cash Flows*

The adoption of these amendments, which will be applicable to annual periods beginning on or after January 1, 2026, will not have a significant impact on the Company's financial statements.

IFRS 18, *Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*, which will replace IAS 1, *Presentation of Financial Statements*. This new standard introduces revised presentation requirements in the statement of profit or loss, including specified totals and subtotals, and the addition of three new categories of income and expenses (operating, investing and financing). The standard also requires the disclosure of management-defined performance measures, subtotals of income and expenses, and introduces new requirements for the aggregation and disaggregation of financial information. The Company is currently assessing the impact of adopting IFRS 18, which will be applicable to annual periods beginning on or after January 1, 2027.

IAS 28, *Investments in Associates and Joint Ventures*

In October 2017, the IASB issued an amendment to IAS 28, *Investments in Associates and Joint Ventures*, entitled *Long-term Interests in Associates and Joint Ventures*. The amendment includes provisions that clarify the application of IAS 28 and IFRS 10, *Consolidated Financial Statements*, for investors that sell or contribute assets to an associate or a joint venture. The provisions of this amendment apply prospectively at a date to be specified by the IASB. The Company is currently assessing the impact of this amendment on its financial statements.

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

5 Investments

	2025		2024	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
At fair value through profit or loss				
Limited partnerships				
Debt securities funds	41,744	41,744	33,800	33,800
Equity securities funds	28,316	28,316	23,148	23,148
Capitalization funds	870	870	840	840
Promutuel Strategic Growth Fund L.P.	334	334	-	-
Promutuel Réassurance — Equity participation	10,602	10,602	9,211	9,211
Fonds de garantie Promutuel — Equity participation	560	560	517	517
	82,426	82,426	67,516	67,516

6 Investments in associates

The Company holds a 25% voting interest in Promutuel CSP des Rives de Montréal Inc., whose principal place of business is located in Quebec City. This entity is controlled by Promutuel Deux-Montagnes, Promutuel du St-Laurent aux Appalaches, Promutuel Vallée de l'Outaouais and Promutuel Alta. Promutuel CSP des Rives de Montréal Inc. operates a claims adjustment firm on behalf of its shareholders. This investment is accounted for using the equity method. The carrying amount in the statement of financial position is composed of the following:

	2025	2024
	\$	\$
Balance at beginning of year	11	-
Share of profit for the year	(114)	(4)
Share of actuarial gains (losses) on pension plans	117	15
Balance at end of year	14	11

The financial information of Promutuel CSP des Rives de Montréal Inc. is composed of:

	2025	2024
	\$	\$
Statement of financial position		
Cash	1,561	958
Other current assets	50	837
Long-term assets	1,564	331
Total assets	3,175	2,126
Current liabilities	3,140	2,087
Equity	35	39
Comprehensive income		
Revenue	12,115	9,202
Operating expenses, excluding depreciation and amortization	13,256	9,889
Depreciation and amortization	50	34
Income taxes	(312)	(191)
Income after taxes	(879)	(530)
Other comprehensive income	875	530

7 Accounts receivable

	2025	2024
	\$	\$
Entity under common control		
Promutuel CSP des Rives de Montréal inc.	177	-
Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale	-	60
Accrued investment income	10	15
Other receivables	1	14
	188	89

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

8 Assets and liabilities under insurance and reinsurance contracts

Insurance and reinsurance contract assets and liabilities consist of the asset and liability for remaining coverage, and the asset and liability for incurred claims.

The estimation of the liability for incurred claims is based on various assumptions, including:

- The materialization of claims;
- The discount rate.

The Company used the following yield curves to discount the cash flows of its liabilities (assets) for incurred claims and its liabilities (assets) for remaining coverage:

	1 year %	3 years %	5 years %	10 years %
Liability for incurred claims				
2025	2.64	3.02	3.36	4.06
2024	3.52	3.49	3.7	4.48
Liability for remaining coverage				
2024	3.28	3.24	3.44	4.17

No liability for remaining coverage was onerous as at December 31, 2025.

Sensitivity analysis

The following table presents the details of the impact of changes in key assumptions on net income and equity, before and after the mitigation of risks arising from reinsurance contracts held. No changes were made from the prior year to the methods and assumptions used in preparing the sensitivity analysis.

		2025			
		Factor increase		Factor decrease	
	Changes in assumptions	Insurance contracts	Reinsurance contracts held	Insurance contracts	Reinsurance contracts held
	%	\$	\$	\$	\$
Materialization of claims	5	675	(129)	(746)	129
		2024			
		Factor increase		Factor decrease	
	Changes in assumptions	Insurance contracts	Reinsurance contracts held	Insurance contracts	Reinsurance contracts held
	%	\$	\$	\$	\$
Materialization of claims	5	652	(78)	(720)	80

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

8 Assets and liabilities under insurance and reinsurance contracts (continued)

Change in net insurance contract liabilities (assets) for remaining coverage and incurred claims

The following table presents the reconciliation of the opening and closing balances of the net liability for remaining coverage and the liability for claims incurred related to insurance contracts.

