

Consolidated Financial Statements of

**SERENIA LIFE FINANCIAL**

(Formally known as FaithLife Financial)

And Independent Auditor's Report thereon

Year ended December 31, 2025



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Serenia Life Financial (formerly FaithLife Financial)

### ***Opinion***

We have audited the consolidated financial statements of Serenia Life Financial (formerly FaithLife Financial) (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2025
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the “financial statements”).

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

### ***Basis for Opinion***

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

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

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



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

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

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

We also:

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

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

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



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

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

February 25, 2026

# Serenia Life Financial

Consolidated statement of profit or loss  
(in thousands of dollars)

Year ended 31 December

	Notes	2025	2024
Insurance Revenue	8	20,731	19,714
Insurance service expense	23	( 19,589)	( 23,473)
Net income (expense) from reinsurance contracts		( 3,019)	2,156
<b>Insurance service result</b>		( 1,877)	( 1,603)
Interest revenue calculated using the effective interest method	9	425	904
Other investment revenue	9	7,060	9,048
Net impairment gain on financial assets	9	48	57
<b>Investment return</b>		7,533	10,009
Net finance income from insurance contracts		4,254	1,976
Net finance income from reinsurance contracts		( 270)	149
Movement in investment contract liabilities	22	( 3,711)	( 3,572)
<b>Net financial result</b>		273	( 1,447)
Profit (loss) before other items		5,929	6,959
Other income (loss)	11	80	380
Other operating and overhead expenses	12	( 4,815)	( 6,299)
Other finance cost	13	( 316)	( 331)
<b>Net other result</b>		( 5,051)	( 6,250)
<b>Profit (loss) before tax</b>		878	709
Income tax (expense) recovery	15	148	( 219)
<b>Profit for the year</b>		1,026	490

The notes on pages 11 to 105 are an integral part of these consolidated financial statements.

# Serenia Life Financial

## Consolidated statement of comprehensive income (in thousands of dollars)

Year ended 31 December

	Notes	2025	2024
Profit for the year		1,026	490
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Defined benefit liability / asset - remeasurement		( 74)	( 129)
Equity investments at FVOCI - net change in fair value net of tax	15	726	1,299
Realized Gains (Losses) - net of tax	15	( 2)	-
		650	1,170
Items that are or may be classified subsequently to profit or loss			
Debt investments at FVOCI			
Net change in fair value net of tax	15	310	641
Net amount reclassified to profit or (loss) net of tax	15	( 171)	( 277)
Other comprehensive income		789	1,534
Amortization of fair value reserves		121	120
Total comprehensive income		1,936	2,144

The notes on pages 11 to 105 are an integral part of these consolidated financial statements.

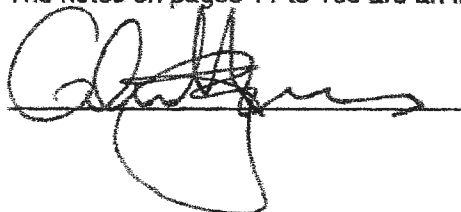
# Serenia Life Financial

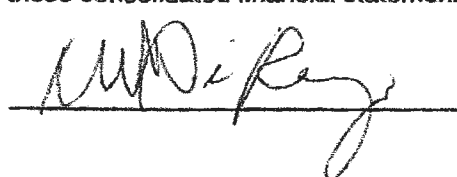
Consolidated statement of financial position  
(in thousands of dollars)

Year ended 31 December

	Notes	31 December 2025	31 December 2024
<b>Assets</b>			
Cash and cash equivalents	16	3,816	8,444
Financial investments			
Measured at FVTPL	7	241,350	245,274
Measured at FVOCI	7	20,120	21,304
Measured at amortized cost	7	1,006	1,793
Receivables	18	3,871	2,554
Insurance contract assets	23	21,810	18,194
Reinsurance contract assets	23	12,304	13,410
Investment property	19	7,163	7,233
Property and equipment			
Owner occupied at fair value	20	8,711	8,836
Other property and equipment	20	572	774
Other assets	18	1,849	1,042
Intangible assets	20	3,523	3,336
Segregated funds assets	28	36,713	39,191
<b>Total assets</b>		<b>362,808</b>	<b>371,385</b>
<b>Liabilities</b>			
Payables	21	5,828	4,693
Investment contract liabilities	22	92,031	85,669
Insurance contract liabilities	23	171,554	187,061
Reinsurance contract liabilities	23	4,329	3,932
Loans	24	3,411	3,586
Other liabilities	25	5,436	5,547
Insurance contract liabilities for account of segregated fund holders	28	36,713	39,191
<b>Total Liabilities</b>		<b>319,302</b>	<b>329,679</b>
<b>Equity</b>			
Appropriated equity		61	75
Unappropriated equity		42,491	41,465
Accumulated other comprehensive loss		(3,733)	(4,643)
Revaluation reserve		4,687	4,809
<b>Total equity</b>		<b>43,506</b>	<b>41,706</b>
<b>Total Liabilities and equity</b>		<b>362,808</b>	<b>371,385</b>

The notes on pages 11 to 105 are an integral part of these consolidated financial statements.

 Director

 Director

# Serenia Life Financial

## Consolidated Statement of Changes in Equity (In thousands of dollars)

Year ended 31 December

	Appropriated equity	Unappropriated equity	Revaluation reserve and AOCI	Total
Balance at 1 January 2024	1,211	39,842	( 2,291)	38,762
Profit (loss) for the year	-	490	-	490
Surplus transfer / distribution	( 1,136)	1,133	-	( 3)
Other comprehensive income for the year	-	-	1,654	1,654
Revaluation reserve change for the year	-	-	803	803
Balance 31 December 2024	75	41,465	166	41,706
Profit for the year	-	1,026	-	1,026
Surplus transfer / distribution	( 14)	-	-	( 14)
Other comprehensive income for the year	-	-	910	910
Revaluation reserve for the year	-	-	( 122)	( 122)
Balance 31 December 2025	61	42,491	954	43,506

The notes on pages 11 to 105 are an integral part of these consolidated financial statements.

# Serenia Life Financial

## Consolidated Statement of cash flow

(In thousands of dollars)

Year ended 31 December

	Notes	2025	2024
<b>Cash flows from Operating activities:</b>			
Profit / (loss) for the year		1,026	490
Adjustments for:			
Depreciation and amortization		1,382	1,249
Contractual service margin (CSM) amortization	23	( 1,666)	( 2,258)
Accrued interest on investment contracts		3,711	3,572
Net realized (gain) loss on sale of financial investments and impairment on assets		6,388	3,696
Unrealized foreign exchange gains/(losses)		140	( 325)
Other operating activities		( 130)	( 136)
Taxes Paid	15	148	( 219)
		10,999	6,069
Changes in:			
Receivables		( 1,317)	7
Insurance and reinsurance contracts		( 17,620)	( 10,201)
Investment contracts	22	2,651	3,890
Investment property		70	( 1,079)
Owner occupied property and equipment		327	( 1,074)
Intangible assets		( 187)	190
Other assets		( 807)	( 241)
Payables		1,135	981
Loans		( 175)	276
Other liabilities		( 111)	( 190)
<b>Cash used in operating activities</b>		( 16,034)	( 7,441)
<b>Net cash from operating activities</b>		( 5,035)	( 1,372)
<b>Cash flows from investing activities</b>			
Financial instruments	7	1,857	( 8,500)
Acquisition of intangible assets	20	( 1,009)	( 592)
Acquisition of property and equipment	20	( 175)	( 1,216)
<b>Net cash from (used in) financing activities</b>		673	( 10,308)
<b>Cash flows from financing activities</b>			
Interest paid		( 266)	( 263)
<b>Net cash from (used in) financing activities</b>		( 266)	( 263)
Net increase (decrease) in cash and equivalents		( 4,628)	( 11,943)
Cash and cash equivalents at 1 January		8,444	20,387
<b>Cash and cash equivalents at 31 December</b>		3,816	8,444

The notes on pages 11 to 105 are an integral part of these consolidated financial statements.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 1. Reporting entity

Serenia Life Financial is a fraternal benefit society domiciled in Canada, with a registered address of 300-470 Weber Street North, Waterloo, Ontario. These consolidated financial statements comprise the Company and its operating subsidiary (together referred to as 'the Society'). The Society is registered under the *Insurance Companies Act (Canada)* with the Office of the Superintendent of Financial Institutions (OSFI). The Society is a financial services organization that provides life insurance, investment products and fraternal benefits for its policyholder members.

On 3 October 2022, the Society rebranded its operating name to Serenia Life Financial. FaithLife Financial remained as the legal entity name of the Society. On 4 December 2025, OSFI formally approved a Society bylaw to change the legal name of the Society to Serenia Life Financial from the former legal name, FaithLife Financial.

## 2. Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and comply with the accounting requirements of OSFI. They were authorized for issue by the Society's board of directors on 25 February 2026.

Details of the Society's material accounting policies are included in Note 5.

## 3. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Society's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise stated.

## 4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Society's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

### A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 4. Use of judgement and estimates (continued)

### A. Judgements (continued)

- Notes 5(A) and 23 – classification of insurance, reinsurance and investment contracts;
- Notes 5(B)(i) – level of aggregation of insurance and reinsurance contracts: identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently; and
- Notes 5(B)(iv) and 23(D) – measurement of insurance and reinsurance contracts: determining the techniques for estimating risk adjustments for non-financial risk and the coverage units provided under a contract.

### B. Assumptions and estimation uncertainties

Information about assumptions and estimation of uncertainties at 31 December 2025 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 7(D) – measurement of financial instruments measured at fair value have various valuation techniques used to determine the instruments value at the reporting date;
- Note 15 – non-recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be used; and
- Note 23(D) - key assumptions used in measuring insurance and reinsurance contracts may change the future fulfilment cash flows related to life and participating contracts materially during 2026 include; mortality, lapsation, longevity, morbidity, policyholder behaviour, discount rates and investment returns.

### C. Changes in material accounting policies

The Society has consistently applied the accounting policies as set out in Note 5 to all periods presented in these consolidated financial statements, except in respect of some groups of insurance and reinsurance contracts existing at 1 January 2022 which is the date the Society transitioned to IFRS 17.

For some groups of insurance and reinsurance contracts in the life risk, life savings and participating segments, the Society applied the fair value approach in IFRS 17 to identify, recognize and measure the groups of contracts at 1 January 2022 because it was impracticable to apply the full retrospective approach. These transition approaches continue to impact a significant part of how the contractual service margin (CSM) balance has been determined at the reporting date. See Note 5(B)(vii).

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 4. Use of judgement and estimates (continued)

### D. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on the following alternative basis on each reporting date.

Item	Measurement basis
Financial instruments at FVTPL, including hedging instruments	Fair Value
Financial assets at FVOCI	Fair Value
Insurance and reinsurance contracts	Fulfilment cash flows, if any, the CSM at fair value
Owner-occupied property	Fair Value
Investment property	Fair Value
Net defined benefit liability	Fair Value of plan assets less the present value of the defined benefit obligations, limited as explained in Note 14(D)
Other impaired non-financial assets	Fair Value

## 5. Material accounting policies

These consolidated financial statements have been prepared in accordance with the *Insurance Companies Act*, which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions Canada, the consolidated financial statements are to be prepared in accordance with IFRS Accounting Standards as Issued by the International Accounting Standards Board. The material accounting policies used in preparing these consolidated financial statements, including the requirements of the Office of the Superintendent of Financial Institutions Canada, are summarized below. These policies conform, in all material respects, to IFRS.

### A. Insurance, reinsurance and investment contracts - Classification

Contracts under which the Society accepts significant insurance risk are classified as insurance contracts. Contracts held by the Society under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Society to financial risk.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Society, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or assumed by the Society, unless otherwise stated.

Some contracts entered into by the Society have the legal form of insurance contracts but do not transfer significant insurance risk. These contracts are classified as financial liabilities and are referred to as 'investment contracts' (see (C)).

Insurance contracts are classified as life risk and life savings (for applicable savings products) contracts. Life risk contracts, typically whole life insurance contracts that have the opportunity to earn dividends every year are based on the following:

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 5. Material accounting policies (continued)

### B. Insurance and reinsurance contracts (continued)

#### i. Aggregation and recognition of insurance and reinsurance contracts

- i. the contractual terms specify that the policyholder is eligible to receive dividends based on the resulting experience of investment returns, mortality, expenses and policyholder lapsation;
- ii. when the Society declares a dividend for policyholders, it comes in the form of a credited interest rate based on the built up annual premium payments made by the policyholder since issuance;
- iii. the Society expects to pay to the policyholder an amount equal to a share of the fair value returns on the underlying items assuming the achievement of favourable experience; and
- iv. the Society expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

#### Insurance contracts

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

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

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

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

An insurance contract acquired in a transfer of contracts or a business combination is recognized on the date of acquisition.

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

#### Reinsurance contracts

Groups of reinsurance contracts are established such that each group comprises a single contract. Some reinsurance contracts provide coverage for underlying contracts that are included in different groups. However, the Society concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Society's contractual rights and obligations, considering that the different coverages lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 5. Material accounting policies (continued)

### B. Insurance and reinsurance contracts (continued)

#### i. Aggregation and recognition of insurance and reinsurance contracts

##### Reinsurance contracts (continued)

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

- i. Reinsurance contracts initiated by the Society that provide proportionate coverage: The date on which any underlying insurance contract is initially recognized.
- ii. Other reinsurance contracts initiated by the Society: The beginning of the coverage period of the group of reinsurance contracts. However, if the Society recognizes an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognized on that earlier date (see 'Reinsurance of onerous underlying insurance contracts' under (iv)). This applies to the Society's excess of loss and stop loss reinsurance contracts.

#### ii. Insurance acquisition cash flows

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

If insurance acquisition cash flows are directly attributable to a group of contracts (e.g. non-refundable commissions paid on issuance of a contract), then they are allocated to that group and to the groups that will include renewals of those contracts. The allocation to renewals only applies to non-life contracts (e.g. guaranteed investment annuity contract maturities that roll over into a new investment term). The Society expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. The allocation to renewals is based on the manner in which the Society expects to recover those cash flows.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognized under a standard other than IFRS 17.

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

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 5. Material accounting policies (continued)

### B. Insurance and reinsurance contracts (continued)

#### iii. Contract boundaries

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

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#### Insurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Society can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

A substantive obligation to provide services ends when:

- the contract boundary ends at the maturity date specified in the contract.
- the Society has the practical ability to reassess the risks of a particular contract holder that has rights and can set a price or level of benefits that fully reflects those reassessed risks.

The reassessment of risks considers only risks associated with products providing conversion features to contract holders that have insurance products with guarantee of insurability that is within the contract boundary of the original contract. All other future cash flows will be outside the contract boundary, with no other substantive rights other than guarantee of insurability, the Society has the ability to reprice the products available for conversion to fully reflect any adverse experience.

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#### Reinsurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Society is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
  - has a substantive right to terminate the coverage.
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The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Society's substantive rights and obligations and, therefore, may change over time.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## **5. Material accounting policies (continued)**

### **B. Insurance and reinsurance contracts (continued)**

#### **iv. Measurement – Insurance and reinsurance contracts**

##### **Initial Measurement**

On initial recognition, the Society measures a group of insurance contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the Contractual Service Margin (CSM). The fulfilment cash flows of a group of insurance contracts do not reflect the Society's non-performance risk.

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

The CSM of a group of insurance contracts represents the unearned profit that the Society will recognize as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows related to the group (including assets for insurance acquisition cash flows under (ii)) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognized as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue (see (vii)).

##### **Subsequent measurement**

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

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

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 5. Material accounting policies (continued)

### B. Insurance and reinsurance contracts (continued)

#### iv. Measurement – Insurance and reinsurance contracts (continued)

##### Subsequent measurement (continued)

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

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

##### Participating whole life insurance contracts and insurance contracts not likely to participate in dividends

Participating whole life policies are contracts under which the Society currently provides the policyholder with an annual dividend in the form of an interest credited rate to their policy each year. When measuring a group of direct participating whole life contracts, the Society adjusts the fulfilment cash flows for the whole of the changes in the annual dividend rate to pay policyholders an amount based on the underlying items. These changes do not relate to future services and are recognized in profit or loss. The Society then adjusts any CSM for changes in the amount of the Society's share of the fair value of the underlying items, which relate to future services, as explained below.

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

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

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
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Year ended 31 December 2025

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## **5. Material accounting policies (continued)**

### **B. Insurance and reinsurance contracts (continued)**

#### **iv. Measurement – Insurance and reinsurance contracts (continued)**

**Participating whole life insurance contracts** and insurance contracts not likely to participate in dividends **(continued)**

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

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

Changes in discretionary cash flows are regarded as relating to future services and accordingly adjust the CSM (see Note 23(C)).

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
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## **5. Material accounting policies (continued)**

### **B. Insurance and reinsurance contracts (continued)**

#### **iv. Measurement – Insurance and reinsurance contracts (continued)**

##### **Reinsurance contracts**

To measure a group of reinsurance contracts, the Society applies the same accounting policies as are applied to insurance contracts with the following modifications.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

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

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

On initial recognition, the CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows related to the group, (c) any cash flows arising at that date and (d) any income recognized in profit or loss because of onerous underlying contracts recognized at that date (see 'Reinsurance of onerous underlying insurance contracts' below). However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then the Society recognizes the cost immediately in profit or loss as an expense.

As noted above in (iv) specific to the subsequent measurement section, the carrying amount of the CSM at each reporting date is the carrying amount at the start of the year with these additional adjustments for:

- income recognized in profit or loss in the year on initial recognition of onerous underlying contracts (see below);
- reversals of a loss-recovery component (see 'Net income (expense) from reinsurance contracts' under (vi)) to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts; and
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognized in profit or loss and create or adjust a loss-recovery component.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
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## **5. Material accounting policies (continued)**

### **B. Insurance and reinsurance contracts (continued)**

#### **iv. Measurement – Insurance and reinsurance contracts (continued)**

##### **Reinsurance of onerous underlying insurance contracts**

The Society adjusts the CSM of the group to which a reinsurance contract belongs and as a result recognizes income when it recognizes a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognized. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Society expects to recover from the reinsurance contracts.

For reinsurance contracts acquired in a transfer of contracts or a business combination covering onerous underlying contracts, the adjustment to the CSM is determined by multiplying:

- the amount of the loss component that relates to the underlying contracts at the date of acquisition; and
- the percentage of claims on the underlying contracts that the Society expects at the date of acquisition to recover from reinsurance contracts.

