

Financial Statements of

**MD LIFE INSURANCE
COMPANY**

And Independent Auditor's Report thereon

Year ended October 31, 2025
(In Thousands of Dollars)



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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of MD Life Insurance Company

Opinion

We have audited the financial statements of MD Life Insurance Company (the Entity), which comprise:

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

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

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

Basis for Opinion

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

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

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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



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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that underlines the text.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

December 9, 2025

Actuarial Opinion

To the policyholders and shareholder of MD Life Insurance Company:

I have valued the policy liabilities of MD Life Insurance Company for its financial statements prepared in accordance with International Financial Reporting Standards for the year ended 31 October 2025.

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



Na Ta
Fellow, Canadian Institute of Actuaries

Toronto, Canada
November 25, 2025

MD LIFE INSURANCE COMPANY

Statement of Financial Position

October 31, 2025, with comparative information for 2024
(Thousands of Dollars)

	2025	2024
Assets		
Current assets:		
Cash (note 10)	\$ 22,583	\$ 19,029
Amounts receivable	122	79
Income tax receivable	99	92
<u>Due from related parties (note 10)</u>	<u>2,295</u>	<u>2,300</u>
	25,099	21,500
Securities holdings (note 7)	2,324	2,204
Segregated fund asset (note 8)	979,521	1,207,962
	<u>\$ 1,006,944</u>	<u>\$ 1,231,666</u>
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 318	\$ 483
<u>Due to related parties (note 10)</u>	<u>2,205</u>	<u>2,152</u>
	2,523	2,635
Deferred income taxes (note 9)	-	3
Segregated fund liability (note 8)	979,521	1,207,962
	<u>982,044</u>	<u>1,210,600</u>
Shareholder's equity:		
Share capital outstanding:		
480,000 common shares	11,701	11,200
<u>Retained earnings</u>	<u>13,199</u>	<u>9,866</u>
	24,900	21,066
	<u>\$ 1,006,944</u>	<u>\$ 1,231,666</u>

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

On behalf of the Board:

 Samar Sidhu, President and CEO

 Simone Reitzes, Director

MD LIFE INSURANCE COMPANY

Statement of Comprehensive Income

Year ended October 31, 2025, with comparative information for 2024
(Thousands of Dollars)

	2025	2024
Revenue:		
Management fees (note 10)	\$ 9,269	\$ 11,638
Investment income	834	1,132
	10,103	12,770
Expenditures (note 10):		
Investment advisory fees	2,203	2,580
Segregated fund administration expenses	6,344	7,970
General office expenses	400	403
	8,947	10,953
Earnings before provision for income taxes	1,156	1,817
Provision for income taxes (note 9)	237	484
Net earnings	\$ 919	\$ 1,333

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

MD LIFE INSURANCE COMPANY

Statement of Changes in Equity

Year ended October 31, 2025, with comparative information for 2024
(Thousand of Dollars)

		Common Stock	Retained Earnings	Total Equity
Balance October 31, 2023	\$	11,200	\$ 8,533	\$ 19,733
Net earnings for the year		-	1,333	1,333
Balance October 31, 2024	\$	11,200	\$ 9,866	\$ 21,066
Net earnings for the year		-	919	919
Amalgamation reserve		501	2,414	2,915
Balance October 31, 2025	\$	11,701	\$ 13,199	\$ 24,900

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

MD LIFE INSURANCE COMPANY

Statement of Cash Flows

Year ended October 31, 2025, with comparative information for 2024
(Thousand of Dollars)

	2025	2024
Cash provided by (used in):		
Operating activities:		
Earnings before provisions for income taxes	\$ 1,156	\$ 1,817
Items not involving cash:		
Change in the fair value of security holdings	(39)	(113)
Reinvested fund distributions	(81)	(75)
Income taxes paid, net of refunds	(10)	(575)
Interest earned	(713)	(943)
Interest received	713	943
Change in non-cash operating working capital:		
Accounts receivable	(44)	9
Accounts payable and accrued liabilities	(443)	191
Due to/from related parties	54	42
	593	1,296
Investing activities		
Cash received upon amalgamation	2,961	-
Increase in cash	3,554	1,296
Cash, beginning of year	19,029	17,733
Cash, end of year	\$ 22,583	\$ 19,029

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

MD LIFE INSURANCE COMPANY

Notes to Financial Statements

Year ended October 31, 2025
(In Thousands of Dollars)