	2025				Total
	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Non-financial risk adjustment	
	\$	\$	\$	\$	\$
Balance at beginning of year					
Insurance contract liabilities	8,200	99	23,750	975	33,024
Insurance service revenue	(73,395)	-	-	-	(73,395)
Insurance service expenses					
Incurred claims and other insurance expenses	-	(99)	46,099	468	46,468
Amortization of acquisition costs	11,237	-	-	-	11,237
Change in liability for incurred claims	-	-	1,688	(404)	1,284
	11,237	(99)	47,787	64	58,989
Insurance service result	(62,158)	(99)	47,787	64	(14,406)
Finance (income) expenses on insurance contracts	-	-	727	-	727
Amounts recognized in net income	(62,158)	(99)	48,514	64	(13,679)
Cash flows					
Receipt of insurance premiums	73,804	-	-	-	73,804
Payment of claims and other expenses	-	-	(47,794)	-	(47,794)
Cash flows related to acquisition costs	(11,777)	-	-	-	(11,777)
	62,027	-	(47,794)	-	14,233
Balance at end of year					
Insurance contract liabilities	8,069	-	24,470	1,039	33,578

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

8 Assets and liabilities under insurance and reinsurance contracts (continued)

	2024				Total
	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Non-financial risk adjustment	
	\$	\$	\$	\$	\$
Balance at beginning of year					
Insurance contract liabilities	8,560	57	17,158	700	26,475
Insurance service revenue	(68,521)	-	-	-	(68,521)
Insurance service expenses					
Incurred claims and other insurance expenses	-	(57)	49,172	544	49,659
Amortization of acquisition costs	9,818	-	-	-	9,818
Losses and reversals of losses on onerous contracts	-	99	-	-	99
Change in liability for incurred claims	-	-	1,942	(269)	1,673
	9,818	42	51,114	275	61,249
Insurance service result	(58,703)	42	51,114	275	(7,272)
Finance (income) expenses for insurance contracts	-	-	766	-	766
Amounts recognized in net income	(58,703)	42	51,880	275	(6,506)
Cash flows					
Receipt of insurance premiums	70,875	-	-	-	70,875
Payment of claims and other expenses	-	-	(45,288)	-	(45,288)
Cash flows related to acquisition costs	(12,532)	-	-	-	(12,532)
	58,343	-	(45,288)	-	13,055
Balance at end of year					
Insurance contract liabilities	8,200	99	23,750	975	33,024

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

8 Assets and liabilities under insurance and reinsurance contracts (continued)

Change in net reinsurance contract assets (liabilities) by remaining coverage and incurred claims

The following table presents the reconciliation of net reinsurance contract assets held.

	2025				Total
	Asset for remaining coverage		Asset for incurred claims		
	Excluding the loss recovery component	Loss recovery component	Estimates of present value of future cash flows	Non-financial risk adjustment	
	\$	\$	\$	\$	\$
Balance at beginning of year					
Reinsurance contract assets held	3,737	55	11,200	267	15,259
Premiums ceded to reinsurers	(11,601)	-	-	-	(11,601)
Amounts recovered from reinsurers for claims incurred					
Recoveries from reinsurers for claims	-	(55)	5,608	75	5,628
Change in the recoverable claims asset	-	-	2,005	(70)	1,935
	-	(55)	7,613	5	7,563
Net result from reinsurance contracts held	(11,601)	(55)	7,613	5	(4,038)
Finance (expenses) income on reinsurance contracts	-	-	359	-	359
Amounts recognized in net income	(11,601)	(55)	7,972	5	(3,679)
Cash flows					
Disbursement of ceded premiums	10,464	-	-	-	10,464
Receipt of claims recoveries and other expenses	-	-	(10,768)	-	(10,768)
	10,464	-	(10,768)	-	(304)
Balance at end of year					
Reinsurance contract assets held	2,600	-	8,404	272	11,276

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

8 Assets and liabilities under insurance and reinsurance contracts (continued)

	2024				Total
	Asset for remaining coverage		Asset for incurred claims		
	Excluding the loss recovery component	Loss recovery component	Estimates of present value of future cash flows	Non-financial risk adjustment	
	\$	\$	\$	\$	\$
Balance at beginning of year					
Reinsurance contract assets held	3,069	29	6,470	143	9,711
Premiums ceded to reinsurers	(13,344)	-	-	-	(13,344)
Amounts recovered from reinsurers for claims incurred					
Recoveries from reinsurers for claims	-	(29)	10,616	206	10,793
Loss-recovery component on reinsurance contracts	-	55	-	-	55
Change in the recoverable claims asset	-	-	557	(82)	475
	-	26	11,173	124	11,323
Net result from reinsurance contracts held	(13,344)	26	11,173	124	(2,021)
Finance (expenses) income on reinsurance contracts	-	-	192	-	192
Amounts recognized in net income	(13,344)	26	11,365	124	(1,829)
Cash flows					
Disbursement of ceded premiums	14,012	-	-	-	14,012
Receipt of claims recoveries and other expenses	-	-	(6,635)	-	(6,635)
	14,012	-	(6,635)	-	7,377
Balance at end of year					
Reinsurance contract assets held	3,737	55	11,200	267	15,259

The following table presents the finance income (expenses) on insurance and reinsurance contracts included in the net financial results:

	2025	2024
	\$	\$
Finance income (expenses) on insurance contracts		
Capitalized interest	(638)	(657)
Effect of changes in financial assumptions	(89)	(109)
	(727)	(766)
Finance income (expenses) on reinsurance contracts		
Capitalized interest	344	183
Effect of changes in financial assumptions	15	9
	359	192
	(368)	(574)

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

8 Assets and liabilities under insurance and reinsurance contracts (continued)

Capitalized interest

Unwinding of the discounting effect on the liability for incurred claims, based on the discount rates determined at the end of the prior reporting period.

The following table presents the change in liabilities for incurred claims by year of occurrence. This assessment is based on the estimate of cumulative claims incurred, including claims incurred but not reported, as well as cumulative payments to date.

As required by IFRS 17, when establishing liabilities for incurred claims, the Company takes into account the likelihood and magnitude of future experience becoming more unfavourable than expected, which is reflected in the risk adjustment. In general, the uncertainty associated with the final cost of claim settlement is greater when the claim is in the early stages of development. As claims develop, the final cost of claims becomes more certain.