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

##### **v. Derecognition and contract modification**

The Society derecognizes a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Society also derecognizes a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognized. If a contract modification does not result in derecognition, then the Society treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On derecognition of a contract from within a group of contracts:

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

If a contract is derecognized because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Society entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognized is measured assuming that, at the date of modification, the Society received the premium that it would have charged less any additional premium charged for the modification.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
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## **5. Material accounting policies (continued)**

### **B. Insurance and reinsurance contracts (continued)**

#### **vi. Presentation**

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position.

The Society disaggregates amounts recognized in the statement of profit or loss into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

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

The Society does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

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

#### **Insurance revenue – Insurance Contracts**

The Society recognizes insurance revenue as it satisfies its performance obligations – i.e. as it provides services under groups of insurance contracts. For insurance contracts, the insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Society expects to receive consideration and comprises the following items.

- A release of the CSM, measured based on coverage units provided (see 'Release of the CSM' below);
- Changes in the risk adjustment for non-financial risk relating to current services;
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts (see (iv)), which are recognized as insurance revenue and insurance service expenses at that date; and
- Other amounts, including experience adjustments for premium receipts for current or past services for the life risk segment and amounts related to incurred policyholder tax expenses.

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

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
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## 5. Material accounting policies (continued)

### B. Insurance and reinsurance contracts (continued)

#### vi. Presentation (continued)

##### Insurance revenue – Insurance contracts (continued)

Release of the CSM

See also Note 23(C).

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

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

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

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

#### Loss components

The Society establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

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

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
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## 5. Material accounting policies (continued)

### B. Insurance and reinsurance contracts (continued)

#### vi. Presentation (continued)

##### Loss component (continued)

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

##### Insurance service expense

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

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

##### Net income (expense) from reinsurance contracts

Net income (expense) from reinsurance contracts comprises an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Society recognizes an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. The allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Society expects to pay consideration.

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

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

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

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 5. Material accounting policies (continued)

### B. Insurance and reinsurance contracts (continued)

#### vi. Presentation (continued)

##### Insurance finance income and expenses

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

For life risk and life savings contracts, the amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The systematic allocation is determined using the following rates:

- life risk contracts: the discount rates determined on initial recognition of the group of contracts; and
- life savings contracts: for insurance finance income or expenses arising from the estimates of future cash flows, a rate that allocates the remaining revised expected finance income or expenses over the remaining duration of the group of contracts at a constant rate (i.e. the effective yield); and for insurance finance income or expenses arising from the CSM, the discount rates determined on initial recognition of the group of contracts.

For life risk and life savings contracts, the Society presents insurance finance income or expenses in profit or loss.

#### vii. Initial recognition of CSM upon transition to IFRS 17

The Society's transition approaches applied at the date of transition to IFRS 17 (1 January 2022) continue to impact a significant part of how the CSM balance at 31 December 2025 and 31 December 2024 have been determined. The accounting policies for how the CSM on the date of transition was determined for groups measured applying the full retrospective approach and the fair value approach are summarized below.

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Year of issue	Transition approach
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#### After 2019

All groups: Full retrospective approach

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#### Before 2020

All groups: Fair value approach

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##### Insurance and reinsurance contracts – Full retrospective approach

Under the full retrospective approach, the CSM (or the loss component) at 1 January 2022 was determined by calculating the present value of the fulfillment cash flows and directly attributable acquisition costs and using a discount rate applicable to a contract on the date of inception.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## **5. Material accounting policies (continued)**

### **B. Insurance and reinsurance contracts (continued)**

#### **vii. Initial recognition of CSM upon transition to IFRS 17**

##### **Insurance and reinsurance contracts – Full retrospective approach (continued)**

For all contracts measured under the full retrospective approach, the Society used reasonable and supportable information available at 1 January 2022 to determine:

- how to identify groups of contracts;
- availability of historical data; and
- how to identify discretionary cash flows for contracts.

##### **Insurance fair value approach**

For contracts acquired in a transfer of contracts or a business combination before 2020, the Society used the fair value approach.

For groups of reinsurance contracts covering onerous underlying contracts, the Society established a loss-recovery component at 1 January 2022. The Society determined the loss-recovery component by multiplying:

- the amount of the loss component that relates to the underlying contracts at 1 January 2022; and
- the percentage of claims on the underlying contracts that the Society expected to recover from the reinsurance contracts.

### **C. Investment contracts**

Investment contracts include guaranteed investment and term certain annuities. These contracts identify the financial liability related to the investment contract and record the cost in profit or loss.

#### **i. Financial liabilities**

The Society recognizes a financial liability, representing its contractual obligation of the guaranteed investment and term certain annuities to credit the contract holders account for the contractually agreed to interest rate. This cost is recognized in profit or loss. The Society derecognizes the financial liability when the obligations specified in the contract expire or are discharged or cancelled.

Financial liabilities arising from investment contracts are designated as at amortized cost on initial recognition which includes the original principal deposit, plus accrued interest. The amortized cost value is the amount payable on demand as the contract holders can cancel their contracts prior to maturity (with applicable surrender penalty) at any time after contract inception.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## **5. Material accounting policies (continued)**

### **D. Financial assets and financial liabilities**

#### **i. Recognition and initial measurement**

The Society recognizes deposits with financial institutions and loans on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date on which the Society becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

#### **ii. Classification and subsequent measurement**

##### **Financial Assets**

##### Classification

On initial recognition, a financial asset is classified as measured at amortized cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Society changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. The Society has not made a change to its business model during the fiscal period.

A financial asset is measured at AC if it meets both of the following conditions and is not designated as at FVTPL:

- iii. it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- iv. its contractual terms give rise on specified dates to cash flows that are SPPI.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- v. it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- vi. its contractual terms give rise on specified dates to cash flows that are SPPI; and
- vii. it is held for strategic purposes.

All financial assets not classified as measured at AC or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Society may irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
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## **5. Material accounting policies (continued)**

### **D. Financial assets and financial liabilities (continued)**

#### **ii. Classification and subsequent measurement (continued)**

##### **Financial Assets (continued)**

###### **Business model assessment**

The Society assesses the objective of the business model in which a financial asset is held for each investment segment of financial assets because this best reflects the way that the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of assets;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Society's stated objective for managing the financial assets is achieved and how cash flows are realized.

For a majority of debt investments, the objective of the Society's business model is to fund insurance contract liabilities. The Society undertakes significant buying and selling activity on a regular basis to rebalance its various investment segments of assets and to ensure that contractual cash flows from the financial assets are sufficient to settle insurance contract liabilities. The Society determines that both collecting contractual cash flows as they come due and selling financial assets to maintain the desired asset profile are integral to achieving the business model's objective.

Certain debt securities are held in separate investment segments for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Society considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Investment segments of financial assets that are managed and whose performance is evaluated on a fair value basis, which include underlying items of participating whole life contracts and portfolios of financial assets that are held for trading, and measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

###### **Assessment of whether contractual cash flows are SPPI**

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time – e.g. if there are repayments of principal.

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
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## **5. Material accounting policies (continued)**

### **D. Financial assets and financial liabilities (continued)**

#### **ii. Classification and subsequent measurement (continued)**

##### **Financial Assets (continued)**

##### **Assessment of whether contractual cash flows are SPPI (continued)**

In assessing whether the contractual cash flows are SPPI, the Society considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Society considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Society's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, for a financial asset acquired at a premium or discount to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
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## 5. Material accounting policies (continued)

### D. Financial assets and financial liabilities (continued)

#### ii. Classification and subsequent measurement (continued)

##### Financial assets (continued)

##### Subsequent measurement and gains and losses

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###### Financial assets at FVTPL

Measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognized in profit or loss,

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###### Debt investments at FVOCI

Measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI and accumulated in the fair value reserve. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

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###### Equity investments at FVOCI

Measured at fair value. Dividends are recognized as income in profit or loss when the Society's right to receive payment is established, unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. Cumulative gains and losses recognized in OCI are transferred to retained earnings on disposal of an investment.

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###### Financial assets at amortized cost

Measured at amortized cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Society derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Society neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
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## 5. Material accounting policies (continued)

### D. Financial assets and financial liabilities (continued)

#### ii. Classification and subsequent measurement of (continued)

##### Financial liabilities

###### Classification

The Society classifies its financial liabilities, other than financial guarantees at amortized cost.

The Society has designated investment contract liabilities at AC on initial recognition. This is because these liabilities make up the initial contractholder principal deposit, plus accrued interest on the investment contract.

##### Subsequent measurement and gains and losses

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###### Financial liabilities at amortized cost

Measured at amortized cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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The Society generally derecognizes a financial liability when its contractual obligations expire, are discharged, or are cancelled. The Society also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

##### Interest on financial instruments

Interest income and expenses are recognized in profit or loss using the effective interest method. The effective interest rate is calculated on initial recognition of a financial instrument and is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
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## 5. Material accounting policies (continued)

### D. Financial assets and financial liabilities (continued)

#### ii. Classification and subsequent measurement (continued)

##### Interest on financial instruments (continued)

The gross carrying amount of a financial asset is its amortized cost before adjusting for any loss allowance.

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##### Financial assets not credit-impaired on initial recognition

If the financial asset is not credit-impaired, then interest income is calculated by applying the effective interest rate to the gross carrying amount of the asset. When calculating the effective interest rate, the Society estimates future cash flows considering all contractual terms of the asset, but not the expected credit loss (ECL).

If the financial asset has become credit-impaired subsequent to initial recognition, then interest income is calculated by applying the effective interest rate to the amortized cost of the asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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##### Financial assets credit-impaired on initial recognition

Interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

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##### Financial liabilities

Interest expenses are calculated by applying the effective interest rate to the amortized cost of the liability. When calculating the effective interest rate, the Society estimates future cash flows considering all contractual terms of the liability.

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The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest revenue calculated using the effective interest method and other finance costs presented in profit or loss include interest on financial assets and financial liabilities measured at AC and debt investments measured at FVTPL.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
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## **5. Material accounting policies (continued)**

### **D. Financial assets and financial liabilities (continued)**

#### **iii. Expected Credit Loss**

Financial assets measured at AC and FVOCI are subject to the expected credit loss (ECL) model under IFRS 9. Given the high quality of the Company's investment portfolio and the resulting immateriality of ECLs, the recognized loss allowance is insignificant.

## **6. Risk and capital management**

The Society's board of directors has overall responsibility for the establishment and oversight of the Society's risk management framework. The Society's Risk and Compliance Committee is responsible for oversight of the enterprise risk management framework and coordinates with the other board committees with the monitoring of specific risks.

The Society's risk management policies are established to identify and analyze the risks faced by the Society, set appropriate risk limits and controls, and monitor adherence to risk limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Society's activities. The Society, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Each board committee, Risk and Compliance, Audit and Finance, Investment and Governance and Human Resources, oversee how management monitors compliance with the Society's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks that each committee is accountable to monitor.

### **A. Financial risk management framework**

The primary goals of the Society's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Society's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Society's statement of financial position from events that have the potential to materially impair its financial strength. Balancing risk and reward are achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventive controls and transferring risk to third parties.

The Society has policies and procedures relating to the identification, measurement, monitoring, mitigating, and controlling of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk, market risk, insurance risk and operational risk. The following sections describe how the Society manages each of these risks:

#### **i. Credit risk:**

Credit risk is the risk of financial loss resulting from the failure of debtors making payments when due. The Society is exposed to credit risk principally through its investments, balances receivables from policyholders and reinsurers. The following policies and procedures are in place to manage this risk:

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 6. Risk and capital management (continued)

### A. Financial risk management framework (continued)

#### i. Credit risk (continued)

- Investment guidelines are in place that require only the purchase of investment-grade bond assets and minimize undue concentration of assets in any single geographic area within Canada, as well as industry and company;
- Investment guidelines specify minimum and maximum limits for each asset class. Credit ratings are determined by recognized external credit rating agencies and/or internal credit review;
- Investment guidelines also specify collateral requirements;
- Investment segments are monitored continuously and reviewed regularly with the board of directors and the Investment Management Committee of the Society; and
- Significant restrictions have been placed around the use of derivative instruments. Such instruments may be used only for hedging purposes, not for speculation, and counterparty credit risk must be mitigated by the use of exchange-traded instruments only.

The Society is exposed to credit risk relating to premiums due from policyholders during the grace period specified by the insurance policy or until the policy is paid up or terminated. Commissions paid to agents and brokers are netted against amounts receivable, if any.

Reinsurance is placed with counterparties that have a good credit rating and concentration of credit risk is managed by following policy guidelines set each year by the board of directors. Management continuously monitors and performs an assessment of creditworthiness of reinsurers.

#### Maximum exposure to credit risk

The following table summarizes the Society's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses:

in thousands of dollars	2025	2024
Cash equivalents	1,487	1,791
Accrued investment income	1,488	1,375
Insurance and other receivables	2,383	929
Bonds	101,629	120,525
Private Debt & Mortgage loan pooled fund	102,359	94,378
Mortgage loans on real estate	1,006	1,793
Reinsurance contract asset	12,304	13,410
	222,656	234,201

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 6. Risk and capital management (continued)

### A. Financial risk management framework (continued)

#### i Credit risk (continued)

##### Maximum exposure to credit risk (continued)

Credit risk is also mitigated by requiring collateral in certain circumstances and also personal guarantees on mortgage loans on real estate that the Society can act on as required. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. At 31 December 2025 no collateral was held on these assets.

Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Management monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

##### Concentration of credit risk:

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

The following table provides details of the carrying value of bonds by industry:

in thousands of dollars	2025	2024
Canadian bonds issued or guaranteed by:		
Canadian federal government	-	793
Canadian provincial and municipal governments	58,943	66,505
Corporate bonds by sector:		
Infrastructure/Utilities	20,538	24,566
Energy	14,988	16,223
Financial services	5,653	8,607
Industrials	801	937
Real estate	-	709
Telecommunications	706	2,185
	101,629	120,525

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 6. Risk and capital management (continued)

### A. Financial risk management framework (continued)

#### i. Credit risk (continued)

##### Concentration of credit risk (continued)

Terms to maturities of bonds:

in thousands of dollars	2025	2024
Due in 1 year or less	1,816	2,834
Due in 1 to 5 years	3,963	5,560
Due in 5 to 10 years	2,173	1,774
Due after 10 years	93,677	110,357
	101,629	120,525

##### Asset quality

The table below summarized the credit exposure of the Society from its investments in fixed income securities by rating:

in thousands of dollars	2025	2024
AAA	152	1,042
AA	48,416	55,460
A	46,871	56,180
BBB	6,190	7,843
	101,629	120,525

The assets analyzed above are based on external credit ratings obtained from various reputable external rating agencies including; Dominion Bond Rating Service Morningstar ("DBRS"), Moody's, Standard & Poor's ("S&P") and Fitch. The rating scales are based on long-term investment horizons under the following broad investment grade definitions:

- AAA The financial instrument is judged to be of the highest quality, with minimal credit risk and indicates the best quality issuers that are reliable and stable.
- AA The financial instrument is judged to be of high quality and is subject to very low credit risk and indicates quality issuers.
- A The financial instrument is considered upper-medium grade and is subject to low credit risk although certain economic situations can more readily affect the issuers' financial soundness adversely than those rated AAA or AA.
- BBB The financial instrument is subject to moderate credit risk and indicates medium class issuers, which are currently satisfactory. BBB is the lowest grade rating considered to be of investment quality.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 6. Risk and capital management (continued)

### A. Financial risk management framework (continued)

#### i. Credit risk (continued)

##### Reinsurance

Under the terms of reinsurance agreements, reinsurers agree to reimburse the ceded amount in the event that a gross claim is paid. However, the Society remains liable to its policyholders regardless of whether the reinsurer meets the obligations it has assumed. Consequently, the Society is exposed to credit risk arising from the creditworthiness of reinsurers as counterparties.

The Society monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Society has policies in place which establish the guidelines for the minimum credit criteria for acceptable reinsurance and monitoring the purchase of reinsurance against those criteria.

When selecting a reinsurer, the Society considers its credit profile. This is assessed from public rating information and from internal investigations. The Society uses Standard & Poor's credit rating methodology as the credit rating source. The reinsurance receivable balance outstanding is with AA and A rated reinsurers. The table below sets out information about the credit quality exposure of reinsurance contract assets:

in thousands of dollar	2025	2024
AAA	-	-
AA	4,720	6,476
A	7,584	6,934
BBB	-	-
	<b>12,304</b>	<b>13,410</b>

##### Collateral pledged

The Society has pledged certain investment assets to cover an unfunded defined benefit obligation with a liability amount of \$3,569 (2024: \$3,629) via a Standby Letter of Credit from a Canadian financial institution to secure the future required payments to current retirees. The Letter of Credit is secured by investment grade provincial bonds. Interest income received from the pledged assets is recognized as investment income while the bond assets are included within the financial investments and the financial liability is recognized for the obligation to repay it.

##### Impairments

The Society provides for credit risk by establishing allowances against the carrying value of the bond and debenture investments measured at FVOCI and for impaired mortgage loans on real estate measured at amortized cost. When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Society considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Society's experience, third-party investment manager expert credit assessment and forward-looking information.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 6. Risk and capital management (continued)

### A. Financial risk management (continued)

#### i. Credit risk (continued)

##### Impairments (continued)

###### Bond portfolio

The Society monitors changes in the bond and debenture portfolio's credit risk through its investment manager where tracking published external credit ratings and other market related developments associated with issuers occurs weekly. The Society has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Society considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Society considers this to be BBB- or higher rating based on various rating agencies, such as Moody's, Standard & Poor's, Dominion Bond Rating Service Morningstar or Fitch.

The following tables show reconciliations from the opening balance to the closing balance of the loss allowance by class of financial instrument. Transfers due to changes in credit risk are determined in accordance with the accounting policy set out in Note 5(D)(iii).

