



Consolidated Financial Statements of
The Independent Order of Foresters
Year ended December 31, 2025

Consolidated Financial Statements and Notes - Table of Contents

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MANAGEMENT STATEMENT ON RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements have been prepared by management, who are responsible for their integrity, objectivity and reliability. International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") including the accounting requirements of the Office of the Superintendent of Financial Institutions Canada ("OSFI") have been applied and management has exercised its judgement and made best estimates where deemed appropriate. In the opinion of management, the consolidated financial statements fairly reflect the financial position, results of operations and cash flows of The Independent Order of Foresters ("Foresters Financial") within reasonable bounds of materiality.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of Foresters Financial. Management maintains an extensive system of internal accounting controls designed to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy of operation of the control systems is monitored by an internal audit department.

The Board of Directors, acting through the Audit and Compliance Committee, which comprises directors who are not officers or employees of Foresters Financial, oversees management responsibility for the financial reporting and internal control system.

The Appointed Actuary is appointed by the Board of Directors to carry out an annual valuation of liabilities for future benefits. In performing this valuation, the Appointed Actuary is responsible for ensuring that the assumptions and methods used in the valuation of insurance contract liabilities are in accordance with accepted actuarial practice and requirements. The Appointed Actuary is required to provide an opinion regarding the appropriateness of insurance and investment contract liabilities at the balance sheet date to meet all certificate holders' obligations. Examination of supporting data for accuracy and completeness and analysis of assets for their ability to support the amount of insurance and investment contract liabilities are important elements of the work required to form this opinion. The Appointed Actuary is also required each year to analyze the financial condition of Foresters Financial and prepare a report for the Board of Directors. The analysis tests Foresters Financial's capital adequacy under several adverse but plausible conditions using the relevant Standards of Practice of the Canadian Institute of Actuaries. In carrying out her work, the Appointed Actuary may consider the work of the internal audit department. The Appointed Actuary's Report outlines the scope of the valuation and the Actuary's opinion.

Foresters Financial engages PricewaterhouseCoopers LLP Chartered Professional Accountants, an external Auditor, to express an opinion on the financial statements. The responsibility of the Auditor is to carry out an independent and objective audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and report regarding the fairness of presentation of Foresters Financial's consolidated financial statements in accordance with IFRS, including the accounting requirements of OSFI. In carrying out their audit, the Auditor also makes use of the work of the Appointed Actuary and her report on the insurance and investment contract liabilities. The Auditor's report outlines the scope of their audit and their opinion.



Matthew M. Berman
President and Chief Executive Officer



Alvin Sharma
Global Chief Financial Officer

Toronto, Ontario, Canada

February 18, 2026

APPOINTED ACTUARY'S REPORT

To the Board of Directors of The Independent Order of Foresters

I have valued the policy liabilities of The Independent Order of Foresters for its consolidated financial statements prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2025.

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



Trudy Engel
Fellow, Canadian Institute of Actuaries

Toronto, Ontario, Canada
February 18, 2026



Independent auditor's report

To the Board of Directors of The Independent Order of Foresters

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Independent Order of Foresters and its subsidiaries (together, the Company) as at December 31, 2025 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of comprehensive income (loss) for the year ended December 31, 2025;
- the consolidated statement of financial position as at December 31, 2025;
- the consolidated statement of changes in surplus for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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 consolidated financial statements* section of our report.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2500
Toronto, Ontario, Canada M5J 0B2
T.: +1 416 863 1133, F.: +1 416 365 8215
Fax to mail: ca_toronto_18_york_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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

Independence

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

February 19, 2026

Consolidated Statement of Comprehensive Income (Loss)
For the years ended December 31
(in thousands of Canadian dollars)

	Note	2025	2024
Insurance revenue	5	\$ 954,010	\$ 910,304
Insurance service expenses	5	(853,302)	(1,175,873)
Net recovery from reinsurance contracts held	5	(12,402)	75,520
Insurance service result		<u>88,306</u>	<u>(190,049)</u>
Net investment income (loss) excluding result of segregated funds and unit linked contract holders	3	561,785	228,064
Net investment income (loss) related to segregated funds and unit linked contract holders net assets		1,208,321	794,416
Financial changes related to segregated funds and unit linked holders net liabilities		(1,208,321)	(794,416)
Net investment result of segregated funds and unit linked contract holders		<u>—</u>	<u>—</u>
Investment return		<u>561,785</u>	<u>228,064</u>
Net finance income (expenses) from insurance contracts	5	(367,950)	(14,255)
Net finance income (expenses) from reinsurance contracts held	5	49,247	(24,769)
Interest on investment contract liabilities		(126)	(785)
Net financial result		<u>242,956</u>	<u>188,255</u>
Fee revenue and other operating income	16	130,922	126,884
Operating expenses	17	(162,251)	(163,874)
Interest on subordinated debt	15	(7,439)	(7,453)
Fraternal investment		(13,591)	(16,334)
Total other income and expenses		<u>(52,359)</u>	<u>(60,777)</u>
Net income (loss) before income taxes		<u>278,903</u>	<u>(62,571)</u>
Current income tax benefit (expense)	18	(35,353)	(4,936)
Deferred income tax benefit (expense)	18	(19,630)	10,748
Total income taxes		<u>(54,983)</u>	<u>5,812</u>
Total net income (loss)		<u>223,920</u>	<u>(56,759)</u>
Other comprehensive income (loss)			
<i>Items that will not be reclassified to net income</i>			
Remeasurement gains (losses) on employee benefit plans, net of income tax expense of \$657 (2024: \$1,594)	10	9,137	7,499
Net unrealized gains (losses) on property, net of income tax expense \$0 (2024: \$0)		(691)	—
Total items that will not be reclassified to net income		<u>8,446</u>	<u>7,499</u>
<i>Items that are or may be reclassified subsequently to net income</i>			
Net unrealized foreign currency translation gains (losses)		(66,182)	142,402
Total items that are or may be reclassified subsequently to net income		<u>(66,182)</u>	<u>142,402</u>
Total other comprehensive income (loss)		<u>(57,736)</u>	<u>149,901</u>
Total comprehensive income (loss)		<u>\$ 166,184</u>	<u>\$ 93,142</u>

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

Consolidated Statement of Financial Position
As at December 31
(in thousands of Canadian dollars)

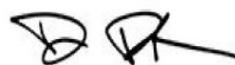
	Note	2025	2024
ASSETS			
Cash and cash equivalents	3	\$ 166,337	\$ 226,635
Short-term securities	3	85,575	108,384
Financial assets measured at fair value	3	7,862,473	7,563,936
Insurance contract assets	5	12,422	12,444
Reinsurance contract held assets	5	987,674	926,037
Accrued investment income		63,417	63,078
Other assets	8	68,970	98,742
Property and equipment	9	11,604	12,745
Current tax assets	18	20,677	30,130
Deferred tax assets	18	61,053	77,280
Right of use assets	13	4,724	5,430
Intangible assets	11	74,671	74,365
Net investments for accounts of segregated funds and unit linked contract holders	4	10,177,426	9,267,923
TOTAL ASSETS		\$ 19,597,023	\$ 18,467,129
LIABILITIES			
Insurance contract liabilities – Excluding segregated funds net liabilities and guarantees	5	\$ 6,507,784	\$ 6,440,679
Insurance contract liabilities – Segregated fund guarantees	5	1	2
Insurance contract liabilities – Segregated funds net liabilities	5	71,402	74,587
Total insurance contract liabilities		6,579,187	6,515,268
Reinsurance contract liabilities held	5	2	2
Current tax liabilities	18	29,288	789
Deferred tax liabilities	18	15,843	11,600
Other liabilities	12	246,504	273,277
Lease liabilities	13	10,432	15,847
Subordinated debt	15	248,784	248,558
Employee benefit obligations	10	30,911	44,207
Investment contract liabilities - Excluding segregated fund net liabilities and unit linked holders liabilities	6	27,894	28,275
Investment contract liabilities - Segregated fund net liabilities and unit linked holders liabilities	4	10,106,024	9,193,336
TOTAL LIABILITIES		17,294,869	16,331,159
SURPLUS			
Retained earnings		2,004,036	1,780,116
Accumulated other comprehensive income		298,118	355,854
TOTAL SURPLUS		2,302,154	2,135,970
TOTAL LIABILITIES AND SURPLUS		\$ 19,597,023	\$ 18,467,129

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

On behalf of the Board:



Matthew M. Berman
President and Chief Executive Officer



Daniel John Fortin
Chair of the Board

Consolidated Statement of Changes in Surplus
For the years ended December 31
(in thousands of Canadian dollars)

	Retained earnings	Accumulated Other Comprehensive Income (Loss)			
		Cumulative translation account	Net unrealized gains (losses) on property	Remeasurement gains (losses) on employee benefit plans	Total
Balance as at January 1, 2024	1,836,875	273,163	3,521	(70,731)	205,953
Net income (loss)	(56,759)	—	—	—	—
Other comprehensive income (loss)	—	142,402	—	7,499	149,901
Total comprehensive income (loss) for the period	(56,759)	142,402	—	7,499	149,901
Balance as at December 31, 2024	\$ 1,780,116	\$ 415,565	\$ 3,521	\$ (63,232)	\$ 355,854
Net income (loss)	223,920	—	—	—	—
Other comprehensive income (loss)	—	(66,182)	(691)	9,137	(57,736)
Total comprehensive income (loss) for the period	223,920	(66,182)	(691)	9,137	(57,736)
Balance as at December 31, 2025	\$ 2,004,036	\$ 349,383	\$ 2,830	\$ (54,095)	\$ 298,118

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

Consolidated Statement of Cash Flows
For the years ended December 31
(in thousands of Canadian dollars)

	2025	2024
	\$	\$
Cash flow from operating activities		
Net income (loss)	223,920	(56,759)
Items not affecting cash:		
Interest expense related to financing activities	7,439	7,453
Depreciation and amortization on property and equipment and intangible assets	25,156	29,819
Net increase (decrease) in insurance contracts - excluding segregated funds	225,173	194,128
Net increase (decrease) in reinsurance contracts held	(84,048)	(73,755)
Net increase (decrease) in investment contracts	(140)	(1,528)
Net realized and unrealized gains (losses) on financial investments and derivatives	(235,744)	50,457
Amortization of premium and discount on bonds	(580)	(1,573)
Net foreign currency gains (losses) on other assets and other liabilities	(135)	(5,253)
Employee benefit provision	2,806	3,557
Deferred income tax expense (recovery)	19,630	(10,748)
Net change in other assets and other liabilities	42,306	(5,346)
Increase (decrease) due to operating activities	225,783	130,452
Cash flow from investing activities		
Investments sold or matured:		
Bonds	2,547,253	2,230,317
Short-term securities	1,601,741	1,291,533
Equities	223,695	270,935
Mortgages	12,859	2,951
Investments acquired:		
Bonds	(2,821,397)	(2,346,669)
Short-term securities	(1,576,165)	(1,309,555)
Equities	(166,047)	(180,412)
Mortgages	(62,760)	(45,546)
Other items, net	(31,709)	25,989
Increase (decrease) due to investing activities	(272,530)	(60,457)
Cash flow from financing activities		
Payment of lease liabilities	(3,984)	(8,598)
Interest expense paid	(7,213)	(7,221)
Increase (decrease) due to financing activities	(11,197)	(15,819)
Effect of movements in exchange rates on cash and cash equivalents	(2,354)	8,751
Net increase (decrease) in cash and cash equivalents	(60,298)	62,927
Cash and cash equivalents, beginning of year	226,635	163,708
Cash and cash equivalents, end of period	\$ 166,337	\$ 226,635
Cash and cash equivalents consist of:		
Cash	\$ 162,021	\$ 180,675
Cash equivalents	4,316	45,960
	\$ 166,337	\$ 226,635
Supplementary cash flow information related to operating activities:		
Income taxes paid, net of (refunds)	(146)	14,579
Interest income received	292,176	266,131
Dividend income received	6,516	7,078

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

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

DESCRIPTION OF BUSINESS

The Independent Order of Foresters ("Foresters Financial") is a Fraternal Benefit Society, which provides fraternal benefits to its members as well as individual life insurance, savings and retirement products, through its branch and subsidiary operations in the United States ("U.S.") and Canada (collectively known as "North American Insurance" or "NAI") and the United Kingdom ("U.K.", "U.K. Savings, Investments and Protection" or "UKSIP").

Foresters Financial commenced business in Canada in 1881. It is incorporated under the Insurance Companies Act – Canada ("the Act"), and is regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). In addition, Foresters Financial foreign branch and subsidiary operations are regulated by statutory authorities in the U.S. and the U.K. Foresters Financial's registered office is located at 789 Don Mills Road, Toronto, Ontario M3C 1T9, Canada.

1. MATERIAL ACCOUNTING POLICIES

The material accounting policies used in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to comparative periods presented in these statements unless otherwise indicated.

1.1 Basis of Presentation

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

These consolidated financial statements were authorized for issue by the Board of Directors on February 18, 2026.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

b) Basis of measurement

Key balances in these consolidated financial statements have been prepared at each reporting date on the measurement basis shown below:

Item	Measurement basis
Financial assets at fair value through profit and loss ("FVTPL")	Fair value
Insurance and reinsurance contracts held	Current value as prescribed by IFRS 17
Investment contracts - unit-linked	Fair value
Investment contracts – non-unit linked	Amortized cost
Net defined benefit liability (asset)	Fair value of plan assets less the present value of the defined benefit obligations
Other impaired non-financial assets	Higher of fair value less costs of disposal and value in use

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition applies to all assets and liabilities measured at fair value except for impairment provisions using value in use to determine the recoverable amount of the asset.

c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is Foresters Financial's functional currency.

d) Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates, judgments and underlying assumptions that affect the application of 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 accounting estimates are recognized in the period in which the estimates are revised.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

The areas where the use of estimates and assumptions have the most significant effect are:

Area of Judgement	Applicable to Foresters Financial
Insurance contracts issued and reinsurance contracts held	<ul style="list-style-type: none"> Classification of insurance contracts issued and reinsurance contracts held, including assessing whether the contract transfers significant insurance risk. [Note 5].
	<ul style="list-style-type: none"> Whether an insurance contract qualifies as a 'direct participating insurance contract' [Note 5].
	<ul style="list-style-type: none"> The level of aggregation of insurance contracts including identifying portfolios and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently [Note 5]. Selection of coverage units and amortization of CSM [Note 5]
	<ul style="list-style-type: none"> Method used to determine risk adjustment for non-financial risk and the desired confidence level [Note 5].
Tax	<ul style="list-style-type: none"> Recognition of deferred tax assets and availability of future taxable profit against which tax losses carried forward can be used [Note 18].

Estimates and Assumptions	Applicable to Foresters Financial
Financial assets	<ul style="list-style-type: none"> Determining the fair value of financial assets and financial liabilities. Primarily in relation to financial instruments which are not traded in an active market which are determined using valuation techniques [Note 3].
Insurance contracts issued and reinsurance contracts held	<ul style="list-style-type: none"> Measurement of insurance contracts including future cash flows, risk adjustment for non-financial risk, discount rates, investment components, contractual service margin, weighting of benefits provided by insurance coverage under a contract and allowable expenses [Note 5]. Mortality, longevity and morbidity, lapse [Note 5]
Other	<ul style="list-style-type: none"> Measurement of employee post-retirement benefit assets and liabilities [Note 10].
	<ul style="list-style-type: none"> Measurement of deferred tax assets and availability of future taxable profit against which tax losses carried forward can be used [Note 18].

1.2 Basis of consolidation

The consolidated financial statements include the results of operations and the financial position of all entities controlled by either Foresters Financial or its subsidiaries. Control exists when Foresters Financial or one of its subsidiaries has power to direct the activities that significantly affect returns, exposure or rights to variable returns based on the subsidiary's performance and the ability to use its power to affect returns. Subsidiaries are fully consolidated from the date on which control is transferred to Foresters Financial until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align with the policies of the group. Intra group transactions are eliminated on consolidation. Foresters Financial's principal subsidiaries are listed in note 22.

1.3 Foreign currency

Foreign operations

For Foresters Financial foreign operations, the local currency is the currency used to transact business and has been defined as the functional currency. Foresters Financial's U.S. and U.K. operations prepare their financial statements in U.S. dollars and the British pound sterling, which are their respective functional currencies. These operations transact business only in their functional currencies.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

In preparing these consolidated financial statements, the functional currencies of the foreign subsidiaries and branch operations have been translated into Canadian dollars which is the presentation currency. All assets and liabilities are translated at the closing exchange rate at the reporting date, and income and expenses are translated using the annual average exchange rate for the year. The accumulated gains or losses arising from translation of functional currencies to the presentation currency are presented separately in the currency translation account, a separate component of accumulated other comprehensive income ("AOCI"). When a foreign operation has been sold, these unrealized foreign currency translation gains and losses are recognized in net income.

Monetary and non-monetary assets

Groups of insurance and reinsurance contracts held that generate cash flows in a foreign currency, including the CSM, are treated as monetary items. Foreign exchange differences arising from the translation of monetary items and non-monetary items held at FVTPL are included in net investment income (loss) on the consolidated statement of comprehensive income (loss) in relation to investments. For insurance contracts, these foreign exchange differences are recorded within net finance income (expenses) from insurance contracts.

Foreign currency transactions

Foreign currency transactions are converted to the appropriate functional currency on the date of the transaction.

1.4 Financial assets and financial liabilities

The following table and accompanying notes explain the classification and measurement categories for each class of Foresters Financial's financial assets and financial liabilities.

Cash, cash equivalents and short-term securities	FVTPL
Bonds	FVTPL
Mortgages	FVTPL
Equities	FVTPL
Other invested assets	FVTPL
Derivatives	FVTPL
Investments for accounts of segregated fund unit holders	FVTPL
Unit-linked investment contracts	FVTPL
Non-unit linked investment contracts	Amortized cost
Subordinated debt	Amortized cost
Lease liabilities	Amortized cost
Other liabilities	Amortized cost
Receivables and Payables	Amortized cost

a) Recognition and initial measurement

All financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date Foresters Financial becomes a party to the contractual provisions of the instrument.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

All financial instruments are initially measured at fair value plus, for a financial asset or financial liability not measured at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

b) Invested assets - classification and measurement

Classification

On initial recognition, a financial asset is classified as measured at FVTPL or amortized cost depending on the business model in which it is managed and its inherent cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition, unless Foresters Financial 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.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost as described above are measured at FVTPL.

On initial recognition, Foresters Financial may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

Foresters Financial assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed and information is provided to management.

Assessments whether contractual cash flows are solely payments of principal and interest ("SPPI Test")

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.

In assessing whether the contractual cash flows are solely payments of principal and interest, Foresters Financial 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.

A prepayment feature is consistent with the 'solely payments of principal and interest' 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

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition.

Foresters Financial has determined that all of its invested financial assets are held in a hold-to-collect-and-sell business model. For financial invested assets supporting insurance and investment contract liabilities, Foresters Financial has elected to use the fair value option to reduce the accounting mismatch between the measurement of the insurance and investment contract liabilities. As a result, all invested financial assets are classified at FVTPL.

i. Measurement after initial recognition

Cash and cash equivalents

Cash and cash equivalents are comprised of cash balances, overnight deposits, and fixed income securities that are highly liquid and have original maturities of three months or less. The carrying value of cash and cash equivalents approximates their fair value.

Short-term securities

Short-term securities are comprised of notes and commercial paper, carried at FVTPL, and include highly liquid investments with original maturities of more than three months, but less than one year. The carrying value of short-term securities approximates their fair value.

Bonds

Bonds are designated FVTPL. The fair value of publicly traded bonds is determined using quoted market mid prices. For non-publicly traded bonds, fair value is determined using a discounted cash flow approach that includes provisions for credit risk and the expected maturities of the securities.

Changes in the fair value of FVTPL bonds are recorded as net investment income (loss), a component of net income on the consolidated statement of comprehensive income (loss).

Equities

Equities are measured at FVTPL. The fair value of publicly traded equities is determined using quoted market closing prices. For non-publicly traded equities, fair value is estimated on the basis of dealer quotes or recent transactions of similar investments. Transaction costs on FVTPL equities are expensed. Dividend income and foreign exchange gains (losses) are recognized in the consolidated statement of comprehensive income (loss) on the ex-dividend date.

Mortgages

Mortgages are designated FVTPL. The fair value of mortgages is calculated by discounting estimated cash flows using a market interest rate. Interest income is recorded as net investment income on an accrual basis using the effective interest method and realized gains (losses) on the sale of mortgages are recorded as net investment income (loss), which is a component of net income (loss) on the consolidated statement of comprehensive income (loss). Changes in the fair value of FVTPL mortgages are recorded as net investment income (loss), a component of net income (loss) on the consolidated statement of comprehensive income (loss).

Derivatives

Foresters Financial utilizes certain derivative financial instruments in portfolios supporting actuarial liabilities measured under the General Measurement Model in order to hedge against fluctuations in foreign exchange rates and stock market indices. These derivative financial instruments are classified as FVTPL assets or liabilities and are initially recorded at fair value and subsequently revalued at their fair value at each reporting date. The fair

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value of derivative financial instruments is based on quoted market prices, unless they are non-publicly traded in which case fair value is estimated on the basis of models and includes an element of credit risk.

Foresters Financial has presented derivative financial instruments on a net basis where Foresters Financial has the legally enforceable right to offset.

Realized gains and losses on the sale of these instruments and changes in unrealized gains (losses) are recorded as net investment income (loss), which is a component of net income (loss) on the consolidated statement of comprehensive income (loss).

Other Invested Assets

Limited partnerships

Limited partnerships classified as FVTPL assets are recorded at fair value. Foresters Financial does not have joint control or any significant influence over these partnerships. Fair value is based on the net asset value of the investment where Foresters Financial is a limited partner. Realized gains or losses on sale and changes in unrealized gains (losses) are recorded as net investment income (loss), a component of net income on the consolidated statement of comprehensive income (loss).

Seed money investment in segregated funds

Seed money represents Foresters Financial's initial investment in its segregated funds and is measured at fair value. Fair value is based on the net asset value of the segregated investment fund. Changes in fair value are recorded in net investment income (loss) on the consolidated statement of comprehensive income (loss).

ii. Interest income

Interest income is recognized in net income (loss) using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

The amortized cost of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

c) Financial liabilities

Foresters Financial classifies its financial liabilities into one of the following categories:

- financial liabilities at FVTPL, and within this category as:
 - designated as at FVTPL; and
- financial liabilities at amortized cost.

Classification and initial measurement

Refer to the table at the beginning of Section 1.4 for the classification and initial measurement of financial liabilities.

Financial liabilities are initially designated at FVTPL if doing so either eliminates or significantly reduces accounting mismatch with the supporting assets or that the liabilities and supporting assets are managed together and their performance is evaluated on a fair value basis. Refer to sections below for further details on financial liabilities initially measured at FVTPL and amortized cost inclusive of subsequent measurement.

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Financial liabilities measured at FVTPL

Measured at fair value. Net gains and losses, including any interest expense and foreign exchange gains or losses, are recognized in the consolidated statement of comprehensive income (loss). Fair value changes attributable to changes in own credit risk are also recorded in the consolidated statement of comprehensive income (loss). Transaction cost are also expensed for FVTPL investments.

Investment contracts without discretionary participating feature (DPF) are financial liabilities whose fair value is dependent on the fair value of underlying financial assets and are designated at inception at FVTPL. Foresters Financial designates these investment contracts to be measured at FVTPL, because it eliminates or significantly reduces a measurement or recognition inconsistency (that is, an accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial liabilities measured at amortized cost

Measured at amortized cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognized in the consolidated statement of comprehensive income (loss). Any gain or loss on derecognition is also recognized in the consolidated statement of comprehensive income (loss).

Interest expense is recognized in the consolidated statement of comprehensive income (loss) using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the amortized cost of the financial liability.