The Company has not disclosed information on the movement in liabilities for incurred claims relating to periods more than five years before the end of the period in which it applies IFRS 17 for the first time.

	Change in gross liability by year of occurrence									
	Before	2019	2019	2020	2021	2022	2023	2024	2025	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Initial gross liability		28,582	7,130	6,894	6,583	8,420	7,573	14,576	12,134	
Movement in the provision:										
After 1 year		29,587	7,309	7,049	6,361	9,901	8,507	14,209		
After 2 years		29,217	7,113	6,817	6,661	10,115	8,339			
After 3 years		29,766	7,339	6,611	6,741	11,705				
After 4 years		30,595	7,619	6,584	6,378					
After 5 years		35,832	7,933	6,326						
After 6 years		32,257	8,001							
After 7 years		29,761								
Estimate of gross claims		29,761	8,001	6,326	6,378	11,705	8,339	14,209	12,134	96,853
Claims paid		28,666	6,978	6,149	5,406	8,436	6,374	10,520	-	72,529
Claims not paid		1,095	1,023	177	972	3,269	1,965	3,689	12,134	24,324
Effect of discounting and non-financial risk adjustment										(278)
Other unpaid insurance expenses										1,463
Gross liability for incurred claims										25,509

9 Pension plans

Employees and the Company participate in multi-employer defined benefit pension plans that include Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale and the mutual insurance companies that are members of the group. The plans established by the mutual company consist of a plan for employees and a plan for managing directors. Contributions from employees and the employer are paid into the plans. These plans are administered by pension committees composed of representatives of employers, employees and retirees. The pension committees are responsible for the administration of the plans and for developing the investment strategy.

The plans are final-salary plans based on the average of the employee's five highest-earning years. These plans do not include any indexation provisions.

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

9 Pension plans (continued)

These pension plans are defined benefit plans in which the Company participates and for which it formally commits to a specified level of benefits, thereby assuming both the actuarial risk and investment risk. Because the design of the plans means that future salary increases will affect the amount of future benefits, the cost of benefits and the fair value of the defined benefit obligation are generally determined using actuarial calculations based on the projected unit credit method. These calculations rely on the most probable assumptions, primarily regarding the expected return on plan assets and the discount rate applied to the plans' obligations, but also, to a lesser extent, salary progression, employees' retirement age, and mortality rates. Plan administration expenses are paid directly by the employers, while asset management fees are paid directly by the plans.

In February 2024, an annuity purchase policy came into effect retroactively to January 1, 2024. The purpose of this annuity purchase policy is to allow the conversion of "non-buyout" annuity contracts outstanding as of December 31, 2023 into "buyout" annuity contracts and thus proceed with a final settlement of the benefits of the affected participants in accordance with the requirements of the *SPP Act* and its regulations. The plan assets were reduced by the value of the insured annuity contract, and the obligations were also reduced by the value of the obligations related to the participants for whom the contract was converted, i.e., \$6,645.

An independent actuary analyzes the individual data of the plan participants. Based on the results of this review, the actuary determines the minimum required contribution level. Under the *Supplemental Pension Plans Act*, employers must eliminate any actuarial funding deficit no later than 10 years after the date of the most recent actuarial valuation.

The Company measures its defined benefit obligation and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plans for funding and solvency purposes was performed as at December 31, 2022. The actuarial valuations as at December 31, 2025 are currently in progress and will be finalized in 2026. The next valuations will be required as at December 31, 2028.

	2025	2024
	\$	\$
Defined benefit plan obligation		
Obligation at the beginning of year	12,673	19,277
Current service cost	524	542
Interest cost	609	602
Employee contributions	480	435
Actuarial losses (gains) on changes in assumptions	(729)	(191)
Benefits paid	(698)	(302)
Conversion of annuity contracts	-	(6,645)
Plans transfers	-	(1 025)
Other	-	(20)
Obligation at the end of year	<u>12,859</u>	<u>12,673</u>
Pension plan assets		
Fair value at the beginning of year	10,757	16,678
Return on plans assets	652	1,205
Employer contributions	483	431
Employee contributions	480	435
Benefits paid	(698)	(302)
Conversion of annuity contracts	-	(6,645)
Transfers of participants between employers	-	(1 025)
Other	-	(20)
Fair value at the end of year	<u>11,674</u>	<u>10,757</u>
Pension plan liabilities	<u>(1,185)</u>	<u>(1,916)</u>
Presented on the balance sheets as follows:		
Pension plan assets	12	4
Pension plan liabilities	(1,197)	(1,920)
The pension plan expense is as follows:		
In net income	2025	2024
	\$	\$
Current service cost (employer)	524	542
Net interest on funding of pension plans	92	124
Expense recognized in net income	<u>616</u>	<u>666</u>

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

9 Pension plans (continued)

	2025	2024
	\$	\$
In other comprehensive income		
Deficit (excess) of plan asset returns, excluding amounts included in the net interest on the plan's financing	(135)	(727)
Actuarial losses (gains) arising from changes in assumptions		
- financial	(729)	(191)
Expense (income) in other comprehensive income	<u>(864)</u>	<u>(918)</u>
Expense (income) for the year in other comprehensive income	<u>(248)</u>	<u>(252)</u>

Expected contributions for upcoming year

The Company estimates that it must contribute an amount of \$512 (\$465 in 2024) to its defined benefit plans in the following year.

Key assumptions

The key assumptions used by the Company in measuring the obligation and the cost of the defined benefit plans are as follows (weighted average):

	2025	2024
	%	%
Discount rate	4.75	4.65
Expected rate of salary increases	3.00	3.00

The mortality table used in 2025 and 2024 is CPM-2014 with projections based on the CPM-B scale published by the Canadian Institute of Actuaries.