###### Bond portfolio loss allowance

in thousands of dollars	2025	2024
<b>Bonds at FVOCI</b>		
Balance at 1 January	116	173
Net measurement of loss allowance	(48)	(57)
New financial assets acquired	-	-
Financial assets derecognized	-	-
Balance at 31 December	68	116

###### Mortgage portfolio loss allowance

in thousands of dollars	2025	2024
<b>Mortgage loans on real estate at AC</b>		
Balance at 1 January	6	172
Net measurement of loss allowance	-	(166)
New financial assets acquired	-	-
Financial assets derecognized	-	-
Balance at 31 December	6	6

There are three stages involved in impairment testing. The three stages are as follows:

1. Stage 1 – the level of credit risk since initial recognition has not incurred a significant increase with the requirement of determining a 12-month expected credit loss estimate for the current reporting period;
2. Stage 2 – there is an observed significant increase in the credit risk since initial recognition with the requirement of determining a lifetime expected credit loss estimate for the current reporting period; and
3. Stage 3 – there is a determined credit impairment with a lifetime expected credit loss estimate for the current reporting period.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
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Year ended 31 December 2025

## 6. Risk and capital management (continued)

### A. Financial risk management (continued)

#### i. Credit risk (continued)

#### Impairments (continued)

##### Bond portfolio

in thousands of dollars	2025			2024		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Bonds at FVOCI						
Balance at Jan 1	116	-	-	173	-	-
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Net measurement of loss allowance	(48)	-	-	(57)	-	-
Net measurement of assets acquired	-	-	-	-	-	-
Financial assets derecognized	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-
Unwinding of discount	-	-	-	-	-	-
Balance at 31 December	68	-	-	116	-	-

##### Mortgage portfolio

in thousands of dollars	2025			2024		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Mortgage loans on real estate at AC						
Balance at Jan 1	-	-	6	-	-	172
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Net measurement of loss allowance	-	-	-	-	-	-
Net measurement of assets acquired	-	-	-	-	-	-
Financial assets derecognized	-	-	-	-	-	-
Write-offs	-	-	-	-	-	(166)
Unwinding of discount	-	-	-	-	-	-
Balance at 31 December	-	-	6	-	-	6

##### Mortgage loans on real estate

The ECL for mortgage loans on real estate are determined based on the Society's historic loss experience. The historic loss experience has been low and with the decreasing size of the mortgage loan portfolio, the current loan loss provision methodology using specific provisions based on the ongoing review assessment of the outstanding commercial loans and the borrower's historical payment covenant reporting performance requirements. Asset impairments recognized as at 31 December 2025 - \$6 (2024 - \$6).

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 6. Risk and capital management (continued)

### A. Financial risk management (continued)

#### ii. Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet all cash outflow obligations as they come due. The Society closely manages operating liquidity by limiting cash flow mismatching of assets and liabilities. Management monitors the use of a line of credit on a regular basis and assesses the ongoing availability of these and alternative forms of operating credit.

The Society maintains a \$2.5 million operating bank line of credit to support operational funding requirements. The Company has no outstanding balance owing on the line of credit as at 31 December 2025 - \$nil (2024 - \$nil).

In the normal course of business, the Society enters into contracts that give rise to commitments of future minimum payments that impact short-term and long-term liquidity. The following table summarizes the principal repayment schedule of certain of the Society's financial liabilities.

2025	Within 1 year	1 year to 3 years	3 years to 5 years	Over 5 years	No fixed maturity
Insurance contract assets	6,927	12,321	10,957	( 8,856)	461
Reinsurance contract assets	881	1,732	1,806	7,885	-
	7,808	14,053	12,763	( 971)	461
Insurance contract liabilities	3,551	9,274	11,436	147,293	-
Investment contract liabilities	36,934	42,131	12,561	405	-
Reinsurance contract liabilities	310	610	635	2,774	-
Segregated fund liabilities	8,270	11,039	5,721	11,683	-
Subordinated debt	-	-	3,411	-	-
Payables	5,828	-	-	-	-
	54,893	63,054	33,764	162,155	-

2024	Within 1 year	1 year to 3 years	3 years to 5 years	Over 5 years	No fixed maturity
Insurance contract assets	5,719	10,205	9,114	( 7,096)	252
Reinsurance contract assets	181	455	563	12,211	-
	5,900	10,660	9,677	5,115	252
Insurance contract liabilities	3,687	9,170	11,428	162,776	-
Investment contract liabilities	40,955	32,126	12,359	229	-
Reinsurance contract liabilities	52	134	165	3,581	-
Segregated fund liabilities	5,973	6,122	8,119	18,977	-
Subordinated debt	-	-	-	3,586	-
Payables	4,693	-	-	-	-
	55,360	47,552	32,071	189,149	-

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 6. Risk and capital management (continued)

### A. Financial risk management (continued)

#### iii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: currency risk, interest rate risk and equity risk.

Market risk principally arises from the Society's equity investments, interest-bearing financial assets and financial liabilities, and financial assets and financial liabilities denominated in foreign currencies. Interest rate risk and equity price risk also arise from interest rate and equity guarantees in the Society's insurance and investment contracts to the extent that they are not economically hedged or borne by contract holders.

#### Currency risk

Currency risk relates to the Society operating in different currencies and converting non-Canadian dollar earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. If foreign currency assets are acquired to back liabilities, they may be converted back to the currency of the liability using foreign exchange contracts.

As at 31 December 2025, the Society's only significant currency exposure was related to the US dollar-denominated subordinated debt of USD \$2,438 (2024 - USD \$2,438) and US dollar-denominated units in a private equity pooled fund of USD \$3,725 (2024 - USD \$4,020). An immediate 10% increase in the foreign currency rate would result in an estimated after-tax increase in net income of \$160 (2024 - \$171). Conversely, an immediate 10% decrease in the foreign currency rate would result in an estimated after-tax decrease in net income of \$196 (2024 - \$289). An increase or decrease in foreign currency rates would have no effect on actuarial liabilities.

#### Interest rate risk

The Society's exposure to changes in interest rates is concentrated in the investment portfolio, and to a lesser extent its debt obligations.

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change causing a difference in value between the asset and liability. The Society utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment. Cash flows for assets and liabilities in total are also reviewed for interest rate risk.

Interest rate risk is managed by investing in assets that are suitable for the products sold. For products with fixed and highly predictable benefit payments, investments are made in fixed income assets that closely match the liability product cash flows. Protection against interest rate change is achieved as any change in the fair market value of the assets will be offset by a similar change in the fair market value of the liabilities.

For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments, or common, preferred and pooled public equities as described below.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## **6. Risk and capital management (continued)**

### **A. Financial risk management (continued)**

#### **iii. Market risk (continued)**

##### **Interest rate risk (continued)**

The risk associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

Projected cash flows from assets and liabilities are used to determine contract liabilities. Cash flows from assets are reduced to provide for potential asset default losses. Testing under several interest rate scenarios (including increasing and decreasing rates) is done to assess reinvestment risk. See note 6(B)(iv) for interest rate (discount rate) sensitivity analysis.

##### **Equity risk**

Equity risk is the uncertainty associated with the value of assets arising from changes in equity markets. To mitigate equity risk, the Society has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits.

Some policy liabilities are supported by equities. Liabilities which are equity index-linked will fluctuate in line with equity market values. There could be additional impacts on other policy liabilities as equity market values fluctuate. A 10% increase or decrease in equity markets would be expected to impact actuarial liabilities by an immaterial amount.

Equities designated as FVOCI do not support contract liabilities. Changes in fair value of equities are recorded to the consolidated statement of comprehensive income. For the Society's FVOCI equities, an immediate 10% increase in stock prices at 31 December 2025, would result in an estimated after-tax increase in the consolidated statement of comprehensive income of \$1,165 (2024 - \$1,041). Conversely, an immediate 10% decrease in stock prices would result in an estimated after-tax decrease in other comprehensive income of \$1,165 (2024 - \$1,041).

Equities designated as FVTPL support contract liabilities. Changes in fair value of equities are recorded to the consolidated statement of profit or loss. For the Society's FVTPL equities, an immediate 10% increase in stock prices at 31 December 2025, would result in an estimated after-tax increase in the consolidated statement of profit or loss of \$1,005 (2024 - \$215). Conversely, an immediate 10% decrease in stock prices would result in an estimated after-tax decrease in the consolidated statement of profit or loss \$1,005 (2024 - \$215).

##### **Concentration risk**

The Society establishes enterprise-wide investment portfolio level targets and limits to ensure that portfolios are widely diversified across asset classes and individual investment risks.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 6. Risk and capital management (continued)

### A. Financial risk management (continued)

#### iii. Market risk (continued)

##### Concentration risk (continued)

Market risk concentrations of the Society's investments at 31 December are as follows:

	2025	2024
Bonds and debentures rated at investment grade BBB- or higher	100%	100%
Bonds and debentures rated at A or higher	94%	93%
Government bonds as a percent of total bonds and debentures	58%	56%
Highest exposure to a single non-government bond and debenture issuer (in thousands of dollars)	4,932	5,939
Largest single issuer as a percent of total stock portfolio	1.7%	1.4%
Publicly listed corporations as a percent of total stock portfolio	99.5%	100.0%

##### Segregated funds market value risk

Segregated funds provide an insurance guarantee that a member's investment will not fall below a minimum value at a specified maturity date or upon the member's death. The actuarial liabilities for segregated funds will generally fluctuate in a direction opposite that of financial market value changes, as the costs of the guarantees become higher when market values decrease and are lower when these values increase.

Since the segregated funds offer bond and stock investment options, this business is subject to both interest rate risk and to equity risk. These risk exposures are quantified and reviewed regularly.

An immediate 10% increase or decrease in the market value of the segregated fund unit values at 31 December 2025 would impact contract liabilities by an immaterial amount.

### B. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Society's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and general accepted standards and corporate behaviour. Operational risks arise from all the Society's operations.

The Society's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Society's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
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Year ended 31 December 2025

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## 6. Risk and capital management (continued)

### B. Operational risk (continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. The responsibility supported by the development of overall Society standards for the management of operational risk are as follows:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- regular review and assessment of the design effectiveness and operating effectiveness of internal controls under the Society's internal controls framework;
- compliance with regulatory and legal requirements;
- requirements for periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risk identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- IT, data security and cyber risks; and
- risk mitigation, including reinsurance where this is cost-effective.

Compliance with the Society's standards is supported by a program of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the Society's senior management, with summaries submitted to the Society's audit and finance committee.

### C. Insurance risk

The Society assumes insurance risk by issuing insurance contracts, under which the Society agrees to compensate the policyholder or other beneficiary, if a specified future event (the insured event) affecting the policyholder occurs. Insurance claims risk includes mortality, longevity and morbidity risk.

For accounting purposes, insurance risk is defined as risk other than financial risk. Contracts issued by the Society may include both insurance and financial risk; contracts with significant insurance risk are classified as insurance contracts, while contracts with no or insignificant insurance risk are classified as investment contracts. The Society's approach to financial risk management has been described in Note (6)(A).

Insurance risk is the risk of loss due to actual experience differing from the experience assumed when a product was designed and priced with respect to claims, policyholder behaviour and expenses. A variety of assumptions are made related to the future level of insurance claims, policyholder behaviour, expenses and sales levels when products are designed and priced, as well as in the determination of actuarial liabilities. The development of assumptions for future insurance claims are based on Society and industry experience; assumptions for policyholder behaviour are based on Society experience and predictive models; assumptions for expenses and sales levels are based on Society experience. Such

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 6. Risk and capital management (continued)

### C. Insurance risk (continued)

assumptions require a significant amount of professional judgment; however, actual experience may be materially different than the assumptions made by the Society.

#### i. Risk management objectives and policies for mitigating insurance risk:

The Society manages its insurance risks through the following mechanisms:

- The diversification of business over several classes of insurance and large numbers of uncorrelated individual risks, by which the Society seeks to reduce variability in claims experience.
- The maintenance and use of sophisticated management information systems, which provide current data on the risks to which the business is exposed.
- Actuarial models, which use the above information to calculate premiums and monitor claims patterns.
- Guidelines for concluding insurance contracts and assuming insurance risks. These include underwriting principles and product pricing procedures.
- The mix of assets, which is driven by the nature and term of the insurance liabilities. The management of assets and liabilities is closely monitored.

#### ii. Terms and conditions of insurance contracts:

The terms and conditions attached to insurance contracts determine the level of insurance risk accepted by the Society.

The extent of the Society's discretion as to the allocation of investment return to policyholders varies based on the type of contract. Where the contracts are pure risk type, there is no sharing of investment returns. For other contracts, investment return is attributed to the policyholder.

In addition to the specified risks identified above, the Society is subject to the risk that policyholders discontinue the insurance policy through lapse or surrender.

#### iii. Management of insurance risks

The table below summarizes the variety of insurance risks to which the Society is exposed, and the methods by which it seeks to mitigate these risks.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
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Year ended 31 December 2025

## 6. Risk and capital management (continued)

### C. Insurance risk (continued)

#### iii. Management of insurance risks (continued)

Risks	Definition	Risk Management
Underwriting	Misalignment of policyholders to the appropriate pricing basis or impact of anti-selection, resulting in a loss.	Experience is closely monitored. For universal life business, mortality rates can be reset. Underwriting limits, health requirements, spread of risks and training of underwriters all mitigate the risk.
Mortality	Higher mortality rates than those charged for in life insurance premiums, resulting in a loss.	Experience is closely monitored. For dividend paying policies, dividends can be modified if experience is different than assumed. For non-dividend paying policies, the mortality risk is largely reinsured.
Morbidity	Higher rates of claim incidence and/or lower rates of recovery, resulting in a loss.	Experience is closely monitored. The morbidity risk is shared with reinsurers.
Financial	Lower yield curves, interest rate risk and higher rate volatilities can cause investment guarantee reserves to increase.	Experience is closely monitored. For dividend paying policies, dividends can be modified if experience is different than assumed. Asset liability management is employed to match returns and duration of investments with those assumed in the pricing of the insurance product.
Longevity	Possible increase in annuity cost due to policy holders living longer.	The pricing for long-term annuities uses a relatively conservative mortality assumption and shared with reinsurers.
Policyholder behavior	Selection of more expensive options, or lapse and re-entry when premium rates are decreasing.	Experience is closely monitored, and policyholder behavior is allowed for in pricing and valuation, surrender penalties for early cancellation.
Catastrophe	Natural and non-natural disasters could result in increased mortality risk and payouts on policies.	The Society has limited exposure to natural disasters, as its risks are spread out geographically and are uncorrelated.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 6. Risk and capital management (continued)

### C. Insurance risk (continued)

#### iii. Management of insurance risks (continued)

Many of the above risks are concentrated by line of business (for example, longevity risk is primarily attached to annuities). The Society, through diversification in the types of business it writes, attempts to mitigate this concentration of risk.

#### iv. Sensitivity analysis

Changes in key assumptions used to value insurance contracts would result in increases or decreases to the insurance contract liabilities recorded, with corresponding decreases or increases to profit. The sensitivity analysis detailed below profiles the change in assumptions for all life risk and payout annuities impact as well as profiling the participating whole life policies where assumption changes / experience may be partially passed through to the policyholder.

Key assumption changes in 2025 resulted from various model corrections, dividend scale changes for one closed block of life insurance policies, mortality assumption updates specific to the mortality multiplier for participating, universal life and payout annuity product lines and updates to investment income tax (IIT) rates for universal life investment accounts. These assumption changes collectively reduced insurance contract liabilities, increased CSM with a small amount released into profit or loss.

The table below analyses how the CSM, profit or loss and equity would have increased (decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

31 December 25 in thousands of dollars	CSM		Profit or Loss		Equity	
	Gross	Net	Gross	Net	Gross	Net
<b>Life risk and payout annuities</b>						
Mortality rates (10% increase)	(4,321)	(1,463)	(2,119)	(539)	(2,119)	(539)
Mortality rates (10% decrease)	4,900	1,648	1,805	343	1,805	343
Morbidity rates (10% increase)	(630)	(390)	(50)	(35)	(50)	(35)
Morbidity rates (10% decrease)	645	399	37	26	37	26
Expenses (10% increase)	(383)	(469)	(121)	(36)	(121)	(36)
Expenses (10% decrease)	384	469	120	35	120	35
Lapse rates supported (10% increase)	756	798	(3)	(5)	(3)	(5)
Lapse rates supported (10% decrease)	(773)	(826)	(8)	(2)	(8)	(2)
Lapse rates non-supported (10% increase)	(3,216)	(3,643)	(2,177)	(579)	(2,177)	(579)
Lapse rates non-supported (10% decrease)	4,749	4,941	2,285	528	2,285	528
Discount rates (increase 50 basis points)	-	-	3,448	3,288	3,448	3,288
Discount rates (decrease 50 basis points)	-	-	(3,905)	(3,708)	(3,905)	(3,708)
<b>Participating – Whole Life</b>						
Mortality rates (10% increase)	(3,473)	(2,259)	(343)	(286)	(343)	(286)
Mortality rates (10% decrease)	3,855	2,624	369	307	369	307
Expenses (10% increase)	(938)	(953)	(99)	(84)	(99)	(84)
Expenses (10% decrease)	1,092	1,107	98	84	98	84
Lapse rates (10% increase)	(1,087)	(1,001)	(961)	(795)	(961)	(795)
Lapse rates (10% decrease)	1,136	989	1,041	861	1,041	861
Discount rates (increase 50 basis points)	-	-	3,147	3,159	3,147	3,159
Discount rates (decrease 50 basis points)	-	-	(3,425)	(3,436)	(3,425)	(3,436)

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 6. Risk and capital management (continued)

### C. Insurance risk (continued)

#### iv. Sensitivity analysis (continued)

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

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

31 December 24 in thousands of dollars	CSM		Profit or Loss		Equity	
	Gross	Net	Gross	Net	Gross	Net
<b>Life risk and payout annuities</b>						
Mortality rates (10% increase)	(4,985)	(1,512)	(2,029)	(466)	(2,029)	(466)
Mortality rates (10% decrease)	5,449	1,620	1,840	344	1,840	344
Morbidity rates (10% increase)	(655)	(421)	(42)	(29)	(42)	(29)
Morbidity rates (10% decrease)	655	421	42	29	42	29
Expenses (10% increase)	(430)	(509)	(113)	(35)	(113)	(35)
Expenses (10% decrease)	430	509	113	35	113	35
Lapse rates supported (10% increase)	744	852	6	1	6	1
Lapse rates supported (10% decrease)	(772)	(888)	(8)	(2)	(8)	(2)
Lapse rates non-supported (10% increase)	(2,971)	(3,215)	(1,682)	(458)	(1,682)	(458)
Lapse rates non-supported (10% decrease)	3,972	3,906	2,033	827	2,033	827
Discount rates (increase 50 basis points)	-	-	3,027	2,696	3,027	2,696
Discount rates (decrease 50 basis points)	-	-	(3,433)	(3,063)	(3,433)	(3,063)
<b>Participating – Whole Life</b>						
Mortality rates (10% increase)	(3,771)	(2,653)	(293)	(245)	(293)	(245)
Mortality rates (10% decrease)	4,028	2,895	313	262	313	262
Expenses (10% increase)	(1,094)	(1,104)	(80)	(70)	(80)	(70)
Expenses (10% decrease)	998	1,008	77	67	77	67
Lapse rates (10% increase)	(1,131)	(1,193)	(843)	(706)	(843)	(706)
Lapse rates (10% decrease)	1,190	1,196	914	816	914	816
Discount rates (increase 50 basis points)	-	-	2,647	2,666	2,647	2,666
Discount rates (decrease 50 basis points)	-	-	(4,206)	(4,226)	(4,206)	(4,226)

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## **6. Risk and capital management (continued)** **C. Insurance risk (continued)**

### v. Insurance risk and policies for mitigating insurance risk

The primary activity of the Society relates to the assumption of the risk of loss from events involving persons or organizations. Such risks may relate to life insurance and health benefits. As such, the Society is exposed to the uncertainty surrounding the timing, frequency and severity of claims under insurance contracts.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and/or severity of claims is greater than expected during the measurement period and that the Society does not charge premiums appropriate for the risk accepted. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The Society manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralized management of reinsurance and monitoring of emerging issues. These actions are described below:

- Underwriting strategy

The Society underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks spread over a large geographical area. The underwriting strategy is set out in an annual business plan that determines the classes of product to be written, the territories in which business is to be written and the distribution channels to which the Society is prepared to accept written business from.

