

Participating life insurance

HOW THE PARTICIPATING
ACCOUNT WORKS

DECEMBER 31, 2025

Choosing Desjardins Insurance

It also means choosing Desjardins Group, the largest cooperative financial group in Canada.¹ Desjardins Group has over 125-year history of contributing to community development and giving members and clients the support they need to become financially empowered.

Stability

Desjardins Insurance benefits from the financial strength of Desjardins Group, which has earned some of the best credit ratings² in the industry.

- Standard and Poor's: A+
- Moody's: Aa1
- DBRS: AA
- Fitch: AA

With \$510.2 billion in assets under management, Desjardins Group offers products and services to more than 10 million members and clients and employs more than 57,530 people across Canada.¹

Life and health insurance expertise

We offer the reliability and benefits of over 75 years of experience in life and health insurance.

Investment expertise

Policyowners benefit from the expertise of the Desjardins Global Asset Management (DGAM) specialized portfolio management team. DGAM was founded in 1998 and is today one of Canada's largest asset managers, with in-house expertise in fixed-income securities, public equities and real assets (infrastructure, real estate) across a variety of investment vehicles.

DGAM also offers strategic asset allocation services to its clients based on their objectives, investment horizon and risk tolerance. As at December 31, 2025, DGAM managed over \$124,2 billion³ in institutional assets on behalf of insurance companies, pension funds, endowment funds, non-profit organizations and various corporations across Canada.

DGAM's team of over 100 investment professionals develops in-depth investment strategies. Prudent risk management and responsible investment practices are incorporated into the investment process, creating long-term value for clients. Plus, DGAM has been an active signatory of the Principles for Responsible Investment (PRI) since 2017.

DGAM also teams up with reputable sub-managers for certain asset classes, particularly for high-yield credit and some alternative investments.

¹ Source: [Quick facts about Desjardins, December 31, 2025](#).

² Source: [Desjardins Group credit ratings, December 31, 2025 - Counterparty/Deposits](#).

³ Source: [Desjardins Global Asset Management, December 31, 2025](#).

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Participating life insurance

Desjardins Insurance's participating life insurance provides lifetime coverage in which the premium, basic insurance amount and its cash surrender value are guaranteed. Policyowners may receive a share of the participating account earnings as dividends.

Policyowners can choose from several dividend options, some of which increase the cash surrender value of the policy and the amount payable upon the death of the insured person. Dividends are not guaranteed and vary depending on participating account performance.

Financial highlights

(As at December 31, 2025)

\$1.9B

Total value of the participating account⁴

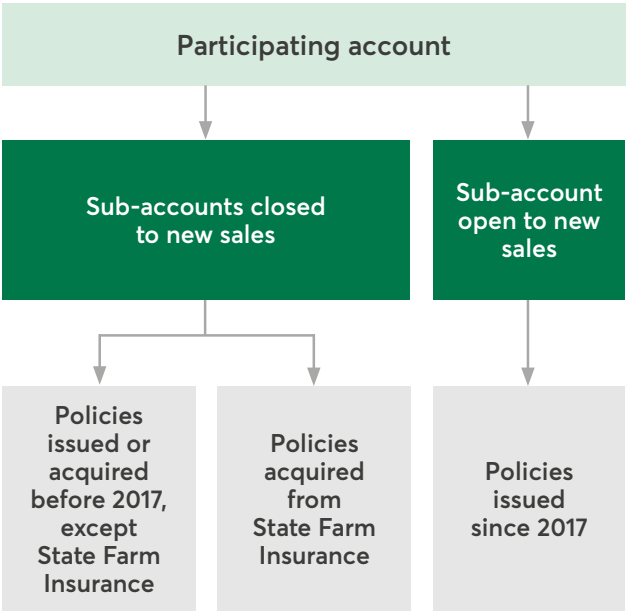
- More than 154,000⁵ participating life insurance policies in force.
- In 2025, results from the participating account generated \$51 million⁶ in dividends to policyowners, an increase of 18%⁶ (\$8 million⁶) compared to the previous year.
- We honoured our commitments by paying \$49 million⁶ in death benefits to beneficiaries of participating life insurance policies.

⁴ Source: Desjardins Global Asset Management.

⁵ Source: Desjardins Financial Security actuary's report, December 31, 2025.

⁶ Source: Desjardins Financial Security internal financial results table, December 31, 2025.