Sensitivity of the defined benefit obligation

Because of the long-term nature of pension plans, there are uncertainties related to the recognition of balances arising from the assumptions used.

As at December 31, 2025 and 2024, the Company estimates that a 1% change in the assumptions listed below would have the following effects on the defined benefit obligation.

	2025	2024
	\$	\$
Increase of 1%		
Change in the discount rate	(1,984)	(2,044)
Change in the salary increase rate	890	906
Decrease of 1%		
Change in the discount rate	2,706	2,749
Change in the salary increase rate	(752)	(773)
One-year increase in the life expectancy of retirees at age 65	212	221

The duration of the defined benefit obligation at the end of the period is 18 years (17 years in 2024).

The pension plan assets are invested in funds held by the plans. As at December 31, the asset allocation is as follows:

	2025	2024
	%	%
Investments quoted in active markets		
Equity	49	49
Bonds	29	28
Real estate	19	21
Cash and cash equivalents	2	2
Others	1	-

The income tax expense is allocated as follows:

	2025	2024
	\$	\$
Current tax payable (recoverable)		
Current period	3,264	1,869
Prior-year adjustment	62	(37)
	<u>3,326</u>	<u>1,832</u>
Deferred tax		
Origination and reversal of temporary differences	495	164
Prior-year adjustment	238	171
	<u>733</u>	<u>335</u>
Total income tax recognized in other comprehensive income	<u>4,059</u>	<u>2,167</u>

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

10 Income taxes

Income tax expense includes deferred tax, which arises from differences between the tax base of an asset or liability and its carrying amount in the statement of financial position.

The Company's effective tax rate differs from the combined statutory tax rate (federal and provincial). This difference results from the following:

	2025		2024	
	\$	%	\$	%
Tax at combined statutory rate	3,603	26.5	2,298	26.5
Increase (decrease) in income tax due to:				
Non-taxable income	(66)	(0.5)	(83)	(1.0)
Deduction for small businesses	(9)	(0.1)	(9)	(0.1)
Other	302	2.2	(282)	(3.3)
Income tax expense in net income	3,830	28.2	1,924	22.2
Income tax recognized in other comprehensive income	229		243	
Total income tax recognized in other comprehensive income	4,059		2,167	

The assessment of the probability of future taxable profit against which deferred tax assets can be utilized is based on the Company's past experience and its most recent budget forecasts. When a positive forecast of taxable profit indicates that it is probable that a deferred tax asset will be realized, particularly when its utilization is not subject to a long time horizon, the deferred tax asset is generally recognized in full.

Deferred tax is composed of the following:

	Fiscal year ended December 31, 2025		
	Statement of financial position	Net income	Other comprehensive income
	\$	\$	\$
Investments	(2,853)	(381)	-
Right-of-use assets	(197)	47	-
Property, plant and equipment	13	(3)	-
Intangible assets	404	(31)	-
Lease liabilities	258	(49)	-
Insurance and reinsurance contracts	84	(123)	-
Pension plan asset (liability)	314	35	(229)
Other	3	1	-
Total deferred tax	(1,974)	(504)	(229)
Deferred tax liability	(1,974)		
	(1,974)		
	Fiscal year ended December 31, 2024		
	Statement of financial position	Net income	Other comprehensive income
	\$	\$	\$
Investments	(2,472)	(439)	-
Right-of-use assets	(244)	11	-
Intangible assets	435	(31)	-
Lease liabilities	307	(8)	-
Insurance and reinsurance contracts	207	335	-
Pension plan asset (liability)	508	62	(243)
Other	2	(41)	-
Total deferred tax	(1,241)	(92)	(243)
Deferred tax liability	(1,241)		
	(1,241)		

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

11 Right-of-use-assets

The Company has entered into lease arrangements for office premises and automobiles. Some of these leases require the Company to make additional variable payments relating to municipal taxes and other costs incurred by the lessor. Such amounts are paid separately from the lease liabilities recognized in the statement of financial position. Certain lease agreements also provide an option to purchase the underlying asset at the end of the lease term or to renew the lease for an additional period.

The following table presents the changes in right-of-use assets:

	2025		
	Building	Furniture- Equipment	Total
	\$	\$	\$
Balance at beginning of year	881	39	920
Depreciation expense	(165)	(11)	(176)
Balance at end of year	716	28	744

	2024		
	Building	Furniture- Equipment	Total
	\$	\$	\$
Balance at beginning of year	912	49	961
Lease modifications	134	-	134
Depreciation expense	(165)	(10)	(175)
Balance at end of year	881	39	920

Lease liabilities

The following table presents the total undiscounted future minimum lease payments to be made under lease agreements.

	2025	2024
	\$	\$
Less than one year	227	255
Between one and five years	511	612
More than five years	533	660
	1,271	1,527

The Company is not exposed to significant liquidity risk in respect of its lease liabilities.

The following table presents the amounts recognized in profit or loss that were not included in the measurement of the lease liability as a result of the Company's decision to apply the exemption for certain types of lease contracts.