This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set the limits for underwriters by line and size in order to enforce appropriate risk selection within the portfolio. The single largest gross risk (based on estimated maximum loss) to which any one underwriter can commit the Society is \$2,000 for life insurance.

On a monthly basis, the underwriting results are monitored against pre-determined budgets. In the event that it does not deliver underwriting results within accepted parameters, corrective measures are implemented, including the possible cancellation of products or distribution arrangements going forward.

- Reinsurance strategy

The Society reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Society buys a combination of proportional and non-proportional reinsurance treaties to reduce the net exposure of the Society on any one risk to a maximum of \$375 for life insurance, \$137 for critical illness insurance and \$6 per annum for disability insurance.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 6. Risk and capital management (continued)

### C. Insurance risk (continued)

#### v. Insurance risk and policies for mitigating insurance risk (continued)

- Reinsurance strategy (continued)

Although claims in excess of these limits are recoverable from the companies that have assumed the reinsurance coverage, the Society remains liable to the beneficiaries on these policies. From 1 September 1987 to 30 September 1992, the Society reinsured the mortality and investment risk on certain single premium immediate annuity business. This arrangement is now closed for new business, although the business reinsured continues to be in effect. Reinsurance premiums paid during the year amounted to \$4,274 (2024 - \$3,610).

The Society monitors the financial condition of its reinsurers to minimize its exposure to credit risk and has not incurred any such loss during the year, or in prior years, as a result of reinsurance transactions.

- Concentrations of insurance risk and policies mitigating concentrations

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Society's resources.

The Society has exposure to life and health lines of insurance business with very limited exposure to specialized areas of insurance. The Society's reinsurance policy limits the losses in any one class of business.

- Exposure relating to catastrophe events:

The Society sets out the total aggregate exposure that it is prepared to accept for certain products to a range of events such as natural catastrophes. The aggregate position is reviewed annually. The Society uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programs and the net exposure of the Society.

The Society considers that its most significant exposure would arise in the event of deaths claims that are three times higher than expected in one year. This analysis has been performed through identifying key concentration of risks based on different classes of businesses exposed in the event of such an incident. The Society's policies for mitigating catastrophe risk exposure include the use of both proportional and non-proportional reinsurance. In the event of a major catastrophe, such as a tripling of death claims, the net retained loss is expected to represent less than \$21,020 (2024 - \$15,480).

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 6. Risk and capital management (continued)

### C. Insurance risk (continued)

#### v. Insurance risk and policies for mitigating insurance risk (continued)

- Other risks and policies mitigating these risks:

Insurance companies are exposed to the risk of false, invalid and exaggerated claims. Fraud detection measures and procedures are also in place to manage the Society's ability to proactively detect fraudulent claims.

#### vi. Key risks arising from contracts issued

The Society issues insurance contracts, investment contracts and contracts that provide investors with interests in collective investment schemes managed by third-party investment managers. The nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts and the risks arising from financial assets held to fund the settlement of the liabilities. The extent to which profit or loss and equity in any period are sensitive to financial risks depends on the extent to which they are economically hedged or borne by contract holders and the extent of any mismatches inherent in the accounting policies adopted by the Society.

#### Life risk and life savings contracts

Product	Key risks	Risk mitigation
Life risk		
Term insurance, critical and disability illness	<ul style="list-style-type: none"><li>- Mortality risk: death of policyholder earlier than expected</li><li>- Morbidity risk: diagnosis of critical illness earlier than expected</li><li>- Policyholder behavioural risk</li></ul>	<ul style="list-style-type: none"><li>- Reinsurance with financially strong reinsurers</li><li>- Experience studies</li></ul>
Participating whole-life	<ul style="list-style-type: none"><li>- Mortality risk</li><li>- Interest rate risk: difference in duration and yield of assets and liabilities</li><li>- Investment credit risk</li></ul>	<ul style="list-style-type: none"><li>- Reinsurance with financially strong reinsurers</li><li>- Investing in investment grade assets</li><li>- Experience studies</li></ul>
Universal life / term 100 and endowments	<ul style="list-style-type: none"><li>- Mortality risk</li><li>- Interest rate risk: insufficient return on assets to cover guaranteed minimum credited rates</li><li>- Policyholder behavioural risk</li></ul>	<ul style="list-style-type: none"><li>- Reinsurance with financially strong reinsurers</li><li>- Experience studies</li><li>- Management discretion to set crediting rates (subject to guaranteed rates)</li><li>- Surrender penalties</li></ul>
Life savings		
Guaranteed, term-certain annuities and segregated funds	<ul style="list-style-type: none"><li>- Interest rate risk: insufficient return on assets to cover guaranteed minimum crediting rates</li><li>- Investment credit risk</li></ul>	<ul style="list-style-type: none"><li>- Matching of assets and liabilities</li><li>- Surrender penalties</li><li>- Investment return and monitoring</li><li>- Investing in investment grade Assets</li></ul>

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 6. Risk and capital management (continued)

### C. Insurance risk (continued)

#### vi. Key risks arising from contracts issued (continued)

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Payout annuities	- Longevity risk - Interest rate risk: insufficient return on assets to cover guaranteed minimum credited rates - Investment credit risk	- Matching of asset and liability cash flows - Investing in investment grade assets
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These key risks reflect only the downside risk to the Society. For most of these risks, there is also an upside risk.

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

Policyholder behaviour risk is a key risk for the majority of life risk policies in-force.

All life risk and life savings contracts expose the Society to interest rate risk. Interest rate risk arises from the extent to which the actual return on financial assets held to fund the settlement of liabilities differs from the expected return when the contracts were issued. This risk is most significant for guaranteed and term certain annuity contracts in the payment period and non-dividend paying whole life contracts because these contracts typically have longer durations. It is not always possible to obtain matching assets with similar durations, and the Society does not have discretion to change the amounts of premiums or future payments to policyholders.

Term insurance and non-dividend paying whole-life contracts provide policyholders with a fixed lump sum payable on death. Term insurance contracts provide coverage over a fixed term. Term insurance premiums are level over the term of the contract. Non-dividend paying whole-life contracts provide coverage over the lifetime of the policyholder and have a surrender value after an initial period. The premiums for non-dividend paying, whole-life contracts are level throughout the duration of the contracts.

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

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

Guaranteed interest annuity and deferred fixed annuity contracts provide policyholders with a return of principal plus a fixed rate of interest during the accumulation period. The policyholder has the right to surrender the contract during the accumulation period and receive the current account value less any surrender charges. The fixed rate of interest is guaranteed for the contract period.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 6. Risk and capital management (continued) C. Insurance risk (continued)

### vi. Key risks arising from contracts issued (continued)

Universal life contracts provide policyholders with a lump sum benefit payable on death and access to an account value if the policyholder provided additional cash deposits beyond the minimum annual premium requirements. The account value of the additional cash deposits is credited daily based on the equity market returns of the selected investment products chosen by the policyholder or credited with interest for cash savings accounts at a rate of either a specified contractual rate or one set at the Society's discretion on a periodic basis.

#### Participating whole life contracts

Product	Key risks	Risk mitigation
Participating whole life	<ul style="list-style-type: none"><li>- Market risk: investment return on underlying items falling below guaranteed minimum rates</li><li>- Policyholder behavioural risk</li></ul>	<ul style="list-style-type: none"><li>- Management discretion to determine amount and timing of policyholder dividends (within limits)</li></ul>

All participating whole life contract holders receive a specified annual investment return based on a credited rate for a period of time as determined by the Society. The credited rate is set each calendar year based on various underlying items. Traditional participating whole life contracts provide policyholders with a guaranteed minimum return on premiums, or a minimum share in the performance of a clearly identified pool of underlying items (if it is higher). The actual share allocated to policyholders in any given period may be higher than the credited rate. Such profits do not have to be allocated to individual policyholders in the year in which they arise, and the allocation may be deferred until later years.

#### Other contracts

Product	Key risks	Risk mitigation
Segregated funds (accumulation period)	<ul style="list-style-type: none"><li>- Market risk: insufficient fees to cover cost of guarantees and expenses</li><li>- Policyholder behavioural risk</li></ul>	<ul style="list-style-type: none"><li>- Hedging program</li><li>- Surrender penalties</li></ul>
Payout annuities (payment period)	<ul style="list-style-type: none"><li>- Longevity risk</li><li>- Interest rate risk: differences in duration and yield of assets and liabilities</li><li>- Investment credit risk</li></ul>	<ul style="list-style-type: none"><li>- Matching of assets and liability cash flows</li><li>- Investing in investment grade asset</li></ul>
Universal life equity-linked	<ul style="list-style-type: none"><li>- Market risk: insufficient fees to cover expenses</li><li>- Policyholder behavioural risk</li></ul>	<ul style="list-style-type: none"><li>- Surrender penalties</li></ul>

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 6. Risk and capital management (continued)

### C. Insurance risk (continued)

#### vi. Key risks arising from contracts issued (continued)

A segregated fund is a type of investment fund that offers both investment growth potential and insurance protection. The contract holder invests their premium payments in various investment choice offerings. The premiums accumulate at the fair value returns of the funds less an expense charge. When the policy matures, or the contract holder dies, the benefit amount is equal to the market value of the accumulated premiums, subject to minimum guarantees as set by the Society. The risks arising from segregated fund contracts are primarily financial risks.

Traditional participating whole life insurance and segregated funds contracts also transfer insurance risk. These contracts are classified as direct participating insurance contracts (see Note 5(A)). All other participating contracts are classified as financial instruments.

Risks associated with payout annuities include longevity, interest rate and credit risk, while universal life policies with policyholders having equity-linked side accounts where the fair value fluctuates based on market returns that exposes the Society to volatile fee income that could result in the Society not covering its direct expenses required to operate this contract feature. This risk is mitigated by charging penalties on both side account redemptions and the early surrender of contracts.

Assets backing the contract liabilities of life risk, life savings and investment contracts are itemized in the chart below:

in thousands	31 December 2025			31 December 2024		
	Life Risk Life savings contracts	Investment contracts	Total	Life Risk Life savings contracts	Investment contracts	Total
Cash and cash equivalents	1,645	1,519	3,164	4,566	1,731	6,297
Financial investments	158,710	83,646	242,356	170,045	77,022	247,067
Receivables	2,490	605	3,095	928	467	1,395
Insurance contract assets	21,349	-	21,349	18,194	-	18,194
Reinsurance contract assets	12,183	121	12,304	13,410	-	13,410
<b>Total</b>	<b>196,377</b>	<b>85,891</b>	<b>282,268</b>	<b>207,143</b>	<b>79,220</b>	<b>286,363</b>

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 6. Risk and capital management (continued)

### D. Capital management

#### i. Regulatory capital

The Society monitors the amount of its capital available. The Society's policy is to maintain a strong capital base to maintain regulator, creditor and policyholder confidence and to sustain the future development of the business. The Society recognizes the impact of the level of capital on company earnings and the need to maintain a balance between the higher earnings that might be possible with greater levels of investment in the company to increase the competitiveness of the business and the advantages and security afforded by a stronger capital position.

The amount of capital deployed is dependent upon regulatory requirements as well as the Society's internal assessment of capital requirements in the context of its operational risks and requirements, and strategic plans. The Society's practice is to maintain capital at a level that will exceed the relevant minimum regulatory capital requirements and the Society's internal target capital levels.

In Canada, OSFI has established a capital adequacy measurement for life insurance companies incorporated under the *Insurance Companies Act* (Canada) and their subsidiaries, known as the Life Insurance Capital Adequacy Test (LICAT). LICAT establishes the standards used by OSFI to assess whether a life insurer maintains adequate capital or an adequate margin to support risks specific to the life insurance business.

OSFI has established supervisory target levels of 100% for total ratio and 70% for core ratio. OSFI requires life insurance companies to maintain a minimum Core ratio of 55% and a Total ratio of 90%. The prime purposes of the Own Risk and Solvency Assessment (ORSA) report are to identify and assess the Society's material risks, as well as to determine an adequate amount of capital and its internal capital targets, so as to ensure the appropriateness of its risk management and of its current and likely future capital needs and solvency positions.

The Society's capital base consists of retained earnings and AOCI as shown on the consolidated statement of changes in surplus.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 6. Risk and capital management (continued)

### D. Capital management (continued)

#### i. Regulatory capital (continued)

The following table provides the capital and LICAT information and ratios for the Society:

in thousands of dollars	2025	2024
Tier 1 Capital	36,632	18,487
Tier 2 Capital	17,719	18,487
Available Capital	54,351	36,974
Surplus Allowance	16,733	17,176
Base Solvency Buffer	32,584	30,660
LICAT ratios:		
Core ratio	148%	100%
Total ratio	218%	177%

The Society has also established policies and procedures designed to identify, measure and report all material risks, as detailed in its ORSA report. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan. As part of management's actions to increase its LICAT capital ratios for greater capital strength, it may enter into new reinsurance treaties that are targeted at increasing available capital or reducing insurance risks to set levels. The board of directors reviews and approves the capital policy of the Society.

The Society's capital base is structured to exceed regulatory and internal capital targets while maintaining a capital efficient structure and desired capital ratios. Capital is managed on a basis under principles that consider all the risks associated with the business.

Appropriated equity represents a discretionary amount appropriated by the board of directors to provide for possible future fraternal benefits and other charitable activities.

During 2025, management entered into two reinsurance treaty agreements that were designed to improve Tier 1 Capital and were reflected in the 31 December 2025 capital ratios.

The Society's capital adequacy is monitored through the report on Financial Condition Testing (FCT). The purpose of the FCT report is to bring the attention of the board of directors to plausible threats to the Society's solvency and to actions which can be taken to lessen the likelihood of those threats or to offset the effects if a threat were to materialize. The report is prepared and reported to the board of directors annually.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 7. Fair value measurement

### A. Valuation model framework

The Society has established a valuation process and a control framework in reviewing investment manager valuation reports that includes the review of price changes associated with observable market changes and investing activities with comparison to quoted market process where available and other market related inputs to support investment manager valuation reporting results. Judgement is applied in adjusting observable data where appropriate.

Specific controls include:

- verification of observable pricing;
- reasonability checks on fund valuation movement;
- annual review and validation process with investment managers for all measured assets;
- analysis and investigation of significant daily valuation movements on Level 1 and 2 measured assets; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month.

The Society categorizes its fair value measurement results according to a three-level hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes unobservable inputs that have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Society recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change occurs.

#### i. Valuation techniques for Level 1, 2, 3 fair value measurements

Valuation techniques specific by our investment managers' activities related to various Society financial instruments classified as level 3 are reviewed in detail by the Society annually to validate their approach and judgements to value financial instruments and basis for conclusion on financial asset valuation. In addition, the Society's Investment Management Committee (IMC) meets with investment managers routinely on various investment aspects, including; portfolio performance and fund valuation to ensure the performance reported are in alignment to the underlying investment holding and is reasonable to support the overall fund's fair value reported. Real estate pooled fund investment managers develop

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## **7. Fair value measurement (continued)**

### **A. Valuation models and framework (continued)**

#### **i. Valuation techniques for Level 1, 2, 3 fair value measurement (continued)**

assumptions and inputs used in valuation techniques that adhere to internal valuation policies, follow industry valuation standards and incorporate the use of other third-party firms to support the valuation procedures.

The Society's investment managers use widely recognized valuation models to determine the fair value of common and simple financial instruments – e.g. interest rate – that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities and exchange-traded derivatives. The availability of observable market prices and model inputs reduces the need for management judgement and estimation, and reduces the uncertainty associated with determining fair values.

For more complex instruments, the Society after initial review and subsequent acceptance as appropriate, relies on investment manager proprietary valuation techniques or industry approaches. Some or all of the significant inputs into these models may not be observable in the market and may be derived from market prices or rates or estimated based on assumptions. Examples of instruments involving significant unobservable inputs include real estate pooled funds and private equity securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of investment manager judgement and estimation in the determination of fair value.

Where quoted prices of financial assets and financial liabilities in active markets are not available, the following valuation techniques are typically used.

#### **Debt and public equity securities**

Discounted cash flow techniques are most commonly used for the valuation of debt securities. Discount rates are determined with reference to observable market transactions in instruments with substantially the same terms and characteristics, including the credit quality, the remaining term to repayment of the principal. Debt securities are measured as level 2.

For equity securities, the valuation techniques employed generally involve determining a measure of sustainable earnings or dividends and then applying an appropriate current market multiple based on publicly available information for similar companies that have actively traded equity securities. Public equity securities are measured as level 1.

#### **Investment contract liabilities**

Investment contracts can be surrendered and units in consolidated funds can be redeemed by the holder at any time (see Note 5(C)(i)). Accordingly, their fair value is not less than the amount payable on demand. The fair values are based on the fair value of the underlying items less any accrued fees and surrender charges.