The amortized cost of a financial liability is the amount at which the financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

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

The calculation of the effective interest rate includes transaction costs, fees and points paid or received (if any) 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 liability.

d) Derecognition

i. Financial assets

Foresters Financial derecognizes a financial asset only when the contractual rights to the cash flows from the instrument expire, or when substantially all of the risks and rewards of ownership of the asset are transferred. On derecognition, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less new liability assumed) is recognized in net realized gains (losses).

ii. Financial liabilities

Foresters Financial derecognizes a financial liability when its contractual obligations expire or are discharged or cancelled. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in net realized gains (losses).

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1.5 Insurance contracts issued and reinsurance contracts held

Foresters Financial uses different measurement approaches depending on the type of contract as follows:

Contracts issued	Product classification	Measurement model
Term life insurance	Insurance contract	General Measurement Model (GMM)
Universal life	Insurance contract	GMM
Payout and deferred annuities	Insurance contract	GMM
Participating and non-participating whole life insurance contracts	Insurance contract	GMM
Closed block participating contracts	Insurance contract	GMM
Segregated funds (North America)	Insurance contract	GMM
Accident and Sickness Insurance	Insurance contract	GMM
Investment contracts with Discretionary Participation Features	Investment contract with DPF	GMM
U.K. conventional and unitized with-profit contracts	Insurance contract	Variable Fee Approach (VFA)
U.K. unit-linked protection contracts	Investment contract with DPF	VFA
Reinsurance contracts held	Reinsurance contract	GMM

a) Classification

Insurance contract liabilities include life, health and annuity lines of business. Insurance contracts are those contracts that transfer significant insurance risk to Foresters Financial. Significant insurance risk exists when Foresters Financial agrees to compensate policyholders or beneficiaries of an insurance contract for specified future events such as death or disability, that may adversely affect the policyholder and whose amount and timing are uncertain. Insurance and reinsurance contracts held also expose Foresters Financial to financial risk.

Contracts held by Foresters Financial under which it transfers significant insurance risk related to insurance contracts held are classified as reinsurance contracts held. Foresters Financial enters into reinsurance contracts with reinsurers in order to limit its exposure to significant losses, manage capital and reduce volatility of financial results. Maximum limits have been established for the retention of risks associated with life insurance policies by line of business. Risks in excess of these limits are reinsured with well-established, highly rated reinsurers. Foresters Financial enters into two types of reinsurance arrangements:

- quota share reinsurance arrangements held whereby Foresters Financial retains a percentage of the risk associated with life insurance policies, and
- excess of loss reinsurance arrangements whereby risks in excess of established retention limits are ceded to reinsurers.

Reinsurance held transactions do not relieve Foresters Financial of its primary obligation to policyholders. Losses could result if a reinsurer fails to honour its obligations.

Insurance contracts may be issued and reinsurance contracts held may be initiated by Foresters Financial, 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 financial statements notes to 'insurance contracts' and 'reinsurance contracts held' include contracts issued, initiated or acquired by Foresters Financial, unless otherwise stated.

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Some contracts entered into by Foresters Financial 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'. Foresters Financial issues investment contracts with discretionary participation features, which would be accounted for in accordance with IFRS 17.

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

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- Foresters Financial expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- Foresters Financial 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.

Foresters Financial uses judgment to assess whether the amounts expected to be paid to the policyholders constitute a substantial share of the fair value on the underlying items. The measurement approach for insurance contracts with direct participating features is referred to as the variable fee approach. The VFA modifies the accounting model in IFRS 17 (referred to as the GMM) to reflect that the consideration an entity receives for the contracts is a variable fee. Direct participating contracts issued by Foresters Financial are contracts with direct participation features where Foresters Financial holds the pool of underlying assets and accounts for these groups of contracts under the VFA.

All other insurance contracts issued and all reinsurance contracts held are classified as contracts without direct participation features.

Foresters Financial does not use the Premium Allocation Approach (PAA) to measure any insurance contracts issued or reinsurance contracts held.

b) Separating components from insurance and reinsurance contracts

At inception, Foresters Financial separates the following components from an insurance or reinsurance contract held and accounts for them as if they were stand-alone financial instruments:

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

After separating any financial instrument components, Foresters Financial separates any promises to transfer to a policyholder distinct goods or services other than insurance contract services and accounts for them as separate contracts with customers (i.e., not as insurance contracts).

c) Level of aggregation

Foresters Financial identifies portfolios of insurance contracts. Each portfolio comprises

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contracts that are subject to similar risks and managed together, and is divided into three groups:

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

For each portfolio of contracts, Foresters Financial determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. Foresters Financial uses significant judgment to determine at what level of granularity Foresters Financial has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogenous and will be allocated to the same group without performing an individual contract assessment.

Each group of insurance contracts is further divided by year of issue. The resulting groups represent the level at which the recognition and measurement accounting policies are applied. The groups are established on initial recognition and their composition is not subsequently reassessed.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, Foresters Financial aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently, and (iii) remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. Foresters Financial tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting the pricing of these contracts such that they result in reinsurance contracts held in a net gain position or a net cost position without a significant possibility of a net gain arising subsequently.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constraints Foresters Financial's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

d) Recognition

Foresters Financial recognizes a group of insurance contracts issued from the earliest of the following:

- The beginning of the coverage period of group of contracts. The coverage period is the period during which Foresters Financial provides coverage for insured events in respect of all premiums within the boundary of an insurance contract.
- The date when the first payment from a policyholder in the group becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder.
- The date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

Investment contracts with discretionary participation features are initially recognised at the date Foresters Financial becomes a party to the contract.

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Foresters Financial recognizes reinsurance contracts as follows:

- a group of reinsurance contracts held that provide proportionate coverage is recognized at the later of:
 - i. the beginning of the coverage period of the group of reinsurance contracts held; and
 - ii. the initial recognition of any underlying contract;
- all other groups of reinsurance contracts held are recognized from the beginning of the coverage period of the groups of reinsurance contracts held;

unless Foresters Financial entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognized prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognized at the same time as the group of underlying insurance contracts is recognized.

The coverage period is the period during which Foresters Financial receives coverage for claims arising from the reinsured portions of the underlying insurance contracts.

Subsequently, new contracts that individually meet the recognition criteria by the end of the reporting period are added to the group when they are issued or initiated, provided that all contracts in the group are issued or initiated in the same year.

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e) Contract boundaries

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

Insurance contracts	<p>Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which Foresters Financial can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).</p> <p>A substantive obligation to provide services ends when:</p> <ul style="list-style-type: none"> • Foresters Financial has the practical ability to reassess the risk of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or • Foresters Financial has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date. <p>The reassessment of risks considers only risks transferred from policyholders to Foresters Financial, which may include both insurance and financial risks, but exclude lapse and expense risks.</p>
Reinsurance contracts held	<p>Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which Foresters Financial is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.</p> <p>A substantive right to receive services from the reinsurer ends when the reinsurer:</p> <ul style="list-style-type: none"> • has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or • has a substantive right to terminate the coverage.

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

f) Measurement

i. Insurance contracts - initial measurement

On initial recognition, Foresters Financial measures a group of insurance contracts as the total of: (a) the fulfillment cash flows, which comprise probability weighted 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 measurement of the fulfillment cash flows of a group of insurance contracts does not reflect Foresters Financial's own non-performance risk.

The risk adjustment for non-financial risk for a group of insurance contracts 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 Foresters Financial will recognize as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of the fulfillment cash flows, any derecognized assets for insurance acquisition cash flows and any cash flows arising at that date is a net

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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 said to be onerous. In this case, the net outflow is recognized as a loss in total comprehensive income (loss). A loss component is created to depict any losses recognized in total comprehensive income (loss), which determines the amounts that are subsequently presented in total comprehensive income (loss) as reversals of losses on onerous groups. Refer to note 5.4 for additional disclosure on measurement.

ii. Insurance contracts - subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC comprises (a) the fulfillment 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 LIC comprises the fulfillment cash flows for incurred claims (past service) and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfillment 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. The CSM of each group of contracts subsequent to initial recognition is calculated each year.

Insurance contracts without direct participating features

Contracts without direct participating features are measured using the GMM.

The carrying amount of the CSM of a group at the end of each year 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 period;
- interest accreted on the carrying amount of the CSM during the period, 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 fulfillment cash flows that relate to future services, except to the extent that:
 - any increases in the fulfillment cash flows exceed the carrying amount of the CSM, in which case the excess is recognized as a loss in total comprehensive income (loss) and creates a loss component; or
 - any decreases in the fulfillment cash flows are allocated to the loss component, reversing losses previously recognized in total comprehensive income (loss);
- the effect of any currency exchange differences on the CSM; and
- the amount recognized as insurance revenue because of the insurance contract services provided in the period.

The fulfillment cash flows (FCF) are updated by Foresters Financial for current assumptions at the end of every reporting period using the current estimate of the amount, timing and uncertainty of future cash flows and of the discount rates. The way in which changes in estimates of the fulfillment cash flows are treated depends on which estimate is being updated:

- changes that relate to current or past service are recognized in total comprehensive income (loss); and
- changes that relate to future service are recognized by adjusting the CSM or the loss component with the LRC as per the policy below.

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Changes in fulfillment cash flows relating to future services that adjust the CSM, measured at locked-in discount rates, comprise:

- experience adjustments arising from premiums received in the period 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 LRC, measured at the discount rates determined on initial recognition, except for those that relate to the effects of the time value of money, financial risk and changes therein recognized in total comprehensive income (loss) rather than adjusting CSM;
- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable;
- differences between any loan to a certificate holder (policyholder) expected to become repayable in the period and the actual loan to a certificate holder that becomes repayable in the period. Those differences are determined by comparing (i) the actual loan to a certificate holder that becomes repayable in the period with (ii) the repayment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected repayment before it becomes repayable; and
- changes in the risk adjustment for non-financial risk that relate to future services.

The following adjustments do not relate to future service and thus do not adjust the CSM:

- changes in fulfillment cash flows for the effect of the time value of money and the effect of financial risk and changes thereof;
- changes in the fulfillment cash flows relating to the LIC; and
- experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

For investment contracts with direct participating features which provide discretion as to the timing and amount of cash flows to be paid to policyholders, changes in discretionary cash flows are regarded as relating to future services and accordingly adjust the CSM. At inception Foresters Financial specifies its commitment as interest is credited to the policyholders' account based on a return of a pool of assets less a spread. The effect of discretionary changes in the spread on the fulfillment cash flows adjusts the CSM, while the effect of changes in assumptions that relate to financial risk on this commitment are reflected in insurance finance income or expenses. When no commitment is specified, the effect of all changes in assumptions that relate to financial risk and changes on the fulfillment cash flows is recognized in insurance finance income or expenses.

Insurance contracts with direct participating features

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

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of Foresters Financial's share of the fair value of the underlying items less fulfillment cash flows that do not vary based on the returns on underlying items.

When measuring a group of direct participating contracts, Foresters Financial adjusts the fulfillment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognized in total comprehensive income (loss). Foresters Financial

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then adjusts any CSM for changes in the amount of Foresters Financial'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 the end of each year is the carrying amount at the beginning of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the period;
- the amount of Foresters Financial's share of the change in the fair value of the underlying items and changes in fulfillment cash flows that relate to future services, except to the extent that:
- Foresters Financial has chosen to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items;
- The amount of Foresters Financial's share of a decrease in the fair value of the underlying items, or an increase in the fulfillment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in total comprehensive income (loss) (included in insurance service expenses) and creating a loss component; or
- The amount of Foresters Financial's share of an increase in the fair value of the underlying items, or a decrease in the fulfillment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognized in total comprehensive income (loss) (included in insurance service expenses);
- The effect of any currency exchange differences on the CSM; and
- The amount recognized as insurance revenue because of the services provided in the period.

For direct participating insurance contracts, the following adjustments do not relate to future service and do not adjust the CSM:

- Changes in the obligation to pay the policyholder the amount equal to the fair value of underlying items;
- Changes in the fulfillment cash flows that do not vary based on the returns of underlying items
 - Changes in the fulfillment cash flows relating to the LIC; and
 - Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

iii. Reinsurance contracts held - initial measurement

Foresters Financial applies the same accounting policies to measure a group of reinsurance contracts held, with the following modifications.

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

Foresters Financial 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 total comprehensive income (loss).

Foresters Financial's proportional reinsurance agreements held have an unlimited duration but are cancellable for new underlying business with a 90-day notice period by either party. Thus, Foresters Financial treats such reinsurance contracts held as a series of 90-day contracts that cover underlying business issued within 90-days. Estimates of future cash

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flows arising from all underlying contracts issued and expected to be issued within 90-days boundary are included in each of the reinsurance contracts held's measurement.

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

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of the fulfillment cash flows, any derecognized assets for cash flows occurring before the recognition of the group of reinsurance contracts held and any cash flows arising at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then Foresters Financial recognizes the cost immediately in total comprehensive income (loss) as an expense.

Reinsurance contracts held cannot be onerous.

iv. Reinsurance contracts held - subsequent measurement

The carrying amount of the CSM at the end of each year 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 period;
- interest accreted on the carrying amount of the CSM during the period, 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 fulfillment cash flows that relate to future services, except to the extent that a change results from a change in fulfillment cash flows allocated to a group of underlying insurance contracts that does not adjust the CSM of the group of underlying contracts, in which case the change is recognized in total comprehensive income (loss);
- the effect of any currency exchange differences on the CSM; and
- the amount recognized in total comprehensive income (loss) because of the services received in the period.
- the income recognized in total comprehensive income (loss) for a group of reinsurance contracts held that provides proportionate coverage when a loss is recognized on an onerous group of underlying contracts or when there is an addition of onerous underlying contracts to that group.

g) Derecognition and contract modification

Foresters Financial derecognizes contracts when the obligation is discharged or cancelled. Foresters Financial 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 Foresters Financial treats the changes in cash flows caused by the modification as changes in estimates of fulfillment cash flows.

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

- the fulfillment 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 fulfillment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining coverage is adjusted to reflect the coverage units derecognized from the group.

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

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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 group 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 issuer received the premium that it would have charged less any additional premium charged for the modification.

h) Presentation

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

Foresters Financial disaggregates amounts recognized in the consolidated statement of comprehensive income (loss) into (a) an insurance service result, comprising insurance revenue and insurance service expense, and (b) net finance income (expenses).

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

Foresters Financial disaggregates changes in the risk adjustment for non-financial risk between the insurance service result and net finance income (expenses).

i) Insurance revenue

As Foresters Financial provides services under the group of insurance contracts, it reduces the LRC and recognizes insurance revenue. The amount of insurance revenue recognized in the reporting period depicts the transfer of insurance contract services at an amount that reflects the portion of consideration Foresters Financial expected to be entitled to in exchange for those services.

Insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
 - Insurance claims and expenses incurred in the period measured at amounts expected at the beginning of the period, excluding:
 - Amounts related to the loss component;
 - Repayments of investment components;
 - Amounts of transaction-based taxes collected in a fiduciary capacity;
 - Insurance acquisition expenses; and
 - The amount related to the risk adjustment for non-financial risk.
 - Changes in the risk adjustment for non-financial risk, excluding:
 - Changes that relate to future coverage (which adjust the CSM); and
 - Amounts allocated to the loss component;
 - Changes included in IFIE;
 - Amounts of the CSM recognized in total comprehensive income (loss) for the services provided in the period; and
 - Experience adjustments arising from premiums received in the period that relate to past and current service and related cash flows such as insurance acquisition cash flows and premium-based taxes.
 - Restatement and other changes

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For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

- In addition, insurance acquisition cashflows are deferred and amortized over the expected coverage of a group of contracts. Foresters Financial recognizes the allocated amount as insurance revenue and an equal amount as insurance service expenses.

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 periods, and recognizing in total comprehensive income (loss) the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of coverage provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage duration.

Foresters Financial determines coverage units as follows:

- for contracts measured under the GMM, coverage units are determined based on the quantity of benefits provided on a discounted basis using the IFRS17 group locked-in rate which incorporates the insurance coverage provided and investment-return services, if any. For insurance contracts that provide both insurance coverage and investment services, the assessment of the quantity of benefits entails determining the relative weighting of the benefits provided to the policyholder by these services, determining how the benefits provided by each service change over the coverage period and aggregating those different benefits.
- for direct participating contracts, coverage units are based on the quantity of benefits provided which incorporates the insurance coverage and investment management services provided.
- for investment contracts with a discretionary participation feature (DPF), coverage units are based on the maximum of death benefit and maturity benefit per contract.

j) Insurance service expense

Insurance service expenses include the following:

- incurred claims and benefits excluding investment components repaid;
- other incurred directly attributable insurance service expenses;
- amortization of insurance acquisition cash flows;
- changes that relate to past service (i.e., changes in the fulfillment cash flows relating to the LIC); and
- changes that relate to future service (i.e., losses/reversals on onerous groups of contracts from changes in the loss components).

Amortization of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue as described above. Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of comprehensive income.

k) Onerous Contracts and Loss components

Foresters Financial establishes a loss component of the LRC for onerous groups of insurance contracts. The loss component determines the amounts of fulfillment cash flows that are subsequently excluded from insurance revenue when they occur. When the fulfillment cash flows occur, they are allocated between the loss component and the LRC 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

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non-financial risk at the beginning of each period (or on initial recognition if a group of contracts is initially recognized in the period).

Changes in estimates of cash flows relating to future services and changes in Foresters Financial's share of the fair value of any underlying items 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.

For groups of reinsurance contracts held for which the CSM has been adjusted to offset losses on groups of underlying direct contracts without a CSM, a loss recovery component is established.

I) Net income (expenses) from reinsurance contracts held

Foresters Financial presents financial performance of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held; comprising the following amounts:

- recovered claims and benefits excluding investment components;
- other recovered directly attributable insurance service expenses;
- changes that relate to past service (i.e. changes in the fulfillment cash flows relating to the asset for incurred claims (AIC); and
- changes that relate to reversal of recoveries of losses from reinsurance contracts held.

The allocation of reinsurance premiums paid is recognized similarly to insurance revenue. The allocation of reinsurance premiums paid in the reporting period depicts the transfer of received services at an amount that reflects the portion of the ceding premiums Foresters Financial expects to pay in exchange for those services. Refer to Note 5 for more details.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

1.6 Property and equipment

a) Property

Property consists of land and buildings, which are predominantly occupied by Foresters Financial or its subsidiaries.

Land is carried at fair value and is not depreciated. The buildings are carried at fair value. The fair value of property is appraised annually by external independent appraisers and is based on an income approach combining the discounted cash flow method and the direct capitalization method using as inputs rental income from current leases, expenses incurred and other assumptions that market participants would use when pricing property under current market conditions. The changes in fair value are recognized as net change in unrealized gains (losses) on property, a component of OCI in the consolidated statement of comprehensive income (loss).

b) Equipment

Equipment includes leasehold improvements, furniture and computer equipment, which are carried at historical cost less accumulated depreciation and impairment losses.

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c) Depreciation

Depreciation is recognized in net income on a straight-line basis over the estimated useful life of the asset as follows:

Asset type	Useful life
Buildings	25 years
Furniture	10 years
Computer equipment	3 - 5 years
Leasehold improvements	the term of the lease

Depreciation and repair and maintenance costs are expensed during the period in which they are incurred, and are included in operating expenses on the consolidated statement of comprehensive income (loss). The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits, in excess of the most recently assessed standard of performance of the existing asset, will flow to Foresters Financial and the renovation replaces an identifiable part of the asset, which is derecognized. Major renovations are depreciated over the remaining useful life of the related asset.

d) Impairment

At each reporting date, Foresters Financial reviews the carrying amounts of its property and equipment to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount is the greater of the asset's value in use and its fair value less costs of disposal. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

Revaluation loss on property is recorded in OCI in the current period to the extent that all previously recorded net change in unrealized gains in AOCI have been offset. Any losses not absorbed in this manner are recorded in net income. Impairment loss on equipment is recognized in net income.

1.7 Intangible assets

a) Recognition and measurement

Acquired intangibles

Intangible assets acquired through business combinations are comprised of mutual fund, separate accounts and children's trust fund savings plan asset management contracts, customer relationships and computer software.

The initial cost of intangible assets acquired in a business combination is fair value at the date of acquisition. The fair value of acquired identifiable intangible assets is based on an analysis of discounted cash flows. After the date of acquisition, these intangibles are carried at cost less accumulated amortization and impairment losses.

Computer software

Computer software is carried at cost less accumulated amortization and impairment losses.

b) Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is

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recognized as operating expenses on the consolidated statement of comprehensive income (loss).

The estimated useful lives for current and comparative periods are as follows:

Asset type	Useful life
Management contracts and customer relationships	5 – 12 years
Software	1 – 5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

c) Impairment

Intangibles with finite useful lives are reviewed only if there is an indication of impairment. Impairment losses are recognized immediately in net income.

1.8 Other liabilities

Other liabilities primarily consist of accounts payable, reinsurance financing provision, and accrued expenses.

A provision for onerous contracts is recognized when the expected benefits to be derived from a contract are lower than the cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of completing the contract.

1.9 Income taxes

The tax expense for the year is comprised of current and deferred taxes. Tax is usually recognized as an expense or income in the consolidated statement of comprehensive income (loss), except when it relates to an item included in OCI or directly in surplus, in which case tax is recognized in OCI or surplus, respectively.

The current tax expense (recovery) is based on taxable income (loss) for the year under local tax regulations and the enacted or substantively enacted tax rate for the year for each taxable entity and any adjustment to tax payable in respect of previous years.

Deferred income taxes are accounted for using the liability method, whereby tax expected to be payable or recoverable is calculated on temporary differences arising between the carrying amounts of assets and liabilities under IFRS and the tax assets and liabilities calculated under the regulations of the relevant tax authority. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that it will not reverse in the foreseeable future. Temporary differences, tax losses and tax loss carry-forwards are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which these tax assets can be utilized.

The carrying amount of recognized deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable income will allow the deferred tax assets to be recovered.

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Deferred income tax assets and liabilities are offset if a legally enforceable right to offset current income tax assets and liabilities exists, and deferred income taxes relate to the same legal entity and the same taxation authority.

1.10 Segregated funds

Foresters Financial issues Segregated Funds in Canada and Unit Linked contracts in the U.K. These contracts are collectively referred to as segregated funds. The value of these contracts is directly linked to the fair value of the underlying investments supporting these contracts. The unit holder bears the risks and rewards of the performance of these investments. These contracts are classified as insurance contracts. The Segregated Funds contracts in Canada do not qualify as 'direct participating' insurance contracts as Foresters Financial does not expect a substantial share of the change in the fair value of the underlying to be passed on to policyholders. As such, these contracts are measured using the GMM. The Unit Linked contracts in the U.K. do qualify as 'direct participating' insurance contracts and are measured using VFA.

Foresters Financial presents segregated fund net assets and unit linked related net assets, which are in the legal name and title of Foresters Financial but are held on behalf of unit holders, as a single line item in the consolidated statement of financial position.

Market value movement in the underlying segregated fund net assets along with any investment income earned and expenses incurred are directly attributed to unit holders.

Investment income and changes in the fair value of the segregated fund investments relate to a corresponding change in the segregated fund liabilities.

a) Net investments for accounts of segregated fund unit holders

These investments are designated at FVTPL at initial recognition. Fair value is determined using quoted market values unless quoted market values are not available, in which case estimated fair values are determined by Foresters Financial, based on dealer quotes or recent transactions of similar investments.

b) Insurance contract liabilities for segregated funds

These liabilities are measured at fair value reflecting the fair value of the underlying net assets as this eliminates a measurement inconsistency (i.e., accounting mismatch) that would otherwise arise from measuring the supporting assets on a different basis. All gains and losses including changes in own credit risk are also recorded in the the consolidated statement of comprehensive income (loss). The liability for these guarantees is recorded under insurance contract liabilities - segregated fund guarantees.