	2025	2024
	\$	\$
Lease expenses		
Short-term lease contracts	-	1
Variable lease payments	78	72
	78	73

Notes to the financial statements

Fiscal year ending December 31, 2025

(en milliers de dollars canadiens, sauf indication contraire)

12 Property, plant and equipment

	Land and building \$	Leasehold improve- ments \$	Furniture and equipment \$	IT equipment \$	Auto- mobiles \$	Total \$
Balance as at January 1, 2024						
Cost	2,807	993	1,095	81	214	5,190
Accumulated depreciation	(1,006)	(566)	(928)	-	(121)	(2,621)
Net carrying amount	1,801	427	167	81	93	2,569
Acquisitions	22	-	11	61	101	195
Disposals	-	-	(8)	-	(1)	(9)
Depreciation expense	(114)	(39)	(97)	(51)	(42)	(343)
Balance as at December 31, 2024	1,709	388	73	91	151	2,412
Balance as at December 31, 2024						
Cost	2,829	993	1,083	142	276	5,323
Accumulated depreciation	(1,120)	(605)	(1,010)	(51)	(125)	(2,911)
Net carrying amount	1,709	388	73	91	151	2,412
Acquisitions	-	-	-	129	79	208
Disposals	-	-	-	-	(2)	(2)
Depreciation expense	(63)	(39)	(21)	(81)	(46)	(250)
Balance as at December 31, 2025	1,646	349	52	139	182	2,368
Balance as at December 31, 2025						
Cost	2,829	993	1,065	271	342	5,500
Accumulated depreciation	(1,183)	(644)	(1,013)	(132)	(160)	(3,132)
Net carrying amount	1,646	349	52	139	182	2,368

13 Intangible assets

	Customer relation- ships \$
Balance as at January 1, 2024	
Cost	13,348
Accumulated depreciation	(13,342)
Net carrying amount	6
Depreciation expense	(6)
Balance as at December 31, 2024	-
Balance as at December 31, 2024	
Cost	13,348
Accumulated depreciation	(13,348)
Net carrying amount	-
Depreciation expense	-
Balance as at December 31, 2025	-
Balance as at December 31, 2025	
Cost	13,348
Accumulated depreciation	(13,348)
Net carrying amount	-

14 Accounts payable and accrued liabilities

	2025 \$	2024 \$
Entity under common control -		
Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale	274	-
Sales taxes	501	454
Member rebates	-	1
Acquisition of property, plant and equipment	-	3
Other suppliers and accrued liabilities	-	15
	775	473

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

15 Members' shares

According to the *Insurers Act* and in accordance with the common internal by-laws, the Company's share capital is unlimited. Under the previous legislation, the Company was authorized to issue 1 000 000 members' shares, redeemable, without voting rights, with a par value of \$ 10 each. As at December 31, 2025, the Company did not have any members' shares issued (none in 2024).

16 Accumulated other comprehensive income

	2025	2024
	\$	\$
Actuarial gains (losses) on pension plans	2,050	1,069
Related income taxes	<u>(504)</u>	<u>(275)</u>
	<u>1,546</u>	794
Accumulated other comprehensive income	<u>1,546</u>	<u>794</u>

17 Capital management

The Company defines its capital as all components presented within equity.

The Company manages its capital in a manner that preserves an adequate level of capital to support optimal development. Capital management also aims to comply with the capital requirements set by the Autorité des marchés financiers. The Company's policies and procedures are designed to manage and limit the risks to which it is exposed. The Company's Board of Directors has approved a capital management policy, and compliance with this policy is monitored on a periodic basis.

The Company is required, under the *Insurers Act*, to comply with capital requirements. The Autorité des marchés financiers (AMF) requires the Company to establish an internal target capital level that reflects its risk profile and to comply with a Minimum Capital Test (MCT). The Company's internal target is to maintain a Minimum Capital Test ratio above 190% (190% in 2024), while the prescribed minimum MCT is 100% and the supervisory target MCT is 150%. As at December 31, 2025 and 2024, the Company complied with its target level and with the requirements of the Autorité des marchés financiers.

As at December 31, 2025, the Company's MCT meets the regulatory requirements and is comprised of the following amounts:

	2025	2024
	\$	\$
Available capital	48,479	39,561
Required capital	12,931	11,234
Excess of the available capital over the required capital	35,548	28,327
Excess capital of the Company's target	23,910	18,216
Ratio of available capital over the required capital (MCT)	375%	352%

18 Commitments and contingencies

A) Commitments

See Note 11 for details on lease commitments.

The Company is the lessor of premises with lease terms expiring between 2026 and 2030. Most of the leases are renewable upon expiry.

	2025	2024
	\$	\$
Rent income		
Less than one year	138	106
One to two years	121	7
Total	<u>259</u>	<u>113</u>

In 2021, the Company committed to contribute a total amount of US\$240 to Promutuel Investissement Stratégique S.E.C. as a capital participation. Of this amount, the Company had invested a total of US\$195 as at December 31, 2025 (US\$159 in 2024). Under the terms of the agreement, the Company must remit any requested portion of the remaining commitment within 7 days following a capital call. The investment project spans a 10-year period, such that the Company cannot expect to recover the full amount of its total commitment before the end of that period.

In 2024, the Company committed to contribute a total amount of \$4,000 to Promutuel Strategic Growth Fund L.P. (the "Fund"). Under the terms of the agreement, the Fund may at any time require the Company to remit any portion of the remaining commitment upon receipt of a written notice specifying the date on which the applicable payment becomes due. Of this amount, the Company had invested a total of \$345 as at December 31, 2025 (none in 2024).

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

18 Commitments and contingencies (continued)

B) Contingencies

The Company is subject to certain litigation in the normal course of its business. Management believes that the Company has established adequate provisions to cover any potential losses related to these proceedings.