Structure of the participating account

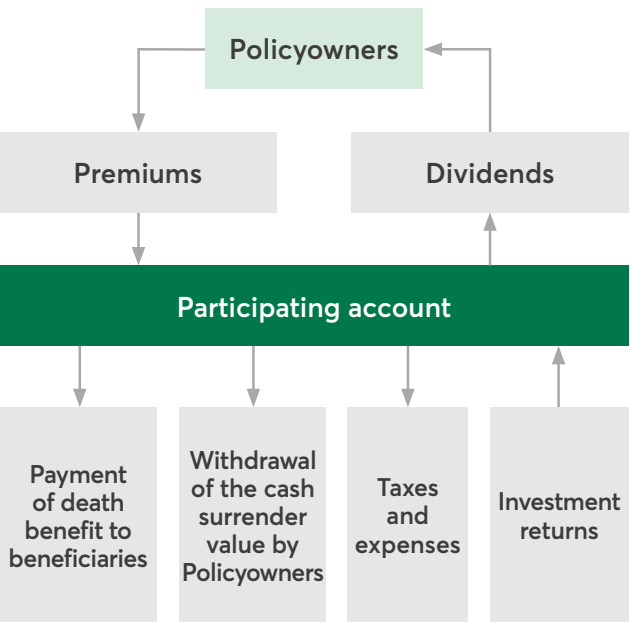


The participating account is managed separately from the non-participating account. This guarantees that losses and profits generated in the non-participating account have no impact on the profitability of the participating account.

The participating account has 3 sub-accounts. Two of them are closed to new sales. The first includes policies issued or acquired by Desjardins Insurance before 2017 and the second includes policies issued by State Farm Insurance, whose Canadian operations were acquired by Desjardins in 2015. The third sub-account is open to new sales with policies issued by Desjardins Insurance since 2017.

Desjardins Insurance manages an asset segment for each of the 3 sub-accounts. The investment income generated by each segment is assigned directly to its corresponding sub-account. The 3 sub-accounts share a similar investment strategy and have identical asset allocation targets.

Management of the participating account



Pooling of premiums

The insurance premiums paid by all policyowners are pooled and deposited into the participating account.

Use of the participating account

The participating account is used to cover death benefits, withdrawals and surrenders, administrative expenses and taxes. Unused amounts remain in the account and are invested to increase the account value and to fulfil future policy obligations.

Investment management

Account assets are managed by DGAM's experienced professionals. They optimize risk-taking to enhance returns and honour commitments to policyowners.

Payment of dividends

Each year, the appointed actuary makes a recommendation to the Desjardins Insurance Board of Directors regarding the dividend payment. Dividends are determined based on the participating account's performance which depend on several factors, such as investment returns, mortality rates, and taxes and expenses paid by Desjardins Insurance. The Board approves the dividend amount payable according to the dividend policy. Dividends are then distributed based on each policy's contribution to the earnings of the participating account.



Participating account financial information

Strong capitalization and equity play an essential role in ensuring the financial stability of Desjardins Insurance and its ability to honour commitments to policyowners.

132.8%

Capital ratio⁷

\$3.0B

Equity⁸

The following summary shows the participating account⁹ results for 2023 to 2025.

Participating account results	2025 (\$M)	2024 (\$M)	2023 (\$M)
Net earnings before dividend allocation	52	47	41
Credited dividends	51	44	36
Equity contribution (surplus)	1	3	5
Contractual service margin at closing (CSM)	240	224	242
Total assets at closing	1,860	1,769	1,671



Where does the equity contribution come from?

The equity contribution primarily comes from the release of the contractual service margin (CSM), which represents the unearned profits of the entity. Desjardins Insurance's equity protects the rights of policyowners.

Note: Results for the 3 sub-accounts are combined.

- Sub-account closed to new sales for policies issued or acquired by Desjardins Insurance before 2017
- Sub-account closed to new sales for Canadian policies acquired from State Farm Insurance in 2015
- Sub-account open to new sales for policies issued by Desjardins Insurance since 2017

⁷ Desjardins Financial Security financial leaflet, December 31, 2025.
⁸ Desjardins Financial Security consolidated financial statements, December 31, 2025.
⁹ Desjardins Financial Security internal financial results table, December 31, 2025.

Dividend scale

The dividend scale describes the method used to determine the dividend amount to be paid to policyowners. Various formulas are used to take into account risk factors such as investment performance, death benefit claims, policy withdrawals and surrenders, as well as taxes and expenses. These formulas consider the difference between the actual results of the participating account and the actuarial assumptions we have established for these factors.