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## **7. Fair value measurement (continued)**

### **A. Valuation models and framework (continued)**

#### **i. Valuation techniques for Level 1, 2, 3 fair value measurement (continued)**

that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The fair value of a liability reflects the effect of non-performance risk.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 19(B): investment property; and
- Note 20(A): owner-occupied property measured at fair value.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 7. Fair value measurement (continued)

### B. Financial instruments – Classification and fair value

The carrying amounts of the Society's financial assets and liabilities are set out below (next page).

in thousands of dollars	Note	31 December 2025				31 December 2024					
		FVPTL - mandatory designated instruments	FVOCI - debt instruments	FVOCI - equity instruments	Amortized cost	Total carrying amount	FVPTL - mandatory designated instruments	FVOCI - debt instruments	FVOCI - equity instruments	Amortized cost	Total carrying amount
Cash and cash equivalents	16	-	-	-	3,816	3,816	-	-	-	3,816	8,444
Bonds and debentures	6(A)	-	4,902	-	-	101,629	8,015	-	-	112,510	120,525
Mortgage loans on real estate		-	-	-	1,006	1,006	-	-	-	1,793	1,793
Mortgage pooled funds		-	99,071	3,288	-	102,359	-	2,676	-	94,378	94,378
Equity pooled funds		17,553	-	4,643	-	22,196	-	4,288	-	19,293	19,293
Equity securities		3,095	-	7,287	-	10,382	-	6,325	-	8,165	8,165
Mutual funds		1,758	-	-	-	1,758	-	-	-	1,455	1,455
Real estate pooled funds		-	23,146	-	-	23,146	-	-	-	22,762	22,762
Investment property	19	-	7,163	-	-	7,163	-	-	-	7,233	7,233
Receivables	18	-	-	-	3,871	3,871	-	-	2,554	2,554	2,554
Other assets	18	-	-	-	1,849	1,849	-	-	1,042	1,042	1,042
Segregated funds assets	28	36,713	-	-	-	36,713	-	-	-	39,191	39,191
<b>Total financial assets</b>		<b>59,119</b>	<b>226,107</b>	<b>15,218</b>	<b>10,542</b>	<b>315,888</b>	<b>57,491</b>	<b>13,289</b>	<b>13,883</b>	<b>326,835</b>	<b>326,835</b>
Payables	21	-	-	-	5,828	5,828	-	-	4,693	4,693	4,693
Investment contract liabilities	22	-	-	-	92,031	92,031	-	-	85,669	85,669	85,669
Loans	24	-	-	-	3,411	3,411	-	-	3,586	3,586	3,586
Other liabilities	25	-	-	-	5,436	5,436	-	-	5,547	5,547	5,547
Segregated fund liabilities		36,713	-	-	-	36,713	39,191	-	-	39,191	39,191
<b>Total financial liabilities</b>		<b>36,713</b>	<b>-</b>	<b>-</b>	<b>106,706</b>	<b>143,419</b>	<b>39,191</b>	<b>-</b>	<b>99,495</b>	<b>138,686</b>	<b>138,686</b>

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 7, Fair value measurement (continued)

### C. Financial instruments measured at fair value

#### i. Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorized.

31 December 2025

In thousands of dollars	Level 1	Level 2	Level 3	Total
<b>Financial investments</b>				
Cash and cash equivalents	3,816	-	-	3,816
Bonds and debentures	-	101,629	-	101,629
Mortgage loans on real estate	-	-	1,006	1,006
Mortgage pooled funds	-	-	102,360	102,360
Equity pooled funds	-	17,089	5,106	22,195
Equity securities	10,382	-	-	10,382
Mutual funds	-	1,758	-	1,758
Real estate pooled funds	-	-	23,146	23,146
Investment property	-	-	7,163	7,163
Segregated fund assets	-	36,713	-	36,713
	14,198	157,189	138,781	310,168

For the financial instrument profiled below, the amount of the provincial bonds backs the standby letter of credit requirements.

31 December 2025

In thousands of dollars	Level 1	Level 2	Level 3	Total
<b>Other</b>				
Financial investments - pledged				
Provincial bonds	-	4,261	-	4,261

# Serenia Life Financial

Notes to the Consolidated Financial Statements

(In thousands of dollars)

Year ended 31 December 2025

## 7. Fair value measurement (continued)

### C. Financial instruments measured at fair value (continued)

#### i. Fair value hierarchy (continued)

31 December 2024

In thousands of dollars	Level 1	Level 2	Level 3	Total
<b>Financial investments</b>				
Cash and cash equivalents	8,444	-	-	8,444
Bonds and debentures	-	120,525	-	120,525
Mortgage loans on real estate	-	-	1,793	1,793
Mortgage pooled funds	-	-	94,378	94,378
Equity pooled funds	-	13,545	5,748	19,293
Equity securities	8,165	-	-	8,165
Mutual funds	-	1,455	-	1,455
Real estate pooled funds	-	-	22,762	22,762
Investment property	-	-	7,233	7,233
Segregated fund assets	-	39,191	-	39,191
	16,609	174,716	131,914	323,239

For the financial instrument profiled below, the amount of the provincial bonds backs the standby letter of credit requirements.

31 December 2024

In thousands of dollars	Level 1	Level 2	Level 3	Total
<b>Other</b>				
Financial investments - pledged				
Provincial bonds	-	4,750	-	4,750

There were no transfers between Level 1, 2 and 3 for the years ended December 31, 2025. In 2025, the reassessment of investment manager net asset value (NAV) calculations were not directly observable for pooled public equity, mutual funds and segregated funds for end of trading day valuations amounted to movement from Level 1 to Level 2 totaling \$0 (\$0 – 2024).

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 7. Fair value measurement (continued)

### C. Financial instruments measured at fair value (continued)

#### ii. Recurring level 3 fair value measurements

##### Reconciliation

The following table shows a reconciliation from the opening balances to the closing balances for recurring fair value measurements in Level 3 of the fair value hierarchy and analyses the total gains and losses recognized in profit or loss and OCI during the year.

2025	FVTPL				FVOCI			Total Level 3 Investments
	Mortgages on real estate	Mortgage pooled funds	Real estate pooled funds	Equity pooled funds	Mortgage pooled funds	Investment property	Equity pooled funds	
in thousand of dollars								
Balance at 1 January	1,793	91,701	22,762	5,547	2,677	7,233	201	131,914
Total gains (losses)								
Recognized in profit or loss	-	(319)	384	487	-	(147)	-	405
Recognized in OCI	-	-	-	-	(18)	-	(65)	(83)
Purchases	-	8,690	-	-	3,208	77	-	11,975
Sales and maturities	(781)	(1,000)	-	(663)	(2,579)	-	(128)	(5,151)
Effects on movement in exchange rate	(6)	-	-	(265)	-	-	(8)	(273)
Movement in ECL	-	-	-	-	-	-	-	-
Balance at 31 December	1,006	99,072	23,146	5,106	3,288	7,163	-	138,781
2024	FVTPL				FVOCI			Total Level 3 Investments
	Mortgages on real estate	Mortgage pooled funds	Real estate pooled funds	Equity pooled funds	Mortgage pooled funds	Investment property	Equity pooled funds	
in thousand of dollars								
Balance at 1 January	4,000	74,262	22,534	5,198	2,379	6,154	727	115,254
Total gains (losses)								
Recognized in profit or loss	-	616	228	292	-	868	-	2,004
Recognized in OCI	-	-	-	-	22	-	(174)	(152)
Purchases	-	16,823	-	203	276	211	-	17,513
Sales and maturities	(2,201)	-	-	(599)	-	-	(382)	(3,182)
Effects on movement in exchange rate	-	-	-	453	-	-	30	483
Movement in ECL	(6)	-	-	-	-	-	-	(6)
Balance at 31 December	1,793	91,701	22,762	5,547	2,677	7,233	201	131,914

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 7. Fair value measurement (continued)

### C. Financial instruments measured at fair value (continued)

#### iii. Market sensitivity analysis on Level 3 assets

Level 3 FVTPL invested assets market sensitivity analysis

Although the Society believes that its estimates of fair value are appropriate, the use of different assumptions could lead to different measurements of fair value. Assumptions used to assess the market sensitivity of these assets include interest rates and real estate capitalization rates. The following table shows the impact of this analysis on the fair value of certain Level 3 assets. The analysis was based on a 25 basis points (0.25%) increase and a 25 basis points (0.25%) decrease in the related assumptions at 31 December.

	2025		2024	
	0.25% increase	0.25% decrease	0.25% increase	0.25% decrease
in thousands of dollars				
FVTPL assets				
Real estate capitalization rates	(1,604)	1,757	(1,596)	1,753
Investment property yield rates	(446)	509	(400)	450
Mortgage loans on real estate and mortgage pooled funds	(2,116)	2,116	(2,157)	2,158

#### iv. Solely payments of principal and interest disclosure

The following additional disclosure, required by IFRS 9 for eligible insurers, presents the fair value and the amount of change in the fair value of the Society's financial assets as at and for the year ending December 31, 2025 and 2024, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("Non-SPPI"):

2025	SPPI		Non-SPPI	
	Fair Value	Change in fair value	Fair Value	Change in fair value
Bonds and debentures	101,629	(7,673)	-	-
Stocks	-	-	10,382	524
Equity pooled funds	-	-	22,195	1,799
Mutual funds	-	-	1,758	287
Real estate pooled funds	-	-	23,146	384
Mortgage loan pooled funds	-	-	102,360	(271)
Mortgage loans on real estate	1,006	-	-	-
	102,635	(7,673)	159,841	2,723

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 7. Fair value measurement (continued)

### C. Financial instruments measured at fair value (continued)

#### iv. Solely payments of principal and interest disclosure (continued)

2024	SPPI		Non-SPPI	
	Fair Value	Change in fair value	Fair Value	Change in fair value
Bonds and debentures	120,525	(3,526)	-	-
Stocks	-	-	8,165	822
Equity pooled funds	-	-	19,293	1,552
Mutual funds	-	-	1,455	239
Real estate pooled funds	-	-	22,762	228
Mortgage loan pooled funds	-	-	94,378	639
Mortgage loans on real estate	1,793	-	-	-
	122,318	(3,526)	146,053	3,480

The following additional disclosure presents the credit risk ratings of SPPI financial assets:

credit rating	2025		2024	
	Carrying amount (fair value)	% of total	Carrying amount (fair value)	% of total
AAA	152	0.1%	1,042	0.9%
AA	48,416	47.2%	55,460	45.3%
A	46,871	45.7%	56,180	45.9%
BBB	6,190	6.0%	7,843	6.4%
Unrated	1,006	1.0%	1,793	1.5%
	102,635	100.0%	122,318	100.0%

Unrated assets are mortgage loans on real estate.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## D. Financial instruments investing activities

The following disclosure information presents the investing activities:

in thousands of dollars	2025	2024
Proceeds of bonds sold and matured	14,015	18,412
Bonds purchased	(1,396)	(11,602)
Proceeds of stocks sold and redeemed	2,572	350
Stocks purchased	(4,100)	(827)
Proceeds of equity pooled funds sold	798	1,061
Equity pooled funds purchased	(2,211)	(216)
Proceeds of mortgage pooled funds sold	3,579	-
Mortgage pooled funds purchased	(12,165)	(18,125)
Proceeds of mutual funds sold	80	104
Mutual funds purchased	(96)	(30)
Mortgages loan principal receipts	781	2,373
Balance at 31 December	1,857	(8,500)

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 8. Insurance revenue

See accounting policies in Note 5(B)(iv).

In thousands of dollars	Life Health Annuity	Segregated Funds	Total
<b>2025</b>			
<b>Contract Measurement</b>			
Amounts relating to changes in liabilities			
For remaining coverage:			
CSM recognized for services provided	2,934	191	3,125
Change in risk adjustments for non-financial risk expired	1,286	24	1,310
Expected incurred claims and other insurance service expenses	9,688	594	10,282
Other	(127)	-	(127)
Recovery of insurance acquisition cash flows	6,141	-	6,141
<b>Total insurance revenue</b>	<b>19,922</b>	<b>809</b>	<b>20,731</b>

In thousands of dollars	Life Health Annuity	Segregated Funds	Total
<b>2024</b>			
<b>Contract Measurement</b>			
Amounts relating to changes in liabilities			
For remaining coverage:			
CSM recognized for services provided	2,929	244	3,173
Change in risk adjustments for non-financial risk expired	1,224	30	1,254
Expected incurred claims and other insurance service expenses	9,622	687	10,309
Other	34	-	34
Recovery of insurance acquisition cash flows	4,944	-	4,944
<b>Total insurance revenue</b>	<b>18,753</b>	<b>961</b>	<b>19,714</b>

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 9. Investment return and net financial result

The following table analyses the Society's net financial result in profit or loss.

in thousands of dollars	2025					Total
	Note	Life	Health	Annuity	Other	
<b>Investment return</b>						
Interest revenue from financial assets not measured at FV/TPL	11	96	-	44	285	425
Other investment revenue:						
Other investment revenue	11	7,036	152	5,308	2,022	14,518
Net gains/(losses) on FV/TPL investments		(5,870)	(141)	(60)	(71)	(6,142)
Net realized gains/(losses) on FVOCI investments		-	-	-	(246)	(246)
Total gross other investment revenue		1,166	11	5,248	1,705	8,130
Investment expenses		(671)	(5)	(318)	(76)	(1,070)
Total other investment revenue		495	6	4,930	1,629	7,060
Net impairment loss on financial assets		-	-	-	-	-
Expected credit gain (loss) - commercial mortgages		-	-	-	-	-
Expected credit loss - bonds		-	-	-	48	48
Total net impairment loss on financial assets		-	-	-	48	48
Total investment return		591	6	4,974	1,962	7,533
<b>Net finance expenses from insurance contracts</b>						
Interest accreted		(7,569)	(223)	-	-	(7,792)
Effect of changes in interest rates and other financial assumptions		11,788	250	-	8	12,046
Net insurance finance income and expense		4,219	27	-	8	4,254
Finance income/(expense) from segregated funds contracts		-	-	-	-	-
Total net finance expenses from insurance contracts		4,219	27	-	8	4,254
<b>Net finance expense from reinsurance contracts</b>						
Interest accreted		183	112	-	-	295
Other		(445)	(120)	-	-	(565)
Total net finance income from reinsurance contracts		(262)	(8)	-	-	(270)
Total financial result excluding investment contract liabilities		4,548	25	4,974	1,970	11,517
Credited interest for investment contract liabilities		-	-	(3,711)	-	(3,711)
Total net financial result		4,548	25	1,263	1,970	7,806

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 9. Investment return and net financial result (continued)

The following table analyses the Society's net financial result in profit or loss. (continued)

in thousands of dollars	Note	2024					Total
		Life	Health	Annuity	Other		
<b>Investment return</b>							
Interest revenue from financial assets not measured at FV/TPL	11	410	2	81	411	904	
Other investment revenue:							
Other investment revenue	11	6,909	125	4,208	1,787	13,029	
Net gains/(losses) on FV/TPL investments		(3,777)	(91)	577	(186)	(3,477)	
Net realized gains/(losses) on FVOCI investments		-	-	-	591	591	
Total gross other investment revenue		3,132	34	4,785	2,192	10,143	
Investment expenses		(710)	(9)	(313)	(63)	(1,095)	
Total other investment revenue		2,422	25	4,472	2,129	9,048	
Net impairment loss on financial assets		-	-	-	-	-	
Expected credit gain (loss) - commercial mortgages		-	-	-	-	-	
Expected credit loss - bonds		-	-	-	57	57	
Total net impairment loss on financial assets		-	-	-	57	57	
Total investment return		2,833	27	4,552	2,597	10,009	
<b>Net finance expenses from insurance contracts</b>							
Interest accreted		(8,043)	(291)	-	-	(8,334)	
Effect of changes in interest rates and other financial assumptions		10,210	100	-	-	10,310	
Net insurance finance income and expense		2,167	(191)	-	-	1,976	
Finance income/(expense) from segregated funds contracts		-	-	-	-	-	
Total net finance expenses from insurance contracts		2,167	(191)	-	-	1,976	
<b>Net finance expense from reinsurance contracts</b>							
Interest accreted		99	146	-	-	245	
Other		(49)	(47)	-	-	(96)	
Total net finance income from reinsurance contracts		50	99	-	-	149	
Total financial result excluding investment contract liabilities		5,050	(65)	4,552	2,597	12,134	
Credited interest for investment contract liabilities		-	-	(3,572)	-	(3,572)	
Total net financial result		5,050	(65)	980	2,597	8,562	

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 10. Other investment revenue

in thousands of dollars	2025	2024
<b>Underlying items</b>		
Net gains on financial instruments mandatorily measured at FVTPL		
Bond interest income	4,693	4,913
Pooled fund public and private distributions	6,681	5,259
Stock dividend distributions	185	152
Real estate pooled fund distributions	947	918
Lease income on investment property	1,167	1,121
<b>Total</b>	<b>13,673</b>	<b>12,363</b>
Net change in fair value of investment property	-	868
Net change in fair value changes in financial instruments	(6,193)	(1,709)
Realized gains/(losses) on financial instruments	(194)	(2,044)
<b>Total</b>	<b>(6,387)</b>	<b>(2,885)</b>
<b>Total investment revenue measured at FVTPL</b>	<b>7,286</b>	<b>9,478</b>
Net gains of financial instruments not measured at FVTPL		
Bond interest income	285	382
Interest income short-term investments	35	206
Other investment income at AC	949	980
<b>Total investment revenue not measured at FVTPL</b>	<b>1,269</b>	<b>1,568</b>
<b>Total gross investment income</b>	<b>8,555</b>	<b>11,046</b>

## 11. Other income

in thousands of dollars	2025	2024
Sales commissions	46	55
Foreign exchange	(140)	318
Miscellaneous income	174	7
<b>Total other income (loss)</b>	<b>80</b>	<b>380</b>

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 12. General expenses

in thousands of dollars	2025	2024
Employee benefits	10,926	11,195
Depreciation and amortization	1,390	1,256
Policy administration outsourcing costs	368	928
Computer services	3,086	2,140
Advertising	651	500
Consulting and professional services	1,320	1,586
Rent and insurance	639	604
Other	3,574	3,486
Total general expenses	21,954	21,695
Less: amounts attributed to insurance acquisition cash flows incurred during the year	16,399	14,513
Less: investment expense	1,060	1,090
Less: other costs	(320)	(207)
Other operating and overhead expenses	4,815	6,299

## A. Employee benefits expense

in thousands of dollars	2025	2024
Salary and bonus	8,005	7,856
Health and other benefits	1,297	2,335
Retirement benefits	1,624	1,004
	10,926	11,195

## 13. Other finance costs

in thousands of dollars	Note	2025	2024
Interest on subordinated note	24	266	263
Bank service fees		50	68
		316	331

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 14. Employee benefit assets and liabilities

Included in other liabilities is the accrued benefit liability attributable to the Society's defined benefit pension plan, supplemental retirement arrangement ("SRA") and post-employment health, dental and life benefits. Details of the plan are as follows:

### A. Pension plan

The Society maintains a pension plan which has a defined benefit and a defined contribution component.

#### i. Plan provisions

Retirement benefits under the defined benefit component are based on the length of pensionable service and on the average of 60 consecutive months' earnings that gives the highest average. The Pension Plan allowed voluntary contributions effective 1 January 1991 to 31 December 2018. Members contribute up to 4% of the portion of salary above the Year's Maximum Pensionable Earnings (YMPE) into the employee's Money Purchase Account, with 75 percent of the employee contributions being matched by the employer and accumulated in the employer's Money Purchase Account. For an employee who was a member as of 31 December 1990, the pension for post 1990 service is subject to a minimum pension amount based on the past service pension formula and the level of accumulated voluntary contributions.