1. Reporting entity:

MD Life Insurance Company (MD Life) is incorporated in Ontario, Canada, and the address of MD Life's registered office is 1870 Alta Vista Dr., Ottawa, Ontario. Prior to November 1, 2024, MD Life was a wholly-owned subsidiary of MD Financial Management Inc. ("MDFM"), itself a wholly-owned subsidiary of the Bank of Nova Scotia ("BNS"). On November 1, 2024, MDFM transferred 100% of the MD Life common shares to BNS. Immediately subsequent to the transfer of common shares, MD Life and Scotia Life Insurance Company, a wholly-owned subsidiary of BNS, horizontally amalgamated and MD Life remained as the surviving entity (Note 10).

MD Life is incorporated under the provisions of the Insurance Companies Act of Canada (the "Act") and is licensed to sell life insurance products in all provinces and territories of Canada. MD Life administers MD Stable Income Fund ("MDSIF") as its sole line of business. MDSIF is a Segregated Group Annuity Policy for the benefit of Canadian physicians, their families and other eligible investors.

2. Basis of presentation:

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Statement of compliance:

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. The financial statements were authorized for issue by the Board of Directors on December 9, 2025

MD Life is required to adhere to the regulatory requirements provided by the Office of the Superintendent of Financial Institutions ("OSFI"), and as contained in the Insurance Companies Act and Regulations.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial assets and liabilities that are measured at fair value through profit and loss under IFRS 9 "Financial Instruments"; and
- Segregated fund assets are measured at fair value through profit and loss under IFRS 9 "Financial Instruments" (Note 8)

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

2. Basis of presentation (continued):

(c) Functional and presentation currency:

The financial statements are presented in Canadian dollars, which is MD Life's functional currency. Monetary foreign currency transactions are translated into the functional currency using the month end exchange rate which is not materially different from the transaction date given the low volume of foreign transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the date of the statement of financial position.

All financial information is presented in Canadian dollars and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and 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 by management on an ongoing basis. The financial impact of revisions to accounting estimates is recognized in the period in which the estimates are revised as well as in any future affected periods.

Information about estimates in the application of accounting policies with the most significant effect on the amounts recognized in the financial statements is included in the following notes:
Note 8 - Segregated fund asset.

3. Material accounting policies:

(a) Cash:

Cash includes bank deposits and is recorded at amortized cost. Bank overdrafts are shown separately as current liabilities on the balance sheet and are recorded at amortized cost.

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

3. Material accounting policies (continued):

(b) Securities holdings:

Securities holdings are measured at fair value upon initial recognition. MD Life recognizes the purchase and sale of securities holdings on the settlement date – the date on which the transaction has been fulfilled and performance by both parties has been satisfied.

Securities holdings consist of mutual funds and are classified and subsequently measured at fair value through profit and loss (“FVTPL”). The assets held do not meet the business model test for amortized cost or fair value through other comprehensive income (“FVOCI”) as they are not held for the collection of cash flows nor do they have contractual cash payments that are solely principal and interest.

Dividends, interest and unrealized and realized gains and losses on the sale of securities holdings are included in investment income.

(c) Revenue recognition:

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The majority of MD Life contract performance obligations are satisfied over time as services are rendered.

(i) Investment management fees:

MD Life provides management and administrative services to MDSIF. Fees are charged using an agreed upon fixed rate percentage applied to the book value of assets under management of the fund. Revenue is recognized as earned over time as the services are provided and the performance obligation is satisfied.

(ii) Investment income:

Investment income is comprised of interest and mutual fund distributions, realized gains and losses on disposal of securities holdings and the net unrealized gain or loss on securities holdings at FVTPL. Interest income is recognized using the effective interest method. Mutual fund distributions are recognized in profit and loss on the date on which MD Life’s right to receive payment is established.

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

3. Material accounting policies (continued):

(d) Segregated group annuity policy:

The segregated group annuity policy is MDSIF. MDSIF is a line of business in which MD Life issues a segregated group annuity policy. The benefit amount in this policy is directly linked to the fair value of investment assets held within the MDSIF. Performance of MDSIF is not guaranteed and policyholders share the upside and downside of any fluctuations in market value. MDSIF does not accept significant insurance risk from another party or policyholders. The underlying assets are registered in the name of MD Life or, in the case of mortgages and other invested assets, in the name of Industrial Alliance Insurance and Financial Services Inc., Computershare Trust Company of Canada or Canada ICI Capital Corporation, with MD Life having the right of registration and the MDSIF policyholder having no direct access to the specific assets. However, the contractual arrangements are such that the MDSIF policyholder bears the risks and rewards of the MDSIF's investment performance. MDSIF net assets are segregated and may not be applied against liabilities that arise from any other business of MD Life. MDSIF net assets consist of cash, investments, accrued interest income and accounts payable and accrued expenses. MDSIF net assets and the related segregated fund liability are accounted for separately in the statement of financial position.