1.11 Investment contract liabilities

Investment contracts are those contracts that transfer financial risk, with no significant insurance risk, to Foresters Financial and include deferred annuities with no life contingencies, settlement option annuities with no life contingencies and unit-linked investment contracts in the U.K. Deferred annuities with no life contingencies and settlement option annuities with no life contingencies are measured at amortized cost. Unit-linked investment contracts are designated as measured at FVTPL because this eliminates a measurement inconsistency (i.e., accounting mismatch) that would otherwise arise from measuring the supporting assets on a different basis.

For U.K. unit-linked investment contracts, Foresters Financial's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data. The fair value of financial liabilities for investment contracts without fixed terms is determined using current unit values in which the contractual benefits are denominated. These unit values reflect fair values of the financial assets contained within Foresters Financial's unitized investment funds linked to the financial liability. The fair

Notes to consolidated financial statements

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value of the financial liabilities is obtained by multiplying the number of units attributed to each contract holder at the end of the reporting period by the unit value for the same date. Asset supporting U.K. unit-linked investment contracts are held in segregated accounts.

When the investment contract has an embedded put or surrender option, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.

Changes in the fair value of financial liabilities measured at FVTPL are presented in the consolidated statement of comprehensive income (loss) as part of the core profit and loss.

Like segregated funds, assets supporting unit-linked investment contracts are managed at FVTPL at initial recognition. Foresters Financial presents unit-linked investment contract net assets, which are in the legal name and title of Foresters Financial but are held on behalf of unit holders, as a single line item in the consolidated statement of financial position.

1.12 Employee benefits

Foresters Financial maintains contributory and non-contributory defined benefit pension and post retirement plans, as well as defined contribution pension plans for eligible employees and agents.

a) Defined benefit and post retirement plans

The defined benefit pension plans offer benefits based on length of service and final average earnings and certain plans offer some indexation of benefits. The specific features of these plans vary in accordance with the employee group and countries in which employees are located. In addition, Foresters Financial maintains supplementary non-contributory pension arrangements for eligible employees, primarily for benefits which do not qualify for funding under the various registered pension plans.

Foresters Financial also provides certain post-retirement medical and dental benefits to eligible qualifying employees and to their dependents if certain requirements are met. These post-retirement benefits are not pre-funded.

Foresters Financial's net obligation in respect of defined benefit pension plans and post-retirement benefits is calculated separately for each plan. Plan assets are measured at fair value. The cost of pensions and post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary projections, retirement ages of employees and other variables.

Remeasurements arising from defined benefit plans are made up of actuarial gains, the return excluding interest on plan assets and adjustments for the effect of the asset ceiling. All remeasurements are recognized immediately in OCI and all other expenses are reflected in employee benefits within operating expenses on the consolidated statement of comprehensive income (loss).

Employee benefit assets arise from pension plans that are in a surplus position (plan assets are greater than the plan obligations). Employee benefit obligations arise from unfunded plans for supplementary pension and post-retirement benefits and pension plans that are in a deficit position.

The value of any employee benefit asset arising from a defined benefit pension plan is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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b) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which Foresters Financial pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an operating expense in the consolidated statement of comprehensive income (loss) in the periods during which services are rendered by employees.

c) Long-term disability benefits

For claims made under long term disability plans for benefits that are not insured, an obligation is recognized from the date the event occurred that caused the disability. The amount of the obligation which is included under other liabilities is based on the estimated present value of the benefits expected to be paid by Foresters Financial in providing the benefit. The change in the obligation during the year together with any actuarial gains or losses is recognized in net income as an operating expense. Where the claims are fully insured, there is no obligation to recognize and the premiums paid under the insurance policy are recognized as an operating expense.

1.13 Subordinated debt

Subordinated debt is initially recognized at fair value less transaction costs that are directly attributable to its issuance. Subordinated debt is subsequently measured at amortized cost using the effective interest method and interest expense is recognized in total comprehensive income (loss). A gain or loss is recognized in the consolidated statement of comprehensive income (loss) when the subordinated debt is derecognized.

1.14 Fee revenue and other operating income

Fee revenue and other operating income is recognized when Foresters Financial satisfies its performance obligations for the related services. Fee revenue primarily consists of investment management fees which are earned on the management of segregated funds and income from unit linked contracts. Foresters recognizes this revenue in the amount it has the right to invoice, as services are provided. Investment services are billed and paid for on a monthly or quarterly basis.

1.15 Leases

a) As a lessee

At inception of a contract, Foresters Financial assesses whether a contract is, or contains, a lease, if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration.

Foresters Financial recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, plus or minus adjustments, such as lease incentives received. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Foresters Financial's incremental borrowing rate. Foresters Financial generally uses its incremental borrowing rate as the discount rate.

Subsequently, the right-of-use asset is depreciated to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

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The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured to reflect any lease modifications or reassessments.

Foresters Financial presents its right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

Foresters Financial has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Foresters Financial recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

b) As a lessor

Where Foresters Financial entered into sublease arrangements as a lessor for office space currently leased by Foresters Financial, all leases are classified as finance leases, because these subleases are for the major part of the useful life of the right-of-use asset.

1.16 Contingent liabilities

Contingent liabilities are recognized as liabilities on the consolidated statement of financial position when it is probable that Foresters Financial will incur a future expense and the amount can be reliably measured. If the event resulting in a future obligation is less than probable but greater than remote or, the amount cannot be reliably estimated, the contingency is disclosed in the notes to the consolidated financial statements.

1.17 Fraternal investment

Fraternal investment represents the contribution made by Foresters Financial to support its members, their families and the communities in which they live. These contributions include donations to charities for supporting various community causes, sponsorships for various fund raising programs, support for the volunteer branch system, the provision of scholarships and other benevolent activities. These contributions are recognized as an expense when they are incurred under fraternal investment within the consolidated statement of comprehensive income (loss).

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2. ACCOUNTING AND REPORTING CHANGES

2.1 New and Amended International Financial Reporting Standards Adopted in 2025

In August 2023, the IASB amended IAS 21 The Effects of Changes in Foreign Exchange Rates to add requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use where it is not. The adoption of this amendment, effective January 1, 2025, did not have a material impact on Foresters Financial's consolidated financial statements.

2.2 New and Amended International Financial Reporting Standards to be Adopted in 2026 or Later

a) IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18") which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements on presentation within the statement of comprehensive income, disclosure of management-defined performance measures, and enhanced principles for aggregation and disaggregation of financial information in the financial statements and the notes. IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027. IFRS 18 is to be applied retrospectively.

Foresters Financial is currently assessing the impact the adoption of these amendments will have on its consolidated financial statements.

b) Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

In May 2024, the IASB issued amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The amendments clarify the timing of derecognition of financial liabilities and introduces an accounting policy option to derecognize a financial liability settled through electronic transfer before the settlement date if specific criteria are met. The amendments additionally clarify the classification of financial assets with environmental, social, and corporate governance, and also require additional disclosures for certain financial instruments. The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. The amendments are to be applied retrospectively.

Foresters Financial is currently assessing the impact the adoption of these amendments will have on its consolidated financial statements.

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3. FINANCIAL INSTRUMENTS

3.1 Classification

The carrying values and fair values of financial assets and financial liabilities were as follows:

	2025				
	FVTPL		Amortized cost	Total carrying amount	Total fair value
	Mandatory	Designated			
\$	\$	\$	\$	\$	
Cash and cash equivalents	166,337	—	—	166,337	166,337
Short-term securities	85,575	—	—	85,575	85,575
Bonds	—	6,218,809	—	6,218,809	6,218,809
Equities	1,049,028	—	—	1,049,028	1,049,028
Mortgages	—	294,369	—	294,369	294,369
Derivatives	1,392	—	—	1,392	1,392
Other invested assets	298,875	—	—	298,875	298,875
Total financial assets	1,601,207	6,513,178	—	8,114,385	8,114,385
Net investments for accounts of segregated fund and unit linked contract holders	10,177,426	—	—	10,177,426	10,177,426
Subordinated debt	—	—	248,784	248,784	248,784
Lease liabilities	—	—	10,432	10,432	10,432
Other liabilities	39,214	—	207,290	246,504	246,504
Investment contract liabilities - excluding segregated fund net liabilities	—	—	27,894	27,894	27,894
Investment contract liabilities - Segregated funds net liabilities and unit holders linked liabilities	—	10,106,024	—	10,106,024	10,106,024
Total financial liabilities	39,214	10,106,024	494,400	10,639,638	10,639,638

	2024				
	FVTPL		Amortized cost	Total carrying amount	Total fair value
	Mandatory	Designated			
\$	\$	\$	\$	\$	
Cash and cash equivalents	226,635	—	—	226,635	226,635
Short-term securities	108,384	—	—	108,384	108,384
Bonds	—	6,037,269	—	6,037,269	6,037,269
Equities	988,713	—	—	988,713	988,713
Mortgages	—	243,548	—	243,548	243,548
Derivatives	34	—	—	34	34
Other invested assets	294,372	—	—	294,372	294,372
Total financial assets	1,618,138	6,280,817	—	7,898,955	7,898,955
Net investments for accounts of segregated fund and unit linked contract holders	9,267,923	—	—	9,267,923	9,267,923
Subordinated debt	—	—	248,558	248,558	248,558
Lease liabilities	—	—	15,847	15,847	15,847
Other liabilities	52,533	—	220,744	273,277	273,277
Investment contract liabilities - excluding segregated fund net liabilities	—	—	28,275	28,275	28,275
Investment contract liabilities - Segregated funds net liabilities and unit holders linked liabilities	—	9,193,336	—	9,193,336	9,193,336
Total financial liabilities	52,533	9,193,336	513,424	9,759,293	9,759,293

Notes to consolidated financial statements

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The following table sets out the composition and the fair value of underlying items of direct participating contracts at the reporting date:

	2025	2024
	\$	\$
Cash, cash equivalents and short-term securities	16,674	15,877
Bonds	313,315	295,678
Equities	\$ 276,516	\$ 289,747
	<u>606,505</u>	<u>601,302</u>

The following table sets out the carrying amounts of financial assets and derivatives expected to be recovered or settled more than 12 months after the reporting date:

	2025	2024
Financial assets	\$ 6,333,482	\$ 5,952,749
Derivative liabilities	\$ (30,828)	\$ (37,787)

3.2 Fair value measurement

a) Fair value hierarchy

Foresters Financial follows a fair value hierarchy to categorize the inputs to the valuation techniques used to measure the fair value of financial assets. The three levels of the hierarchy are:

Level 1

Fair value is based on quoted market prices in active markets for identical assets or liabilities.

Level 2

Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar, but not identical, assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable, such as interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment spreads, credit risks, and default rates.

Level 3

Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 financial instruments are initially fair valued at their transaction price. After initial measurement, the fair value of Level 3 assets and liabilities is determined using valuation models, discounted cash flow methodologies, or similar techniques.

Notes to consolidated financial statements

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The most significant category for fair value measurement is invested assets and the hierarchy level is based upon the following guidelines:

Bonds, including cash equivalents and short-term securities

Government bonds and treasury bills (classified as short-term securities) are valued using prices received from external pricing providers (such as dealers, brokers, industry groups, pricing services or regulatory agencies) who generally base the price on quotes received from a number of market participants.

Level 1 corporate bonds listed or quoted in an established over-the-counter market are valued using prices received from external pricing providers who generally consolidate quotes received from a panel of investment dealers into a composite price. As the market becomes less active, the quotes provided by some investment dealers may be based on modeled prices rather than on actual transactions. These sources are based largely on observable market data, and therefore these instruments are treated as Level 2 within the fair value hierarchy. When prices received from external pricing providers are based on a single broker indicative quote, the instruments are treated as Level 3. Private placements are valued using a discounted cash flow analysis. The inputs to the valuation include the current credit rating for the bonds and credit spreads to treasury securities.

Other corporate bonds and non-government based short-term securities such as unquoted bonds, commercial paper ("CP") and certificates of deposit ("CDs") are valued using models. For CP and CDs, the model inputs such as LIBOR yield curves, FX rates, volatilities and counterparty spreads comprise observable market data. For unquoted bonds, the model includes credit spreads which are obtained from brokers or estimated internally. The classification of these instruments within the fair value hierarchy will be either Level 2 or 3, depending upon the nature of the underlying pricing information used for valuation purposes.

Mortgages

The fair value of mortgages is calculated by discounting estimated cash flows using a market interest rate. Mortgages are classified as Level 2 within the fair value hierarchy.

Equities

Listed securities are treated as Level 1 within the fair value hierarchy and are valued using prices sourced from the primary exchange or dealer, broker, industry group, pricing service or regulatory agency and so quoted in an active market. The quoted market price is the current closing price.

Unlisted securities are treated as Level 2 within the fair value hierarchy and a valuation technique is used for these instruments with the inputs coming from observable market data.

Other invested assets

Limited partnerships are valued based on the net asset value of the investment where Foresters Financial is a limited partner. Other invested assets are classified as Level 2 and 3 within the fair value hierarchy.

Derivative financial instruments

Exchange traded futures and options are valued using prices sourced from the relevant exchange and are treated as Level 1 within the fair value hierarchy. The other derivative financial instruments are valued using valuation techniques based on observable market data and are classified as Level 2 within the fair value hierarchy.

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b) Financial instruments measured at fair value

The following tables present the financial instruments measured at fair value and classified by the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
	\$	\$	\$	\$
As at December 31, 2025				
Financial assets at FVTPL				
Cash, cash equivalents, short-term securities	162,021	89,891	—	251,912
Bonds				
Government	—	1,535,549	—	1,535,549
Corporate	227,070	4,456,190	—	4,683,260
Equities	340,010	709,018	—	1,049,028
Mortgages	—	294,369	—	294,369
Derivative assets	—	1,392	—	1,392
Other invested assets	—	241,100	57,775	298,875
	729,101	7,327,509	57,775	8,114,385
Net investments for accounts of segregated fund and unit linked contract holders	9,277,466	899,960	—	10,177,426
Derivative liabilities	—	39,214	—	39,214
Investment contract liabilities - Segregated fund net liabilities and unit linked holders liabilities	—	10,106,024	—	10,106,024

	Level 1	Level 2	Level 3	Total fair value
	\$	\$	\$	\$
As at December 31, 2024				
Financial assets at FVTPL				
Cash, cash equivalents, short-term securities	180,675	154,344	—	335,019
Bonds				
Government	—	1,787,106	—	1,787,106
Corporate	221,039	4,029,124	—	4,250,163
Equities	289,897	698,816	—	988,713
Mortgages	—	243,548	—	243,548
Derivative assets	—	34	—	34
Other invested assets	—	242,027	52,345	294,372
	691,611	7,154,999	52,345	7,898,955
Net investments for accounts of segregated fund and unit linked contract holders ¹	8,667,084	600,839	—	9,267,923
Derivative liabilities	—	52,533	—	52,533
Investment contract liabilities - Segregated fund net liabilities and unit linked holders liabilities ¹	—	9,193,336	—	9,193,336

¹ During the previous reporting period, \$45,291 of Net investments for accounts of segregated fund and unit linked contract holders and \$8,667,084 of Investment contract liabilities - Segregated fund net liabilities and unit linked holders liabilities were classified as Level 1 within the fair value hierarchy. Management has determined that these assets and liabilities are valued using observable inputs other than quoted prices in active markets and therefore meet the definition of Level 2. This classification has been corrected retrospectively by changing the Net investments for accounts of segregated fund and unit linked contract holders and Investment contract liabilities - Segregated fund net liabilities and unit linked holders liabilities from Level 1 to 2. The correction affects only the fair value hierarchy disclosure and has no impact on the measurement of the liabilities, Consolidated statement of comprehensive income (loss), or Surplus.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

There were no material transfers between Levels 1 and 2 during both years. For transfers out of Level 3 see [note 3.2\(c\)](#).

Financial assets designated at FVTPL

The following changes in fair value have been recognized for investments designated as at FVTPL:

	2025	2024
Change in fair value attributable to changes in credit risk during the year	\$ 4,462	\$ 7,769

The change in fair value attributable to changes in credit risk is determined based on the year over year change in option adjusted spreads.

Financial instruments not measured at fair value

All financial instruments are either measured at fair value or the carrying amounts are a reasonable approximation of fair value, such as cash and cash equivalents, short term securities, receivables and payables.

c) Level 3 Fair value measurements

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy and analyses the total gains and losses recognized in the consolidated statement of comprehensive income (loss) during the year.

	2025	
	FVTPL	
	Bonds and mortgages \$	Other invested assets \$
Balance, beginning of year	—	52,345
Changes during the year:		
Purchases	—	12,169
Sales and redemptions	—	(2,477)
Total gains (losses)	—	(4,262)
Transfers out of Level 3 to Level 2	—	—
Balance, end of year	—	57,775
Total gains (losses) recognized in profit or loss		
Net investment income excluding result of segregated funds	—	(4,262)
Total gains (losses) recognized in profit or loss for assets and liabilities held at reporting date		
Net investment income excluding result of segregated funds	—	(4,262)

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

	2024	
	FVTPL	
	Bonds and mortgages	Other invested assets
	\$	\$
Balance, beginning of year	608,394	257,850
Changes during the year:		
Purchases	50,627	7,313
Sales and redemptions	(29,334)	(8,891)
Total gains (losses)	11,410	646
Transfers out of Level 3 to Level 2	(641,097)	(204,573)
Balance, end of year	—	52,345
Total gains (losses) recognized in profit or loss		
Net investment income excluding result of segregated funds	11,410	646
Total gains (losses) recognized in profit or loss for assets and liabilities held at reporting date		
Net investment income excluding result of segregated funds	11,290	646

There were no transfers from Level 3 to Level 2 during the year ended December 31, 2025 (2024: \$845,670). Transfers out of level 3 are the result of unobservable assumptions not being considered to be significant to the assets valuation at the reporting date, thus satisfying the criteria for Level 2.

The effects of unobservable inputs on fair value measurement

The fair value of level 3 assets includes a number of investments that are impacted by different market sensitivities. The significant assumptions used to assess the market sensitivity of these assets include: changes in interest rates and real estate capitalization rates. The analysis was based on a 1% increase and a 1% decrease in the relevant sensitivity.

The following table shows the impact of this analysis on the fair value of the related underlying funds at December 31:

	2025		2024	
	1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$
FVTPL assets:				
Interest rate	(202)	202	(237)	237
Real estate capitalization rates	(772)	1,204	(1,072)	1,662

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

3.3 Derivative Financial Instruments

Foresters Financial utilizes derivative financial instruments, including options and foreign exchange forward contracts, when appropriate, to hedge against fluctuations in foreign exchange rates and changes in stock market indices. Foresters Financial does not enter into these financial instruments for trading or speculative purposes. Foresters Financial only enters into derivative financial contracts with approval from the Board of Directors and policies are established to limit counterparty exposure. Adherence to these policies is monitored regularly and reported to the Risk and Investment Committee.

The fair value of Foresters Financial's foreign exchange forward contracts can be positive or negative. Gross derivative counterparty exposure is measured as the total fair value of all outstanding contracts in a gain position (excluding any offsetting contracts in negative positions). Foresters Financial limits the risk of credit losses from derivative counterparties by establishing minimum acceptable counterparty credit ratings of AA, entering into master netting arrangements (based on standard ISDA agreements) and holding collateral to limit credit exposures. The agreements in place with the counterparties give Foresters Financial the option of terminating the contracts early, and closing out all of the positions in place on any given date. Depending on the net aggregate mark-to-market position of all the contracts, a single net settlement will be made where Foresters Financial will either pay or receive funds. Once the settlement has occurred, Foresters Financial will no longer have any further obligations in relation to these contracts. Foresters Financials derivative financial instruments were held with counterparties rated AA or higher as at December 31, 2025 and 2024. At December 31, 2025, the largest single counterparty exposure was \$421 (2024: \$417).

Foresters Financial is exposed to credit risk resulting from the potential default of counterparties to the foreign exchange forward contracts that are in a net gain position. For contracts in a net gain position, the counterparty may be required to post collateral to Foresters Financial. No collateral was held in 2025 or 2024 against a net asset of \$1,392 (2024: \$34). For contracts in a net liability position, the counterparties are exposed to credit risk from the potential default by Foresters Financial. Foresters Financial may be required to post collateral to the counterparty for contracts in a net liability position. As at December 31, 2025, Foresters Financial posted collateral with an estimated market value of \$41,000 (2024: \$46,867) against a net liability of \$34,270 (2024: net liability of \$44,104). Foresters Financial and the counterparties have the right to sell, pledge, invest, or use any posted collateral. During 2025 and 2024, Foresters Financial did not sell, pledge, invest or use any posted collateral.

Credit quality of the collateral received and posted is monitored regularly. Eligible collateral includes Canadian Federal and Provincial Government fixed income securities, some of which have credit ratings of AAA, and all of which have investment grade ratings.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

The following table summarizes derivative financial instruments outstanding:

	Notional amount by remaining term to maturity				Fair value		
	Under 1 year	1 to 5 years	Over 5 years	Total	Positive	Negative	Net
As at December 31, 2025							
Foreign exchange forward contracts	477,421	381,700	109,700	968,821	2,179	(40,001)	(37,822)
	477,421	381,700	109,700	968,821	2,179	(40,001)	(37,822)
As at December 31, 2024							
Foreign exchange forward contracts	322,770	149,150	340,500	812,420	451	(52,950)	(52,499)
	322,770	149,150	340,500	812,420	451	(52,950)	(52,499)

	Gross amounts of financial instruments	Amounts subject to master netting agreement or ability to execute offsetting trades	Financial collateral pledged	Net amounts
As at December 31, 2025				
Financial assets	—	—	—	—
Derivative assets	1,392	(1,392)	—	—
Total financial assets	1,392	(1,392)	—	—
Financial liabilities				
Derivative liabilities	(39,214)	34,270	41,000	6,730
Total financial liabilities	(39,214)	34,270	41,000	6,730
As at December 31, 2024				
Financial assets	—	—	—	—
Derivative assets	34	(34)	—	—
Total financial assets	34	(34)	—	—
Financial liabilities				
Derivative liabilities	(52,533)	44,104	46,867	2,763
Total financial liabilities	(52,533)	44,104	46,867	2,763

Notional amount represents the face amount of derivative financial instruments to which a rate or price is applied to determine the amount of cash flows to be exchanged. It represents the volume of outstanding derivative financial instruments and does not represent the potential gain or loss associated with market risk or credit risk of such instruments.

Fair value of a derivative financial instrument is equivalent to the replacement cost based on quoted market prices. Positive fair value, representing an unrealized gain to Foresters Financial, is the maximum credit risk measured as at the reporting date if the counterparties were to default on their obligations to Foresters Financial.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

b) Investment income by class of invested asset

The following components of investment income are included in net investment income (loss) on the consolidated statement of comprehensive income (loss):

Interest and dividends (net) derived from the following sources:

	2025			2024		
	FVTPL \$	Other \$	Total \$	FVTPL \$	Other \$	Total \$
Interest from:						
Cash and cash equivalents	4,653	—	4,653	1,877	—	1,877
Short-term securities	263	—	263	7,208	—	7,208
Bonds	277,297	—	277,297	253,623	—	253,623
Mortgages	14,624	—	14,624	10,994	—	10,994
Loans to certificate holders	—	20,866	20,866	—	18,001	18,001
	296,837	20,866	317,703	273,702	18,001	291,703
Dividends from:						
Equities	6,516	—	6,516	7,078	—	7,078
Other invested assets	20,049	—	20,049	21,897	—	21,897
Less: Investment expenses	(19,242)	—	(19,242)	(19,453)	—	(19,453)
Net interest and dividends	304,160	20,866	325,026	283,224	18,001	301,225

The following table shows the net realized gains (losses) on invested assets during the year:

	2025	2024
	FVTPL \$	FVTPL \$
Bonds	(46,333)	(1,912)
Equities	51,260	53,785
Derivatives	1,015	(24,242)
Other invested assets	—	666
Net realized gains (losses)	5,942	28,297

The following table shows the net change in unrealized gains (losses) on FVTPL instruments recorded in net investment income for the year ended December 31:

	2025	2024
	\$	\$
Bonds	150,327	(132,221)
Equities	57,970	62,997
Mortgages	13,240	(2,757)
Derivatives	12,470	(29,875)
Other invested assets	(3,190)	(1,140)
Net change in unrealized gains (losses) on FVTPL instruments	230,817	(102,996)

The net foreign currency gains (losses) on FVTPL assets, recognized in net investment income (loss) in 2025 was \$nil (2024: \$1,538).