Dividends are not guaranteed and may vary based on the results of the participating account. Once dividends are granted, they belong to policyowners and are not impacted by future account performance. Dividends will never be negative.

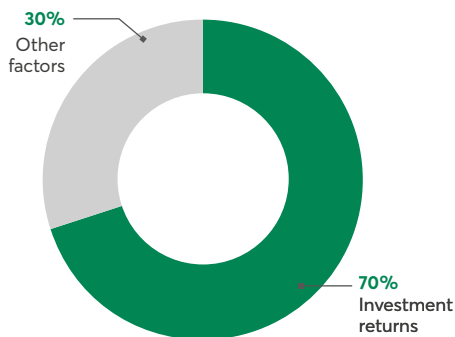
The dividend scale is reviewed annually. Changes to the dividend scale, if any, usually take effect on July 1 each year.

A smoothing technique is applied to all factors influencing the dividend scale. This method helps to mitigate significant year-to-year fluctuations in the dividend scale.

Investment returns

Investment returns come from participating account assets. The value of these assets fluctuates with the market. As the policy's cash surrender value increases, the investment performance becomes more significant compared to other components in determining dividends, eventually becoming the factor with the greatest impact on the amount of participations paid.

Average composition of participations over the policy duration



Note: This chart is for illustration purposes only. Results may vary depending on the situation. Projected dividends are not guaranteed and may vary depending on actual participating account performance.

Death benefit claims

Payments made in the event of the death of an insured person are deducted from the participating account. An improvement in life expectancy combined with prudent underwriting criteria,¹⁰ has contributed positively to participating account earnings.

Withdrawals of cash surrender values

Withdrawals and the payment of cash surrender value can also have an impact on the performance of the participating account. The impact on this account's results could be positive or negative depending on various factors, including the type of product and the timing of the withdrawal.

Taxes and expenses

Expenses include the costs of development, underwriting, distribution and administration costs, as well as taxes paid by Desjardins Insurance.

Although their impact is generally low, these expenses can have an impact on participating contract performance. Expenses are distributed fairly and equitably between the sub-accounts.

¹⁰When issuing policies, Desjardins Insurance assesses the risk level of the proposed insured to determine the coverage amount they are entitled to and the appropriate premium level.

Historical dividend scale interest rates for the sub-account open to new sales

The stability of the dividend scale interest rate depends on not only the investment return smoothing technique used to mitigate fluctuations in performance, but also on a robust portfolio mix that uses asset class diversification to reduce volatility.

The table below shows the stability of the dividend scale interest rate for the sub-account open to new sales despite market fluctuations, compared to the S&P/TSX Index, the FTSE Canada Universe Bond Index and the consumer price index (CPI).

Year	Dividend scale interest rate	Total return S&P/TSX Index	Total return FTSE Canada Universe Bond Index	Canada CPI
2017	5.00%	9.10%	2.52%	1.87%
2018	5.00%	-8.89%	1.41%	1.99%
2019	5.00%	22.88%	6.87%	2.25%
2020	5.00%	5.60%	8.68%	0.73%
2021	5.75%	25.09%	-2.54%	4.80%
2022	5.75%	-5.84%	-11.69%	6.32%
2023*	6.20%	11.75%	6.69%	3.40%
2024	6.30%	21.65%	4.23%	1.83%
2025	6.30%	31.68%	2.64%	2.36%
9-year average	5.59%	12.56%	2.09%	2.84%

* Starting in 2023, the dividend scale interest rate shown will apply to policies with an anniversary date between July 1 of the current year and June 30 of the following year. The average is prorated based on the number of months for each rate.