Retirement benefits under the defined contribution component are calculated from the contributions to the plan based on a percentage of each employee's pensionable earnings, voluntary contributions by employees and the investment income earned on those contributions. The assets of the plan are held separately from those of the Society in funds under control of the trustees. On 7 March 2023 the Society completed a transaction to annuitize the majority of the defined benefit pension plan seeing 91% (\$4,312 thousand) of the pension plan liability transferred to another Canadian life insurance company. A true-up settlement recovery of \$43 was received in 2024 stemming from the 2023 transaction completed.

#### ii. Regulatory framework

The pension plan is registered under the *Pension Benefits Act* of Ontario and with the *Canada Revenue Agency*.

Under the *Pension Benefits Act* of Ontario, the employer is required to make contributions to fully finance the defined benefit plan over a period of time, in order to constitute the benefits as defined by the plan provisions. The value of these benefits is determined in actuarial valuations at least once every three years or on an annual basis if the market value of assets does not exceed 85% of the liability on the solvency basis.

According to the most recent actuarial valuation for funding purposes as at 1 January 2023, the plan has a surplus on a going-concern basis and has a solvency ratio greater than 85%. Thus, the employer is not required to contribute any amortization payments related to the going concern or solvency positions of the plan.

The employer will continue to contribute \$50,000 to the plan each year to fund expected expenses related to the operation of the plan.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 14. Employee benefit assets and liabilities (continued)

### A. Pension plan (continued)

#### ii. Regulatory framework (continued)

The *Income Tax Act* restricts employer contributions to the defined benefit plan if the assets exceed 125% of the liabilities on the going-concern basis. Any surplus in excess of 25% of the liabilities must be used by the employer to take a contribution holiday or may be used to grant benefit improvements, unless the plan is in a deficit position on a solvency basis. If there is a solvency deficit, contributions must be made so as not to impair the position of the plan.

According to the plan provisions, the employer may use surplus to take a contribution holiday or to satisfy employer service cost requirements under the pension plan.

#### iii. Plan governance

In accordance with the *Pension Benefits Act* of Ontario and the *Income Tax Act*, the Society is the administrator of the plan and is ultimately responsible for all aspects of the plan, including administration, financial management, oversight and compliance with legislative requirements and plan documents. Some of the duties for which the administrator is responsible have been delegated, where appropriate, to a pension committee or third-party advisors. The administrator, directly or with delegates, has a duty to apply the knowledge and skills needed to meet governance responsibilities with respect to the plan.

#### iv. Funding arrangement and funding policy

The Society has adopted a funding practice to make the minimum required contributions as required by law or such greater amount as the employer may deem appropriate.

### B. Supplemental retirement arrangement

The Society maintains a SRA for certain retirees of the Society under various agreements signed with each member. The SRA provides pension benefits that top up the defined benefit pension under the pension plan.

The SRA is not registered with any of the provincial or federal pension benefits acts. The benefits in this arrangement are not pre-funded. Future payments for current retirees are secured by Letters of Credit established by the employer.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 14. Employee benefit assets and liabilities (continued)

### C. Post-retirement benefits plan

The Society maintains a post-retirement benefits plan which provides post-retirement benefits coverage (health, dental and life insurance) on a covered employee's retirement. The benefits plan has been closed to new hires. All employees who retired prior to 31 March 2015 are eligible for post-retirement benefits. The benefits plan is not registered under any of the provincial or federal pension benefits acts. The benefits in this arrangement are not pre-funded.

### D. Defined benefit plan risks

Risks associated with this plan are similar to those of typical defined benefit plans, including market risk, interest rate risk, liquidity risk, credit risk, currency risk, longevity risk, etc. There are no significant risks associated with this plan that could be deemed unusual or require special disclosure.

The interest rate sensitivity of the defined benefit obligation can be measured using duration. The duration also provides information on the maturity profile of the obligation. The duration of the defined benefit obligation as at 31 December 2025 is 12.9 years for the pension plan and 7.8 years for the supplemental and post-retirement plans (collectively, the other benefit plans).

The fair value of plan assets for the Society's pension plan is as follows:

	2025		2024	
	Amount	Percent	Amount	Percent
Fixed income funds	230	29.3%	260	28.8%
Mortgage funds	104	13.3%	117	12.9%
Real Estate funds	74	9.4%	71	7.9%
Equity funds	376	48.0%	448	49.6%
Cash and equivalents	-	0.0%	7	0.8%
	784	100.0%	903	100.0%

Information about the Society's registered pension plan and other benefit plans is as follows:

In thousands of dollars	Registered pension plan		Other benefit plans	
	2025	2024	2025	2024
Defined benefit obligation	993	1,176	4,996	5,129
Fair value of plan assets	784	903	-	-
Funded status - plan surplus (deficit)	(209)	(273)	(4,996)	(5,129)
Accrued benefit liability	-	-	4,996	5,129

In the past, the Society has periodically provided increases in registered pension benefits paid to retirees, commonly referred to as "indexing," to reflect inflation levels. Such indexing increases are discretionary. They are not contractual or obligatory, either in amount or frequency. The accrued benefit obligation for the registered pension plan has been calculated, assuming no future indexing.

# Serenia Life Financial

Notes to the Consolidated Financial Statements

(In thousands of dollars)

Year ended 31 December 2025

## 14. Employee benefit assets and liabilities (continued)

### D. Defined benefit plan risks (continued)

The supplemental pension obligation to retired and current executives is an integral part of the compensation plan for these individuals. Payments to retired executives are contractual. Future payments to current executives are contingent on their meeting certain service and vesting requirements.

The current and potential future obligation is unfunded. In connection with this arrangement, the Society has acquired a Letter of Credit from a financial institution to secure the future required payments to current retirees. See Note 6 (E)(vi).

Accrued benefit liabilities are included in other liabilities on the statement of financial position. Of the accrued liability of \$4,996 (2024 - \$5,129) for other benefit plans, \$1,554 (2024 - \$1,500) is for post-retirement health benefits, and \$3,442 (2024 - \$3,629) is for current and potential future supplemental pension obligations to retired and current executives.

#### i. Actuarial assumptions

The significant actuarial assumptions adopted in measuring the Society's accrued benefit obligations are as follows (weighted average assumptions as of December 31):

	Registered pension plans		Other benefit plans	
	2025	2024	2025	2024
Measurement date	December 31		December 31	
Effective date of last actuarial valuation	January 1, 2023		January 1, 2023	
Date of next required actuarial valuation for funding purposes	January 1, 2026		January 1, 2026	
Discount rate, beginning of year	4.40%	4.60%	4.40%	4.60%
Discount rate, end of year	4.40%	4.40%	4.40%	4.40%
Rate of compensation increase	4.00%	4.00%	0.00%	0.00%
Annual inflation indexing factor	0.00%	0.00%	0.00%	0.00%
Health care trend rate assumed				6.5% gradually reducing to 4.50% in 2034 and thereafter 4.5%
Dental care trend rate assumed	-	-	4.5%	4.5%

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 14. Employee benefit assets and liabilities (continued) D. Defined benefit plan risks (continued)

### ii. Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Pension plan in thousands of dollars	2025	2024		
Discount rate: 4.15% (instead of 4.40%); 2024 4.15% (instead of 4.40%)	33	38		
Discount rate: 4.65% (instead of 4.40%); 2024 4.65% (instead of 4.40%)	(31)	(37)		
Salary/YMPE Growth: 3.75%/2.75% (instead of 4.00%/3.00%); 2022 (2.75%/2.25% (instead of 3.00%/2.50%))	(15)	(14)		
Salary/YMPE Growth: 4.25%/3.25% (instead of 4.00%/3.00%); 2022 (3.25%/2.75% (instead of 3.00%/2.50%))	15	13		
Post-retirement benefit plan	2025	2024		
in thousands of dollars	1% increase	1% decrease	1% increase	1% decrease
Effect of change in trend rate on health care				
Current service and interest cost impact - for 2023	4	(4)	5	(5)
Defined benefit obligation impact - 31 December 2023	93	(83)	120	(104)
Effect of change in trend rate on dental care				
Current service and interest cost impact - for 2023	1	(1)	2	(2)
Defined benefit obligation impact - 31 December 2023	33	(29)	39	(34)

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 14. Employee benefit assets and liabilities (continued)

### D. Defined benefit plan risks (continued)

#### iii. Other information about the Society's benefit plans

in thousands of dollars

	Registered pension plan		Other benefit plans	
	2025	2024	2025	2024
Accrued benefit obligation, beginning of year	1,176	1,083	5,129	5,260
Interest cost	46	50	216	232
Benefits paid	(245)	-	(445)	(444)
Actuarial gain (loss) from plan experience	16	-	122	-
Actuarial gain (loss) from plan experience	-	43	(26)	81
Accrued benefit obligation, end of year	993	1,176	4,996	5,129
Fair value of plan assets, beginning of year	903	747	-	-
Expected return on plan assets	36	37	-	-
Employer contributions	81	75	445	444
Benefits paid	(245)	-	(445)	(444)
Assets acquired (distributed) on settlement	-	43	-	-
Actuarial gain (loss)	38	47	-	-
Administration cost	(29)	(46)	-	-
Fair value of plan assets, end of year	784	903	-	-

in thousands of dollars

	Registered pension plan		Other benefit plans	
	2025	2024	2025	2024
Administration cost	30	46	-	-
Loss on settlement	-	-	-	-
Interest cost	46	50	216	232
Expected return on plan assets	(36)	(37)	-	-
Net benefit plan expense	40	59	216	232

Of the net benefit plan expense of \$216 (2024 - \$232) for other benefit plans, expense of \$64 (2024 - \$67) is for post-retirement health, dental and life benefits and \$152 (2024 - \$165) is for current and potential supplemental pension obligations to retired and current executives.

The cost recognized for the Society's defined contribution plan is \$524 (2024 - \$491). These amounts are not included in the cost recognized for the defined benefit plan above.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 15. Income taxes

Income tax expense is composed of the following:

	2025	2024
Current Tax Expense - P&L		
Current Period	(116)	230
Adjustments for Prior Periods	(32)	(11)
	(148)	219
Deferred Tax Expense		
Origination and Reversal of Temporary Differences	1,023	3,775
Change in Unrecognized Deductible Temporary Differences	(1,023)	(3,775)
	-	-
<b>Total Corporate Tax Expense</b>	<b>(148)</b>	<b>219</b>

The income tax expense (recovery) relating to components of other comprehensive income during the period is \$379.

Reconciliation of effective tax rate:

	2025	2024
Net Income (Loss) Before Tax	878	709
Income Tax Rate	26.03%	26.04%
Income Tax Using the Society's Tax Rate	229	185
Non-Deductible Expenses	10	11
Tax Exempt Revenues	(1,297)	(869)
Change in Other Deductible Temporary Differences	827	332
Under (Over) Provided in Prior Years	(33)	(11)
Loss (Gain) on Available-for-Sale Assets	-	433
Other Differences	116	138
<b>Total Corporate Tax Expense</b>	<b>(148)</b>	<b>219</b>

With the Society's transition to the IFRS 17 accounting standard no deferred tax liability was recorded as the Society does not recognize its net deferred tax asset (DTA) position. The federal tax legislation related to the adoption of IFRS 17 became effective 1 January 2023. The tax transition adjustment for the impact of converting contract liabilities and the non-deductible portion of the CSM was calculated at 1 January 2023 and taken over 5 years.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 15. Income taxes (continued)

Unrecognized deferred tax assets:

The Society has deductions available to reduce future income subject to income taxes in future years of \$18,304 (2024 - \$21,653) with additional Ontario tax credits of \$2,069 (2024 - \$1,834). These losses expire between 2035 to 2040. The following deferred tax assets have not been recognized in respect of these items because it is not yet considered probable that future taxable profit will be available against which the Society can utilize the benefits.

	2025	2024
Deductible Temporary Differences	9,178	7,515
Tax Losses	4,764	5,639
Ontario Tax Credits	2,069	1,834
	16,011	14,988

## 16. Cash and cash equivalents

Cash and cash equivalents

in thousands of dollars	2025	2024
Bank and cash balances	2,329	6,653
Short-term investments	1,487	1,791
	3,816	8,444

The effective interest rate on short term investments at consolidated statement of financial position date is 2.19% (2024 – 3.36%), with an average maturity of 64 days (2024 - 53 days).

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 17. Financial investments

See accounting policies in Note 5(D).

2025	Underlying items						
	in thousands of dollars	Life	Health	Annuity	Segregated Funds	Other	Total
<b>Financial instruments</b>							
Cash and cash equivalents	951	30	1,519	440	876	3,816	
Bonds and debentures	78,537	1,203	4,050	-	17,839	101,629	
Mortgage loans on real estate	-	-	1,006	-	-	1,006	
Mortgage pooled funds	20,681	1,627	74,804	-	5,247	102,359	
Equity pooled funds	10,661	-	3,786	-	7,748	22,195	
Equity securities	2,202	-	-	-	8,180	10,382	
Mutual funds	1,758	-	-	-	-	1,758	
Real estate pooled funds	21,251	-	-	-	1,895	23,146	
Investment property	-	-	-	-	7,163	7,163	
Segregated funds	-	-	-	36,713	-	36,713	
	136,041	2,860	85,165	37,153	48,948	310,167	

2024	Underlying items						
	in thousands of dollars	Life	Health	Annuity	Segregated Funds	Other	Total
<b>Financial instruments</b>							
Cash and cash equivalents	3,693	102	1,805	1,195	1,649	8,444	
Bonds and debentures	92,488	1,309	7,521	-	19,207	120,525	
Mortgage loans on real estate	1,346	-	233	-	214	1,793	
Mortgage pooled funds	20,249	1,536	68,120	-	4,473	94,378	
Equity pooled funds	8,441	-	4,407	-	6,445	19,293	
Equity securities	1,084	-	-	-	7,081	8,165	
Mutual funds	1,455	-	-	-	-	1,455	
Real estate pooled funds	20,893	-	-	-	1,869	22,762	
Investment property	-	-	-	-	7,233	7,233	
Segregated funds	-	-	-	39,191	-	39,191	
	149,649	2,947	82,086	40,386	48,171	323,239	

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 18. Receivables and Other Assets

### Receivables

in thousands of dollars	2025	2024
Tenant leaseholds	55	63
Taxes	492	557
Accrued investment income	1,488	1,375
Other	1,836	559
<b>Total</b>	<b>3,871</b>	<b>2,554</b>

### Other assets

in thousand of dollars	2025	2024
Prepaid expenses	1,849	1,042
Other	-	-
<b>Total</b>	<b>1,849</b>	<b>1,042</b>

Tenant and other receivables are shown net of impairment losses. Impairment losses in the current period amount to \$nil (2024 – \$nil).

Of the total receivables, \$48 (2024: \$53) is expected to be recovered more than 12 months after the reporting date.

## 19. Investment property

Investment property comprises one commercial property held in Ontario that is owned outright by the Society which a portion of the property is leased to third parties under operating leases. Each of these leases contains their own unique lease terms ranging from 1-year up to 10-year lease terms all non-cancellable. Leases include options to extend at the end of the term and historically the average renewal period is 2-years.

Re-appraisal valuations are typically completed in the third quarter of the fiscal calendar year.

in thousands of dollars	2025	2024
Balance at 1 January	7,233	6,154
Improvements	77	346
Net change in fair value	-	868
Depreciation	(147)	(135)
<b>Balance at 31 December</b>	<b>7,163</b>	<b>7,233</b>

Changes in fair values are recognized as gains in profit or loss and included in 'other investment revenue', of which \$0 (2024: \$868) is attributable to investment property held at the reporting date.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 19. Investment property (continued)

### A. Measurement of fair value

#### i. Fair value hierarchy

The fair value of investment property was determined by an external independent property appraiser, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraiser provides the fair value of the Society's investment property portfolio every twelve months.

The fair value measurement for all of the investment property has been categorized as a Level 3 fair value based on the inputs to the valuation technique used (see Note 7).

#### ii. Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property and the significant unobservable inputs used.

##### a. Valuation technique

The investment property valuation has been completed by a third-party appraiser. The income and direct comparison approaches have been used in completing the building appraisal. In the income approach, the valuation model considers the net cashflows generated, future expected rental rates, occupancy levels, future expected operating costs and costs not recovered from tenants. The net cashflows are discounted using a risk-adjusted discount rate. The discount rate estimation considers the building quality, its location (prime vs secondary), tenant credit quality and lease terms.

The direct comparison approach, the investment property is compared to similar properties that have sold or are offered for sale in the open market. It is assumed that the property would have been in competition with the comparables if exposed to the market at the same time. Actions of vendors and purchasers in the market would have reflected economic conditions and property attributes at the time of the exposure. Appropriate adjustments are made to the comparables to reflect the market recognized differences between the investment property and the comparables used in the valuation.

Both approaches resulted in a similar property valuation.

##### b. Unobservable inputs

Future expected market rental demand levels and expected rental rates are influenced by varying levels of remote work potentially impacting demand for space and occupancy levels, supply of comparable rental space in the marketplace, tenant inducement costs required to attract and retain tenants and the determined risk-adjusted discount rate.

##### c. Fair value measurement sensitivity to unobservable inputs

The estimated fair value would increase (decrease) if:

- Expected market rental demand were higher (lower);
- Expected rental rates were higher (lower);
- Occupancy levels were higher (lower);
- Marketplace rental supply is lower (higher);
- Tenant inducement costs are lower (higher); and
- The risk-adjusted discount rate were lower (higher).

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 19. Investment property (continued)

### B. Maturity value of lease payments

The following table sets out a maturity analysis of tenant lease payments and their share of the expected operating expenses, showing the undiscounted lease payments to be received after the reporting date.

in thousands of dollars	2025	2024
Less than one year	563	554
One to two years	365	383
Two to three years	285	260
Three to four years	236	218
Four to five years	184	168
More than five years	446	230
<b>Total</b>	<b>2,079</b>	<b>1,813</b>

The Society owns the building complex which is segmented between for investment property purposes and own-use purposes. The company utilizes 53% (2024 - 54%) of the complex's total rentable square footage, while the investment property is the remaining 47% (2024 - 46%).

## 20. Property and equipment

in thousand of dollars	2025	2024
Owner-occupied property measured at fair value	8,711	8,836
Other property and equipment owned	572	774
<b>Total</b>	<b>9,283</b>	<b>9,610</b>

### A. Owner-occupied property measured at fair value

#### i. Reconciliation of carrying amount

in thousand of dollars	2025	2024
Balance at 1 January	8,836	7,762
Improvements	93	346
Net change in fair value	-	924
Depreciation	(218)	(196)
<b>Balance at 31 December</b>	<b>8,711</b>	<b>8,836</b>

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## **20. Property and equipment (continued)**

### **A. Owner-occupied property measured at fair value (continued)**

#### **i. Reconciliation of carrying amount (continued)**

The owner-occupied property is measured at fair value. Changes in fair values are recognized to the revaluation reserve within equity other reserves. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other changes are recognized in profit or loss.