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

4. INVESTMENTS FOR ACCOUNT OF SEGREGATED FUND UNIT HOLDERS

a) Segregated fund net assets

The following table shows the breakdown of segregated fund assets by category of asset and by the fair value hierarchy:

	2025			2024		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	130,355	—	130,355	60,915	—	60,915
Short term securities	—	3,196	3,196	—	3,391	3,391
Bonds	—	695,695	695,695	—	537,258	537,258
Equities	9,203,403	—	9,203,403	8,541,272	—	8,541,272
Other assets net of liabilities	148,657	—	148,657	128,387	—	128,387
Total net assets	9,482,415	698,891	10,181,306	8,730,574	540,649	9,271,223
Less: segregated fund seed money investment	(3,880)	—	(3,880)	(3,300)	—	(3,300)
Segregated fund net assets	9,478,535	698,891	10,177,426	8,727,274	540,649	9,267,923

b) Movement in segregated fund net assets

The following table presents the change in investments for accounts of segregated fund unit holders:

	2025	2024
	\$	\$
Balance, beginning of year	9,267,923	8,353,289
Additions to the accounts of the unit holders:		
Deposits received from unit holders	1,269,985	1,110,293
Investment income	15,830	8,783
Net realized gains on sale of investments	664,238	471,828
Net change in unrealized gains on investments	670,243	439,334
	2,620,296	2,030,238
Deductions to the accounts of the unit holders:		
Amounts withdrawn or transferred by unit holders	1,821,137	1,554,002
Management fees and other operating costs	142,304	123,177
	1,963,441	1,677,179
Less: (Income) Losses on segregated fund seed money investment	580	418
Effect of change in foreign exchange rates	252,068	561,157
Balance, end of year	10,177,426	9,267,923

The change in investment contract liabilities for accounts of segregated fund unit holders had an equal and offsetting change during the year.

c) Investment risks associated with segregated funds

Segregated fund net assets may be exposed to a variety of financial and other risks. These risks are primarily mitigated by investment guidelines that are actively monitored by professional and experienced portfolio managers. Additionally risk mitigation occurs through an equal offset of insurance contracts to investment contract liabilities for a \$nil impact for net income. Investment returns on these products belong to the unit holders, accordingly, Foresters Financial does not bear the risk associated with these assets outside of guarantees

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

offered on certain variable annuity products. For information regarding the risks associated with the annuity and segregated funds guarantees see note 7.

5. INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD

Foresters Financial's insurance and reinsurance contracts held as at December 31 were as follows:

	2025		2024	
	NAI \$	UKSIP \$	NAI \$	UKSIP \$
Insurance contracts issued				
Insurance contract liabilities – Excluding segregated funds net liabilities and guarantees	5,888,074	619,710	5,823,911	616,768
Insurance contract liabilities – Segregated fund guarantees	1	—	2	—
Insurance contract liabilities – Segregated funds net liabilities	71,402	—	74,587	—
Less: Insurance contract assets	(12,422)	—	(12,444)	—
	<u>5,947,055</u>	<u>619,710</u>	<u>5,886,056</u>	<u>616,768</u>
Reinsurance contracts held				
Reinsurance contract assets	984,361	3,313	921,920	4,117
Reinsurance contract liabilities	(2)	—	(2)	—
	<u>984,359</u>	<u>3,313</u>	<u>921,918</u>	<u>4,117</u>

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

For insurance contracts measured under the GMM and VFA, an analysis of insurance revenue for insurance contracts issued and the CSM by transition method is included in the following tables:

	2025		2024	
	NAI	UKSIP	NAI	UKSIP
	\$	\$	\$	\$
Insurance contracts issued				
Insurance revenue				
Contracts measured under fair value approach at transition	656,383	18,095	663,443	15,759
Other Contracts	279,428	104	228,895	2,207
	<u>935,811</u>	<u>18,199</u>	<u>892,338</u>	<u>17,966</u>
CSM				
Contracts measured under fair value approach at transition	341,721	11,907	382,871	22,628
Other Contracts	29,654	311	24,837	557
	<u>371,375</u>	<u>12,218</u>	<u>407,708</u>	<u>23,185</u>
Reinsurance Contracts Held				
CSM				
Contracts measured under fair value approach at transition	(98,786)	233	(118,102)	5,988
Other Contracts	(70,988)	—	(70,064)	—
	<u>(169,774)</u>	<u>233</u>	<u>(188,166)</u>	<u>5,988</u>

An analysis of amounts presented on the consolidated balance sheet for insurance and reinsurance contracts are included in the following tables below:

	2025			2024		
	Insurance Contract Liabilities	Insurance Contract Assets	Seg Fund Net Fund Value	Insurance Contract Liabilities	Insurance Contract Assets	Seg Fund Net Fund Value
NAI						
Accident and Sickness	15,444	(12,422)	—	15,513	(12,444)	—
Annuity	147,538	—	—	166,721	—	—
Non Participating	2,294,160	—	—	2,246,427	—	—
Participating	1,856,844	—	—	1,834,734	—	—
Seg Fund	1	—	71,402	2	—	74,587
Universal Life	1,239,502	—	—	1,198,748	—	—
Group Annuity	329,835	—	—	357,617	—	—
Other	4,751	—	—	4,151	—	—
Total	<u>5,888,075</u>	<u>(12,422)</u>	<u>71,402</u>	<u>5,823,913</u>	<u>(12,444)</u>	<u>74,587</u>

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

NAI	2025		2024	
	Reinsurance Contract Liabilities	Reinsurance Contract Assets	Reinsurance Contract Liabilities	Reinsurance Contract Assets
Accident and Sickness	—	13,868	—	12,541
Non Participating	—	837,943	—	799,860
Participating	—	46,467	—	43,095
Universal Life	—	81,008	—	61,355
Group Annuity	—	5,071	—	5,065
Other	(2)	4	(2)	4
Total	(2)	984,361	(2)	921,920

UKSIP	2025		2024	
	Insurance Contract Liabilities	Insurance Contract Assets	Insurance Contract Liabilities	Insurance Contract Assets
Critical Illness	3,182	—	2,990	—
Long Term Disability	10,846	—	9,639	—
Longevity	82,006	—	77,571	—
Payout Annuities	30,363	—	31,284	—
Term Life	20,163	—	20,419	—
Whole life/Endowment	473,150	—	474,865	—
Total	619,710	—	616,768	—

For UKSIP reinsurance contracts held are immaterial as disclosed in the first table of Note 5.

5.1 Movements in carrying amounts

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts held in each segment changed during the year as a result of cash flows and amounts recognized in the consolidated statement of comprehensive income (loss).

For each segment, Foresters Financial presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the consolidated statement of comprehensive income (loss).

A second reconciliation separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

The estimates of the present value of the future cash flows from insurance and reinsurance contract held assets represent Foresters Financial's expected exposure to insurance risk from these assets.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

a) **NAI**
i. **Analysis by remaining coverage and incurred claims - Non segregated funds**

	2025				2024			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
Beginning of Period								
Opening balance insurance contract assets	(22,465)	9,813	208	(12,444)	(16,037)	6,690	1,334	(8,013)
Opening balance insurance contract liabilities	4,642,508	878,128	303,275	5,823,911	4,575,902	404,099	308,308	5,288,309
Net opening insurance contract balances	4,620,043	887,941	303,483	5,811,467	4,559,865	410,789	309,642	5,280,296
Changes in the statement of comprehensive income (loss)								
Contracts under the fair value transition approach	(656,383)	—	—	(656,383)	(663,418)	—	—	(663,418)
Other contracts	(279,428)	—	—	(279,428)	(228,895)	—	—	(228,895)
Insurance revenue	(935,811)	—	—	(935,811)	(892,313)	—	—	(892,313)
Incurred claims and other insurance service expenses	—	(63,356)	645,229	581,873	—	(30,184)	623,069	592,885
Amortization of insurance acquisition cash flows	135,949	—	—	135,949	109,201	—	—	109,201
Losses and reversal of losses on onerous contracts	—	127,596	—	127,596	—	465,266	—	465,266
Adjustments to liabilities for incurred claims	—	—	(3,017)	(3,017)	—	—	(3,343)	(3,343)
Insurance service expenses	135,949	64,240	642,212	842,401	109,201	435,082	619,726	1,164,009
Investment components	(435,060)	—	435,060	—	(427,381)	—	427,381	—
Insurance service result	(1,234,922)	64,240	1,077,272	(93,410)	(1,210,493)	435,082	1,047,107	271,696
Net finance (income) expenses from insurance contracts	286,327	24,992	2,030	313,349	(39,183)	13,419	283	(25,481)
Effect of movements in exchange rates	(144,987)	(21,079)	(8,755)	(174,821)	249,725	28,651	15,714	294,090
Total changes in the statement of comprehensive income (loss)	(1,093,582)	68,153	1,070,547	45,118	(999,951)	477,152	1,063,104	540,305
Cash flows								
Premiums received	1,366,319	—	—	1,366,319	1,324,883	—	—	1,324,883
Claims, benefits and other directly attributable expense	—	—	(1,062,208)	(1,062,208)	—	—	(1,069,263)	(1,069,263)
Insurance acquisition cash flows	(285,044)	—	—	(285,044)	(264,754)	—	—	(264,754)
Total cash flows	1,081,275	—	(1,062,208)	19,067	1,060,129	—	(1,069,263)	(9,134)
Other changes in the net carrying amount of the insurance contract liabilities	—	—	—	—	—	—	—	—
Net ending insurance contract balances	4,607,736	956,094	311,822	5,875,652	4,620,043	887,941	303,483	5,811,467
End of Period								
Ending balance insurance contract assets	(24,474)	12,835	(783)	(12,422)	(22,465)	9,813	208	(12,444)
Ending balance insurance contract liabilities	4,632,210	943,259	312,605	5,888,074	4,642,508	878,128	303,275	5,823,911
Net ending insurance contract balances	4,607,736	956,094	311,822	5,875,652	4,620,043	887,941	303,483	5,811,467

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

ii. Analysis by remaining coverage and incurred claims - Segregated funds

	2025				2024			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
Beginning of Period								
Opening balance insurance contract assets	—	—	—	—	—	—	—	—
Opening balance insurance contract liabilities - Segregated funds guarantees	2	—	—	2	27	—	—	27
Opening balance insurance contract liabilities - Segregated funds net liabilities	74,587	—	—	74,587	73,594	—	—	73,594
Net opening insurance contract balances	74,589	—	—	74,589	73,621	—	—	73,621
Changes in the statement of comprehensive income (loss)								
Contracts under the fair value transition approach	—	—	—	—	(25)	—	—	(25)
Other contracts	—	—	—	—	—	—	—	—
Insurance revenue	—	—	—	—	(25)	—	—	(25)
Incurred claims and other insurance service expenses	—	—	—	—	—	—	—	—
Amortization of insurance acquisition cash flows	—	—	—	—	—	—	—	—
Losses and reversal of losses on onerous contracts	—	—	—	—	—	—	—	—
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—
Insurance service expenses	—	—	—	—	—	—	—	—
Investment components	—	—	—	—	—	—	—	—
Insurance service result	—	—	—	—	(25)	—	—	(25)
Net finance (income) expenses from insurance contracts	—	—	—	—	—	—	—	—
Effect of movements in exchange rates	—	—	—	—	—	—	—	—
Total changes in the statement of comprehensive income (loss)	—	—	—	—	(25)	—	—	(25)
Cash flows								
Premiums received	—	—	—	—	—	—	—	—
Claims, benefits and other directly attributable expense	—	—	—	—	—	—	—	—
Insurance acquisition cash flows	—	—	—	—	—	—	—	—
Total cash flows	—	—	—	—	—	—	—	—
Other changes in the net carrying amount of the insurance contract liabilities	(3,186)	—	—	(3,186)	993	—	—	993
Ending insurance contract liabilities balances	71,403	—	—	71,403	74,589	—	—	74,589
End of Period								
Ending balance insurance contract assets	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities - Segregated funds guarantees	1	—	—	1	2	—	—	2
Ending balance insurance contract liabilities - Segregated funds net liabilities	71,402	—	—	71,402	74,587	—	—	74,587
Ending insurance contract liabilities balances	71,403	—	—	71,403	74,589	—	—	74,589

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

iii. Analysis by measurement component - Non segregated funds

	2025					2024				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under FV approach	Other contracts				Contracts under FV approach	Other contracts	
Beginning of Period										
Opening balance insurance contract assets	(21,553)	8,276	372	461	(12,444)	(15,780)	7,590	—	177	(8,013)
Opening balance insurance contract liabilities	4,386,584	1,030,452	382,499	24,376	5,823,911	3,918,563	952,109	391,476	26,161	5,288,309
Net opening insurance contract balances	4,365,031	1,038,728	382,871	24,837	5,811,467	3,902,783	959,699	391,476	26,338	5,280,296
Changes in the statement of comprehensive income (loss)										
CSM recognized for services provided	—	—	(38,473)	(2,728)	(41,201)	—	—	(41,855)	(2,267)	(44,122)
Change in the risk adjustment for non-financial risk for risk expired	—	(101,838)	—	—	(101,838)	—	(98,384)	—	—	(98,384)
Experience adjustments and other changes	(74,951)	1	—	—	(74,950)	(47,723)	2	—	—	(47,721)
Current service provided in the period	(74,951)	(101,837)	(38,473)	(2,728)	(217,989)	(47,723)	(98,382)	(41,855)	(2,267)	(190,227)
Contracts initially recognized in the year	(10,036)	77,120	—	7,186	74,270	620	77,557	—	3,597	81,774
Changes in estimates that adjust the CSM	(3,468)	5,013	(1,742)	197	—	9,847	(8,900)	4,487	(5,433)	1
Changes in estimates that results in losses and reversals of losses on onerous contracts	75,758	(22,432)	—	—	53,326	325,668	57,823	—	—	383,491
Future service yet to be provided	62,254	59,701	(1,742)	7,383	127,596	336,135	126,480	4,487	(1,836)	465,266
Adjustments to liabilities for incurred claims	572	107	—	—	679	240	103	—	—	343
Experience adjustments not related to incurred claims	(3,490)	(206)	—	—	(3,696)	(3,468)	(218)	—	—	(3,686)
Past service provided in the prior periods	(2,918)	(99)	—	—	(3,017)	(3,228)	(115)	—	—	(3,343)
Insurance service result	(15,615)	(42,235)	(40,215)	4,655	(93,410)	285,184	27,983	(37,368)	(4,103)	271,696
Net finance (income) expenses from insurance contracts	249,081	53,502	9,816	950	313,349	(43,858)	8,070	9,231	1,076	(25,481)
Effect of movements in exchange rates	(137,000)	(26,284)	(10,751)	(786)	(174,821)	230,056	42,976	19,532	1,526	294,090
Total changes in the statement of comprehensive income (loss)	96,466	(15,017)	(41,150)	4,819	45,118	471,382	79,029	(8,605)	(1,501)	540,305
Cash flows										
Premiums received	1,366,319	—	—	—	1,366,319	1,324,883	—	—	—	1,324,883
Claims, benefits and other directly attributable expense	(1,062,208)	—	—	—	(1,062,208)	(1,069,263)	—	—	—	(1,069,263)
Insurance acquisition cash flows	(285,044)	—	—	—	(285,044)	(264,754)	—	—	—	(264,754)
Total cash flows	19,067	—	—	—	19,067	(9,134)	—	—	—	(9,134)
Other changes in the net carrying amount of the insurance contract liabilities	—	—	—	—	—	—	—	—	—	—
Net ending insurance contract balances	4,480,564	1,023,711	341,721	29,656	5,875,652	4,365,031	1,038,728	382,871	24,837	5,811,467
End of Period										
Ending balance insurance contract assets	(21,603)	8,375	429	377	(12,422)	(21,553)	8,276	372	461	(12,444)
Ending balance insurance contract liabilities	4,502,167	1,015,336	341,292	29,279	5,888,074	4,386,584	1,030,452	382,499	24,376	5,823,911
Net ending insurance contract balances	4,480,564	1,023,711	341,721	29,656	5,875,652	4,365,031	1,038,728	382,871	24,837	5,811,467

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For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

iv. Analysis by measurement component - Segregated funds

	2025					2024				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under FV approach	Other contracts				Contracts under FV approach	Other contracts	
Beginning of Period										
Opening balance insurance contract liabilities - Segregated funds guarantees	2	—	—	—	2	27	—	—	—	27
Opening balance insurance contract liabilities - Segregated funds net liabilities	74,587	—	—	—	74,587	73,594	—	—	—	73,594
Net opening insurance contract balances	74,589	—	—	—	74,589	73,621	—	—	—	73,621
Changes in the statement of comprehensive income (loss)										
CSM recognized for services provided	—	—	—	—	—	—	—	—	—	—
Change in the risk adjustment for non-financial risk for risk expired	—	—	—	—	—	—	—	—	—	—
Experience adjustments and other changes	—	—	—	—	—	(25)	—	—	—	(25)
Current service provided in the period	—	—	—	—	—	(25)	—	—	—	(25)
Contracts initially recognized in the year	—	—	—	—	—	—	—	—	—	—
Changes in estimates that adjust the CSM	—	—	—	—	—	—	—	—	—	—
Changes in estimates that results in losses and reversals of losses on onerous contracts	—	—	—	—	—	—	—	—	—	—
Future service yet to be provided	—	—	—	—	—	—	—	—	—	—
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—	—	—
Experience adjustments not related to incurred claims	—	—	—	—	—	—	—	—	—	—
Past service provided in the prior periods	—	—	—	—	—	—	—	—	—	—
Insurance service result	—	—	—	—	—	(25)	—	—	—	(25)
Net finance (income) expenses from insurance contracts	—	—	—	—	—	—	—	—	—	—
Total changes in the statement of comprehensive income (loss)	—	—	—	—	—	(25)	—	—	—	(25)
Cash flows										
Premiums received	—	—	—	—	—	—	—	—	—	—
Claims, benefits and other directly attributable expense	—	—	—	—	—	—	—	—	—	—
Insurance acquisition cash flows	—	—	—	—	—	—	—	—	—	—
Total cash flows	—	—	—	—	—	—	—	—	—	—
Other changes in the net carrying amount of the insurance contract liabilities	(3,186)	—	—	—	(3,186)	993	—	—	—	993
Ending insurance contract liabilities balances	71,403	—	—	—	71,403	74,589	—	—	—	74,589
End of Period										
Ending balance insurance contract liabilities - Segregated funds guarantees	1	—	—	—	1	2	—	—	—	2
Ending balance insurance contract liabilities - Segregated funds net liabilities	71,402	—	—	—	71,402	74,587	—	—	—	74,587
Ending insurance contract liabilities balances	71,403	—	—	—	71,403	74,589	—	—	—	74,589

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For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

b) NAI Reinsurance i. Analysis by remaining coverage and incurred claims

	2025				2024			
	Assets for remaining coverage		Assets for incurred claims	Total	Assets for remaining coverage		Assets for incurred claims	Total
	Excluding loss recovery component	Loss recovery component			Excluding loss recovery component	Loss recovery component		
Beginning of Period								
Opening balance reinsurance contract held assets	650,991	222,330	48,599	921,920	614,363	123,052	63,284	800,699
Opening balance reinsurance contract held liabilities	(2)	—	—	(2)	(2)	—	—	(2)
Net opening reinsurance contract held balances	650,989	222,330	48,599	921,918	614,361	123,052	63,284	800,697
Changes in the statement of comprehensive income (loss)								
Contracts under the fair value transition approach	(140,436)	—	—	(140,436)	(137,308)	—	—	(137,308)
Other contracts	(29,840)	—	—	(29,840)	(23,899)	—	—	(23,899)
Allocation of reinsurance premiums paid	(170,276)	—	—	(170,276)	(161,207)	—	—	(161,207)
Incurred claims recovered and other reinsurance service expenses	—	(40,304)	184,467	144,163	—	(22,717)	154,643	131,926
Amortization of reinsurance acquisition cash flows	—	—	—	—	—	—	—	—
Recovery of losses and reversal on recovery of losses	—	14,262	—	14,262	—	105,403	—	105,403
Adjustments to assets for incurred claims	—	—	—	—	—	—	—	—
Amounts recoverable from reinsurers	—	(26,042)	184,467	158,425	—	82,686	154,643	237,329
Investment components	(7,511)	—	7,511	—	(4,795)	—	4,797	2
Net expenses from reinsurance contracts held	(177,787)	(26,042)	191,978	(11,851)	(166,002)	82,686	159,440	76,124
Net finance (income) expenses from reinsurance contracts held	39,076	9,946	—	49,022	(32,948)	8,084	—	(24,864)
Effect of movements in exchange rates	(15,958)	(5,452)	(1,110)	(22,520)	24,563	8,508	2,103	35,174
Total changes in the statement of comprehensive income (loss)	(154,669)	(21,548)	190,868	14,651	(174,387)	99,278	161,543	86,434
Cash flows								
Premiums paid	224,505	—	—	224,505	211,015	—	—	211,015
Amounts received	—	—	(176,715)	(176,715)	—	—	(176,228)	(176,228)
Total cash flows	224,505	—	(176,715)	47,790	211,015	—	(176,228)	34,787
Other changes in the net carrying amount of the reinsurance contract held	—	—	—	—	—	—	—	—
Net ending reinsurance contract held balances	720,825	200,782	62,752	984,359	650,989	222,330	48,599	921,918
End of Period								
Ending balance reinsurance contract held assets	720,827	200,782	62,752	984,361	650,991	222,330	48,599	921,920
Ending balance reinsurance contract held liabilities	(2)	—	—	(2)	(2)	—	—	(2)
Net ending reinsurance contract held balances	720,825	200,782	62,752	984,359	650,989	222,330	48,599	921,918