19 Insurance service expenses and other expenses

	2025	2024
	\$	\$
Claims costs	36,015	39,740
Operations	24,153	22,454
Premium taxes	2,349	2,167
Other	-	6
	62,517	64,367
Insurance service expenses	58,989	61,249
Other expenses	3,528	3,118
	62,517	64,367

20 Investment income and expenses, and net financial result

The following tables present investment income and expenses:

	Fiscal year ended December 31, 2025			
	At fair value through profit or loss	At fair value through other comprehensive income	Amortized cost	Total
	\$	\$	\$	\$
Interest income	-	-	197	197
Total investment income	-	-	197	197
Unrealized gains (losses) on investments	6,516	-	-	6,516
Total investment gains (losses)	6,516	-	-	6,516
Total investment income	6,516	-	197	6,713
Professional fees	-	-	(5)	(5)
Total investment expenses	-	-	(5)	(5)
	Fiscal year ended December 31, 2024			
	At fair value through profit or loss	At fair value through other comprehensive income	Amortized cost	Total
	\$	\$	\$	\$
Interest income	-	-	310	310
Total investment income	-	-	-	-
Realized gains (losses) on investments	759	-	-	759
Unrealized gains (losses) on investments	5,907	-	-	5,907
Total investment gains (losses)	6,666	-	-	6,666
Total investment income	6,666	-	-	6,666
Professional fees	-	-	(6)	(6)
Total investment expenses	-	-	(6)	(6)

21 Other income

	2025	2024
	\$	\$
Reinsurer's rebate	564	295
Other	131	59
	695	354

Notes to the financial statements

Fiscal year ending December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

22 Other expenses

	2025	2024
	\$	\$
IT expenses and contributions paid to the Fédération	3,212	2,889
Attendance fees	193	176
Other costs non attributable to insurance activities	123	53
	<u>3,528</u>	<u>3,118</u>

23 Comprehensive Income Information

	2025	2024
	\$	\$
The comprehensive income includes the following items:		
Salaries and employee benefits	9,699	8,833
Depreciation of property, plant and equipment	250	343
Amortization of intangible assets	-	6
Depreciation of right-of-use assets	176	175
Gains on disposal of property, plant and equipment	(20)	-
Rental income	131	84

24 Statement of cash flows

During the year, cash flows arising from interest, dividends, premium taxes and income taxes were as follows :

	2025	2024
	\$	\$
Interest received	1,511	1,582
Interest paid (received) on pension plan financing	92	124
Premium taxes paid	2,664	2,144
Income taxes paid (received)	2,180	2,438

25 Fair value of financial instruments

The fair value measurement of financial instruments is based on a hierarchy that includes three levels:

- Level 1 – valuation based on quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than the quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – valuation techniques based largely on unobservable market inputs.

Financial assets measured at fair value:

	2025			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Investments at fair value through profit or loss	-	69,727	12,698	82,426
	-	<u>69,727</u>	<u>12,698</u>	<u>82,426</u>
	2024			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Investments at fair value through profit or loss	-	56,711	10,805	67,516
	-	<u>56,711</u>	<u>10,805</u>	<u>67,516</u>

There were no transfers between Levels 1, 2 and 3 for the years ended December 31, 2025 and 2024.

The following table presents the reconciliation of Level 3 fair value measurements for instruments measured at fair value:

	2025	2024
	\$	\$
Balance at beginning of year	10,805	8,977
Total gains (losses) recognized in:		
Net income	1,498	1,742
Acquisitions	395	86
Balance at end of year	<u>12,698</u>	<u>10,805</u>

Notes to the financial statements

Fiscal year ended December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

25 Fair value of financial instruments (continued)

Fair value measurement

Fair value of financial instruments is determined using the following methods:

- Limited partnerships are measured using valuation techniques that rely significantly on observable market inputs;
- Fair value of the equity interest in Promutuel Réassurance and Fonds de garantie Groupe Promutuel is determined using the most recent information available in the relevant financial statements and a valuation technique based on adjusted net book value under a going concern approach;
- Fair value of cash, receivables and accounts payable and accrued liabilities is presumed to approximate their carrying amount due to their short-term maturity or because the instrument's interest rate is close to observable market rates.

Sensitivity of Level 3 financial instruments

The Company performs sensitivity analyses to assess the fair value of financial instruments classified in Level 3. Substituting unobservable inputs with one or more reasonably possible alternative assumptions does not result in a significant change in the fair value of financial instruments classified within this level.

26 Insurance risk concentration

Geographical information

The Company's insurance activities are conducted exclusively in the province of Quebec. The majority of its policies are concentrated within the territory defined by Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale.

Major customers

The Company's revenue is derived from a large number of policyholders. No single policyholder accounts for more than 10% of total revenue.

Revenue from insurance activities by line of business is as follows:

	2025	2024
	\$	\$
Personal	21,022	20,331
Commercial	18,168	17,057
Automobile	34,116	31,056
Surety	89	77
Total insurance revenue	<u>73,395</u>	<u>68,521</u>

27 Risk management

As part of its operations, the Company is exposed to various risks that are integral to its development and the continuation of its activities. Effective risk management is a continuous, dynamic and evolving process based on the identification, understanding, assessment, quantification, control and mitigation of the risks to which the Company is exposed. Risk management is governed by a set of policies approved by the Board of Directors. These policies are reviewed periodically.

Integrated risk management framework

To achieve its risk management objectives, the Company has implemented a framework that covers all risks to which it is exposed. This framework is carried out by various stakeholders and committees. The Board of Directors is responsible for determining risk tolerance levels and approving the development, review and implementation of policies required to monitor and control risks.

The Risk Management Committee establishes integrated risk management practices tailored to the Company's risk profile and appetite, ensuring they are implemented effectively and efficiently.

The Audit Committee ensures that integrated risk management policies and practices are effective and consistent with the Company's risk appetite. This committee is responsible for updating and monitoring policies with the Board of Directors and ensuring that the actions taken by the Company comply with them. Senior management proposes policies and procedures required to govern the Company's activities and ensures their implementation. These policies must be tailored to the Company's risk profile and strategic plan.