#### **ii. Measurement of fair value**

The fair value of the owner-occupied property at the reporting date was determined by an external independent property appraiser, having appropriately recognized professional qualifications and recent experience in the location and category of property being valued. The independent appraiser provides the fair value of the Society's owner-occupied property portfolio every twelve months.

The fair value measurement for the owner-occupied property has been categorized as a Level 3 fair value based on the inputs to the valuation technique used (see Note 7(A)). The valuation techniques and significant unobservable inputs used in measuring the fair values of owner-occupied properties are consistent with those applied to the investment property at the reporting date (see Note 20 (B)).

#### **iii. Acquisition of property and equipment**

The Consolidated Statement of cash flow presents the purchase of property and equipment that has been capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Purchases in the fiscal period of \$175 include assets for the benefit of the owner-occupied property portion that are presented in Note 20 (B) of \$98 (2024 - \$870) and purchases of assets related to the investment property of \$77 (2024 - \$346).

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 20. Property and equipment (continued)

### B. Other property and equipment owned

	Land and buildings	IT equipment	Fixture and fittings	Total	Intangible assets
<b>Cost</b>					
Balance at 1 January 2024	8,879	1,954	1,317	12,150	15,934
Additions	346	55	469	870	592
Net change in fair value	924	-	-	924	-
Balance, December 31, 2024	10,149	2,009	1,786	13,944	16,526
Balance at 1 January 2025	10,149	2,009	1,786	13,944	16,526
Additions	93	-	4	97	1,009
Net change in fair value	-	-	-	-	-
Balance, December 31, 2025	10,242	2,009	1,790	14,041	17,535
<b>Accumulated depreciation:</b>					
Balance 1 January 2024	(1,117)	(1,662)	(1,214)	(3,993)	(12,407)
Depreciation	(196)	(93)	(52)	(341)	(783)
Balance, December 31, 2024	(1,313)	(1,755)	(1,266)	(4,334)	(13,190)
Balance 1 January 2025	(1,313)	(1,755)	(1,266)	(4,334)	(13,190)
Depreciation	(218)	(84)	(122)	(424)	(822)
Balance, December 31, 2025	(1,531)	(1,839)	(1,388)	(4,758)	(14,012)
<b>Carrying amounts</b>					
At 31 December 2024	8,836	254	521	9,611	3,336
At 31 December 2025	8,711	170	402	9,283	3,523

### C. Intangible assets

Software is measured at cost less accumulated amortization and accumulated impairment losses.

Expenditure on internally and third-party developed software is recognized as an asset only if the Society can demonstrate the technical feasibility to complete the development of the software, its intention and the availability of resources to complete the development and to use the software and its ability to use the software in a manner that will generate probable future economic benefits and to measure the expenditure reliably.

Subsequent expenditure on developed software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Please see note 20(B).

All other expenditure is recognized in profit or loss as it is incurred.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

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## 21. Payables

in thousands of dollars	2025	2024
Accrued expenses	5,229	4,229
Other	599	464
<b>Total</b>	<b>5,828</b>	<b>4,693</b>

## 22. Investment contract liabilities

See accounting policies in Note 5(C).

in thousands of dollars	2025	2024
Balance at 1 January	85,669	81,779
<b>Amounts recognized in profit or loss</b>		
Interest credited	3,711	3,572
Total expenses	3,711	3,572
<b>Cash flows</b>		
Contributions received	21,886	16,177
Withdrawals	(17,500)	(14,087)
Benefits paid	(1,735)	(1,772)
Balance at 31 December	92,031	85,669

Of the totals above, \$51,124 (2024: \$40,940) of the investment contract liabilities are expected to be settled more than 12 months after the reporting date.

These liabilities have various contractual maturity dates, and the holders can withdraw their funds at any time prior to the maturity date with the applicable early surrender penalty fee related to the deposit.

# Serenia Life Financial

Notes to the Consolidated Financial Statements  
(In thousands of dollars)

Year ended 31 December 2025

## 23. Insurance and reinsurance contracts

See accounting policies in Note 5(B).

in thousands of dollars	Life	Segregated funds	Total
<b>31 December 2025</b>			
<b>Insurance contracts</b>			
Insurance contract liabilities	171,927	(373)	171,554
Insurance contract liabilities for accounts of segregated fund holders	-	36,713	36,713
	171,927	36,340	208,267
<b>Insurance contract assets</b>			
Insurance contract balances assets for insurance	21,349		21,349
Asset for insurance acquisition cash flows	461		461
	21,810	-	21,810
<b>Reinsurance contracts</b>			
Reinsurance contract assets	12,304		12,304
Reinsurance contract liabilities	4,329	-	4,329
	7,975	-	7,975
<b>31 December 2024</b>			
<b>Insurance contracts</b>			
Insurance contracts liabilities	187,882	(821)	187,061
Insurance contracted liabilities for accounts of segregated fund holders	-	39,191	39,191
	187,882	38,370	226,252
<b>Insurance contract assets</b>			
Insurance contract balances assets for insurance	17,942	-	17,942
Asset for insurance acquisition cash flows	252	-	252
	18,194	-	18,194
<b>Reinsurance contracts</b>			
Reinsurance contract assets	13,410	-	13,410
Reinsurance contract liabilities	3,932	-	3,932
	9,478	-	9,478

The following table sets out the carrying amounts of insurance and reinsurance contracts expected to be (recovered) settled more than 12 months after the reporting date.

in thousands of dollars	2025	2024
Insurance contract assets	14,421	12,223
Insurance contract liabilities	168,182	183,635
Reinsurance contract assets	11,423	13,177
Reinsurance contract liabilities	4,019	3,932

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

## 23. Insurance and reinsurance contracts (continued)

### A. Movement in insurance and reinsurance contract balances

#### i. Life risk

Insurance contracts

Analysis by remaining coverage and incurred claims

	2025				2024			
	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Liabilities for incurred claims	Total
in thousands of dollars								
Opening assets	(39,319)	21,377	-	(17,942)	(32,322)	17,555	-	(14,767)
Opening liabilities	175,817	7,650	4,415	187,882	187,278	4,805	3,192	195,275
<b>Net opening balance</b>	<b>136,498</b>	<b>29,027</b>	<b>4,415</b>	<b>169,940</b>	<b>154,956</b>	<b>22,360</b>	<b>3,192</b>	<b>180,508</b>
Opening balance adjustment				-	252	-	24	276
<b>Changes in the statement of profit or loss</b>								
<b>Insurance revenue</b>	(20,049)	-	-	(20,049)	(18,719)	-	-	(18,719)
Total insurance revenue	(20,049)	-	-	(20,049)	(18,719)	-	-	(18,719)
<b>Insurance service expenses</b>								
Incurred claims and other insurance service expenses	-	(733)	9,760	9,027	-	(666)	11,433	10,767
Amortization of insurance acquisition cash flows	5,932	-	-	5,932	4,944	-	-	4,944
Losses and reversals of losses on onerous contracts	-	4,342	-	4,342	-	6,833	-	6,833
Adjustments to liabilities for incurred claims	-	-	(205)	(205)	-	-	-	-
Total insurance service expenses	5,932	3,609	9,555	19,096	4,944	6,167	11,433	22,544
Investment components and premium refunds	(7,831)	-	7,831	-	(9,144)	-	9,144	-
<b>Insurance service result</b>	(21,948)	3,609	17,386	(953)	(22,919)	6,167	20,577	3,825
Net finance expenses from insurance contracts	(5,152)	906	(14)	(4,260)	(2,647)	670	-	(1,977)
<b>Total changes in the statement of profit or loss</b>	<b>(27,100)</b>	<b>4,515</b>	<b>17,372</b>	<b>(5,213)</b>	<b>(25,566)</b>	<b>6,837</b>	<b>20,577</b>	<b>1,848</b>
<b>Cash flows</b>								
Premiums received	21,832	-	-	21,832	21,123	-	-	21,123
Claims and other insurance service expenses paid, including investment components	-	-	(18,897)	(18,897)	-	-	(19,378)	(19,378)
Insurance acquisition cash flows	(16,819)	-	-	(16,819)	(14,231)	-	-	(14,231)
<b>Total cash flows</b>	<b>5,013</b>	<b>-</b>	<b>(18,897)</b>	<b>(13,884)</b>	<b>6,892</b>	<b>-</b>	<b>(19,378)</b>	<b>(12,486)</b>
<b>Other changes in insurance contract liabilities</b>	<b>1</b>	<b>71</b>	<b>-</b>	<b>72</b>	<b>(36)</b>	<b>(170)</b>	<b>-</b>	<b>(206)</b>
<b>Net closing balance</b>	<b>114,412</b>	<b>33,613</b>	<b>2,890</b>	<b>150,915</b>	<b>136,498</b>	<b>29,027</b>	<b>4,415</b>	<b>169,940</b>
Closing assets	(54,241)	32,767	125	(21,349)	(39,319)	21,377	-	(17,942)
Closing liabilities	168,653	846	2,765	172,264	175,817	7,650	4,415	187,882
<b>Net closing balance</b>	<b>114,412</b>	<b>33,613</b>	<b>2,890</b>	<b>150,915</b>	<b>136,498</b>	<b>29,027</b>	<b>4,415</b>	<b>169,940</b>

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

## 23. Insurance and reinsurance contracts (continued)

### A. Movement in insurance and reinsurance contract balances

#### i. Life risk (continued)

Insurance contracts (continued)  
Analysis by measurement component

in thousands of dollars	2025					2024				
	CSM (see(C))					CSM (see(C))				
	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under full retrospective approach	Contracts under fair value transition approach	Total	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under full retrospective approach	Contracts under fair value transition approach	Total
Opening assets	(21,314)	1,746		1,626	(17,942)	(17,846)	1,467		1,612	(14,767)
Opening liabilities	140,320	20,044	254	27,264	187,882	148,633	20,216	260	26,166	195,275
Net opening balance	119,006	21,790	254	28,890	169,940	130,787	21,683	260	27,778	180,508
Opening balance adjustment					-	24			252	276
Changes in the statement of profit or loss										
<b>Changes that relate to current services</b>										
CSM recognized for services provided	-	-	(44)	(2,890)	(2,934)	-	-	(21)	(2,908)	(2,929)
Change in risk adjustment for non-financial risk for risk expired	-	(1,564)	-	-	(1,564)	-	(1,441)	-	-	(1,441)
Experience adjustments	(520)	-	-	-	(520)	1,362	-	-	-	1,362
<b>Changes that relate to future services</b>										
Contracts initially recognized in the year	3,558	1,506	76	-	5,140	3,473	1,320	25	-	4,818
Changes in estimates that adjust the CSM	1,326	11	265	(1,602)	-	(2,142)	(559)	(18)	2,719	-
Changes in estimates that result in losses and reversals of losses on onerous contracts	(720)	(78)	-	-	(798)	1,924	(78)	-	-	1,846
<b>Changes that relate to past services</b>										
Adjustments to liabilities for incurred claims	(205)	-	-	-	(205)	-	-	-	-	-
<b>Insurance service result</b>	3,439	(125)	297	(4,492)	(881)	4,617	(758)	(14)	(189)	3,656
Net finance expenses from insurance contracts	(5,413)	22	8	1,122	(4,261)	(3,900)	865	8	1,049	(1,978)
<b>Total changes in the statements of profit or loss</b>	(1,974)	(103)	305	(3,370)	(5,142)	717	107	(6)	860	1,678
<b>Cash flows</b>	(13,905)	-	-	-	(13,905)	(12,486)	-	-	-	(12,486)
<b>Transfer to other items in the statement of financial position</b>	22	-	-	-	22	(36)	-	-	-	(36)
<b>Net closing balance</b>	103,149	21,687	559	25,520	150,915	119,006	21,790	254	28,890	169,940
Closing assets	(40,038)	8,155	349	10,185	(21,349)	(21,314)	1,746	-	1,626	(17,942)
Closing liabilities	143,187	13,532	210	15,335	172,264	140,320	20,044	254	27,264	187,882
Net closing balance	103,149	21,687	559	25,520	150,915	119,006	21,790	254	28,890	169,940

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

## 23. Insurance and reinsurance contracts (continued)

### A. Movement in insurance and reinsurance contract balances

#### i. Life risk (continued)

Reinsurance contracts  
Analysis by remaining coverage and incurred claims

in thousands of dollars	2025				2024			
	Excluding loss component	Loss Component	Liabilities for incurred claims	Total	Excluding loss component	Loss Component	Liabilities for incurred claims	Total
Opening assets	13,410	-	-	13,410	13,818	-	-	13,818
Opening liabilities	(10,521)	5,614	975	(3,932)	(7,455)	3,031	443	(3,981)
<b>Net opening balance</b>	<b>2,889</b>	<b>5,614</b>	<b>975</b>	<b>9,478</b>	<b>6,363</b>	<b>3,031</b>	<b>443</b>	<b>9,837</b>
Opening balance adjustment	-	-	-	-	274	-	-	274
<b>Changes in the statement of profit or loss</b>								
Allocation of premiums paid	(4,671)	-	-	(4,671)	(4,008)	-	-	(4,008)
<b>Amounts recoverable from reinsurance</b>								
Recoveries of incurred claims and other insurance service expenses	-	(409)	1,732	1,323	-	(328)	3,678	3,350
Recoveries and reversals of losses on onerous underlying contracts	-	1,592	-	1,592	-	1,707	-	1,707
Adjustments to assets for incurred claims	-	(1,280)	-	(1,280)	-	-	-	-
Total amounts recovered from reinsurance	-	(97)	1,732	1,635	-	1,379	3,678	5,057
Effect of changes in non-performance risk of reinsurers	1	-	(1)	-	(3)	-	-	(3)
Net expenses from reinsurance contracts	(4,670)	(97)	1,731	(3,036)	(4,011)	2,488	3,678	2,155
Net finance income from reinsurance contacts	(393)	122	-	(271)	53	95	-	148
Total changes in the statement of profit or loss	(5,063)	25	1,731	(3,307)	(3,958)	2,583	3,678	2,303
<b>Cash flows</b>								
Premiums paid	4,274	-	-	4,274	210	-	-	210
Amounts received	-	-	(2,470)	(2,470)	-	-	(3,146)	(3,146)
<b>Total cash flows</b>	<b>4,274</b>	<b>-</b>	<b>(2,470)</b>	<b>1,804</b>	<b>210</b>	<b>-</b>	<b>(3,146)</b>	<b>(2,936)</b>
Net closing balance	2,100	5,639	236	7,975	2,889	5,614	975	9,478
Closing assets	12,304	-	-	12,304	13,410	-	-	13,410
Closing liabilities	(10,204)	5,639	236	(4,329)	(10,521)	5,614	975	(3,932)
<b>Net closing balance</b>	<b>2,100</b>	<b>5,639</b>	<b>236</b>	<b>7,975</b>	<b>2,889</b>	<b>5,614</b>	<b>975</b>	<b>9,478</b>

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

## 23. Insurance and reinsurance contracts (continued)

### A. Movement in insurance and reinsurance contract balances

#### i. Life risk (continued)

Reinsurance contracts (continued)

Analysis by measurement component

in thousands of dollars	2025					2024				
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under full retrospective approach	Contracts under fair value transition approach	Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under full retrospective approach	Contracts under fair value transition approach	Total
Opening assets	(4,024)	6,528	3,196	7,710	13,410	(730)	6,156	688	7,704	13,818
Opening liabilities	1,179	(1,913)	(937)	(2,261)	(3,932)	210	(1,773)	(199)	(2,219)	(3,981)
<b>Net opening balance</b>	<b>(2,845)</b>	<b>4,615</b>	<b>2,259</b>	<b>5,449</b>	<b>9,478</b>	<b>(520)</b>	<b>4,383</b>	<b>489</b>	<b>5,485</b>	<b>9,837</b>
Opening balance adjustment	-	-	-	-	-	-	223	-	51	274
Changes in the statement of profit or loss										
<b>Changes that relate to current services</b>										
CSM recognized for services provided	-	-	(405)	(1,052)	(1,457)	-	-	(181)	(735)	(916)
Change in risk adjustment for non-financial risk for risk expired	-	(347)	-	-	(347)	-	(341)	-	-	(341)
Experience adjustments	(1,541)	-	-	-	(1,541)	598	-	-	-	598
<b>Changes that relate to future services</b>										
Contracts initially recognized in the year	11	44	1,536	-	1,591	-	-	1,707	1	1,708
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	-	-	(187)	(2)	(189)	-	-	12	9	21
Changes in estimates that adjust the CSM	(4,313)	826	838	2,648	(1)	2,791	140	184	503	3,618
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	(1,082)	(10)	-	-	(1,092)	(2,487)	(43)	-	-	(2,530)
<b>Changes that relate to past services</b>										
Adjustments to liabilities for incurred claims	-	-	-	-	-	-	-	-	-	-
Effect of changes in non-performance risk of reinsurers	1	-	-	-	1	(3)	-	-	-	(3)
<b>Total insurance service result</b>	<b>(6,924)</b>	<b>513</b>	<b>1,782</b>	<b>1,594</b>	<b>(3,035)</b>	<b>899</b>	<b>(244)</b>	<b>1,722</b>	<b>(222)</b>	<b>2,155</b>
Net finance expenses from reinsurance contracts	(478)	(82)	140	150	(270)	(286)	253	48	135	150
<b>Total changes in the statements of profit or loss</b>	<b>(7,402)</b>	<b>431</b>	<b>1,922</b>	<b>1,744</b>	<b>(3,305)</b>	<b>613</b>	<b>9</b>	<b>1,770</b>	<b>(87)</b>	<b>2,305</b>
<b>Cash flows</b>	<b>1,802</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,802</b>	<b>(2,938)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,938)</b>
<b>Net closing balance</b>	<b>(8,445)</b>	<b>5,046</b>	<b>4,181</b>	<b>7,193</b>	<b>7,975</b>	<b>(2,845)</b>	<b>4,615</b>	<b>2,259</b>	<b>5,449</b>	<b>9,478</b>
Closing assets	(13,026)	7,784	6,450	11,096	12,304	(4,024)	6,528	3,196	7,710	13,410
Closing liabilities	4,581	(2,738)	(2,269)	(3,903)	(4,329)	1,179	(1,913)	(937)	(2,261)	(3,932)
<b>Net closing balance</b>	<b>(8,445)</b>	<b>5,046</b>	<b>4,181</b>	<b>7,193</b>	<b>7,975</b>	<b>(2,845)</b>	<b>4,615</b>	<b>2,259</b>	<b>5,449</b>	<b>9,478</b>