MD Life derives fee income from the management of its segregated fund. These revenues are accounted for as management fees revenue in the Statement of Comprehensive Income.

(i) Segregated fund net assets:

Segregated fund net assets are accounted for separately in the statement of financial position. MDSIF is accounted for as an investment contract under IFRS 9 "Financial Instruments" ("IFRS 9") as it does not meet the definition of an insurance contract under IFRS 17 ("Insurance Contracts"). MDSIF classifies and measures its investments in accordance with IFRS 9. Investments are recognized when MDSIF becomes party to the contractual requirements of the investment. Upon initial recognition, investments are measured at their fair value. Subsequent to initial recognition, MDSIF classifies investments as FVTPL. Investment classification is based MDSIF's business model whereby the investments are part of a portfolio managed on a fair value basis. Fair value is determined according to market prices or, if market prices are not available, according to the estimated fair values that MD Life established (Note 8).

Cash, accrued interest income, receivable for investment transactions, payable for investment transactions and accounts payable and accrued expenses included in the segregated fund net assets are initially measured at fair value and subsequently carried at amortized cost.

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

3. Material accounting policies (continued):

(d) Segregated group annuity policy (continued):

(i) Segregated fund net assets (continued):

Investment returns on the segregated fund's assets belong to policyholders and MD Life does not bear the risk associated with these assets. Accordingly, investment income earned by the segregated fund, including the changes in fair value of the segregated fund assets, and expenses incurred by the segregated fund are not presented separately in the Statement of Comprehensive Income and are offset by a corresponding change in the segregated fund liabilities.

(ii) Segregated fund liabilities:

Segregated fund liabilities are presented separately in the statement of financial position and are measured based on the value of the segregated fund net assets. MDSIF does not offer any guarantee for performance of the investments nor does it offer the protection of a life insurance contract. As such, no additional liability is recognized in the Statement of Financial Position.

(e) Income taxes:

Income tax is comprised of current and deferred tax. Tax is recognized in the Statement of Comprehensive Income except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current income taxes are based on MD Life's taxable income at the statutory rates or substantively enacted at the date of the statement of financial position. This includes adjustments to income tax payable or recoverable in respect of previous periods. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes are calculated using the liability method of tax accounting. Deferred income tax is calculated, where probable, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the statement of financial position. Deferred income tax is calculated using tax rates and laws that have been enacted or substantively enacted at the date of the statement of financial position and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Any income tax consequences of paying or receiving dividends are recognized as part of income tax expense.

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

3. Material accounting policies (continued):

(e) Income taxes (continued):

Deferred and current tax assets and liabilities are only offset where MD Life has both the legal right and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(f) Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities are classified as financial liabilities and recognized initially at fair value and subsequently carried at amortized cost using the effective interest method.

4. Future accounting developments:

IFRS 18 Presentation and Disclosure in the Financial Statements

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

- Entities are required to classify all income and expenses into five categories in the statement of comprehensive income – namely the operating, investing, financing discontinued operations and income tax categories.
- Entities are also required to present a newly defined operating profit subtotal. Net income will not change.
- Management-defined performance measures are disclosed in a single note in the financial statements.

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

IFRS 9 and IFRS 7 will be updated to refine the classification, measurement and disclosure of financial assets and financial liabilities. Upcoming changes clarify accounting for financial instruments including amendments to provide more consistent guidance on the “solely payments of principal and interest” test, offer an accounting policy choice for earlier derecognition of certain financial liabilities and require new disclosures for some instruments with variable cash flows. The updated standards are effective for reporting periods on or after January 1, 2026.

MD Life is still in the process of assessing the impact of these developments.

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

5. Capital management:

MD Life's objectives when managing capital is to safeguard its ability to continue operations as a going concern so that it can continue to provide returns to its shareholders and benefits to other stakeholders and ensure that it satisfies all regulatory capital requirements. Capital is comprised of share capital and retained earnings.