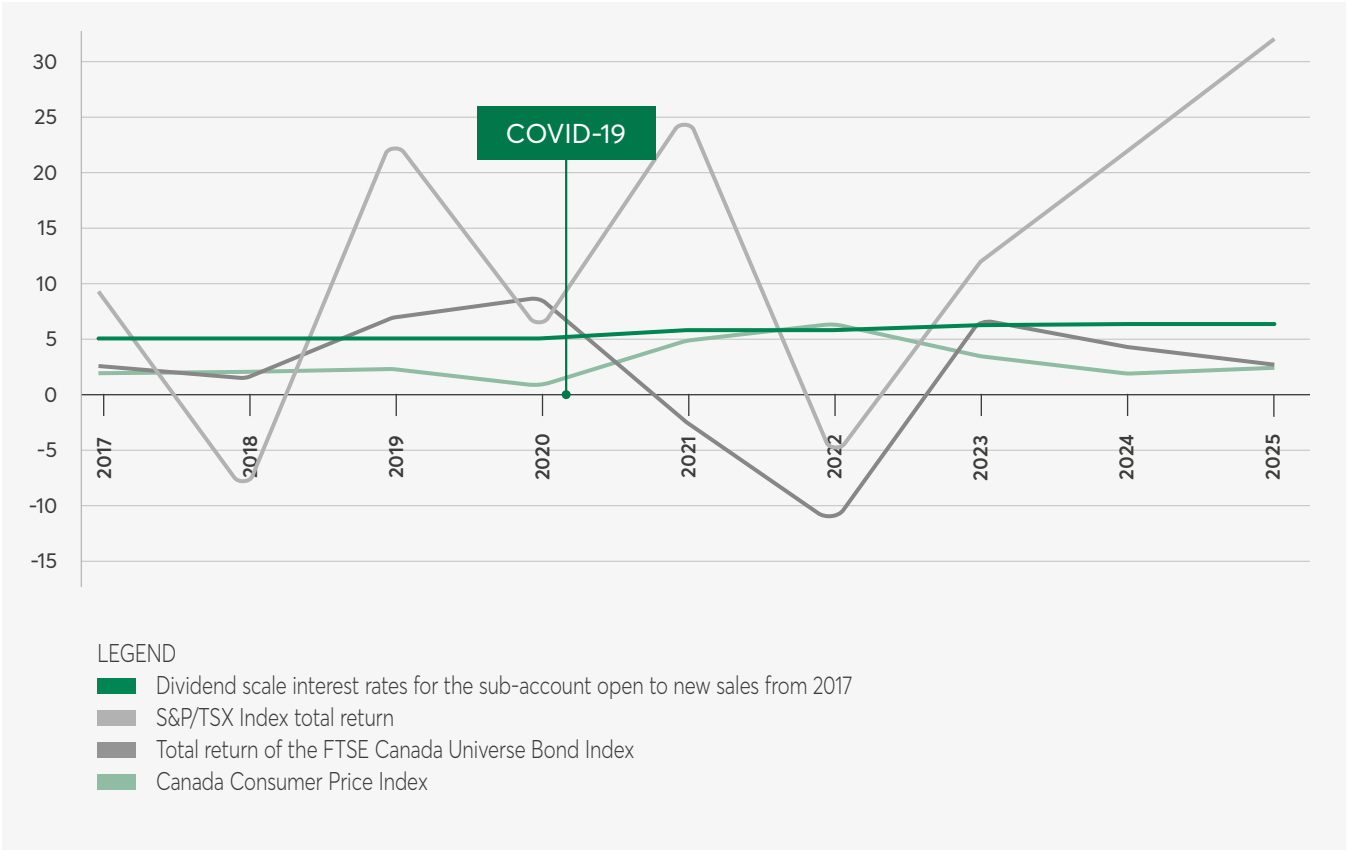
Notes:

- The dividend scale interest rate used is the one applicable on the policy anniversary.
- The versions of the S&P/TSX and FTSE Canada Universe Bond Indexes used are the "Total Return" versions which include dividends, capital gains and interest payments.
- The index returns indicated are the change between December 31 of the current year and the previous year.
- The Consumer Price Index rates indicated are based on price changes from December of one year to December of the next year.
- Past performance is not indicative of future returns.

Sources: S&P/TSX Composite Total Return Index (S&P); Consumer Price Index, non-seasonally adjusted (Statistics Canada); FTSE Canada Universe Bond Total Return Index (FTSE Canada).

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Graph of the evolution of the dividend scale interest rates and certain market indicators



Difference between the investment returns of the participating account and the dividend scale interest rate

Rate of return of the participating account

The rate of return of investments of the participating account reflects the overall returns generated by the assets held. This rate is subject to change depending on economic conditions.

The rate of return may vary for the 3 sub-accounts:

- Sub-account closed to new sales (for policies issued or acquired before 2017, except State Farm Insurance)
- Sub-account closed to new sales (for policies acquired from State Farm Insurance)
- Sub-account open to new sales (for policies issued since 2017)

Dividend scale interest rate

The dividend scale interest rate is used to calculate the investment return portion of the dividends.