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

## 23. Insurance and reinsurance contracts (continued)

### A. Movement in insurance and reinsurance contract balances

#### ii. Segregated funds

Analysis by remaining coverage and incurred claims

in thousands of dollars	2025			2024		
	Excluding loss component	Liabilities for incurred claims	Total	Excluding loss component	Liabilities for incurred claims	Total
Opening assets						
Opening liabilities	(949)	128	(821)	(1,522)	441	(1,081)
<b>Net opening balance</b>	<b>(949)</b>	<b>128</b>	<b>(821)</b>	<b>(1,522)</b>	<b>441</b>	<b>(1,081)</b>
Changes in the statement of profit and loss						
<b>Insurance Revenue</b>						
Other contracts	(810)	-	(810)	(959)	-	(959)
Total insurance revenue	(810)	-	(810)	(959)	-	(959)
<b>Insurance service expenses</b>						
Incurred claims and other insurance service expenses	-	702	702	-	929	929
	-	702	702	-	929	929
Investment components and premium refunds	(96)	96	-	310	(310)	-
<b>Insurance service result</b>	<b>(906)</b>	<b>798</b>	<b>(108)</b>	<b>(649)</b>	<b>619</b>	<b>(30)</b>
Net finance expenses from insurance contracts	-	-	-	-	-	-
<b>Total changes in the statement of profit and loss</b>	<b>(906)</b>	<b>798</b>	<b>(108)</b>	<b>(649)</b>	<b>619</b>	<b>(30)</b>
<b>Cash flows</b>						
Premiums received	1,068	-	1,068	1,325	-	1,325
Claims and other insurance service expenses paid including investment components	-	(702)	(702)	-	(929)	(929)
<b>Total cash flows</b>	<b>1,068</b>	<b>(702)</b>	<b>366</b>	<b>1,325</b>	<b>(929)</b>	<b>396</b>
<b>Other changes in insurance contract liabilities</b>	<b>(17)</b>	<b>(130)</b>	<b>(147)</b>	<b>(103)</b>	<b>(3)</b>	<b>(106)</b>
<b>Net closing balance</b>	<b>(804)</b>	<b>94</b>	<b>(710)</b>	<b>(949)</b>	<b>128</b>	<b>(821)</b>
Closing assets	-	-	-	-	-	-
Closing liabilities	(804)	94	(710)	(949)	128	(821)
<b>Net closing balance</b>	<b>(804)</b>	<b>94</b>	<b>(710)</b>	<b>(949)</b>	<b>128</b>	<b>(821)</b>

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

## 23. Insurance and reinsurance contracts (continued)

### A. Movement in insurance and reinsurance contract balances

#### ii. Segregated funds

Analysis by measurement component

in thousands of dollars	2025				2024			
	CSM (see(C))				CSM (see(C))			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under full retrospective transition approach	Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under full retrospective transition approach	Total
Opening assets								
Opening liabilities	(1,911)	122	968	(821)	(1,684)	138	465	(1,081)
<b>Net opening balance</b>	<b>(1,911)</b>	<b>122</b>	<b>968</b>	<b>(821)</b>	<b>(1,684)</b>	<b>138</b>	<b>465</b>	<b>(1,081)</b>
Changes in the statement of profit or loss								
<b>Changes that relate to current services</b>								
CSM recognized for services provided	-	-	(191)	(191)	-	-	(244)	(244)
Change in risk adjustment for non-financial risk for risk expired	-	(24)	-	(24)	-	(30)	-	(30)
Experienced adjustments	108	-	-	108	243	-	-	243
<b>Changes that relate to future services</b>								
Changes in estimates that adjust the CSM	48	(17)	(31)	-	(761)	14	747	-
<b>Insurance service result</b>	<b>156</b>	<b>(41)</b>	<b>(222)</b>	<b>(107)</b>	<b>(518)</b>	<b>(16)</b>	<b>503</b>	<b>(31)</b>
Net Finance expenses from insurance contracts	-	-	-	-	-	-	-	-
<b>Total changes in the statements of profit or loss</b>	<b>156</b>	<b>(41)</b>	<b>(222)</b>	<b>(107)</b>	<b>(518)</b>	<b>(16)</b>	<b>503</b>	<b>(31)</b>
<b>Cash flows</b>	<b>366</b>	<b>-</b>	<b>-</b>	<b>366</b>	<b>396</b>	<b>-</b>	<b>-</b>	<b>396</b>
<b>Transfer to other items in the statement of financial position</b>	<b>(156)</b>	<b>8</b>	<b>-</b>	<b>(148)</b>	<b>(105)</b>	<b>-</b>	<b>-</b>	<b>(105)</b>
<b>Net closing balance</b>	<b>(1,545)</b>	<b>89</b>	<b>746</b>	<b>(710)</b>	<b>(1,911)</b>	<b>122</b>	<b>968</b>	<b>(821)</b>
Closing assets	-	-	-	-	-	-	-	-
Closing liabilities	(1,545)	89	746	(710)	(1,911)	122	968	(821)
<b>Net closing balance</b>	<b>(1,545)</b>	<b>89</b>	<b>746</b>	<b>(710)</b>	<b>(1,911)</b>	<b>122</b>	<b>968</b>	<b>(821)</b>

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

## 23. Insurance and reinsurance contracts (continued)

### B. Effects of contracts initially recognized in the year

The following tables summarize the effect on the measurement components arising from the initial recognition of new business insurance and reinsurance contracts in the year.

#### i. Life risk

Insurance contracts

in thousands of dollars	Profitable contracts issued	Onerous contracts issued	Total
<b>2025</b>			
Claims and other insurance service expense payable	476	11,658	12,134
Insurance acquisition cash flows	438	3,816	4,254
Estimate of present value of cash outflows	914	15,474	16,388
Estimate of present value of cash inflows	(1,027)	(11,803)	(12,830)
Risk adjustments for non-financial risk	37	1,469	1,506
CSM	76	-	76
<b>Losses recognized on initial recognition</b>	0	5,140	5,140
<b>2024</b>			
Claims and other insurance service expense payable	293	10,429	10,722
Insurance acquisition cash flows	63	2,941	3,004
Estimate of present value of cash outflows	356	13,370	13,726
Estimate of present value of cash inflows	(400)	(9,853)	(10,253)
Risk adjustments for non-financial risk	20	1,301	1,321
CSM	24	-	24
<b>Losses recognized on initial recognition</b>	-	4,818	4,818

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

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## 23. Insurance and reinsurance contracts (continued)

### B. Effects of contracts initially recognized in the year (continued)

#### i. Life risk (continued)

Reinsurance contracts

The following tables summarize the effect on the measurement components arising from the initial recognition of new business insurance and reinsurance contracts in the year.

	Contracts initiated without loss-recovery component	Contract initiated with loss-recovery component	Total
in thousands of dollars			
<b>2025</b>			
Estimate of present value of cash inflows	(130)	(331)	(461)
Estimate of present value of cash outflows	154	295	449
Risk adjustments for non-financial risk	(7)	(37)	(44)
Income recognized on initial recognition	-	1,592	1,592
<b>CSM</b>	<b>17</b>	<b>1,519</b>	<b>1,536</b>
<b>2024</b>			
Estimate of present value of cash outflows	-	-	-
Estimate of present value of cash inflows	-	-	-
Risk adjustments for non-financial risk	-	-	-
Income recognized on initial recognition	-	1,706	1,706
<b>CSM</b>	<b>-</b>	<b>1,706</b>	<b>1,706</b>

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

## 23. Insurance and reinsurance contracts (continued)

### C. Contractual service margin

The following table sets out when the Society expects to recognize the remaining CSM in profit or loss after the reporting date for contracts.

In thousands of dollars	Within 1 Year	1 year to 3 years	3 year to 5 years	Over 5 years	Total
<b>31 December 2025</b>					
<b>Insurance contracts</b>					
Life risk	2,688	4,637	3,749	15,004	26,078
Segregated Funds	159	226	139	222	746
	2,847	4,863	3,888	15,226	26,824
<b>Reinsurance contracts</b>					
Life risk	(1,390)	(2,359)	(1,849)	(5,775)	(11,373)
	(1,390)	(2,359)	(1,849)	(5,775)	(11,373)
<b>31 December 2024</b>					
<b>Insurance contracts</b>					
Life risk	2,693	4,730	3,939	17,782	29,144
Segregated Funds	206	296	184	282	968
	2,899	5,026	4,123	18,064	30,112
<b>Reinsurance contracts</b>					
Life risk	(898)	(1,535)	(1,219)	(4,056)	(7,708)
	(898)	(1,535)	(1,219)	(4,056)	(7,708)

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

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## 23. Insurance and reinsurance contracts (continued)

### D. Significant judgement and estimates

#### i. Fulfilment cash flows

##### **Fulfilment cash flows comprise:**

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

The Society's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Society annually uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns. However, on a quarterly basis the Society utilizes a few different methods to estimate future cash flows outside of the stochastic modelling approach unless there is significant changes in interest rates that would warrant the requirement to use stochastic modelling quarterly.

##### **Estimates of future cash flows:**

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

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

When estimating future cash flows, the Society takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. The Society derives cost inflation assumptions from its own expectations and does not vary with financial risks.

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

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

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## 23. Insurance and reinsurance contracts (continued)

### D. Significant judgement and estimates (continued)

#### i. Fulfillment cash flows (continued)

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

- claims handling, maintenance and administration costs;
- cost of paying benefits;
- recurring commissions payable on instalment premiums receivable within the contract boundary;
- costs that the Society will incur in providing investment services;
- an allocation of directly attributable overhead (accounting, human resources, IT technology and support, property depreciation, rent and maintenance and utilities); and
- other costs specifically chargeable to the policyholders under the terms of the contracts.

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

Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. The Society generally allocates insurance acquisition cash flows to groups of contracts based on the total premiums for each group, claims handling costs based on the number of claims for each group, and maintenance and administration costs based on the number of in-force contracts within each group. Other costs are recognized in profit or loss as they are incurred.

#### **Contract boundaries:**

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Society's substantive rights and obligations under the contract.

Life risk and life savings payout annuities:

Mortality/longevity, morbidity and policyholder behaviour experience is closely monitored on an ongoing basis and is reflected both in the pricing of new products and in the measurement of existing contracts. The Society relies on industry mortality improvement studies and relies 100% on the industry's best estimate mortality improvement when determining fulfillment cash flows.

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

#### **Discount rate:**

All cash flows are discounted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Society will use three yield curves to reflect the liquidity characteristics of the various insurance contracts. The ultimate forward rate is expected to be stable and would

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

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## 23. Insurance and reinsurance contracts (continued)

### D. Significant judgement and estimates (continued)

#### i. Fulfillment cash flows (continued) Discount rate (continued)

change only on significant changes to long-term expectations. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium.

#### Risk adjustment for non-financial risk

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

The risk adjustments for non-financial risk are determined using the following techniques:

- utilize the margin approach, with margins limited to the Canadian Institute of Actuaries current ranges for Provisions for Adverse Deviations (PfADs) to ensure these margins reflect the Society's minimum required compensation for non-financial risk; and
- margins will be tested annually using a cost of capital calculation.

To determine the risk adjustments for non-financial risk, the Society will derive the confidence level of its risk adjustment. This confidence level will be derived gross of reinsurance. This derivation will assume the present value of future cashflows follows a normal distribution and uses aspects of the LICAT framework as a reference point to calculate the standard deviation of this distribution.

The Society estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 85th percentile (the target confidence level) over the expected present value of the future cash flows.

## 24. Loans

in thousands of dollars	Note	2025	2024
Subordinated note	A	3,411	3,586
Bank line of credit	B	-	-
		3,411	3,586

Of the total loans, \$3,411 (2024: \$3,586) is expected to be settled more than 12 months after the reporting date.

The Society did not have any defaults of principal or interest or other breaches with respect to the loan during the years ended 31 December 2025 and 2024.

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

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## 24. Loans (continued)

### A. Subordinated notes issued

The subordinated debt is redeemable by the Society at the principal amount plus any accrued and unpaid interest at any time. As at 31 December 2024, the Society has redeemed and repaid an accumulated amount of USD \$1,582 (2024 - USD \$1,582) of the original subordinated loan of USD \$4,000. The carrying value has been converted to Canadian currency at the prevailing exchange rate as of the statement of financial position date.

The subordinated debt bore an annual interest rate of 6.75% until 24 December 2013. After 24 December 2013 and for the remainder of the term, it bears interest at the rate of 7.75%.

31 December 2025	Nominal	Year of	Carrying amount in	
			thousands of dollars	
Face value	interest rate	maturity	2025	2024
<u>\$2,418 USD</u>	<u>7.75%</u>	<u>4</u>	<u>3,411</u>	<u>3,586</u>

These notes would, in the event of the winding-up of the Society, be subordinated to the claims of policyholders and all other creditors of the Society.

### B. Bank line of credit

The Society maintains an operating bank line of credit of \$2.5 million for general operating purposes. The line is unsecured. The company has no outstanding balance on the line of credit during the years ended 31 December 2025 and 2024.

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

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## 24. Loans (continued)

### C. Reconciliation of movement in liabilities to cash flows arising from financing activities

in thousands of dollars	Notes issued
Balance at 1 January 2024	3,310
<b>Changes from financing</b>	
Interest paid	(263)
Effects on movement in exchange rates	283
Amortization of premium	(7)
Interest expense	263
<b>Balance at 31 December 2024</b>	<b>3,586</b>
<b>Changes from financing</b>	
Interest paid	(266)
Effects on movement in exchange rates	(167)
Amortization of premium	(8)
Interest expense	266
<b>Balance at 31 December 2025</b>	<b>3,411</b>

## 25. Other liabilities

in thousands of dollars	Note	2025	2024
Unearned investment property rental income	19	45	39
Employee benefits		150	106
Retiree benefits	14	5,205	5,402
Other liabilities		36	-
		<b>5,436</b>	<b>5,547</b>

## 26. Subsidiaries

The Society established its wholly-owned subsidiary Serenia Life Distribution Inc. ("SLDI") in 2021 which is a sales and distribution company focused on selling third-party insurance and investment products. Commission revenues earned from the sale of third-party insurance and investment products are recorded in other revenues in the consolidated statement of profit or loss. At 31 December 2025 commission revenues total \$37 (2024 – nil). An intercompany receivable of \$8 from SLDI was outstanding at year end (2024 - \$nil).

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

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## 27. Related parties

In addition to their salaries, the Society also provides health and other benefits to executive officers and contributes to post-employment health and retirement benefit plans on their behalf.

Key management personnel compensation comprised the following:

in thousands of dollars	2025	2024
Base salary and bonus	2,826	2,153
Health and other benefits	237	227
Retirement benefits	579	441
<b>Total</b>	<b>3,642</b>	<b>2,821</b>

Directors fees for the year are \$313 (2024 - \$344).

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

## 28. Segregated funds

The Society sells a number of segregated funds products which it administers on behalf of members. Subject to limited guarantees provided by the Society, investors in these funds bear the full investment risk of, and receive all the benefits from, the assets of the funds.

### i. Financial assets for segregated funds:

Financial assets for segregated funds contracts are recorded at fair value with changes in fair value recorded in net income together with the offsetting changes in fair value of the corresponding financial liabilities for segregated funds contracts.

	2025	2024
Asia Pacific Equity FunL	260	235
BalanceL FunL (Jarislowsky)	142	160
BalanceL FunL (Laketon)	3,166	3,555
BalanceL FunL (McLean BuLLen)	3,815	4,894
BalanceL FunL (Scheer Rowlett)	121	161
Balanced Fund (TDQC)	47	80
Canadian Bond Fund (Indexed)	56	62
Canadian Bond Fund	1,628	1,992
Canadian Equity Fund (Core 2)	146	209
Canadian Equity Fund (Core)	795	833
Canadian Equity Fund (Growth)	4,106	3,940
Canadian Equity Fund (Indexed)	62	98
Canadian Equity Fund (Value)	1,630	1,678
Canadian Small Cap Equity Fund	1,422	1,467
Enhanced Dividend Fund	16,322	16,762
European Equity Fund	189	184
Global Bond Fund	184	214
Global Equity Fund 2	12	11
Global Equity Fund	1,580	1,561
International Equity Fund (Indexed)	35	29
Money Market Fund 2	84	88
Money Market Fund	833	900
US Equity Fund (Indexed)	78	78
	36,713	39,191

Fund assets are represented by investments in the above funds managed by third party investment managers.

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

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## 28. Segregated funds (continued)

ii. Financial assets for segregated funds (continued):

Changes in financial assets for segregated funds contracts for the years ended 31 December 2025 and 2024 are as follows:

	2025	2024
Segregated funds assets, beginning of year	39,191	44,750
Additions (deductions): Members' deposits	392	777
Net investment income gains (losses) on investments	6,392	5,763
Management and administrative fees	(1,061)	(1,185)
Members' withdrawals	(8,201)	(10,914)
	(2,478)	(5,559)
Segregated funds assets, end of year	36,713	39,191

ii. Financial liabilities for segregated funds:

The fair value of financial liabilities for segregated funds contracts is equal to the fair value of the financial assets for segregated funds contracts.

## 29. Standards issued but not yet effective

A number of new accounting standards are effective for annual reporting periods beginning after 1 January 2025 and earlier application is permitted. However, the Society has not early adopted the following new or amended accounting standards in preparing these consolidated financial statements.

### A. IFRS 18 presentation and disclosure in financial statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new accounting standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities' net profit will not change.

- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.

- Enhanced guidance is provided on how to group information in the financial statements.

# Serenia Life Financial

Notes to the consolidated financial statements (continued)  
(In thousands of dollars)

Year ended 31 December 2025

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## 29. Standards issued but not yet effective (continued)

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Society is still in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Society's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Society is also assessing the impact on how information is grouped in the financial statements, including the items currently labelled as 'other'.

### B. Amendments to the classification and measurement of financial instruments related to IFRS 9 and IFRS 7

Amendments to the classification and measurement of financial instruments (Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosure") were issued in May 2024 to be effective for years beginning on January 2026 and to be applied retrospectively. The amendments clarify guidance on timing of derecognition of financial liabilities, on the assessment of cash flow characteristics and resulting classification and disclosure of financial assets with terms referencing contingent events including environmental, social and governance events, and of the treatment of non-recourse assets and contractually linked instruments. Adoption of these amendments is not expected to have a significant impact on the Society's Consolidated Financial Statements.

## 30. Subsequent note

There are no subsequent events since 2025's fiscal year end.