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For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

ii. Analysis by measurement component

	2025					2024				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under FV approach	Other contracts				Contracts under FV approach	Other contracts	
BEGINNING OF PERIOD										
Opening balance reinsurance contract held assets	742,146	367,938	(118,100)	(70,064)	921,920	638,018	334,735	(106,840)	(65,214)	800,699
Opening balance reinsurance contract held liabilities	—	—	(2)	—	(2)	—	—	(2)	—	(2)
Net opening reinsurance contract held balances	742,146	367,938	(118,102)	(70,064)	921,918	638,018	334,735	(106,842)	(65,214)	800,697
Changes in the statement of comprehensive income (loss)										
CSM recognized for services provided	—	—	12,557	6,597	19,154	—	—	13,033	6,334	19,367
Change in the risk adjustment for non-financial risk for risk expired	—	(26,460)	—	—	(26,460)	—	(23,908)	—	—	(23,908)
Experience adjustments and other changes	(18,808)	1	—	—	(18,807)	(24,742)	2	—	—	(24,740)
Current service provided in the period	(18,808)	(26,459)	12,557	6,597	(26,113)	(24,742)	(23,906)	13,033	6,334	(29,281)
Contracts initially recognized in the period	4,854	29,195	—	(669)	33,380	7,247	29,178	—	940	37,365
Changes in estimates that adjust the CSM	(3,999)	(6,540)	7,683	2,856	—	2,118	(6,503)	2,750	1,635	—
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	3,080	(11,463)	—	—	(8,383)	73,370	17,014	—	—	90,384
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	—	(1,701)	(9,034)	(10,735)	—	—	(13,500)	(8,844)	(22,344)
Future service yet to be provided	3,935	11,192	5,982	(6,847)	14,262	82,735	39,689	(10,750)	(6,269)	105,405
Experience adjustments not related to incurred claims	—	—	—	—	—	—	—	—	—	—
Past service provided in the prior periods	—	—	—	—	—	—	—	—	—	—
Net expenses from reinsurance contracts held	(14,873)	(15,267)	18,539	(250)	(11,851)	57,993	15,783	2,283	65	76,124
Net finance (income) expenses from reinsurance contracts held	36,353	19,515	(4,502)	(2,344)	49,022	(21,236)	2,597	(4,119)	(2,106)	(24,864)
Effect of movements in exchange rates	(20,214)	(9,255)	5,279	1,670	(22,520)	32,584	14,823	(9,424)	(2,809)	35,174
Total changes in the statement of comprehensive income (loss)	1,266	(5,007)	19,316	(924)	14,651	69,341	33,203	(11,260)	(4,850)	86,434
Cash flows										
Premiums paid	224,505	—	—	—	224,505	211,015	—	—	—	211,015
Amounts received	(176,715)	—	—	—	(176,715)	(176,228)	—	—	—	(176,228)
Reinsurance acquisition cash flows	—	—	—	—	—	—	—	—	—	—
Total cash flows	47,790	—	—	—	47,790	34,787	—	—	—	34,787
Net ending reinsurance contract held balances	791,202	362,931	(98,786)	(70,988)	984,359	742,146	367,938	(118,102)	(70,064)	921,918
END OF PERIOD										
Ending balance reinsurance contract held assets	791,202	362,931	(98,784)	(70,988)	984,361	742,146	367,938	(118,100)	(70,064)	921,920
Ending balance reinsurance contract held liabilities	—	—	(2)	—	(2)	—	—	(2)	—	(2)
Net ending reinsurance contract held balances	791,202	362,931	(98,786)	(70,988)	984,359	742,146	367,938	(118,102)	(70,064)	921,918

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

c) UKSIP i. Analysis by remaining coverage and incurred claims

	2025				2024			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
Beginning of Period								
Opening balance insurance contract assets	—	—	—	—	—	—	—	—
Opening balance insurance contract liabilities	516,666	33,656	66,446	616,768	557,505	1,752	60,330	619,587
Net opening insurance contract balances	516,666	33,656	66,446	616,768	557,505	1,752	60,330	619,587
Changes in the statement of comprehensive income (loss)								
Contracts under the fair value transition approach	(18,095)	—	—	(18,095)	(15,759)	—	—	(15,759)
Other contracts	(104)	—	—	(104)	(2,207)	—	—	(2,207)
Insurance revenue	(18,199)	—	—	(18,199)	(17,966)	—	—	(17,966)
Incurred claims and other insurance service expenses	—	(76)	10,501	10,425	—	1,824	10,081	11,905
Amortization of insurance acquisition cash flows	(280)	—	—	(280)	(442)	—	—	(442)
Losses and reversal of losses on onerous contracts	—	756	—	756	—	401	—	401
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—
Insurance service expenses	(280)	680	10,501	10,901	(442)	2,225	10,081	11,864
Investment components	(84,832)	—	84,832	—	(81,385)	—	81,385	—
Insurance service result	(103,311)	680	95,333	(7,298)	(99,793)	2,225	91,466	(6,102)
Net finance (income) expenses from insurance contracts	45,847	8,754	—	54,601	11,035	28,701	—	39,736
Effect of movements in exchange rates	14,106	805	1,868	16,779	35,246	986	3,878	40,110
Total changes in the statement of comprehensive income (loss)	(43,358)	10,239	97,201	64,082	(53,512)	31,912	95,344	73,744
Cash flows								
Premiums received	19,097	—	—	19,097	21,150	—	—	21,150
Claims, benefits and other directly attributable expense	—	—	(83,134)	(83,134)	—	—	(92,540)	(92,540)
Insurance acquisition cash flows	(431)	—	—	(431)	(1,087)	—	—	(1,087)
Total cash flows	18,666	—	(83,134)	(64,468)	20,063	—	(92,540)	(72,477)
Other changes in the net carrying amount of the insurance contract liabilities	40,686	(40,851)	3,493	3,328	—	—	(4,086)	(4,086)
Net ending insurance contract balances	532,660	3,044	84,006	619,710	524,056	33,664	59,048	616,768
End of Period								
Ending balance insurance contract assets	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities	532,660	3,044	84,006	619,710	524,056	33,664	59,048	616,768
Net ending insurance contract balances	532,660	3,044	84,006	619,710	524,056	33,664	59,048	616,768

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ii. Analysis by measurement component

	2025					2024				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under FV approach	Other contracts				Contracts under FV approach	Other contracts	
Beginning of Period										
Opening balance insurance contract assets	—	—	—	—	—	—	—	—	—	—
Opening balance insurance contract liabilities	592,374	2,641	21,196	557	616,768	601,671	3,338	13,997	581	619,587
Net opening insurance contract balances	592,374	2,641	21,196	557	616,768	601,671	3,338	13,997	581	619,587
Changes in the statement of comprehensive income (loss)										
CSM recognized for services provided	—	—	(2,928)	—	(2,928)	—	—	(708)	(11)	(719)
Change in the risk adjustment for non-financial risk for risk expired	—	(158)	—	—	(158)	—	(156)	—	—	(156)
Experience adjustments and other changes	(4,968)	—	—	—	(4,968)	(5,630)	—	—	—	(5,630)
Current service provided in the period	(4,968)	(158)	(2,928)	—	(8,054)	(5,630)	(156)	(708)	(11)	(6,505)
Contracts initially recognized in the year	(625)	81	—	546	2	(674)	98	—	577	1
Changes in estimates that adjust the CSM	164	270	409	(843)	—	(6,874)	(453)	8,001	(674)	—
Changes in estimates that results in losses and reversals of losses on onerous contracts	573	181	—	—	754	413	(11)	—	—	402
Future service yet to be provided	112	532	409	(297)	756	(7,135)	(366)	8,001	(97)	403
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—	—	—
Experience adjustments not related to incurred claims	—	—	—	—	—	—	—	—	—	—
Past service provided in the prior periods	—	—	—	—	—	—	—	—	—	—
Insurance service result	(4,856)	374	(2,519)	(297)	(7,298)	(12,765)	(522)	7,293	(108)	(6,102)
Net finance (income) expenses from insurance contracts	54,392	(81)	251	39	54,601	39,751	(255)	193	47	39,736
Effect of movements in exchange rates	16,149	73	545	12	16,779	38,727	201	1,145	37	40,110
Total changes in the statement of comprehensive income (loss)	65,685	366	(1,723)	(246)	64,082	65,713	(576)	8,631	(24)	73,744
Cash flows	0	0	0	0						
Premiums received	19,097	—	—	—	19,097	21,150	—	—	—	21,150
Claims, benefits and other directly attributable	(83,134)	—	—	—	(83,134)	(92,540)	—	—	—	(92,540)
Insurance acquisition cash flows	(431)	—	—	—	(431)	(1,087)	—	—	—	(1,087)
Total cash flows	(64,468)	—	—	—	(64,468)	(72,477)	—	—	—	(72,477)
Other changes in the net carrying amount of the insurance contract liabilities	11,082	(188)	(7,566)	—	3,328	(4,086)	—	—	—	(4,086)
Net ending insurance contract balances	604,673	2,819	11,907	311	619,710	590,821	2,762	22,628	557	616,768
End of Period										
Ending balance insurance contract assets	—	—	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities	604,673	2,819	11,907	311	619,710	590,821	2,762	22,628	557	616,768
Net ending insurance contract balances	604,673	2,819	11,907	311	619,710	590,821	2,762	22,628	557	616,768

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

d) UKSIP Reinsurance i. Analysis by remaining coverage and incurred claims

	2025				2024			
	Assets for remaining coverage		Assets for incurred claims	Total	Assets for remaining coverage		Assets for incurred claims	Total
	Excluding loss recovery component	Loss recovery component			Excluding loss recovery component	Loss recovery component		
Beginning of Period								
Opening balance reinsurance contract held assets	7,291	13	(3,187)	4,117	15,705	3	(1)	15,707
Opening balance reinsurance contract held liabilities	—	—	—	—	—	—	—	—
Net opening reinsurance contract held balances	7,291	13	(3,187)	4,117	15,705	3	(1)	15,707
Changes in the statement of comprehensive income (loss)								
Contracts under the fair value transition approach	(1,402)	—	—	(1,402)	(1,294)	—	—	(1,294)
Other contracts	—	—	—	—	—	—	—	—
Allocation of reinsurance premiums paid	(1,402)	—	—	(1,402)	(1,294)	—	—	(1,294)
Incurred claims recovered and other reinsurance service expenses	—	—	845	845	—	—	681	681
Amortization of reinsurance acquisition cash flows	—	—	—	—	—	—	—	—
Recovery of losses and reversal on recovery of losses	—	6	—	6	—	9	—	9
Adjustments to assets for incurred claims	—	—	—	—	—	—	—	—
Amounts recoverable from reinsurers	—	6	845	851	—	9	681	690
Investment components	—	—	—	—	18	—	(18)	—
Net expenses from reinsurance contracts held	(1,402)	6	845	(551)	(1,276)	9	663	(604)
Net finance (income) expenses from reinsurance contracts held	225	—	—	225	95	—	—	95
Effect of movements in exchange rates	183	1	(75)	109	786	1	(87)	700
Total changes in the statement of comprehensive income (loss)	(994)	7	770	(217)	(395)	10	576	191
Cash flows								
Premiums paid	402	—	—	402	2,594	—	—	2,594
Amounts received	—	—	(845)	(845)	—	—	(3,762)	(3,762)
Reinsurance acquisition cash flows	—	—	—	—	—	—	—	—
Total cash flows	402	—	(845)	(443)	2,594	—	(3,762)	(1,168)
Other changes in the net carrying amount of the reinsurance contract held	(3,406)	—	3,262	(144)	(10,613)	—	—	(10,613)
Net ending reinsurance contract held balances	3,293	20	—	3,313	7,291	13	(3,187)	4,117
End of Period								
Ending balance reinsurance contract held assets	3,293	20	—	3,313	7,291	13	(3,187)	4,117
Ending balance reinsurance contract held liabilities	—	—	—	—	—	—	—	—
Net ending reinsurance contract held balances	3,293	20	—	3,313	7,291	13	(3,187)	4,117

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For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

ii. Analysis by measurement component

	2025					2024				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under FV approach	Other contracts				Contracts under FV approach	Other contracts	
BEGINNING OF PERIOD										
Opening balance reinsurance contract held assets	(2,174)	303	5,988	—	4,117	11,811	426	3,470	—	15,707
Opening balance reinsurance contract held liabilities	—	—	—	—	—	—	—	—	—	—
Net opening reinsurance contract held balances	(2,174)	303	5,988	—	4,117	11,811	426	3,470	—	15,707
Changes in the statement of comprehensive income (loss)										
CSM recognized for services provided	—	—	(459)	—	(459)	—	—	(863)	—	(863)
Change in the risk adjustment for non-financial risk for risk expired	—	(16)	—	—	(16)	—	(37)	—	—	(37)
Experience adjustments and other changes	(82)	—	—	—	(82)	284	—	—	—	284
Current service provided in the period	(82)	(16)	(459)	—	(557)	284	(37)	(863)	—	(616)
Contracts initially recognized in the period	—	—	—	—	—	—	—	—	—	—
Changes in estimates that adjust the CSM	(458)	(18)	476	—	—	(2,970)	(81)	3,051	—	—
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	2	—	—	—	2	(3)	—	—	—	(3)
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	—	4	—	4	—	—	15	—	15
Future service yet to be provided	(456)	(18)	480	—	6	(2,973)	(81)	3,066	—	12
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—	—	—
Experience adjustments not related to incurred claims	—	—	—	—	—	—	—	—	—	—
Past service provided in the prior periods	—	—	—	—	—	—	—	—	—	—
Net expenses from reinsurance contracts held	(538)	(34)	21	—	(551)	(2,689)	(118)	2203	—	(604)
Net finance (income) expenses from reinsurance contracts held	193	6	26	—	225	103	(29)	21	—	95
Effect of movements in exchange rates	(39)	6	142	—	109	382	24	294	—	700
Total changes in the statement of comprehensive income (loss)	(384)	(22)	189	—	(217)	(2,204)	(123)	2,518	—	191
Cash flows										
Premiums paid	402	—	—	—	402	2,594	—	—	—	2,594
Amounts received	(845)	—	—	—	(845)	(3,762)	—	—	—	(3,762)
Reinsurance acquisition cash flows	—	—	—	—	—	—	—	—	—	—
Total cash flows	(443)	—	—	—	(443)	(1168)	—	—	—	(1168)
Other changes in the net carrying amount of the reinsurance contract held	6,194	(394)	(5,944)	—	(144)	(10,613)	—	—	—	(10,613)
Net ending reinsurance contract held balances	3,193	(113)	233	—	3,313	(2,174)	303	5,988	—	4,117
END OF PERIOD										
Ending balance reinsurance contract held assets	3,193	(113)	233	—	3,313	(2,174)	303	5,988	—	4,117
Ending balance reinsurance contract held liabilities	—	—	—	—	—	—	—	—	—	—
Net ending reinsurance contract held balances	3,193	(113)	233	—	3,313	(2,174)	303	5,988	—	4,117

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e) NAI Insurance Revenue

Insurance Revenue	2025	2024
CSM recognized for services provided	41,201	44,121
Change in risk adjustment for non-financial risk for risk expired	90,207	91,469
Expected insurance service expenses incurred:	670,415	650,044
Claims	557,283	535,394
Expenses	113,132	114,650
Recovery of insurance acquisition cash flows	135,949	109,201
Other Changes	(1,961)	(2,497)
Total Revenue from Contracts Not Measured Under PAA	935,811	892,338

f) UKSIP Insurance Revenue

Insurance Revenue	2025	2024
CSM recognized for services provided	2,677	719
Change in risk adjustment for non-financial risk for risk expired	140	227
Expected insurance service expenses incurred:	15,580	17,648
Claims	8,319	11,720
Expenses	1,272	1,440
Other expenses under the VFA	5,989	4,488
Recovery of insurance acquisition cash flows	(280)	(442)
Other Changes	82	(186)
Total Revenue from Contracts Not Measured Under PAA	18,199	17,966

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5.2 Effect of contracts initially recognized in the year

The following tables summarize the effect on the measurement components of insurance and reinsurance contracts arising from the contracts that were initially recognized in the year.

a) NAI

i. Insurance contracts

	2025			2024		
	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	21,191	264,284	285,475	14,132	252,751	266,883
Claims and other insurance service expenses payable	79,474	545,429	624,903	30,389	538,772	569,161
Estimates of present value of cash outflows	100,665	809,713	910,378	44,521	791,523	836,044
Estimates of present value of cash inflows	(113,653)	(806,762)	(920,415)	(52,366)	(783,059)	(835,425)
Risk adjustment for non-financial risk	5,802	71,318	77,120	4,248	73,309	77,557
CSM	7,186	—	7,186	3,597	—	3,597
Losses recognized on initial recognition	—	74,268	74,268	—	81,773	81,773

ii. Reinsurance contracts held

	2025			2024		
	Contracts initiated without Loss recovery Component	Contracts initiated with Loss recovery Component	Total	Contracts initiated without Loss recovery Component	Contracts initiated with Loss recovery Component	Total
Estimates of present value of cash inflows	(12,141)	(244,437)	(256,578)	(7,131)	(218,673)	(225,804)
Estimates of present value of cash outflows	11,688	240,036	251,724	7,247	211,310	218,557
Risk adjustment for non-financial risk	(1,754)	(27,442)	(29,196)	(931)	(28,248)	(29,179)
Loss recovery related to losses on underlying insurance contracts at initial recognition	—	33,381	33,381	—	37,366	37,366
Contractual Service Margin	(2,207)	1,538	(669)	(815)	1,755	940

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For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

b) UKSIP

i. Insurance contracts

	2025			2024		
	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	216	9	225	222	6	228
Claims and other insurance service expenses payable	959	23	982	964	24	988
Estimates of present value of cash outflows	1,175	32	1,207	1,186	30	1,216
Estimates of present value of cash inflows	(1,801)	(32)	(1,833)	(1,878)	(31)	(1,909)
Risk adjustment for non-financial risk	79	2	81	98	3	101
CSM	547	—	547	594	—	594
Losses recognized on initial recognition	—	2	2	—	2	2

Notes to consolidated financial statements

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5.3 Contractual service margin

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

	1 year or less	1 - 2 years	2 - 5 years	5 - 10 years	Over 10 years	Total
2025						
Insurance contracts						
NAI	37,083	33,231	80,892	89,458	130,711	371,375
UKSIP	1,721	1,524	3,371	2,897	2,705	12,218
	38,804	34,755	84,263	92,355	133,416	383,593
Reinsurance contracts held						
NAI	17,689	16,280	41,585	47,677	46,543	169,774
UKSIP	(44)	(37)	(76)	(50)	(27)	(234)
	17,645	16,243	41,509	47,627	46,516	169,540
2024						
Insurance contracts						
NAI	41,113	36,886	89,901	99,015	140,793	407,708
UKSIP	3,182	2,833	6,413	5,693	5,064	23,185
	44,295	39,719	96,314	104,708	145,857	430,893
Reinsurance contracts held						
NAI	18,620	17,168	44,001	51,042	57,333	188,164
UKSIP	(1,096)	(927)	(1,934)	(1,331)	(700)	(5,988)
	17,524	16,241	42,067	49,711	56,633	182,176

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For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

5.4 Significant judgements and estimates

a. Fulfillment cash flows

Fulfillment 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.

Foresters Financial's objective in estimating future cash flows is to determine the probability-weighted 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 Foresters uses stochastic modeling 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.

i. Future cash flows

In estimating future cash flows, Foresters Financial 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 Foresters Financial'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, Foresters Financial 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.

Cash flows within the boundary of a contract relate directly to the fulfillment of the contract, including those for which Foresters Financial 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.

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, and recurring commissions payable on installment premiums receivable within the contract boundary. 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 fulfillment activities are allocated to groups of contracts based on a systematic and rational basis.

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For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

Mortality, longevity and morbidity

Mortality relates to the occurrence of death. Mortality is a key assumption for life insurance and certain forms of annuities. Mortality assumptions are differentiated by factors such as gender, age, underwriting class, policy type and geographic market. Morbidity relates to the occurrence of accidents and sickness for insured risks. Morbidity is a key assumption for long-term care insurance, disability insurance, critical illness and other forms of health benefits. Morbidity assumptions are established for each type of morbidity risk and geographic market.

Although the pattern of claims and benefit payments may be close to that indicated by past experience, some deviation in that pattern is probable. Periodic country-level studies are performed to examine mortality and morbidity experience where Foresters Financial's actual experience is compared to both its expected assumptions and industry expected values where available to confirm that appropriate assumptions are being made about the projected benefit patterns. Consistent with actuarial standards, projected improvements in mortality experience are reflected where appropriate.

Mortality is one of the key assumptions in the measurement of life insurance products in North America and the U.K.. Tables produced by the Society of Actuaries and the Canadian Institute of Actuaries, are used to reflect expected mortality improvements for North America. U.K. applies expected mortality improvements in line with the Continuous Mortality Investigation (CMI).

For North America, there is no change to mortality, longevity and morbidity assumptions in 2025 based on experience study results. There is a methodology refinement applied to selected U.S. Universal Life products for mortality assumptions. Refer to 5.4 d) for detail. For UKSIP, the assumption changes are relatively immaterial. For assumption sensitivities test, refer to section 7.3 c).

Lapse

Policyholders may either surrender their policies for cash value, where applicable or allow their policies to lapse by choosing to discontinue payment of their premiums. Foresters Financial performs annual studies for most products to review lapse and surrender experience, and bases its estimate of future lapse rates on previous experience for each block of business.

Foresters Financial relies on industry experience where its own experience lacks statistical credibility. Selection of certain lapse rates, especially for long duration lapse supported business, are based on professional guidance.

Lapse assumptions have been updated for 2025 following the latest experience review. Within North America Insurance, lapse assumptions have increased for certain U.S. Non-participating Term and Paid-up Participating products. For the CA CPP (A-Z) Permanent and Term plans, lapse assumptions were raised in early durations and reduced in later durations. For UKSIP, the impact of assumption changes is relatively immaterial.

For lapse assumption sensitivities test, refer to section 5.3 d).

Investment returns

Foresters Financial segments assets supporting insurance contract liabilities by geographic market and by line of business and establishes investment strategies for each liability segment. Uncertainties exist with respect to projections of risk-free interest rates, credit spreads and the magnitude of credit losses resulting from asset depreciation. Foresters Financial accounts for such uncertainties by incorporating provisions for credit losses into

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projections of investment income (in addition to the allowances for impairment applied as direct reductions to the carrying values of invested assets).

Expenses

Foresters Financial projects estimates of future expenses relating to fulfillment of contracts in the scope of IFRS 17 using current expense levels adjusted for inflation. Expenses comprise expenses directly attributable to the portfolio of contracts including an allocation of fixed and variable overheads. Where asset management services are provided for the insurance operational segments as part of contractual arrangements with policyholders, Foresters Financial projects future expenses based on the direct costs as incurred by Foresters Financial rather than based on management fees charged explicitly to the policyholder account values or internal fees charged to the insurance operating segments for providing these services. The expense inflation assumption is considered to be a non-financial risk. Foresters Financial has not changed its methods or assumptions used to project expenses in 2025. Possible increases in expense assumptions increase estimates of future cash outflows and thus decrease the CSM within the LRC for contracts measured under the GMM.

ii. Discount rates

Foresters Financial applied the bottom-up approach for both the North American and the U.K. business. This approach was used to derive the discount rate for the cash flows that do not vary based on the returns of the underlying item. Under this approach the discount rate is determined using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. Illiquidity premiums are generally determined by an underlying asset reference portfolio. The asset portfolio used to determine the risk free rate curves comprised of federal government bonds with an observable period of 30 years in Canada and the U.S. The illiquidity premium in the observable period was determined using a hybrid approach with the use of a reference portfolio of assets representing the liquidity characteristics of the three liquidity buckets of products (high, medium and low). The reference portfolio comprised of various types of fixed income assets, including provincials, corporates, private placements and mortgage loans where applicable. The credit spread for each of these reference portfolios was determined based on published corporate bond rates and spread available by jurisdiction and quality and based on similar assets held for each of these three types of products. A ratio was then applied to the credit spread.

As noted previously the observable period used in the bottom-up approach was estimated to be 30 years. For the unobservable period (after 30 years), the yield curve was interpolated between an ultimate rate and last observable point based on a number of working assumptions derived by Foresters Financial.

For the U.K. business, it generally determines the risk-free rates using risk-free rates as provided by the Prudential Regulation Authority (PRA). To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are similarly adjusted by an illiquidity premium. Illiquidity premiums are generally determined with reference to appropriate credit spread indices.

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High-liquidity products are those where cash flows can change or be demanded at short notice, such as Universal Life where surrender values are available. Low-liquidity products have highly predictable cash flows, with little or no policyholder discretion to accelerate payments, such as Term Life products.