Notes to the financial statements

Fiscal year ending December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

27 Risk management (continued)

Insurance Risks

The most significant risks the Company must manage in relation to insurance contracts are as follows:

Underwriting Risk

Underwriting risk refers to the risk that the pricing established is insufficient, given the portfolio of policies the Company insures and reinsures, to ensure an adequate return for its members relative to the Company's profitability objectives. This risk may arise from inadequate assessment of market conditions or claims-related costs. The Company has implemented underwriting and risk inspection policies that define its retention limits and risk tolerance. When the Company's retention limits are reached, excess risk is ceded to its reinsurer.

The Company manages this risk by performing analyses that compare its pricing to its recent experience and to market rates. Pricing assumptions are reviewed regularly and take reinsurance costs into account.

	2025		2024	
	Impact on insurance contracts	Net impact of reinsurance	Impact on insurance contracts	Net impact of reinsurance
	Gross \$	Net \$	Gross \$	Net \$
5% increase in claims ratio				
Personal	1,032	-	997	-
Commercial	895	-	840	-
Automobile	1,673	-	1,521	-
Surety	4	-	4	-
	3,604	2,807	3,362	2,415
1% increase in expense ratio	733	561	707	483

Reinsurance risk

The Company's policy is to reinsure its insurance contracts in order to limit its exposure to significant losses. Reinsurance does not release the Company from its obligations to policyholders. As a result, the Company is exposed to credit risk relating to amounts ceded to the reinsurer. However, the Company monitors the financial condition of its reinsurer on a regular basis.

The reinsurance contract indicates that the Company is subject to a net retention of \$650 (\$425 in 2024) per event. In addition, all mutual companies that are members of Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale are protected up to an amount of \$750,000 (\$800,000 in 2024) in the event that a single occurrence gives rise to a series of indemnities.

Reserve risk

The Company is exposed to the risk that the liabilities for insurance contracts and for reinsurance contracts held, as reported in the statement of financial position, may ultimately prove to be insufficient. The risk related to automobile and property insurance provisions is more limited, as the estimates are based on the insured amount of the reported claim or on a repair estimate, and the settlement period is relatively short. The risk related to liability insurance, however, is more significant.

Financial risks

The most significant financial risks the Company must manage in relation to its financial instruments and its insurance and reinsurance contracts held are as follows.

Credit risk and diversification

Credit risk is the risk of incurring a loss if counterparties or debtors fail to meet their obligations to the Company. The Company's investment and premium financing policies are designed to mitigate this risk by ensuring diversification of counterparties or debtors and by limiting exposure to any single issuer. In addition, the investment policy sets minimum credit rating requirements for issuers.

Insurance and reinsurance contracts

The Company takes appropriate measures to ensure the creditworthiness of the reinsurers it is involved with. They are certified in Canada. The Company is not aware of any information that would cause it to doubt the recovery of the amounts it is owed.

The maximum exposure of the Company to credit risk on the assets under the reinsurance contracts held amounts to \$11,276 as at December 31, 2025 (\$15,259 as at December 31, 2024).

Notes to the financial statements

Fiscal year ending December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

27 Risk management (continued)

The maximum credit risk associated with financial instruments corresponds to the carrying amount of the financial assets, net of any allowance for expected credit losses. Accordingly, the carrying amount reported in the statement of financial position for financial instruments represents the Company's maximum credit risk exposure.

As at December 31, 2025, no financial asset represented 10% or more of the Company's total investments.

The table below provides information on the credit quality of investments held directly and those held indirectly through investments in limited partnerships and certain funds.

Bonds and term deposits by credit quality :	2025	2024
	\$	\$
Credit rating		
AAA	2,365	1,239
AA	24,066	19,666
A	7,738	6,381
BBB	5,147	4,337
R-1	198	30
Not rated	2,382	2,158
Total	41,896	33,811

Preferred shares and preferred units by credit quality level:	2025	2024
	\$	\$
Credit rating		
P2	4,970	4,121
P3	1,923	1,886
Other	870	839
Total	7,763	6,846

Provisions for expected credit losses

As at December 31, 2025 and 2024, the allowance for expected credit losses on financial assets measured at amortized cost and at fair value through other comprehensive income is not significant.

Liquidity risk

Liquidity risk is the risk that sources of liquidity become insufficient to meet scheduled payments on financial liabilities and insurance and reinsurance contracts. To manage its cash flow requirements, the Company maintains adequate liquidity in accordance with its investment policy and in alignment with its liability commitments. In addition, the Company holds readily marketable securities to mitigate liquidity risk.

The contractual maturity of the Company's financial liabilities is as follows:

Maturity schedule as at December 31, 2025						
	Less than one year	One to three years	Three to five years	Five to ten years	Over ten years	Total
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	274	-	-	-	-	274
	274	-	-	-	-	274
Maturity schedule as at December 31, 2024						
	Less than one year	One to three years	Three to five years	Five to ten years	Over ten years	Total
	\$	\$	\$	\$	\$	\$
Accounts payable	19	-	-	-	-	19
	19	-	-	-	-	19

Notes to the financial statements

Fiscal year ending December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

27 Risk management (continued)

The maturity analysis of insurance contract liabilities and liabilities related to reinsurance held is as follows:

Maturity schedule as at December 31, 2025

	Less than one year	One to three years	Three to five years	Five to ten years	More than ten years	Total
	\$	\$	\$	\$	\$	\$
Insurance contract liabilities	22,465	5,293	3,686	2,134	-	33,578
Total	22,465	5,293	3,686	2,134	-	33,578

Maturity schedule as at December 31, 2024

	Less than one year	One to three years	Three to five years	Five to ten years	More than ten years	Total
	\$	\$	\$	\$	\$	\$
Insurance contract liabilities	23,840	4,634	2,804	1,746	-	33,024
Total	23,840	4,634	2,804	1,746	-	33,024

The amounts of insurance contract liabilities payable on demand are detailed as follows:

	2025		2024	
	Amount payable on demand	Carrying amount	Amount payable on demand	Carrying amount
	\$	\$	\$	\$
Personal	599	8,929	483	7,576
Commercial	771	10,800	688	12,671
Automobile	913	13,781	780	12,739
Surety	8	68	1	38
TOTAL	2,291	33,578	1,952	33,024

Market risk

Market risk is the risk that the value of a financial instrument fluctuates and results in a loss due to changes in market factors such as interest rates, exchange rates, and equity prices.