MD Life's Board of Directors is responsible for approving MD Life's capital management objectives and policies, and for overseeing the effective management of capital. Capital is managed internally in accordance with the Own Risk and Solvency Assessment which is prepared by management, approved by the Board of Directors and submitted to OSFI. This process outlines MD Life's risk appetite, strategies and capital required to mitigate risks. The Board of Directors annually reviews the capital plan in conjunction with the financial budgeting process. Internal capital targets and thresholds are set in excess of minimum requirements of OSFI. MD Life also prepares its Financial Condition Testing. These documents constitute a basis for decision-making and are revised annually and approved by the Board of Directors.

As MD Life's principal activity relates to the management of MDSIF, MD Life assesses its internal capital targets based upon risks as they relate to MDSIF, including possible future market changes, redemption behavior and other risks. MD Life's current level of capital is in compliance the assessment.

Regulatory Requirements and Solvency Ratio

MD Life's capital adequacy requirements are regulated according to the Life Insurance Capital Adequacy Test ("LICAT") guideline established by OSFI. According to this guideline, regulatory capital contains two categories, Tier 1 and Tier 2 capital. The OSFI guideline stipulates that the majority of the capital must be Tier 1, which absorbs the losses related to current operations. MD Life only holds Tier 1 capital and therefore its Tier 1 and total capital are equal.

The adequacy of this capital is calculated by using a ratio of available capital divided by the Base Solvency Buffer as defined in the LICAT guidelines. OSFI's Supervisory Target Total Ratio is 100%.

The year-end values for each of these measures are outlined below.

Regulatory Body	Measure	Minimum	2025
OSFI	Available capital	\$ 5,000	\$ 24,900
OSFI	Total ratio	100%	547.84%

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

6. Financial risk management:

MD Life's financial instruments expose it to a variety of risks. MD Life's has implemented a risk management program to identify and mitigate exposure to credit risk, liquidity risk and market risk. Market risk includes interest rate risk, foreign exchange risk and other price risk. All financial instrument risk associated with the segregated fund financial assets remain with the MDSIF policyholders – refer to note 8 for information on the segregated fund assets.

(a) Credit risk:

Credit risk is the risk that a counterparty will not fulfill the terms of a contract. MD Life is exposed to credit risk through its holdings of cash and accounts receivable and indirectly through its investments in mutual funds that invest in fixed income instruments. MD Life manages this risk by adhering to investment guidelines approved by MD Life's Board of Directors. These guidelines restrict investments to specific MD Mutual Funds, treasury bills and high-grade short-term notes. This both diversifies MD Life's credit risk, as well as subjects the holdings to specific investment guidelines of the approved MD Funds. MD Life's exposure to credit risk related to the collection of accounts receivable and balances due from related parties is considered low due to the short-term nature of these items and the strength of the underlying business relationship with the client or related party. Cash is held at major Canadian financial institutions.

MD Life's exposure to credit risk is limited to the financial assets on the statement of financial position as there are no off-balance sheet financial assets that expose MD Life to credit risk.

(b) Liquidity risk:

Liquidity risk is the risk that MD Life would encounter difficulty in meeting its obligations associated with financial liabilities. The financial liabilities of MD Life include accounts payable and accrued liabilities all of which come due within one year. MD Life manages its liquidity risk by identifying and matching its funding requirements, as determined through MD Life's strategic financial plan, with its investment guidelines.

The segregated fund liability will always be matched by the corresponding segregated fund assets.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of unfavorable changes in underlying market factors, including other price risk, interest rates, and foreign exchange rates from fluctuations in equity prices and market volatility.

(d) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. As at October 31, 2025, MD Life does not hold any equity securities holdings and is not exposed to any significant other price risk.

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

6. Financial risk management:

(e) Interest rate risk:

Interest rate risk is the risk that the fair value of a financial instrument with a fixed rate or the cash flows of a floating interest rate instrument will fluctuate because of changes in market interest rates. MD Life is exposed to direct interest rate risk on their cash and indirectly exposed to interest rate risk through its securities holdings. MD Life manages this risk through the implementation of policies of matching the term of their investments to their capital requirements as determined through MD Life's strategic financial plan.

Management has assessed the potential impact to net income and other comprehensive income of a parallel interest rate risk shift of 1%. If interest rates decreased by 1%, with all other factors remaining constant, the impact to equity and other comprehensive income would be a decrease of \$59 (2024 - \$56). Conversely, if interest rates increased by 1%, with all other factors remaining constant, the impact to equity and other comprehensive income would be an increase of \$59 (2024 - \$56).