We apply a smoothing technique to mitigate the impact of fluctuating returns of investments in the participating account on dividends paid. This method distributes investment gains and losses over several years to ensure the dividend scale interest rate remains stable.

The dividend scale interest rate reflects recent smoothed returns as well as our forecasted average return of investments in the participating account as a way to limit volatility.

The dividend scale interest rate for the sub-account open to new sales is currently 6.3% and is applicable until June 30, 2027.

The dividend scale interest rate is the factor that has the most impact on dividend amount, but other factors can also have an influence. Mortality, expenses, taxes paid and policy surrenders are factors considered when calculating dividends.



The dividend scale interest rate and other components of the dividend scale are reviewed once a year on July 1 (as applicable).

Asset management strategy for the sub-account open to new sales

The investment strategy for the participating life product (PAR) is based on a thorough knowledge of the role and behaviour of each asset class. This allows them to be combined to take advantage of the portfolio's long-term horizon and low liquidity requirements, with the target of achieving a high return with a low to moderate risk tolerance.

The strategy is based on intelligent risk-taking, which is essential to achieving higher investment returns.

- The asset classes and management mandates are chosen in such a way to expose the portfolio to various risks that are well compensated over the long term, notably those related to fluctuations in economic growth, credit risk, or the lesser liquidity of some assets.
- This risk-taking is assumed and controlled with various types of sound diversification: within an asset class and between each class as well as from the temporal standpoint.

Unlike strategies traditionally associated with a low to moderate risk tolerance, the PAR strategy we have developed substitutes a portion of what would typically be invested in fixed income and common shares for a mix of alternative investments and "market-neutral" strategies.

- This approach helps to reduce expected volatility through enhanced diversification. It takes into account new sources of returns (including value creation specific to alternative investments) that are generally less dependent on changes in interest rates and equity markets.
- It also targets fixed income segments with higher expected returns, always ensuring that the associated risks are managed with appropriate mitigative measures.



Composition of the participating account

Sub-account open to new sales

(As at December 31, 2025)

Asset class	Invested assets (\$M)	Proportion (%)	Target range (%)
Cash and short-term investments	0.9	1.0	0 to 5
Government bonds	13.2	14.9	30 to 55
Corporate bonds	8.8	9.9	
Mortgages and commercial loans	11.5	12.9	
High-yield bonds	4.9	5.5	5 to 15
Bank loans	4.2	4.8	
Preferred shares	5.3	6.0	0 to 10
Fixed income	48.8	55.0	45 to 75
Common shares	11.5	13.0	5 to 25
Private equity	5.3	6.0	0 to 15
Private debt*	5.3	6.0	0 to 15
Infrastructure	8.0	8.9	0 to 15
Real estate	7.1	8.0	0 to 15
Alternative investments	25.7	28.9	20 to 40
Specialized strategy (market-neutral)	2.7	3.1	0 to 5
TOTAL	88.7	100	

* Private debt is both a form of fixed income and a sub-category of alternative investments. The type of private debt included in the portfolio gives it a projected risk-return profile closer to the other aspects of the alternative investments portion of the portfolio than the fixed income portion.

Source: Desjardins Global Asset Management.

Notes: The table above illustrates cash investments in the portfolio, which reflect the strategy for the desired portfolio (longer horizon). Future contracts are used to exercise controlled tactical deviations (over the short term) but since they can change quickly, they aren't included in this table.

About the asset classes

CASH AND SHORT-TERM INVESTMENTS

The cash and short-term investments portfolio consists mainly of debt securities with maturities of less than one year. While they are a source of current yields, their primary role is to provide the liquidity necessary to manage the portfolio. Their very low volatility also reduces portfolio risk exposure.

GOVERNMENT BONDS

The government bonds portfolio is the defensive part of the strategy. It provides regular interest coupons while reducing portfolio risk exposure.

CORPORATE BONDS AND HIGH-YIELD CREDIT

The portfolio contains bonds issued by Canadian and foreign companies in various sectors. These high-quality, high-yield securities can enhance the portfolio's performance by providing credit spreads that have historically covered most of the additional credit risk. High-yield securities may include bank loans traded on the secondary market. These loans have similar features to high-yield bonds in terms of their credit risk and expected long-term returns. Since they are variable-rate instruments rather than fixed rate, they diversify exposure to credit risk.