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies:

2025	1 year	5 year	10 year	15 years	20 years	25 years	30 years	70 years
Product [Low]								
CAD	3.10 %	3.86 %	4.60 %	4.91 %	5.27 %	5.27 %	5.29 %	5.15 %
GBP	3.76 %	3.88 %	4.26 %	4.58 %	4.75 %	4.82 %	4.80 %	4.17 %
USD	4.26 %	4.64 %	5.30 %	5.72 %	6.23 %	6.24 %	6.29 %	5.15 %
2024	1 year	5 year	10 year	15 years	20 years	25 years	30 years	70 years
Product [Low]								
CAD	3.71 %	3.91 %	4.49 %	4.67 %	4.89 %	4.83 %	4.78 %	5.15 %
GBP	4.73 %	4.35 %	4.31 %	4.47 %	4.57 %	4.57 %	4.52 %	3.85 %
USD	5.02 %	5.27 %	5.67 %	5.91 %	6.18 %	6.11 %	6.04 %	5.15 %

2025	1 year	5 year	10 year	15 years	20 years	25 years	30 years	70 years
Product [Medium]								
CAD	2.85 %	3.61 %	4.35 %	4.66 %	5.02 %	5.02 %	5.04 %	4.75 %
GBP	3.65 %	3.77 %	4.15 %	4.47 %	4.64 %	4.71 %	4.70 %	4.06 %
USD	4.01 %	4.39 %	5.05 %	5.47 %	5.98 %	5.99 %	6.04 %	4.75 %
2024	1 year	5 year	10 year	15 years	20 years	25 years	30 years	70 years
Product [Medium]								
CAD	3.46 %	3.66 %	4.24 %	4.42 %	4.64 %	4.58 %	4.53 %	4.75 %
GBP	4.59 %	4.21 %	4.18 %	4.34 %	4.43 %	4.44 %	4.38 %	3.71 %
USD	4.77 %	5.02 %	5.42 %	5.66 %	5.93 %	5.86 %	5.79 %	4.75 %

2025	1 year	5 year	10 year	15 years	20 years	25 years	30 years	70 years
Product [High]								
CAD	2.38 %	3.14 %	3.90 %	4.26 %	4.69 %	4.69 %	4.72 %	4.35 %
GBP	3.54 %	3.67 %	4.04 %	4.36 %	4.54 %	4.60 %	4.59 %	3.96 %
USD	3.54 %	3.91 %	4.61 %	5.05 %	5.59 %	5.63 %	5.71 %	4.35 %
2024	1 year	5 year	10 year	15 years	20 years	25 years	30 years	70 years
Product [High]								
CAD	2.98 %	3.17 %	3.81 %	4.01 %	4.25 %	4.18 %	4.12 %	4.35 %
GBP	4.46 %	4.08 %	4.04 %	4.20 %	4.30 %	4.30 %	4.25 %	3.58 %
USD	4.32 %	4.55 %	4.96 %	5.22 %	5.53 %	5.48 %	5.44 %	4.35 %

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity.

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The tables below set out the yield curves in forward rates used to discount the cash flows that vary of insurance contracts for major currencies:

2025	1 year	5 year	10 year	15 years	20 years	25 years	30 years	70 years
Product [Par]								
CA Branch	4.56 %	5.13 %	5.66 %	5.63 %	5.83 %	5.61 %	5.79 %	5.23 %
US Branch	3.63 %	4.62 %	6.06 %	6.94 %	7.63 %	6.23 %	6.38 %	5.11 %
FLIC	3.87 %	4.70 %	5.40 %	5.38 %	5.67 %	5.42 %	5.66 %	4.97 %
2024	1 year	5 year	10 year	15 years	20 years	25 years	30 years	70 years
Product [Par]								
CA Branch	5.16 %	5.11 %	5.44 %	5.23 %	5.28 %	5.10 %	5.12 %	5.29 %
US Branch	4.50 %	5.02 %	6.03 %	6.50 %	6.80 %	5.69 %	5.60 %	5.09 %
FLIC	4.85 %	4.75 %	5.10 %	4.86 %	5.06 %	4.81 %	4.83 %	5.04 %

iii. Risk Adjustments for non-financial risk

Risk adjustments for non-financial risk are generally determined by the Margin approach, which is widely used within the industry. These margins are then adjusted (reduced) to reflect a 12.5% between-risk diversification within each entity. The margin assumptions are reviewed annually as part of the experience study reviews and adjusted if required to achieve a desired confidence level range. For the U.K. business, the Cost of Capital approach is used to determine the risk adjustments for non-financial risk as the U.K. makes use of the existing Solvency II modelling and the weighted-average cost-of-capital rate is 3% (2024: 3%). The disclosed confidence level is on a consolidation basis and net of reinsurance. For the year ended 2025, the confidence level for the risk adjustment is 89.3%. For the year ended 2024, the confidence level for the risk adjustment is 89.2%.

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b. Contractual service margin

The CSM of a group of insurance contracts is recognized as insurance revenue in each period based on the number of coverage units provided in the period, which is determined by considering for each contract the quantity of the benefits and investment return service benefits provided and its expected coverage duration. The coverage units are reviewed and updated each reporting date.

Type of Product	Quantity of Benefits Provided	Investment Return Service Benefit
Term life	Contractual maximum benefit	N/A
Participating Whole Life	Net amount at risk	Investment component payable
Non-Participating Whole Life	Contractual maximum benefit	N/A
Endowment Life	Net amount at risk	Investment component payable
Universal Life	Net amount at risk or death benefit plus account value (depending on policyholder choice)	Investment component payable
Payout Annuities (no guaranteed payments)	Gross periodic benefit payment	N/A
Payout Annuities (with guaranteed payments)	Gross periodic benefit payment that the policyholder can claim	Periodic guaranteed payment
Deferred Annuities	Gross periodic benefit payment Critical illness benefit amount payable in event of a critical illness	Investment component payable upon death or surrender
Accident and Sickness Coverage	For disability policies / LTC, periodic benefit payable payment	N/A
Creditor Life	Periodic death or disability benefit	N/A
Deferred Pension Fund	Max(death benefit per policy, maturity benefit per policy)	Investment component payable upon retirement or earlier death
Preneed Coverage	Net amount at risk	Investment component payable

For reinsurance contracts held, the CSM amortization reflects the expected pattern of underwriting of the underlying contracts because the level of service received depends on the number of underlying contracts in force.

i. Weighting of benefits provided by insurance coverage

For insurance contracts that provide both an insurance coverage and investment service, the assessment of the quantity of benefits entails determining the relative weighting of the benefits provided to the policyholders by these services, determining how the benefits provided by each service change over the coverage period and aggregating those different benefits. More specifically, the contract service margin is released into income, when insurance contract services are provided, by using coverage units. Coverage units represent the quantity of service (insurance coverage, investment return and investment related services) provided and are determined by considering the benefit provided under the contract and its expected duration. When the relative size of the investment related service coverage or investment return service coverage unit is disproportionate compared to the insurance service coverage unit, or vice-versa, Foresters Financial must determine a relative weighting of the services to reflect the delivery of those services.

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c. Investment components

Foresters Financial identifies the investment component of a contract as part of its product governance process by determining the amount that it would be required to repay to the policyholder under all circumstances. Investment components are excluded from insurance revenue and insurance service expenses. Investment components typically found in Foresters Financial's products include cash surrender values, account values, policyholder loans and guaranteed dividends in closed blocks of business. We identify investment components by determining the amount that will always be returned to a policyholder, regardless if a claim occurs.

Type of Product	Investment Component
Participating Whole Life	Guaranteed cash value
Non-Participating Whole Life	Guaranteed cash value
Universal Life	Account value
Payout Annuities	Guaranteed amount
Deferred Annuities	Cash value

d. Changes in actuarial methods and assumptions

Foresters Financial ensures the appropriateness of liability risk assumptions by monitoring experience and updating these assumptions based on an annual, comprehensive review of its actuarial methods and assumptions. The updated assumptions and methods reflect the best estimate of expected future experience, along with appropriate margins for the risks assumed. Ongoing experience monitoring and changes in the external environment may necessitate future updates to actuarial assumptions, which, in turn, create potential downstream impact to insurance contract liabilities. Typically, changes resulting from this review are implemented in the third and fourth quarters of each year.

The following table shows the impact of changes in actuarial methods and assumptions on pre-tax fulfillment cash flows:

NAI	2025	2024
	\$	\$
1. Mortality Assumption	3,958	115,529
2. Lapse Assumption	19,199	29,788
3. Selective Lapse Assumption	—	105,914
4. Dividend Review	(25)	(3,336)
5. Unit Cost Review	16,893	(2,736)
6. Economic Assumptions Review	(1,670)	(19,084)
7. Model updates	—	(4,240)
	38,355	221,835

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UKSIP	2025	2024
	\$	\$
1. Mortality and Morbidity Assumption	(400)	(1,284)
2. Lapse Assumption	4,817	(23)
3. Unit Cost Review	459	(442)
4. Other	—	353
	4,876	(1,396)

For North America Insurance in 2025, the lapse assumption impacts reflect updates arising from the annual experience review. Mortality impacts are driven by a methodology refinement applied to selected U.S. Universal Life products. For economic assumptions, the 2025 review resulted in updates to alternative asset return assumptions, investment expenses, and default and recovery rate assumptions. The unit cost impacts are driven by increased expense unit costs across all entities based on expense study. For UKSIP, the impact of these assumption changes is relatively immaterial.

6. INVESTMENT CONTRACT LIABILITIES - EXCLUDING SEGREGATED FUNDS

The reconciliation of changes in investment contract liabilities excluding segregated funds during the year is shown in the table below:

	2025	2024
	\$	\$
Balance, beginning of year	28,275	28,497
Deposits received during the year	2,987	1,225
Surrenders and withdrawals	(3,273)	(3,522)
Interest credited and other	145	770
Effect of change in foreign exchange rates	(240)	1,305
Balance, end of year	27,894	28,275

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7. RISK MANAGEMENT

Risk Management framework

Foresters Financial offers insurance, wealth and asset management products and services, which subject the organization to a broad range of financial risks. Foresters Financial has specific policies and a Risk Appetite Framework in place to manage these risks, which are approved by the Board periodically as appropriate. Other policies, such as Investment Policy and Product Management Policy, are indirectly part of the risk management framework. Foresters Financial's goal in managing financial risk is to ensure that the outcomes of activities involving elements of risk are consistent with Foresters Financial's objectives and risk appetite, and to maintain an appropriate risk/reward balance while protecting Foresters Financial's consolidated statement of financial position and capital position from events that have the potential to impair its financial strength and fulfilling the obligation to policyholders.

Foresters Financial's Risk Management Policy sets out the policy and control framework for the identification, measurement, treatment, monitoring, and reporting of risks. Foresters Financial manages risk taking activities against an overall risk appetite, which defines the amount and type of risks it is willing to assume. The risk appetite reflects Foresters Financial's financial condition, risk tolerance and business strategies. Financial risk appetite measures are defined in relation to capital requirements, liquidity, credit and other measures.

7.1 Credit risk

Credit risk is the risk of financial loss to Foresters if a counterparty to a financial instrument or a reinsurance contract held fails to meet its contractual obligations, and arises principally from Foresters' investments in debt securities and reinsurance contracts held. For risk management reporting purposes, Foresters Financial considers and consolidates all elements of credit risk exposures - e.g., individual obligor default risk, country risk and sector risk.

a) Management of credit risk

The Board approved Investment Policy sets out the policies and procedures to manage asset-related credit risk. Specific guidelines have been established to minimize undue concentration of exposure to a single debtor or a group of related debtors; to limit the purchase of fixed income securities to investment-grade assets; and to specify minimum and/or maximum limits for fixed income securities by credit quality ratings.

Credit risk also arises from reinsurance activities. The inability or unwillingness of reinsurance counterparties to fulfill their contractual obligations related to the liabilities ceded to them could lead to credit losses on reinsurance contract held. The Reinsurance Risk Management Policy sets out the minimum risk rating criteria that all reinsurance counterparties are required to meet. Reinsurance is placed with counterparties that have an AM Best financial strength rating of A- (excellent) or better and concentration of credit risk is managed by following guidelines approved each year by the Board of Directors. Management regularly monitors the creditworthiness of reinsurers to ensure compliance with Foresters Financial guidelines.

b) Exposure to credit risk

Foresters Financial's maximum exposure to credit risk related to financial instruments and other assets is the carrying value of those assets, net of any allowances for losses.

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For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

Foresters Financial's maximum credit exposure was as follows:

	2025	2024
	\$	\$
Cash, cash equivalents and short-term securities	251,912	335,019
Bonds	6,218,809	6,037,269
Mortgages	294,369	243,548
Derivative financial assets	1,392	34
Other invested assets	298,875	294,372
Accrued investment income	63,417	63,078
Mortgage vendor take back	—	27,274
Insurance contract assets	12,422	12,444
Reinsurance contract held assets	987,674	926,037
Accounts receivable and finance lease receivable	26,074	28,513
Maximum exposure to credit risk	8,154,944	7,967,588

c) Credit quality summary

The following table sets out the information about the credit quality of reinsurance contracts held, bonds and mortgages measured at FVTPL:

	2025	2024
	\$	\$
Bonds and commercial mortgage loans		
Based on Credit Ratings used in LICAT Reporting		
AAA	548,440	1,158,033
AA- to AA+	2,024,157	1,375,221
A- to A+	2,039,018	2,021,174
BBB+ and lower	1,901,563	1,726,389
Reinsurance contracts held		
Based on Credit Ratings used in LICAT Reporting		
AA- to AA+	235,493	221,070
A- to A+	752,179	704,967
BBB+ and lower	—	—

Foresters Financial derivatives are entered into with banks and other financial institutions, which are rated AA rating.

d) Concentration of credit risk

Concentration of credit risk arises from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics.

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

Foresters Financial limits its exposure to a single issuer, including total exposure to a parent company, its subsidiaries and any other entity for which the parent acts as a guarantor. Total exposure includes the sum of Foresters Financial's investment in bonds, equities, money market instruments and derivative financial instruments. Limits are based on the senior consolidated debt ratings of the parent company and range from 5% of total assets for AAA rated companies to 2% of total assets for BBB (or lower) rated companies. Segment specific guidelines further restrict Foresters Financial investments in a single issuer.

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Foresters Financial had no exposure in excess of the limits specified above to any single investee or its related group of companies.

The following table provides details of the carrying value of financial investments by industry sector and country of residence of the issuer:

An analysis of concentrations of credit risk from financial investments is shown below.

	2025	2024
	\$	\$
Bonds issued or guaranteed by:		
U.S treasury and other U.S agencies	824,197	1,115,503
Canadian federal government	152,647	154,640
Canadian provincial and municipal government	591,756	576,435
U.K. government	168,849	126,714
Other foreign governments	25,170	34,853
Total government bonds	1,762,619	2,008,145
Concentration by industry sector		
Financial	1,772,913	1,433,213
Industrial	404,372	435,289
Utilities	702,590	709,214
Energy	309,046	247,202
Consumer Staples	189,139	176,316
Consumer	125,635	147,972
Communications	239,293	227,411
Technology	115,694	80,587
Health Care	447,585	455,393
Basic materials	123,931	90,278
Other	25,992	26,249
Total corporate bonds	4,456,190	4,029,124
Concentration by issuer		
United States	3,999,939	3,883,163
Canada	1,624,980	1,593,190
U.K.	293,972	236,542
Other	299,918	324,374
	6,218,809	6,037,269

7.2 Market risk

Market risk is the risk that changes in market prices - e.g., foreign exchange rates, interest rates, real estate capitalization rates, and equity prices - will affect the fulfillment cash flows of insurance and reinsurance contracts held as well as the fair value or future cash flows of financial instruments. They are:

- Currency risk
- Interest rate risk
- Equity market risk

a) Management of market risk

The Board of Directors sets Foresters Financial's appetite for market risk and delegates responsibility for overseeing the implementation of the risk management strategy and the asset-liability matching (ALM) framework to Foresters Financial's asset and liability committee (ALCO). The ALM framework seeks to match the cash flows arising from

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Foresters Financial's financial investments with the cash flows arising from its insurance and investment contracts while achieving the optimum long-term investment return on its financial investments representing shareholders' equity for an acceptable level of risk. ALCO seeks to achieve this by setting limits both for each type of risk in aggregate across Foresters Financial and for individual portfolios. On a day-to-day basis, responsibility for monitoring market risk exposures rests with local management. As part of its ALM framework, Foresters Financial uses derivatives to manage its exposures to market risk. All such transactions are carried out within the guidelines set by ALCO.

For insurance contracts with direct participation features, changes in the fair value of underlying items due to changes in market variables are largely reflected in the value of the related insurance contracts. Foresters Financial is exposed to market risk only to the extent of the changes in its share of the fair value of the underlying items, represented by the CSM.

b) Currency risk

i. Exposure to currency risk

Currency risk for financial instruments arises from a mismatch between the currency of the insurance and investment contract liabilities and the currency of the assets designated to support those liabilities. Foresters Financial matches the currency of its assets with the currency of the liabilities they support to mitigate economic exposure to changes in exchange rates.

Administrative expenses

Foresters Financial incurs the majority of its U.S. branch administrative expenses in Canadian dollars and is therefore exposed to foreign exchange rate fluctuations between the Canadian and U.S. dollars. Foresters Financial enters into foreign exchange forward contracts (see note 3(c)) to reduce a portion of the impact of foreign exchange rate fluctuations on the calculation of U.S. branch insurance contract liabilities. This calculation includes a provision for future certificate maintenance expenses, which are incurred in Canadian dollars. The exchange rate assumed in this calculation is based on exchange rates implicit in these contracts. While these foreign exchange forward contracts effectively offset the impact of foreign exchange rate fluctuations on a significant portion of U.S. branch insurance contract liabilities, Foresters Financial is exposed to foreign exchange rate fluctuations on expenses in excess of those covered by the foreign exchange forward contracts.

Foreign operations

A substantial portion of Foresters Financial's operations is denominated in currencies other than Canadian dollars. If the Canadian dollar strengthened relative to non-Canadian currencies, the translated value of reported earnings and surplus from the non-Canadian denominated operations would decline. Foresters Financial uses financial measures such as constant currency calculations to monitor the effect of such currency fluctuations.

The summary quantitative information about Foresters Financial's exposure to currency risk arising from insurance and reinsurance contracts held and financial instruments at the reporting date as reported was as follows:

	December 31, 2025		December 31, 2024	
	USD	GBP	USD	GBP
Financial assets	3,582,186	6,025,361	3,338,308	5,661,320
Financial liabilities	34,965	5,471,235	37,705	5,112,738
Insurance contract liabilities	2,753,045	335,214	2,597,954	342,725
Reinsurance contract held assets	375,069	1,792	320,059	2,288

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For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

ii. Sensitivity analysis

A reasonably possible strengthening or weakening of the Canadian against all other currencies at the reporting date would have affected the measurement of insurance and reinsurance contracts held and financial instruments denominated in a foreign currency and affected the net income (loss) and surplus by the amounts shown below. This analysis assumes that all other variables remain constant.

	Change in net income (loss)		Change in surplus	
	2025	2024	2025	2024
Impact of 1.0% strengthening of Canadian dollar				
USD				
Insurance and reinsurance contracts held	37,783	37,369	37,783	37,369
Financial instruments	(49,162)	(48,018)	(49,162)	(48,018)
	(11,379)	(10,649)	(11,379)	(10,649)
GBP				
Insurance and reinsurance contracts held	6,197	6,168	6,197	6,168
Financial instruments	(10,331)	(9,948)	(10,331)	(9,948)
	(4,134)	(3,780)	(4,134)	(3,780)
Impact of 1.0% weakening of Canadian dollar				
USD				
Insurance and reinsurance contracts held	(37,783)	(37,369)	(37,783)	(37,369)
Financial instruments	49,162	48,018	49,162	48,018
	11,379	10,649	11,379	10,649
GBP				
Insurance and reinsurance contracts held	(6,197)	(6,168)	(6,197)	(6,168)
Financial instruments	10,331	9,948	10,331	9,948
	4,134	3,780	4,134	3,780

Changes in foreign exchange rates mainly affect the net income (loss) and surplus as follows. The effects on net income (loss) and surplus are presented net of the related income tax.

- Net Income (loss):
 - Foreign currency gains and losses on insurance and reinsurance contracts held that are recognized in total comprehensive income (loss), including those arising from the translation of the carrying amount of the CSM.
 - Changes in the amount of Foresters Financial's share of the fair value of underlying items of direct participating contracts relating to loss components.
 - Foreign currency gains and losses on financial instruments that are recognized in total comprehensive income (loss).
- Surplus:
 - Foreign currency gains and losses recognized in OCI and the effect on total comprehensive income (loss).

c) Interest rate risk

i. Exposure to interest risk

Interest rate risk exists if asset and liability cash flows are not matched and interest rates change, causing a change in the projected asset cash flows or, in some cases, a change in liability cash flows. Foresters Financial mitigates its exposure to interest rate risk by utilizing a formal process for managing the matching of assets and liabilities which involves

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grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in that segment.

For products with fixed and highly predictable benefit payments, investments are made in fixed income assets that closely match the product liability cash flows or durations. 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 may be made in equities or fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments as described below. The risks associated with the mismatch in portfolio duration, cash flow and asset prepayment exposure are quantified and reviewed regularly.

Many annuity and universal life insurance certificates have minimum credited interest rate guarantees ranging from 1.5% to 4% (2024 : 1.5% to 4%). Other products have implicit guarantees. Dividend paying products are sensitive to a sustained decline in interest rates to the extent dividends cannot be reduced below zero. The profitability of non-dividend paying products depends in part on the relationship between interest rates assumed in pricing compared to investment returns currently available.

Foresters Financial's interest-sensitive instruments are as follows:

	2025			2024		
	Fixed-rate	Floating rate	Total	Fixed-rate	Floating rate	Total
Financial instruments						
Assets	6,192,713	489,703	6,682,416	6,175,285	288,768	6,464,053
Liabilities	(248,784)	—	(248,784)	(248,558)	—	(248,558)
	5,943,929	489,703	6,433,632	5,926,727	288,768	6,215,495
Underlying items of direct participating contracts	(300,144)	(13,171)	(313,315)	(285,820)	(9,859)	(295,679)
	5,643,785	476,532	6,120,317	5,640,907	278,909	5,919,816
Insurance and reinsurance contracts held						
Liabilities			6,566,765			6,502,824
Assets			(987,672)			(926,035)
			5,579,093			5,576,789
Direct participating contracts			(526,851)			(522,422)
			5,052,242			5,054,367

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ii. Sensitivity analysis

An analysis of Foresters Financial's sensitivity to a 1% parallel shift in market interest rates at the reporting date, assuming that all other variables remain constant, is presented below.

	Change in net income (loss)		Change in surplus	
	2025	2024	2025	2024
Impact of 1.0% increase in interest rates				
Insurance contracts issued and reinsurance contracts held	328,108	338,452	328,108	338,452
Financial instruments	(407,188)	(414,766)	(407,188)	(414,766)
	(79,080)	(76,314)	(79,080)	(76,314)
Impact of 1.0% decrease in interest rates				
Insurance contracts issued and reinsurance contracts held	(410,818)	(431,349)	(410,818)	(431,349)
Financial instruments	470,973	480,452	470,973	480,452
	60,155	49,103	60,155	49,103

Changes in interest rates mainly affect the net income (loss) and surplus as follows. The effects on net income (loss) and surplus are presented net of the related income tax.

- Net income (loss):
 - Interest revenue and other finance costs on floating-rate financial instruments
 - Changes in the fair values of derivatives and fixed-rate financial instruments measured at FVTPL.
 - Insurance finance income and expenses recognized in total comprehensive income (loss).
- Surplus:
 - Changes in the fair value of fixed-rate financial assets measured at FVOCI.
 - The effect on total comprehensive income (loss).

d) Equity market risk

i. Exposure to equity price risk

Some insurance contract liabilities and investment contract liabilities such as products with long duration are supported, in part, by equities. There will be impacts on these liabilities, with related changes in surplus, as equity market values fluctuate.

Additional exposure to equity price risk arises from investments in equities and mutual funds that invest in equities. Equity price risk arising from the underlying items of direct participating insurance contracts is generally borne by the contract holders except to the extent of Foresters Financial's share of the performance of the underlying items. Foresters Financial is also exposed to equity price risk from equity guarantees in variable annuity contracts.

Foresters Financial's Risk and Investment Committee regularly monitors equity price risk and manages material investments on an individual basis. Investment limits require business units to hold diversified portfolios of assets and restrict concentration to geographies and industries. Foresters Financial does not have a significant concentration of equity price risk.