(f) Foreign exchange risk:

Foreign exchange risk is the risk that the values of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. As at October 31, 2025, MD Life is not exposed to significant foreign exchange risk given the minimal levels of foreign denominated assets and liabilities held.

7. Securities holdings:

Securities holdings consist of the following:

Non-current	2025	2024
Mutual funds - FVTPL	\$ 2,324	\$ 2,204

The table below presents the level in the fair value hierarchy into which MD Life's securities holdings carried at fair value on the balance sheet are categorized. These levels are defined below:

	2025 Level 1	2024 Level 1
MD Short-term Bond Fund	\$ 2,324	\$ 2,204

There were no transfers between levels during either year.

Level 1: Fair value is based on quoted market prices in active markets for identical assets or liabilities.

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

7. Securities holdings (continued):

Level 2: Fair value is based on quoted prices for similar 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 or can be corroborated by observable data for substantially the full term of the assets or

Level 3: Fair value is based on unobservable inputs for which there is little or no market data and require the reporting entity to develop its own assumptions.

The following table presents investment income from security holdings:

	2025	2024
Dividend income - FVTPL	\$ 81	\$ 75
Net change in fair value - securities holdings at FVTPL	39	113
	\$ 120	\$ 188

8. Segregated fund assets:

The table below presents the segregated fund assets and liabilities.

	2025	2024
Assets:		
Bonds and private placements	\$ 248,653	\$ 363,115
Mortgages	641,267	736,500
Fully funded total return swap	53,479	54,833
Cash and short-term investments	16,113	28,314
Preferred shares	18,137	23,051
Accrued interest income	4,591	6,378
Receivable for investment transactions	—	3
Other assets	612	722
	\$ 982,852	\$ 1,212,916
Liabilities:		
Forward currency contracts	974	1,742
Payable for investment transactions and accrued expenses	2,357	3,212
	\$ 979,521	\$ 1,207,962

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

8. Segregated fund assets (continued):

The table below presents the change in segregated fund net assets.

	2025	2024
Opening balance	\$ 1,207,962	\$ 1,450,208
Add:		
Amounts received from policy holders	14,415	9,779
Reinvestment of distributions	27,363	33,870
Interest	48,251	60,864
Net realized losses	(3,998)	(4,049)
Net increase in fair value year over year	19,947	75,565
Less:		
Amounts withdrawn by policy holders	297,292	371,398
Distributions	26,885	34,005
Operating expenses	10,242	12,872
Closing balance	\$ 979,521	\$ 1,207,962

(a) Management of risks associated with financial instruments:

Financial instruments included in segregated fund assets are subject to the same risk that the financial instruments held by MD Life are, being market risks (other price risk and currency risk), credit risk, and liquidity risk. However, in the segregated fund, the risk is born by the policyholder. As such, the following provides additional information on these risks.

(i) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. As at October 31, 2025 and 2024, MDSIF is exposed to other price risk on its holdings of preferred shares, which are traded in active markets. If prices of these preferred shares increased or decreased by 10%, with all other factors remaining constant, MDSIF net assets would increase or decrease by approximately \$1,814 (2024 – \$2,305).

(ii) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will not honour its obligation under the terms of the instrument, resulting in a loss. MDSIF exposure to credit risk is the carrying value of bonds and private placements, short-term investments and mortgages.

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

8. Segregated fund assets (continued):

(a) Management of risks associated with financial instruments (continued):

(ii) Credit risk (continued):

At October 31, MDSIF had exposure to bonds and private placements, preferred shares and short-term investments with the following credit ratings:

Credit Rating	2025	2024
AAA	6.9%	7.1%
AA	6.9%	7.4%
A	3.2%	3.8%
BBB	6.2%	5.0%
BB	0.9%	0.7%
B	0.3%	0.1%
Pfd-2	2.3%	1.6%
Pfd-3	0.4%	0.3%
NR	1.6%	—
Total	28.7%	26.0%

(iii) Interest rate risk:

MDSIF's exposure to interest rate risk is concentrated in investments in bonds, private placements, mortgages and fully funded total return swap. The amounts of these investments by term to maturity are presented in the table below. In general, longer terms to maturity result in increased interest rate risk.