MORTGAGES AND COMMERCIAL LOANS

The portfolio contains mostly mortgage loans granted to businesses and public sector entities for different types of real estate in Canada's major urban centres. These assets play a similar role to corporate bonds, while providing additional compensation because of their illiquidity.

PREFERRED SHARES

These securities are often presented as a cross between common shares and corporate bonds. Preferred shares typically provide high and stable dividend payments. The use of such an asset class helps to optimize portfolio diversification. At this time, the portfolio includes only Canadian securities.

COMMON SHARES

Common shares are beneficial in a diversified portfolio. They offer potential for long-term growth through capital appreciation and dividends. Owning shares requires accepting fluctuations in companies' valuations and in the economic cycle. The portfolio is diversified across Canadian, US and international equities (other developed and emerging markets).

ALTERNATIVE INVESTMENTS

Alternative investments are made up of a number of asset classes which have in common that they are traded outside the markets, resulting in lower volatility and less liquidity. These assets may consist of equities, debt securities or real assets (such as real estate or infrastructure).

These investments also offer good diversification compared to traditional assets. They provide investors with higher returns through compensation for reduced liquidity or they can create value through full asset control and the judicious use of financial leverage.



SPECIALIZED STRATEGIES

Specialized strategies round out the portfolio. They're designed to be independent of market direction. The portfolio includes two market neutral strategies containing short positions financing long positions in the equity market (specific securities, sector indices or regional indices), with net performance on top of the money market returns. This strategy aims to achieve stable positive returns, low volatility and low correlation with the rest of the portfolio.

Making responsible investment a part of the investment process for assets in the participating account

At Desjardins Global Asset Management, we believe in the importance of promoting sustainable economic prosperity. All our teams are working hard to make a positive impact on society. We make investment decisions based on financial performance and environmental, social and governance (ESG) factors.

ESG criteria are integrated into all asset classes at DGAM based on the priority issues identified in the Responsible Investment Activity Report:¹¹

- Transitioning toward a low-carbon economy
- Developing a fair, equitable and inclusive economy
- Protecting biodiversity and natural capital
- Ensuring strong, honest, resilient governance

Participating life insurance involves a long-term investment horizon, which lends itself well to integrating ESG criteria, including those related to climate change. This integration process plays a critical role in anticipating and mitigating risks and identifying investment opportunities. DGAM's approach uses a proprietary investment analysis model to integrate the assessment of ESG factors with climate risk management, engagement activities for issuers and systematic voting.

Integrating ESG criteria for all asset classes

DGAM has a strong team of 11 specialists who are dedicated to integrating ESG criteria. These specialists work with management teams at every step of the investment process.

All internal mandates are managed using DGAM's ESG integration model. This model was developed by their experts. We use it to rank issuers on one of 4 levels according to risk measurement and long-term impact on the value of investments.

- The selection of external management mandates is based, among other things, on identifying managers who follow ESG best practices.
- The majority of our equity investment management presents a positive image when it comes to carbon emissions.

Carbon-neutral trajectory

Desjardins Group has committed to achieving net zero emissions in its assets by 2050¹² by setting targets grounded in science through the Science Based Targets initiative. To help achieve these targets, DGAM's approach is aligned with industry best practices including the Net Zero Asset Managers initiative.



¹¹ Source: Desjardins (2024) – [Responsible Investment Report](#)

¹² [Desjardins – Sustainable development](#)

ENGAGEMENT

DGAM’s engagement process is structured to guide issuers toward more sustainable practices. DGAM’s make a point of building relationships and engaging in dialogue with select companies to monitor their ESG strategy and exercise a positive influence.

In 2024, DGAM initiated 183 discussions on priority issues; 127 of these conversations were about the transition to a low-carbon economy. The overarching goal is to:

- Encourage companies to embrace climate change targets that comply with the Paris Agreement.
- Insist on strong, stable governance to implement climate and ESG strategies.

In short, DGAM believes that its fiduciary duty involves taking a position on all proposals submitted to shareholders of the companies it owns. In the interest of transparency and compliance, DGAM discloses all votes it exercises each year.

Through the ongoing efforts of its responsible investment team, DGAM takes the necessary steps to contribute to sustainable prosperity by integrating ESG criteria into its climate analyses and commitments.

Broad sustainability theme	Collaborative initiative	DGAM Involvement
Transition to a low-carbon economy		Signatory and involvement in engagement initiatives
		Founding member and involvement in engagement initiatives



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