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ii. Sensitivity analysis

An analysis of Foresters Financial's sensitivity to a 10% increase or decrease in equity prices at the reporting date, assuming all other variables remain constant, is presented below.

	Change in net income (loss)		Change in surplus	
	2025	2024	2025	2024
Impact of 10% increase in equity markets				
Insurance and reinsurance contracts held	(16,640)	(16,190)	(16,640)	(16,190)
Financial instruments	32,845	30,163	32,845	30,163
	16,205	13,973	16,205	13,973
Impact of 10% decrease in equity markets				
Insurance and reinsurance contracts held	16,640	16,190	16,640	16,190
Financial instruments	(32,845)	(30,163)	(32,845)	(30,163)
	(16,205)	(13,973)	(16,205)	(13,973)

Changes in equity prices mainly affect net income (loss) and surplus as follows. The effects on net income (loss) and surplus are presented net of the related income tax.

- Net income (loss) and Surplus:
 - Changes in the fair value of equity investments that are not underlying items.
 - Changes in the amount of Foresters Financial's share of the fair value of underlying items of direct participating contracts relating to loss components.

7.3 Insurance risk

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, certificate holder behavior and expenses.

Foresters Financial sells participating and non-participating insurance and financial investment products. The types of products include life, health and annuity. Each product can have a number of contingencies associated with it, including mortality, lapse and expense risk. Assumptions are made based on company and industry past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information as outlined in the Experience Study Standards.

These assumptions are used to develop the initial measurement of insurance contract liabilities and form the insurance risk. The setting of these assumptions requires a significant amount of professional judgment and therefore, actual experience may be materially different from assumed experience which results in the nature of the insurance risk exposure.

To the extent that emerging experience is more favorable than assumed in the measurement of insurance contract liabilities, income will emerge. If emerging experience is less favorable, losses will result. Foresters Financial's objective is to ensure that sufficient insurance contract liabilities have been set up to cover these obligations.

Mortality risk - is the risk that death claims are different than assumed in pricing or the most recent valuation of actuarial liabilities, adversely impacting income. This risk includes both mis-estimation in pricing, and adverse experience resulting from any combination of weak underwriting, anti-selection by policyholders or agents, or improper claims adjudication.

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Lapse risk – is the risk that withdrawals and lapse rates are different than assumed. Lapses that are higher than assumed are often detrimental to profit especially if they occur prior to recovering costs to issue a certificate. Lapses that are lower than assumed can also reduce profits on policies that have generous interest rate guarantees or on certificates where the increasing cost of insurance benefits exceeds the level contractual charges.

Expense risk – is the risk that maintenance expense levels will be higher than assumed. This can arise from an increase in the unit costs or an increase in expense inflation relating to economic conditions.

Morbidity risk - is the occurrences of accidents and sickness for insured risks being different than assumed in pricing or the most recent valuation of actuarial liabilities, adversely impacting income. This risk includes both mis-estimation in pricing, and adverse experience resulting from weak underwriting or anti-selection by policyholders or agents.

a) Management of insurance risk

Foresters Financial manages insurance risk at an enterprise-wide level by establishing Board approved policies and guidelines for product development and product pricing which require that all material risks be provided for at the time of product design and pricing of new products. Additionally, experience studies are performed annually, the outcome of which is used to update the valuation of insurance contract liabilities and the pricing of new and existing products.

Foresters Financial also uses reinsurance to transfer risks as specified in its Reinsurance Risk Management Policy. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts held and the risks arising from financial assets held to fund the settlement of the liabilities. The extent to which total comprehensive income (loss) and surplus 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 Foresters Financial.

The actuarial assumptions used in the measurement of insurance contract liabilities and reinsurance contract held assets take insurance risk factors into account as discussed in note 5. Annually, as part of Financial Condition Testing ("FCT"), Foresters Financial measures the effects of large and sustained adverse movements in insurance risk factors on the calculation of insurance contract liabilities and to assess the impact on capital requirements.

b) Key risks arising from insurance contracts

Product	Key Risks	Risk mitigation
Individual life	Mortality, lapse, and expenses	Reinsurance, enhanced underwriting effort, risk monitoring through experience studies, surrender charges, annual expense studies and cost structure review
Individual health	Morbidity and expenses	Reinsurance, risk monitoring through experience studies, annual expense studies and cost structure review.
Annuity	Longevity	Immaterial risk to Foresters as annuity business has been closed for sales for many years and the inforce volume is small

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

Term life and non-participating whole life contracts provide policyholders with a fixed lump sum payable on death. Term life contracts provide coverage over a fixed term. Term life premiums may be level or increasing over time (for yearly renewable contracts). Non-participating whole life contracts provide coverage over the lifetime of the policyholder and have a surrender value after an initial period. The premiums for non-participating whole life contracts are level throughout the duration of the contracts. Critical illness contracts are similar to term life but pay out a lump sum if the policyholder is diagnosed with an illness specified in the contract.

Immediate fixed annuity contracts provide policyholders with periodic payments over their lifetime or the lifetime of additional beneficiaries (if this is longer). The amount of each periodic payment is fixed over time. 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 or market value adjustments. The fixed rate of interest is guaranteed for an initial period; after the initial period, the rate of interest credited to the policyholder's accounts is set at the discretion of Foresters Financial based on prevailing market interest rates subject to a minimum crediting rate.

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

The guaranteed interests on deferred fixed annuity and universal life contracts depend on the country and date of issue and range from 1.5%-4% (2024: 1.5%-4%).

A key risk for traditional participating contracts is policyholder behaviour risk - in particular, the risk that contracts are surrendered or significant cash withdrawals are made before sufficient fees have been collected to cover up-front commissions paid by Foresters Financial. The risk is mitigated by charging penalties on the early surrender of contracts.

Traditional participating contracts provide policyholders with policyholder dividends which are discretionary and not guaranteed. Participating policyholders are allocated 100% of any dividends that are declared.

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c) Sensitivity analysis

The table below analyzes how CSM, net income (loss), and surplus would have increased (decreased) if changes in insurance risk exposures 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.

	Change in CSM		Change in total comprehensive income (loss)		Change in surplus	
	Gross	Net	Gross	Net	Gross	Net
2025						
Mortality rates adversely impacted by 1% increase	(19,150)	(11,277)	(42,090)	(17,032)	(42,090)	(17,032)
Mortality rates adversely impacted by 1% decrease	(830)	(4,636)	(93)	(84)	(93)	(84)
Mortality rates favourably impacted by 1% increase	447	1,883	57	50	57	50
Mortality rates favourably impacted by 1% decrease	20,469	12,004	41,594	18,378	41,594	18,378
Morbidity rates (1% favourable)	94	97	112	109	112	109
Morbidity rates (1% unfavourable)	(94)	(97)	(112)	(109)	(112)	(109)
Lapse rates (10% favourable)	29,341	46,070	103,460	97,800	103,460	97,800
Lapse rates (10% unfavourable)	(13,631)	(19,607)	(127,155)	(117,745)	(127,155)	(117,745)
Operating expenses (10% favourable)	33,083	36,496	49,097	39,150	49,097	39,150
Operating expenses (10% unfavourable)	(32,568)	(34,614)	(43,066)	(40,808)	(43,066)	(40,808)
2024						
Mortality rates adversely impacted by 1% increase	(23,378)	(13,096)	(39,536)	(16,772)	(39,536)	(16,772)
Mortality rates adversely impacted by 1% decrease	(817)	(956)	(78)	(73)	(78)	(73)
Mortality rates favourably impacted by 1% increase	494	1,141	50	44	50	44
Mortality rates favourably impacted by 1% decrease	31,162	17,461	33,443	13,954	33,443	13,954
Morbidity rates (1% favourable)	91	285	106	(61)	106	(61)
Morbidity rates (1% unfavourable)	(119)	37	(140)	(273)	(140)	(273)
Lapse rates (10% favourable)	40,515	60,139	97,633	87,775	97,633	87,775
Lapse rates (10% unfavourable)	(19,132)	(26,969)	(125,551)	(113,134)	(125,551)	(113,134)
Operating expenses (10% favourable)	42,262	44,342	41,300	32,094	41,300	32,094
Operating expenses (10% unfavourable)	(36,918)	(40,246)	(39,043)	(35,679)	(39,043)	(35,679)

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Changes in underwriting risk exposures mainly affect the CSM, the net income and surplus as follows. The effects of the net income (loss) and surplus are presented net of related income tax.

- CSM
 - Changes in fulfillment cash flows not relating to any loss components, other than those recognized as insurance finance income or expenses.
- Net income (loss):
 - Changes in fulfillment cash flows relating to loss components and changes in fulfillment cash flows that are recognized as insurance finance income or expenses in net income (loss).
- Surplus:
 - Changes in fulfillment cash flows that are recognized as insurance finance income or expenses in OCI and the effect on net income (loss).

d) Concentrations of insurance risk

The following table sets out the carrying amounts of Foresters Financial's insurance contracts (gross of reinsurance) by country of issue.

	2025	2024
Concentration by country		
Canada	32%	32%
U.S.	58%	58%
U.K.	10%	10%
Total	100%	100%

7.4 Liquidity risk

Liquidity risk is the risk that Foresters Financial will not be able to meet all cash outflow obligations as they come due. Foresters Financial liquidity requirements are closely managed through approximate cash flow matching of assets and liabilities and forecasting earned and required yields to ensure consistency between policyholder requirements and asset yields.

a. Management of liquidity risk

Foresters Financial ensures adequate liquidity on a day-to-day operational basis by maintaining a specified minimum level of highly liquid assets (defined as all short-term investments issued by major banks and the governments of the U.S., Canada and the U.K.). Strategic liquidity is measured under both immediate (within one month) and ongoing (within one year) stress scenarios. Foresters Financial's target liquidity ratio under both scenarios is 200.0%, a ratio that would more than support the highest claims-paying ratings for Foresters Financial, in addition to providing a significant margin above management's expected liquidity requirements. Foresters Financial's liquidity ratio is defined as stressed liquid assets divided by the stressed insurance liabilities outflows. The stressed insurance liability outflows is calculated by assessing the liability exposure that is adjusted for the probability of a policyholder surrendering a policy for cash under its contractual provisions in each of the two scenarios.

Operating and strategic liquidity levels are managed against established guidelines.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

The following chart shows Foresters Financial's strategic liquidity ratio:

	2025	2024
Allowable liquid assets	\$ 5,964,167	\$ 6,010,005
Risk-adjusted liquidity of liabilities	1,866,426	1,835,475
Liquidity ratio	319.55 %	327.44 %

Based on Foresters Financial's historical cash flows and current financial performance, management believe that the cash flow from Foresters operating activities will continue to provide sufficient liquidity for Foresters Financial to satisfy debt service obligations and to pay other expenses.

b. Maturity analysis

i. Insurance contracts issued and reinsurance contracts held

The following table provides a maturity analysis of Foresters Financial's insurance and reinsurance contracts held, which reflects the dates on which the cash flows for best estimate liability, including risk adjustment and CSM, are expected to occur. Expected cash flows include payment of claims, commissions, premium taxes, policyholder dividends, and premiums. These estimated cash flows are based on Foresters Financial's best estimate assumptions, and will differ from actual cash flows. These are also on a discounted basis and exclude segregated fund net liabilities.

	Estimates of present value of future cash flows						
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
December 31, 2025							
Net insurance contract liabilities	14,939	56,476	94,149	133,906	149,988	6,045,902	6,495,360
Reinsurance contracts held	12,999	4,738	(9,203)	(18,937)	(27,559)	(949,710)	(987,672)
December 31, 2024							
Net insurance contract liabilities	(12,967)	32,461	90,139	122,231	158,513	6,037,862	6,428,239
Reinsurance contracts held	15,882	7,147	(5,615)	(15,598)	(23,536)	(904,316)	(926,036)

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

	2025		2024	
	Amount Payable on Demand	Carrying Amount	Amount Payable on Demand	Carrying Amount
	\$	\$	\$	\$
Insurance contracts - excluding segregated fund net liabilities	4,967,443	5,162,166	4,997,766	5,211,194
Insurance contracts - segregated fund net liabilities	71,403	71,403	74,589	74,589

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

The amounts payable on demand represent the policyholders' account values less applicable surrender fees as at the time of the reporting date.

ii. Financial liabilities

The following table sets out the remaining contractual maturities of Foresters Financial's financial liabilities:

2025	Contractual undiscounted cash flows						Total	Carrying amount
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years		
Investment contract	27,894	—	—	—	—	—	27,894	27,894
Derivative liabilities	4,570	5,675	5,345	4,892	17,902	26,104	64,488	39,214
Other liabilities	204,400	2,890	—	—	—	—	207,290	207,290
Subordinated debt	—	—	—	—	250,000	—	250,000	248,784
	236,864	8,565	5,345	4,892	267,902	26,104	549,672	523,182
2024								
Investment contract	28,275	—	—	—	—	—	28,275	28,275
Derivative liabilities	11,069	6,643	7,670	7,233	6,624	61,530	100,769	52,533
Other liabilities	218,280	2,464	—	—	—	—	220,744	220,744
Subordinated debt	—	—	—	—	—	250,000	250,000	248,558
	257,624	9,107	7,670	7,233	6,624	311,530	599,788	550,110

The amounts in the tables above have been compiled as follows:

Non-derivatives

The amounts are the gross contractual undiscounted cash flows, which include estimated interest payments. The interest on floating-rate instruments reflects the market forward interest rates at the reporting date, which may change as market interest rates change.

Financial liabilities are allocated to the earliest period in which Foresters Financial could be required to pay. Investment contract liabilities and third-party interests in consolidated funds are immediately payable on demand, because each holder has an option to surrender the investment contract or to redeem units in the consolidated funds at any time. Accordingly, these amounts have been included in the earliest time band. Most of the underlying assets are either cash and cash equivalents or liquid investments that can be converted into cash at short notice.

For perpetual debt securities, the contractual par amount has been included in the '4-5 years' column (2024: 'more than 5 years' column); interest has been included in the analysis up to 15 years after the reporting date.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

Derivatives

The amounts disclosed represent the contractual undiscounted cash flows, being the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement – e.g. foreign exchange forward contracts and currency swaps – and the net amounts for derivatives that are settled net. They are estimated based on relevant market rates at the reporting date.

8. OTHER ASSETS

Other assets were comprised of the following:

	2025	2024
	\$	\$
Accounts receivable	25,071	23,586
Mortgage vendor take back	—	27,274
Deferred acquisition cost on unit linked investment contracts	35,909	33,707
Finance lease receivable	1,003	4,927
Prepaid expenses	6,987	8,026
Other	—	1,222
	<u>68,970</u>	<u>98,742</u>

The carrying value of these assets approximates their fair value. Other assets of \$32,365 (2024:\$ 64,132) will be realized within 12 months from the reporting date.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

9. PROPERTY AND EQUIPMENT

The following table shows changes in the property and equipment balances during the year:

	Property		Equipment		Total
	Land	Buildings	Furniture and Equipment	Leasehold Improvements	
	\$	\$	\$	\$	\$
Net carrying value as at December 31, 2024	1,665	8,266	2,812	2	12,745
Additions	—	—	990	—	990
Gains (losses) included in OCI changes in fair value	—	(692)	—	—	(692)
Depreciation expense	—	(265)	(1,471)	(2)	(1,738)
Effect of change in foreign exchange rates	45	224	30	—	299
Net carrying value as at December 31, 2025	1,710	7,533	2,361	—	11,604
Net carrying value as at December 31, 2023	2,143	7,491	3,035	31	12,700
Additions	—	—	872	—	872
Gains (losses) included in OCI changes in fair value	(621)	621	—	—	—
Disposals	—	—	(9)	—	(9)
Depreciation expense	—	(334)	(1,189)	(29)	(1,552)
Effect of change in foreign exchange rates	143	488	103	—	734
Net carrying value as at December 31, 2024	1,665	8,266	2,812	2	12,745

The following table shows the gross and net carrying values of property and equipment:

	Gross carrying value	Accumulated depreciation	Net carrying value
	\$	\$	\$
December 31, 2025			
Land	1,710	—	1,710
Buildings	7,533	—	7,533
Furniture and equipment	29,090	26,729	2,361
Leasehold improvements	178	178	—
	38,511	26,907	11,604
December 31, 2024			
Land	1,665	—	1,665
Buildings	8,266	—	8,266
Furniture and equipment	28,568	25,755	2,813
Leasehold improvements	178	177	1
	38,677	25,932	12,745

Land and buildings are measured at fair value using the revaluation model. They are treated as Level 3 in the fair value hierarchy and unobservable inputs are used in the determination of the fair value, which involves an annual external appraisal by an independent property appraiser with appropriate recognized professional qualifications.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

The land and building in the U.K. were revalued at December 31, 2025 by an independent appraiser. The fair value of land and building was \$1,710 and \$7,533 respectively (\$1,665 and \$8,266 respectively on December 31, 2024). When a building is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount. The net amount is re-presented to the revalued amount of the asset.

The U.K. land and building was appraised on the basis of existing use as defined in the practice statements set out in the Royal Institution of Chartered Surveyors ("RICS") valuation standards. The U.K. land component was valued using an assumption that consent to a change of use for residential would be forthcoming.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

10. EMPLOYEE BENEFIT PLANS

Foresters Financial has a number of funded and unfunded defined benefit pension, defined contribution pension, post retirement and post employment benefit plans and long term disability benefits in the U.S., Canada and the U.K. The defined benefit pension plans provide benefits to employees based on an average earnings formula. Foresters Financial also provides post retirement health benefits to certain employee groups in the U.S. and Canada.

All registered pension plans are in funds that are legally separate from Foresters Financial. In the U.S. and Canada, the pension funds are governed by a Management Pension Committee ("MPC") made up of representatives from Foresters Financial. The MPC is responsible for setting policies around investments and contributions.

Actuarial valuations of the pension and post retirement benefit plans are performed periodically for accounting purposes, based on a market-related discount rate and management's best estimate assumptions.

Foresters Financial measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plans for funding purposes was February 28, 2025 for the Canadian plan and April 1, 2023 and July 1, 2023 for the U.K. plans. The effective date of the next required valuation is February 28, 2026 for the Canadian plan and March 31, 2026 for both U.K. plans.

In 2021, Foresters Financial announced changes to its Canadian defined benefit pension plan whereby effective December 31, 2021, credited service and final average earnings were frozen which resulted in a curtailment arising. All existing members of the Canadian defined benefit pension plan joined a new defined contribution plan on January 1, 2022. On February 28, 2022, Foresters Financial filed a request with the regulator to terminate and wind up its Canadian defined benefit pension plan. An anniversary report is required to be filed with the Financial Services Regulatory Authority of Ontario every year until the plan is fully wound up. The 2025 anniversary report was filed in June 2025. In November 2024, Foresters Financial entered into a buy-in annuity contract. The wind-up process is expected to be completed in 2026.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

a) Defined benefit pension plans

Employee benefit assets and obligations include any surplus or deficit positions on defined benefit pension plans. The surplus or deficit position is calculated as the difference between plan assets and the accrued benefit obligation.

The following table shows the changes in the defined benefit pension plans assets and obligations during the year:

	2025	2024
	\$	\$
Change in plan assets:		
Fair value of plan assets at January 1	306,682	296,100
Interest income	14,307	13,593
Return on plan assets excluding interest income	(8,415)	(1,980)
Employer contributions	3,419	8,916
Benefits paid	(13,151)	(12,747)
Settlement payments	—	(189)
Effect of change in foreign exchange rates	1,289	2,989
Fair value of plan assets at December 31	<u>304,131</u>	<u>306,682</u>
Change in projected benefit obligations:		
Accrued benefit obligations at January 1	317,367	322,517
Interest cost	14,246	12,641
Benefits paid	(13,151)	(12,929)
Remeasurements		
- experience adjustments	(2,952)	29,868
- actuarial (gains) losses from changes in financial assumptions	(7,492)	(4,854)
- actuarial (gains) losses from changes in demographic assumptions	99	(665)
- changes in the effect of the asset ceiling	(8,037)	(34,063)
Effect of change in foreign exchange rates	1,731	4,852
Accrued benefit obligations at December 31	<u>301,811</u>	<u>317,367</u>
Balance at December 31	2,320	(10,685)
Amounts recognized on consolidated statement of financial position		
Employee benefit obligations (note 10b)	<u>(2,320)</u>	<u>10,685</u>

Foresters Financial has reviewed both the terms and conditions of the defined benefit plans and the statutory requirements (such as minimum funding requirements) in each jurisdiction, and whether the employee benefit asset exceeded the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. For the Canadian plan, Foresters Financial has a liability for \$1,548 (2024: \$11,297) in respect of future contributions where there will be no economic benefit to Foresters Financial.

For the plans in U.K., no decrease in the employee benefit assets was necessary as the economic benefits available were not lower than the assets recognized.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

The breakdown of defined benefit plan assets is shown in the following table:

	2025 %	2024 %
Cash and cash equivalents		
Canada	8 %	2 %
U.K	3 %	3 %
Bonds and other fixed income securities		
Canada	14 %	19 %
U.K	8 %	5 %
Equities		
Canada	— %	— %
U.K	5 %	5 %
Annuity contract		
Canada	62 %	64 %
U.K	— %	— %
Other		
Canada	— %	— %
U.K	1 %	3 %
	100 %	100 %

All bonds and other fixed income securities and equities have quoted prices in active markets.

b) Employee benefit obligations

The following table shows changes in unfunded post retirement benefit obligations during the year and the total employee benefit obligations recognized in the consolidated statement of financial position:

	2025		2024	
	Pension	Other benefits	Pension	Other benefits
	\$	\$	\$	\$
Change in projected benefit obligation:				
Accrued benefit obligations at January 1	27,023	6,499	27,506	7,243
Current service cost	641	—	823	—
Interest cost	1,119	307	1,148	328
Benefits paid	(1,954)	(689)	(2,443)	(659)
Remeasurements				
- experience adjustments	1,407	26	—	(76)
- actuarial (gains) losses from changes in financial assumptions	(721)	25	—	(751)
- actuarial (gains) losses from changes in demographic assumptions	—	(235)	—	—
Effect of change in foreign exchange rates	(4)	(213)	(11)	414
Accrued benefit obligations at December 31	27,511	5,720	27,023	6,499
Net obligation for defined benefit pension plans (note 10a)	(2,320)	—	10,685	—
Amounts recognized on consolidated statement of financial position	25,191	5,720	37,708	6,499

The weighted average duration of all the defined benefit obligations was 8.3 years (2024: 9 years).

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

The maturity analysis of benefit payments as at December 31 is shown in the following table:

	2025	2024
	\$	\$
Within 1 year or less	257,298	15,598
2 -5 years	21,106	269,395
6 - 15 years	52,276	51,898
Over 15 years	90,943	108,168
Total	421,623	445,059

Foresters Financial expects to pay \$1,337 in contributions to its defined benefit plans in 2026.