The sensitivity represents the expected impact to the segregate fund asset if interest rates for all maturities fluctuate by 100 basis points (parallel yield shift). If interest rates rise, the segregated fund asset will decrease by the amount shown. Conversely, if interest rates fall, the segregated fund asset will increase by the amount shown. These sensitivities are estimates. Actual results may vary and the variance may be significant.

At October 31, 2025, MDSIF's exposures are presented, by maturity, in the table below:

By Maturity Date	Fair Value	%
Less than 1 year	\$ 255,676	26.1
1 to 5 years	634,033	64.7
5 to 10 years	16,609	1.7
10 to 20 years	4,460	0.5
More than 20 years	23,780	2.4
Total	\$ 934,558	95.4
Sensitivity (+/-)	12,897	1.3

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

8. Segregated fund assets (continued):

(a) Management of risks associated with financial instruments (continued):

(iii) Interest rate risk (continued):

At October 31, 2024, MDSIF's exposures are presented, by maturity, in the table below:

By Maturity Date	Fair Value	%
Less than 1 year	\$ 190,992	15.8
1 to 5 years	860,074	71.2
5 to 10 years	55,530	4.6
10 to 20 years	4,804	0.4
More than 20 years	42,123	3.5
Total	\$ 1,153,523	95.5
Sensitivity (+/-)	28,268	2.3

(iv) Currency risk:

As at October 31, 2025:

Currency	Financial Instrument	Derivative Exposure	Total Exposure	Percentage of Segregated Fund Asset
Australian Dollar	\$ 2,956	(2,753)	203	0.0%
Brazilian Real	642	(149)	493	0.1%
British Pound Sterling	1,855	(1,873)	(18)	0.0%
Euro	2,219	(2,174)	45	0.0%
Indian Rupee	1,077	–	1,077	0.1%
Indonesian Rupiah	1,179	–	1,179	0.1%
New Zealand Dollar	2,185	(2,040)	145	0.0%
Norwegian Krone	1,698	(1,623)	75	0.0%
Philippine Peso	673	–	673	0.1%
US Dollar	56,787	(55,360)	1,427	0.1%
Yuan Renminbi	149	–	149	0.0%
	\$ 71,420	\$ (65,972)	\$ 5,448	0.5%

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

8. Segregated fund assets (continued):

(a) Management of risks associated with financial instruments (continued):

(iv) Currency risk (continued):

As at October 31, 2024:

Currency	Financial Instrument	Derivative Exposure	Total Exposure	Percentage of Segregated Fund Asset
Australian Dollar	\$ 3,322	(3,205)	117	0.0%
Brazilian Real	899	(175)	724	0.1%
British Pound Sterling	2,538	(2,479)	59	0.0%
Danish Krone	222	(212)	10	0.0%
Euro	2,266	(2,202)	64	0.0%
Indian Rupee	496	–	496	0.0%
Indonesian Rupiah	2,281	–	2,281	0.2%
Mexican Peso	777	(749)	28	0.0%
New Zealand Dollar	2,849	(2,782)	67	0.0%
Norwegian Krone	1,763	(1,290)	473	0.0%
Philippine Peso	839	–	839	0.1%
Singapore Dollar	557	(524)	33	0.0%
US Dollar	56,158	(55,367)	791	0.1%
Yuan Renminbi	177	(164)	13	0.0%
	\$ 75,144	\$ (69,149)	\$ 5,995	0.5%

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

8. Segregated fund assets (continued):

(a) Management of risks associated with financial instruments (continued):

(v) Liquidity risk:

Liquidity risk is the risk that MDSIF would encounter difficulty in meeting its obligations associated with financial liabilities. MDSIF's financial liabilities are all due within one year. Notional units are redeemable on demand at the policyholder's option; however, MDSIF does not expect the contractual maturity will be representative of the actual cash outflows, as policyholders typically retain their notional units for a longer period.

(b) Methods and assumptions used to estimate fair market values of financial instruments:

(i) Short-term investments, cash and cash equivalents, accrued interest income, receivables/payables for investment transactions, other assets, and accounts payable and accrued expenses:

Fair value of short-term investments, cash and cash equivalents, accrued interest income, receivables/payables for investment transactions, other assets, and accounts payable and accrued expenses approximates their carrying value due to their short-term maturity.

(ii) Mortgages:

The fair value of mortgage loans is estimated by discounting the cash flows with the interest rate currently prevailing on the market for loans with substantially the same credit risk and terms.