The Company's investment policy sets out the objectives, asset allocation, constraints, responsibilities, and performance evaluation criteria. Compliance with this policy is monitored on a periodic basis.

The sensitivity analyses do not include the impact of changes in risks related to the Company's pension plans.

Interest rate risk

Interest rate risk arises when the Company holds an interest-bearing financial instrument, insurance contract, or reinsurance contract.

In addition, fluctuations in interest rates affect the measurement of the assets and liabilities related to insurance contracts and reinsurance contracts held.

The following table presents details of the Company's sensitivity to a 1% increase and a 1% decrease in interest rates on net income and equity for the following items:

	2025			
	Net income		Equity	
	Decrease of 1%	Increase of 1%	Decrease of 1%	Increase of 1%
	\$	\$	\$	\$
Financial instruments	1,369	(1,369)	1,369	(1,369)
Insurance contracts	(294)	281	(294)	281
Reinsurance contracts held	75	(72)	75	(72)
	1,150	(1,160)	1,150	(1,160)

Notes to the financial statements

Fiscal year ending December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

27 Risk management (continued)

	2024			
	Net income		Equity	
	Decrease of 1%	Increase of 1%	Decrease of 1%	Increase of 1%
	\$	\$	\$	\$
Financial instruments	1,134	(1,134)	1,134	(1,134)
Insurance contracts	(246)	235	(246)	235
Reinsurance contracts held	57	(55)	57	(55)
	<u>945</u>	<u>(954)</u>	<u>945</u>	<u>(954)</u>

To manage interest rate fluctuation risk, the Company has an investment policy approved by its Board of Directors, which provides for the matching of its assets and liabilities. The Company's investments must align with the structure of its financial obligations.

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument denominated in foreign currencies fluctuates due to changes in exchange rates.

The Company's operations are conducted entirely in Canadian dollars, except for \$105 (\$1,224 in 2024) of assets invested in foreign currencies. As at December 31, 2025, the Company estimates that a 10% increase in the exchange rate of foreign currencies against the Canadian dollar, all other variables held constant, would result in a decrease of \$89 (\$90 in 2024) in net income and equity. A 10% decrease in the exchange rate would have the opposite effect.

Equity market risk

Equity price risk is the risk that the value of financial instruments varies as a result of fluctuations in market prices. These fluctuations may be attributable to factors specific to the issuer or to factors affecting all instruments traded on a market. The maximum risk arising from financial instruments is equal to their fair value. The Company manages this risk through diversification of the securities it holds.

As at December 31, 2025, the Company estimates that a 10% increase in equity price, all other variables held constant, would increase net income and equity by \$2,082 (\$1,702 in 2024). A 10% decrease would have the opposite effect.

Other risks

In addition to insurance and financial risks, the Company may also face other risks that could adversely affect its operations and profitability, including operational, technological, strategic, and compliance-related risks.

To adequately manage these risks, the Company ensures that various control mechanisms are implemented to identify, assess, and mitigate them. In addition, the Company adopts a comprehensive and coordinated approach so that risk management is carried out in an integrated manner, taking into account the interrelation and interdependence of the various risks.

28 Related party transactions and transactions with Groupe Promutuel institutions

A) Transactions with related parties

Associates

The transactions concluded between the Company and Promutuel CSP des Rives de Montréal inc. are the following:

	2025	2024
	\$	\$
Rental income	95	74
Insurance service expenses	1,597	1,367

Compensation of key management personnel

Key management personnel include the Company's directors and officers. The aggregate compensation of key management personnel is as follows:

	2025		
	Board of Directors	Executives	Total
	\$	\$	\$
Short-term benefits	211	1,037	1,248
Post-employment benefits	-	76	76
	<u>211</u>	<u>1,113</u>	<u>1,324</u>

Notes to the financial statements

Fiscal year ending December 31, 2025

(in thousands of Canadian dollars, unless otherwise specified)

28 Related party transactions and transactions with Groupe Promutuel institutions (continued)

	2024		
	Board of Directors	Executives	Total
	\$	\$	\$
Short-term benefits	192	946	1,138
Post-employment benefits	-	77	77
	<u>192</u>	<u>1,023</u>	<u>1,215</u>

B) Transaction with Groupe Promutuel institutions

The Company is a member of Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale. It has an equity interest in Promutuel Réassurance as well as Fonds de garantie Promutuel. The Company holds units in limited partnerships for investment portfolio management purposes. Groupe Promutuel institutions are not parties related to the Company.

The Company participates in multi-employer defined benefit pension plans that include Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale and the mutual entities that are members of the group. Details regarding the pension plans are presented in Note 9.

Other transactions with Groupe Promutuel institutions, carried out in the normal course of business, are as follows:

Institutions part of Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale, including transactions with Promutuel Réassurance:

	2025	2024
	\$	\$
Reinsurance cession on premiums	10,446	12,175
Amounts recovered from reinsurers for incurred claims	6,956	10,741
Insurance operating expenses	8,296	7,989
Investment expenses	5	5
Other	3,186	2,912



promutuelinsurance.ca/outaouais-valley