The table below provides the funded status of the combined defined benefit pension and post retirement plans:

	2025	2024
	\$	\$
As at December 31		
Fair value of defined benefit plan assets (note 10a)	304,131	306,682
Present value of obligations	335,042	350,889
Funded status - deficit	(30,911)	(44,207)

Additionally, long-term disability obligations amounted to \$2,615 (2024: \$2,175) and are recorded in other liabilities on the consolidated statement of financial position. The benefits provided under the long-term disability plan are income replacement based on a percentage of base wages and a continuation of existing dental and medical coverage. In providing these benefits, Foresters Financial has in certain cases insured the benefit with a third party provider, while in other cases the benefits are paid by Foresters Financial. The obligation relates to claims under the non-insured component of the benefits payable.

c) Employee benefit expenses

The following amounts were charged to operating expenses on the consolidated statement of comprehensive income (loss) for expenses related to employee benefit plans:

	2025		2024	
	Pension benefits	Other benefits	Pension benefits	Other benefits
	\$	\$	\$	\$
Defined benefit pension and post retirement plan expenses:				
Current service cost (income)	970	—	1,362	—
Net interest cost	1,529	307	196	328
	2,499	307	1,558	328
Defined contribution pension plans:				
Employer contributions	8,843		9,158	

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

Long-term disability benefit expense amounted to \$466 and \$(278) during 2025 and 2024 respectively and was included in Insurance service expenses on the consolidated statement of comprehensive income (loss).

d) Overview of assumptions

The weighted average actuarial assumptions used in the measurement of Foresters Financial's benefit obligations and expenses were as follows:

	2025		2024	
	Pension benefits %	Other benefits %	Pension benefits %	Other benefits %
Assumptions used to calculate benefit obligations				
Discount rate	4.9	4.8	4.7	4.9
Future pension growth	2.1	7.1	2.1	7.1
Inflation	2.1	—	2.1	—
Assumptions used to calculate benefit expenses				
Discount rate	4.7	4.9	4.6	4.6
Future pension growth	2.1	7.4	2.1	7.4
Inflation	2.1	—	2.1	—

The discount rate is based on current market interest rates of high-quality bonds for a term to reflect the duration of expected future cash outflows for pension benefit payments.

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

December 31, 2025	Defined benefit obligation	
	Increase \$	Decrease \$
Discount rate (1% movement)	(27,274)	33,231
Future pension growth (1% movement)	2,570	(22,329)
Inflation rate (1% movement)	2,126	(21,905)
Life expectancy (movement by 1 year)	8,406	(8,456)

December 31, 2024	Defined benefit obligation	
	Increase \$	Decrease \$
Discount rate (1% movement)	(29,428)	35,925
Future pension growth (1% movement)	2,699	(10,718)
Inflation rate (1% movement)	2,160	(10,130)
Life expectancy (movement by 1 year)	8,235	(8,068)

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

Assumptions regarding future mortality were based on published statistics and mortality tables. The current longevity underlying the values of the defined benefit obligation at the report date were as follows:

	2025		2024	
	Canada	U.K	Canada	U.K
Longevity at age 65 for current pensioners				
Males	24	22	24	22
Females	24	23	24	23
Longevity at age 65 for current members aged 45				
Males	25	24	25	24
Females	25	25	25	25

The Medicare (post 65 years of age) inflation assumption for U.S. benefits is 7.4% for 2025 (2024: 7.1%) decreasing to 4.0% by 2046 and thereafter. The healthcare cost inflation assumption for Canadian benefits is 5.1% for 2025 (2024: 5.2%), decreasing to 4.0% in 2040 and thereafter.

A 1.0% change in the assumed healthcare trend rate would have the following effects:

December 31, 2025	1.0% increase	1.0% decrease
	\$	\$
Effect on service cost plus interest cost	25	(22)
Effect on accrued benefit obligations	452	(404)
December 31, 2024	1.0% increase	1.0% decrease
	\$	\$
Effect on service cost plus interest cost	24	(21)
Effect on accrued benefit obligations	483	(431)

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

11. INTANGIBLE ASSETS

a) Reconciliation of carrying amount

	Finite useful life		
	Management contracts and customer relationships	Software	Total
	\$	\$	\$
Net carrying value as at December 31, 2024	26,430	47,935	74,365
Additions	—	22,073	22,073
Amortization	(7,966)	(13,339)	(21,305)
Effect of change in foreign exchange rates	692	(1,154)	(462)
Net carrying value as at December 31, 2025	19,156	55,515	74,671
Net carrying value as at December 31, 2023	32,880	46,069	78,949
Additions	—	13,202	13,202
Amortization	(8,406)	(13,663)	(22,069)
Effect of change in foreign exchange rates	1,956	2,327	4,283
Net carrying value as at December 31, 2024	26,430	47,935	74,365

The following table shows the gross and net carrying values of intangibles with a finite useful life:

	Gross carrying value	Accumulated depreciation	Net carrying value
	\$	\$	\$
December 31, 2025			
Management contracts and customer relationships	85,066	(65,910)	19,156
Software	127,118	(71,603)	55,515
	212,184	(137,513)	74,671
December 31, 2024			
Management contracts and customer relationships	82,808	(56,378)	26,430
Software	107,269	(59,334)	47,935
	190,077	(115,712)	74,365

Included in software was \$21,810 (2024: \$9,988) that was still under development and had not been amortized. During the year, software costs amounting to \$21,208 (2024: \$18,557) were expensed.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

12. OTHER LIABILITIES

Other liabilities were comprised of the following:

	2025	2024
	\$	\$
Accounts payable and accrued liabilities	47,085	54,193
Due to unit-linked funds	94,557	88,719
Payroll, other compensation and benefits	9,868	9,281
Amounts due to unitholders	43,925	43,826
Reinsurance financing	447	2,287
Fraternal benefits in the course of payment	11,408	12,779
Derivative financial instruments	39,214	52,533
Other	—	9,659
	<u>246,504</u>	<u>273,277</u>

The carrying value of these liabilities approximates their fair value. Within 12 months from the reporting date, \$243,614 (2024: \$270,813) will be realized.

Reinsurance financing

In 2016, Foresters Financial entered into a 10 year reinsurance arrangement (note 14), the objective of which is to enhance U.S. statutory solvency levels. There is no risk transfer under the arrangement and this has been accounted for as such resulting in a financial liability included in provisions.

Deferred gain on sale

A deferred gain on sale of \$13,510 was established in 2019 and relates to an investment management fee guarantee that Foresters Financial has provided. The deferral was for the anticipated shortfall between the fees charged over an annual basis and the annual fee guarantee for the next five years until the guarantee expired in 2024.

Financial guarantee

As part of the sale of the asset management segment, Foresters Financial through its subsidiary, has made financial guarantees relating to various office leases that continue to be used by the purchaser but does not anticipate that any obligation exists nor can it be estimated reliably at this time so no provision has been established. The guarantee will end in 2025.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

	2025	
	Provisions	
	Reinsurance financing	Deferred gain on sale
	\$	\$
Balance, beginning of year	2,287	—
Provision adjustments (note 19)	—	—
Provisions added (used) during the year	(1,767)	—
Effect of change in foreign exchange rates	(73)	—
Balance, end of year	447	—

	2024	
	Provisions	
	Reinsurance financing	Deferred gain on sale
	\$	\$
Balance, beginning of year	1,138	4,720
Provision adjustments (note 19)	—	(742)
Provisions used during the year	1,001	(4,140)
Effect of change in foreign exchange rates	148	162
Balance, end of year	2,287	—

13. LEASES

a) Information about leases for which Foresters Financial is a lessor:

Foresters Financial entered into sublease arrangements as a lessor for office space currently leased by Foresters Financial. As the subleases are for the major part of the useful life of the right-of-use asset, it is classified as a finance lease. Finance lease receivable is included in other assets.

The following table sets out a maturity analysis of the finance lease receivable, showing the undiscounted lease payments to be received after the reporting date.

	2025	2024
	\$	\$
Maturity analysis - contractual undiscounted cash flows		
Less than 1 year	325	3,626
1 to 2 years	325	477
2 to 3 years	325	341
3 to 4 years	135	341
4 to 5 years	—	141
Total undiscounted lease payments	1,110	4,926
Unearned finance income	107	139
Net investment in the lease	1,217	5,065

The finance income on the net investment in the lease for the year is \$18 (2024: \$70).

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

b) Information about leases for which Foresters Financial is a lessee:

Foresters Financial leases office space, vehicles and equipment for its use. Office space leases have a non-cancellable term with an option to extend the lease at the end of the lease term. Some office space and equipment leases have variable lease payments that vary with the use of the leased asset.

	Office space \$	Vehicles \$	Equipment \$	Total \$
Right-of-use assets				
Balance at January 1, 2025	1,622	3,275	533	5,430
Additions	—	1,105	37	1,142
Depreciation	(188)	(1,477)	(244)	(1,909)
Disposals	—	—	—	—
Effect of change in foreign exchange rates	(30)	89	2	61
Balance as at December 31, 2025	1,404	2,992	328	4,724

	Office space \$	Vehicles \$	Equipment \$	Total \$
Right-of-use assets				
Balance at January 1, 2024	2,850	1,247	610	4,707
Additions	849	3,382	183	4,414
Depreciation	(1,159)	(1,490)	(255)	(2,904)
Disposals	(953)	—	(14)	(967)
Effect of change in foreign exchange rate	35	136	9	180
Balance as at December 31, 2024	1,622	3,275	533	5,430

	2025 \$	2024 \$
Lease liabilities maturity analysis - contractual undiscounted cash flows		
Less than one year	3,719	5,672
1-5 years	7,122	10,469
Total undiscounted lease liabilities at December 31	10,841	16,141
Amounts recognized in total comprehensive income (loss)		
Interest on lease liabilities	415	507
Expenses relating to short-term, low-value and variable lease payments	960	2,168
	1,375	2,675
Amounts recognized in statement of cash flows		
Total cash outflow for leases	3,984	8,598

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

14. CAPITAL MANAGEMENT

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

Foresters Financial's objective with respect to capital management is to maintain a consistently strong capital position, to comply with local solvency requirements in all jurisdictions in which Foresters Financial operates and to build on Foresters Financial's value by taking advantage of business and investment opportunities as they arise.

In accordance with the Board approved Capital Management Policy, Foresters Financial has established internal capital targets for capital adequacy at both a consolidated and segment level. These targets exceed local minimum statutory capital requirements in each jurisdiction in which Foresters Financial operates. Foresters Financial projects its capital requirements over a five year period. On a quarterly basis, management monitors performance against internal capital targets and its capital plans, and initiates action when appropriate.

Annually, as part of FCT, Foresters Financial assesses the strength of its capital position under plausible adverse scenarios including mitigating management actions. These scenarios reflect Foresters Financial's plans and risk profile.

In Canada, OSFI has established a capital adequacy measure for life insurance companies incorporated under the Act and their subsidiaries, known as the Life Insurance Capital Adequacy Test ("LICAT"). OSFI requires life insurance companies to maintain a minimum Core ratio of 55% and a Total ratio of 90%. OSFI has established supervisory target levels of 70% for Core and 100% for Total Capital.

The LICAT ratios as at December 31 shown below, were above the levels that would require any regulatory or corrective action.

		2025	2024
		\$	\$
Available capital (A+B)		\$ 3,007,053	\$ 2,869,504
Tier 1 Capital	A	2,253,394	2,102,578
Tier 2 Capital	B	753,659	766,926
Surplus allowance and eligible deposits	C	663,712	673,324
Base solvency buffer	D	1,950,534	1,942,195
Total ratio (%)			
([A+B+C] / D) x 100		188.19 %	182.41 %

Other capital management considerations

In 2016, Foresters entered into a 10 year reinsurance arrangement, the objective of which is to enhance U.S. statutory solvency levels. There is no risk transfer under the arrangement and this has been accounted for as such resulting in a financial liability included in other liabilities (note 12) on the consolidated statement of financial position and a reinsurance financing fee included in operating expenses on the consolidated statement of comprehensive income (loss).

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

Foresters Financial had a number of forward contracts to hedge against currency fluctuations to minimize the impact of U.S. dollar foreign currency gains and losses on the capital ratio. These instruments are accounted for as derivative financial instruments on the consolidated statement of financial position.

15. SUBORDINATED DEBT

The following obligation is included in other liabilities as at December 31 and qualifies as Tier 2 capital for Canadian regulatory purposes:

				2025	2024
	Interest rate	Earliest par call or redemption date	Maturity	Carrying value	Carrying value
Issued October 15, 2020	2.885%	October 15, 2030	2035	\$248,784	\$248,558

On October 15, 2020, Foresters Financial completed an offering of \$250 million principal amount of Series 2020-1 Subordinated Unsecured Fixed/Floating Debenture due October 15, 2035 and callable on October 15, 2030 for net proceeds after discount, commissions and expenses of \$247,664. From October 15, 2030, interest is payable at 1.77% over Canadian dollar offered rate for three-month bankers' acceptances ("CDOR"). If the three-month CDOR has been permanently or indefinitely discontinued, Foresters Financial shall appoint a calculation agent of national standing in Canada with experience in providing such services to assist in determining an appropriate alternative rate and adjustments thereto, and the decisions of such calculation agent shall be binding. Commission and expenses of \$2,336 were included in the carrying value of the note.

Interest expense on subordinated debt was \$7,439 for 2025 and \$7,453 for 2024.

16. FEE REVENUE AND OTHER OPERATING INCOME

Fee revenue and other operating income is recognized when Foresters satisfies its performance obligations for the related services. Fee revenue primarily consists of investment management fees which are earned on the management of segregated funds.

Fee revenue and other operating income are comprised of the following:

	2025	2024
	\$	\$
Fee revenue	131,110	121,395
Other income	(323)	1,774
Net foreign currency gains/losses on other assets/liabilities	135	3,715
Total fee revenue and other operating income	130,922	126,884

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

17. EXPENSES

A breakdown of expenses by nature is provided below:

	2025	2024
	\$	\$
Claims and benefits	490,010	374,816
Salaries, wages and allowances	186,052	173,420
Defined benefit pension plan expense	2,807	3,556
Professional and service fees and expenses	111,843	106,174
Commissions	218,266	199,368
Losses and reversals of losses on onerous contracts	123,854	587,011
Amortization of property & equipment	3,851	7,753
Amortization of intangible assets	21,306	22,069
Rent	8,573	11,844
Other	764	12,106
Subtotal	1,167,326	1,498,117
Amounts attributed to insurance acquisition cash flows	(287,443)	(267,130)
Amortization of insurance acquisition cash flows	135,670	108,760
Total	1,015,553	1,339,747
Represented by:		
Insurance service expenses	853,302	1,175,873
Operating expenses	162,251	163,874
	1,015,553	1,339,747

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

18. INCOME TAXES

Current and deferred taxes, included in income taxes on the consolidated statement of comprehensive income (loss), were as follows:

	2025	2024
Current income tax expense (recovery):		
Current year	6,901	4,234
Pillar Two top-up tax	28,452	702
	<u>35,353</u>	<u>4,936</u>
Deferred income tax expense (benefit):		
Relating to the origination and reversal of temporary differences	16,610	(18,519)
Change in unrecognized deductible temporary differences	3,845	5,250
Adjustments for prior periods	(1,475)	2,546
Tax rate adjustment on loss carry back	251	—
Other taxes	351	(25)
Adjustments related to differences in tax rates	48	—
	<u>19,630</u>	<u>(10,748)</u>
Total income taxes expense (recovery)	<u>54,983</u>	<u>(5,812)</u>

Cash taxes paid were \$8,784 (2024: \$16,099). Cash tax refunds received during the year were \$10,602 including \$58 in interest. (2024: Tax refunds of \$2,228 including \$0 in interest).

a) Income taxes included in OCI

Other comprehensive income is presented net of income taxes. The following current and deferred income tax amounts were included in each component of OCI:

	2025	2024
	\$	\$
Income tax expense on remeasurement gains and losses on employee benefit plans	(657)	(1,594)
Total income (tax expense) recovery	<u>(657)</u>	<u>(1,594)</u>

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

b) Reconciliation of effective tax rate

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory tax rates to income before taxes for the following reasons:

	2025		2024	
	\$	%	\$	%
Net income (loss) after taxes	223,920		(57,501)	
Income tax (recovery) expense	54,983		(5,812)	
Income (Loss) from continuing operations before income taxes	278,903		(63,313)	
Combined federal and provincial statutory income tax rate for the current year	73,575	26.4	(16,717)	26.4
Amounts not subject to tax	(51,131)	(18.3)	181	(0.3)
Tax rate differences	285	0.1	8	—
Pillar Two top-up tax	28,452	10.2	702	(1.1)
Capital taxes	3,397	1.2	3,255	(5.1)
Tax adjustments related to prior years	(1,938)	(0.7)	3,905	(6.2)
Difference between Canadian and foreign statutory rates	(680)	(0.2)	(1,015)	1.6
Policyholder taxes on U.K Ring Fenced Funds	3,620	1.2	1,847	(2.9)
Unrecognized deferred taxes	(378)	(0.1)	1,048	(1.7)
Other taxes	(219)	(0.1)	974	(1.5)
Income tax (recovery) expense	54,983	19.7	(5,812)	9.2

For 2025, income tax expense is equal to 19.7% (2024: 9.2%) of income before income taxes from continuing operations.

c) Deferred income taxes

In certain instances, the tax basis of assets and liabilities differs from the carrying amount in the consolidated financial statements. These differences will give rise to deferred income tax assets and liabilities.

Deferred tax assets and liabilities were shown on the consolidated statement of financial position. The following table shows net deferred tax assets at December 31:

	2025	2024
	\$	\$
Deferred tax assets	61,053	77,280
Deferred tax liabilities	15,843	11,600
Net deferred tax assets	45,210	65,680

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

The following chart shows the underlying assets and liabilities corresponding to net deferred income tax assets and liabilities:

	2025			2024		
	Asset \$	Liability \$	Net \$	Asset \$	Liability \$	Net \$
Bonds	—	(13)	(13)	—	(93)	(93)
Loans to certificate holders	—	—	—	—	—	—
Other invested assets	836	(12,504)	(11,668)	812	(12,247)	(11,435)
Property and equipment	47	(35)	12	12	(21)	(9)
Intangible Assets	—	(5,611)	(5,611)	—	(6,244)	(6,244)
Employee benefit assets and obligations	2,656	(969)	1,687	3,697	(540)	3,157
Insurance contract liabilities	28,144	(2,320)	25,824	20,422	(1,177)	19,245
Other liabilities	2,780	—	2,780	1,085	—	1,085
Tax loss carry-forwards	32,199	—	32,199	59,974	—	59,974
Recognized deferred tax assets (liabilities)	66,662	(21,452)	45,210	86,002	(20,322)	65,680

The net movement in the deferred tax assets and liabilities was as follows:

	2025 \$	2024 \$
Beginning of year	65,680	56,422
(Charges) credits included in net income	(20,833)	11,210
(Charges) credits included in OCI	(657)	(1,595)
Adjustments related to prior periods	1,475	(3,304)
Adjustments related to differences in tax rates	(299)	—
Other adjustments	(54)	—
Change in unrecognized deductible temporary differences	378	2,267
Exchange rate differences	(480)	680
End of year	45,210	65,680

Recognized deferred tax assets

There were accumulated tax losses in the U.K. amounting to \$0 (2024: \$11,309) and \$32,199 (2024: \$48,666) in Canada which have been recognized in these consolidated financial statements. These losses do not expire.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	2025 \$	2024 \$
Deductible temporary differences	1,558	2,013
Tax losses, credits and unclaimed deductions	42,879	41,371
	44,437	43,384

Deferred income tax assets are recognized for tax losses, credits and unclaimed deductions carried forward to the extent that the realization of the future tax benefit through future taxable profits is probable.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

There were unclaimed tax deductions in Canada amounting to \$7,161 (2024: \$6,162) which have not been recognized in these consolidated financial statements as it is not probable that future taxable income will be available against which to apply these deductions. These unclaimed deductions do not expire.

There were unclaimed tax deductions and tax credits amounting to \$14,955 (2024: \$13,976) that have not been recognized in the consolidated financial statements as it is not probable that future taxable income will be available against which to apply these deductions. These unclaimed deductions expire beginning in 2032 through 2045.

d) Taxable income in Canada

The Canada Revenue Agency ("CRA") reassessed Foresters 2014 taxation year to add approximately \$25.4 million in additional income by increasing the level of assets it considers to be used in Foresters Canadian insurance business and consequently adding to income the gross investment revenue on these assets. In December 2019, Foresters filed a Notice of Appeal to this reassessment with the Tax Court of Canada. The Tax Court of Canada (TCC) rendered its decision on August 17, 2023 which was in favor of Foresters. The Crown appealed the decision at the Federal Court of Appeal on April 16, 2025. A final ruling at the Federal Court of Appeal is anticipated in 2026. The court outcome for the 2014 taxation year is expected to set precedent for subsequent years. Foresters continues to defend its tax filing position vigorously. Accordingly, no amounts have been accrued in the consolidated financial statements.

e) Tax legislative changes

The Canadian Global Minimum Tax Act (GMTA) was enacted on June 20, 2024, and applies retroactively to fiscal years beginning on or after December 31, 2023. Foresters accrued \$28,452 (2024: \$702) of current tax expense related to Pillar Two minimum top-up tax in respect of its U.S. Branch operations. Foresters has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

19. RELATED PARTY TRANSACTIONS

Foresters Financial's subsidiaries provide distribution and insurance administration services to Foresters Financial. Additionally, Foresters Financial provides certain administrative services to some of its subsidiaries in the normal course of business. All fees paid and costs incurred for the transactions are determined on an arm's length basis. Transactions between Foresters Financial and its subsidiaries, which are related parties have been eliminated on consolidation and have not been disclosed in this note.

Management has established procedures to review and approve transactions with related parties and reports annually to various committees of the Board on the procedures followed and the results of the review.

There are no loans or guarantees provided by Foresters Financial to related parties outside the consolidated group.

a) Compensation of key management personnel

Foresters Financial's key management personnel are those individuals that have the authority and responsibility for planning, directing and controlling the activities of the organization. Key management personnel are comprised of directors and executive officers of Foresters Financial. The remuneration of key management personnel was as follows:

	2025	2024
	\$	\$
Salaries and other short-term employee benefits	18,973	16,383
Post-employment benefits	1,336	1,380
Other long-term benefits	2,645	2,038
Termination benefits	—	1,721
Total compensation of key management personnel	22,954	21,522

b) Seed money in segregated funds

Foresters Financial manages and administers segregated funds established by Independent Order of Foresters. As manager, Foresters Financial is responsible for the provision of all general management and administrative services required by the segregated funds in their day-to-day operations, including providing or arranging for the provision of investment advice, bookkeeping, recordkeeping and other administrative services.

In 2025 and 2024, Foresters Financial did not redeem any seed investment units.

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

20. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

In the normal course of business, Foresters Financial enters into contracts that give rise to obligations fixed by agreement as to the timing and dollar amount of payment. Foresters Financial has obligations for two policy dividend practices pursuant to assumption reinsurance transactions from MetLife Canada and Prudential Insurance Company of America. As at December 31, 2025, Foresters Financial's contractual obligations and commitments were as follows:

December 31, 2025	1 year or less	2 -5 years	Over 5 years	Total
	\$	\$	\$	\$
Obligations under service contracts	51,761	92,239	—	144,000
Investment commitment	383,612	—	—	383,612
Lease commitment	—	14,393	55,067	69,460
Total contractual obligations	435,373	106,632	55,067	597,072

Foresters Financial entered into a 10 year office lease commitment that commences in 2028.

21. CONTINGENT LIABILITIES

From time to time in connection with its operations, Foresters Financial and its subsidiaries are named as defendants in actions for damages and costs allegedly sustained by the plaintiffs. Based on information presently known, it is not expected that existing legal actions, either individually or in the aggregate, will have a material adverse effect on Foresters Financial's consolidated statement of financial position.

22. PRINCIPAL SUBSIDIARIES

The table below provides a list of Foresters Financial's directly and indirectly held major operating subsidiaries, all of which have been fully consolidated.

Name	Country of incorporation	Primary business operation	Ownership and control interest (%)	
			2025	2024
Foresters Life Insurance Company	Canada	Insurance Operations	100%	100%
Canada Protection Plan Inc.	Canada	Insurance broker and administrator	100%	100%
Forester Holdings (Europe) Limited	U.K.	Insurance and asset management operations	100%	100%
Foresters Investment Management Company, Inc.	U.S.	Inactive	100%	100%

Notes to consolidated financial statements

For the year ended December 31, 2025 (amounts in thousands of Canadian dollars except where otherwise stated)

There is no non-controlling interest in any of the subsidiaries and there are no significant restrictions that affect the ability to access or use the assets and settle the liabilities of any subsidiary.

23. COMPARATIVE INFORMATION

Certain comparative amounts have been adjusted or reclassified to conform to the current year's presentation.