(iii) Bonds and private placements:

Bonds are valued based on quoted price, observed on active markets for identical or similar assets. If prices are not available on active markets, fair value for bonds without an active market and private placements is estimated using current valuation methods, including a model based on discounting expected cash flows or other similar techniques. These methods take into account current data observable on the market for financial instruments that have a similar risk profile and comparable terms. The significant data used in these models include, but is not limited to, rate curves, credit risk, issuer risk, volatility and liquidity valuation and other references published by the market. Management uses its best estimates when such data are not available.

(iv) Preferred shares:

Each listed investment security is valued based on quoted price, observed on active markets. If the price is not available on the active markets, fair value is determined using equity valuation models, which analyze the fair value of the net asset, and other techniques that rely on comparisons with reference data, such as market indices.

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

8. Segregated fund assets (continued):

(b) Methods and assumptions used to estimate fair market values of financial instruments (continued):

(v) Fully funded total return swap:

Values are determined using pricing models, which take into account current market value and contractual prices of the underlying mortgages, as well as time value and yield curve or volatility factors underlying the positions.

(vi) Forward currency contracts:

Forward currency contracts are valued at year-end quoted market prices where available. If quoted market prices are not available, values are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions.

The following table presents the fair value of financial instruments held by the segregated fund based on the levels of the inputs used in the fair value valuation:

2025	Level 1	Level 2	Level 3	Total
Assets				
Bonds	\$ —	\$ 207,454	\$ —	\$ 207,454
Private placements	—	—	41,199	41,199
Preferred shares	14,415	3,722	—	18,137
Mortgages	—	641,267	—	641,267
Fully funded total return swap	—	53,479	—	53,479
Forward currency contracts	—	(974)	—	(974)
	\$ 14,415	\$ 904,948	\$ 41,199	\$ 960,562
2024				
Assets				
Bonds	\$ —	\$ 316,686	\$ —	\$ 316,686
Private placements	—	—	46,429	46,429
Preferred shares	23,051	—	—	23,051
Mortgages	—	736,500	—	736,500
Fully funded total return swap	—	54,833	—	54,833
Forward currency contracts	—	(1,742)	—	(1,742)
	\$ 23,051	\$ 1,106,277	\$ 46,429	\$ 1,175,757

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

8. Segregated fund assets (continued):

- (b) Methods and assumptions used to estimate fair market values of financial instruments (continued):

The following table provides financial instruments recognized at fair value and for which Level 3 inputs were used in determining fair value. Fair value of Level 3 investments is estimated using current valuation methods, including a model based on discounting expected cash flows or other similar techniques. These methods take into account current data observable on the market for financial instruments that have a similar risk profile and comparable terms. The significant data used in these models include, but is not limited to, discount rates, credit risk, issuer risk, volatility and liquidity valuation and other references published by the market. Management uses its best estimates when such data are not available.

	Balance as at October 31 2024	Net realized and unrealized gains	Purchases	Sales, maturities and repayment	Balance as at October 31 2025	Total unrealized gains on financial instruments still held
Private placements	\$ 46,429	\$ (358)	\$ 13,122	\$ (17,994)	\$ 41,199	\$ (204)

	Balance as at October 31 2023	Net realized and unrealized gains	Purchases	Sales, maturities and repayment	Balance as at October 31 2024	Total unrealized gains on financial instruments still held
Private placements	\$ 40,215	\$ 1,205	\$ 25,289	\$ (20,280)	\$ 46,429	\$ 878

There were no significant transfers between levels during the periods end October 31, 2025 and 2024.

MD Life uses unobservable inputs in the valuation of private placements classified into level 3. Unobservable inputs correspond mainly to credit and liquidity risk and are added to an internal model based on discounting expected cash flows.

MD Life presents the transfers between hierarchy levels at the year-end fair value during which the transfer occurred.

- (c) Sensitivity analysis:

A 100 basis point increase in the discount rate, which is the critical assumption in MD Life's valuation model, would decrease the fair value private placements classified in Level 3 by \$313 (2024 - \$566). A 100 basis point decrease in the discount rate would increase the fair value by \$313 (2024 - \$566). Private placements classified as Level 3 are using the valuation model essentially based on inputs that are not observable in the market.

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

9. Income taxes:

Income tax expense recognized in the Statement of Comprehensive Income consists of the following components:

	2025	2024
Current year	\$ 271	\$ 492
Under (over) provided in prior years	(30)	2
Current income tax expense	\$ 241	\$ 494
Origination and reversal of timing differences	35	(10)
Under (over) provided in prior years	(39)	–
Deferred income tax (benefit)	(4)	(10)
Total	\$ 237	\$ 484

The following is a reconciliation of the deferred income tax liabilities recognized by MD Life:

2025	Securities holdings	Total
Opening balance, November 1	\$ 3	\$ 3
(Charged)/credited to net income	(3)	(3)
Closing balance, October 31	\$ –	\$ –

2024	Securities holdings	Total
Opening balance, November 1	\$ 13	\$ 13
(Charged)/credited to net income	(10)	(10)
Closing balance, October 31	\$ 3	\$ 3

The provision for income taxes differs from the result that would be obtained by applying the combined Canadian Federal and Provincial statutory income tax rates to income before taxes. The reconciliation between the statutory income tax rate and MD Life's effective rate of income tax is as follows:

	2025	2024
Statutory income tax rate	26.5%	26.5%
Prior year adjustments	(6.0%)	0.1%
Effective income tax rate	20.5%	26.6%

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

10. Related party balances and transactions:

As a member of the MD group of companies, MD Life has frequent transactions with related parties. Related party transactions are priced at exchange amounts agreed to by the parties and are summarized below.

Nature of Transaction	Financial statement category	2025	2024
MD Stable Income Fund			
MD Life serves as manager and administrator of MDSIF	Investment management fees revenue	\$ 9,269	\$ 11,638
MD Financial Management Inc. (MDFM - parent)			
MDFMI serves as investment advisor for the cash and investment assets of MDSIF	Investment advisory fees	1,881	2,244
MDFMI serves as administrator of MDSIF	Segregated fund administration expenses	6,071	7,636

10. Related party balances and transactions:

	2025	2024
Cash held at BNS at October 31:		
Operating bank accounts	\$ 1,715	\$ 3,783
High interest saving account	20,868	15,246
Total Cash held at BNS	\$ 22,583	\$ 19,029

MD Life has a number of related party balances. These balances are non-interest bearing and due on demand.

	2025	2024
Due from:		
MDSIF	\$ 2,295	\$ 2,300
Due to:		
MDFM	709	861
MD Management Limited (affiliated entity under common control)	1,493	1,291
BNS	3	–
	\$ 2,205	\$ 2,152

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

10. Related party balances and transactions (continued):

MD Life invests in specific MD Mutual Funds that are managed by MDFM. MD Life considers these investments as unconsolidated structured entities. These investments are included in securities holdings.

	2025	2024
MD Short-term Bond Fund (0.6% of fund NAV (2024 - 0.6%))	\$ 2,324	\$ 2,204

Amalgamation:

On November 1, 2024, MDFM transferred 100% of the MD Life common shares to BNS. Immediately subsequent to the transfer of common shares, MD Life and Scotia Life Insurance Company ("SLIC"), a wholly-owned subsidiary of BNS, horizontally amalgamated and MD Life remained as the surviving entity. MD Life elected not to account for the amalgamation under IFRS 3 "Business Combinations" as the amalgamation represented a combination of entities under common control of BNS. Accordingly, the transactions were account for on a book value basis on the date of amalgamation. The difference between the SLIC assets and liabilities received upon amalgamation has been recorded as an amalgamation adjustment directly to common shares and retained earnings on November 1, 2024 in the statement of financial position under Shareholder's equity:

Assets	
Cash	\$ 2,961
Income tax receivable	237
Liabilities	
Accounts payable and accrued liabilities	(278)
Due to related parties	(5)
Shareholder's Equity	
Common shares	(501)
Retained Earnings	(2,414)
	<u>(2,915)</u>

11. Compensation of key management personnel:

Key management personnel are those individuals with the authority and responsibility for the planning, directing and controlling activities of an entity – directly or indirectly. Key management personnel included the Chief Executive Officer, Chief Financial Officer and Chief Compliance Officer and Board of Directors, each of who have various roles with various related party companies. Included in Segregated fund administration fees is the allocated compensation for these individuals.

MD LIFE INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended October 31, 2025
(In Thousands of Dollars)

12. Provisions:

In the ordinary course of business, MD Life is named as defendant in actions for damages and costs allegedly sustained by the plaintiffs. In the view of the inherent difficulty of predicting the outcome of such matters, MD Life cannot state what the eventual outcome of such matters will be. However, based on current knowledge, MD Life does not believe that it will have any significant loss or expenses in connection with such actions.