Message from the Chair of the Board and the **2021 Financial Statements**

La Capitale
Civil Service Mutual

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Message from the Chair of the Board

JEAN ST-GELAIS
Chair of the Board

La Capitale Civil Service Mutual and its present-day partners, the *Fonds de solidarité FTQ* and SSQ Mutual, in 2020 approved the union of the La Capitale and SSQ insurers to create Beneva. This union opens the door to combining the La Capitale and SSQ mutuals. Work is ongoing to create a single mutual that would be the majority shareholder of Beneva.

Work done by the Board of Directors

In addition to the annual meeting in April, the Board of Directors for La Capitale Civil Service Mutual held five meetings during the year. The Board's work focused on combining the two mutuals.

In addition, the Board of Directors closely monitored the work to combine the La Capitale and SSQ insurance companies under Beneva. While a lot remains to be done for integrating the two organizations, the Board is satisfied with the progress made to date and commends the growth that has accompanied Beneva's excellent financial results. It is especially pleased with the quality of service that has been maintained for its members.

Promoting mutualism

In its 2021–2025 strategic plan, Beneva identified five main orientations, including one on the topic of promoting mutualism. A task force made up of Beneva executives and board members for La Capitale Civil Service Mutual and SSQ Mutual examined this orientation in detail, ultimately developing several strategies. Beneva will propose targets and initiatives for executing these strategies, which will become an integral part of Beneva's strategic plan and be monitored by the appropriate bodies.

The Mutual's community involvement

Through its foundation and its donations policy, La Capitale Civil Service Mutual is very active in our communities. The money donated by the La Capitale Foundation is in addition to the other charitable work Beneva does. A total of $3.2 million was provided in philanthropic support in 2021, demonstrating the importance placed on giving back to the community.

The Mutual continues to actively participate in the *Conseil québécois de la coopération et de la mutualité* (CQCM). This organization represents the interests of its members on a national scale as a member of Co-operatives and Mutuals Canada.

Furthermore, the Mutual has been providing technical and financial support to SOCODEVI projects since 1992. It participates in the growth of developing nations by helping their citizens take their health, insurance and financial needs in hand, through mutualism and cooperation.

La Capitale Civil Service Mutual's financial results

The income attributable to members of La Capitale Civil Service Mutual represents a percentage of the results of La Capitale Financial Group Inc., in accordance with its participation, as well as of its own operations. These results reflect the Mutual's underlying interest in Beneva Inc., created by the union of La Capitale Civil Service Insurer Inc. and SSQ, Life Insurance Company Inc. and their respective subsidiaries.

The consolidated net income of La Capitale Civil Service Mutual for the year ended December 31, 2021, was $185.6 million, of which $180.2 million is attributable to its members. As at December 31, 2021, the consolidated equity was $1,583.4 million, of which $1,538.6 million is attributable to its members, 24.4% more than last year. The Mutual is pleased with these good results, which were obtained while balancing the interests of its members, its solid financial position and expectations for reasonable returns.

Acknowledgments

La Capitale Civil Service Mutual owes its successes and achievements to many individuals.

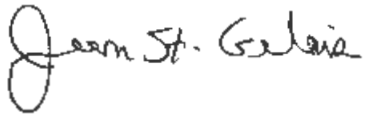
First, I'd like to thank the members who, by coming to meetings, help keep the mutualist spirit alive.

I would also like to thank the members of our Board of Directors for their significant contribution. Their valuable advice helps us make informed decisions and their sound governance creates value for this new company in the making.

In addition, I want to thank Jean-François Chalifoux and the Beneva management team, who have shown unwavering commitment in masterfully guiding the company.

Lastly, I want to thank all of Beneva's partners and employees, who also uphold the values embraced by La Capitale Civil Service Mutual.

Sincerely,



Jean St-Gelais
Chair of the Board

La Capitale
Civil Service Mutual

2021 CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditor's Report

To the members of
La Capitale Civil Service Mutual

Opinion

We have audited the consolidated financial statements of **La Capitale Civil Service Mutual** (the "Mutual"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Mutual as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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. We are independent of the Mutual in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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 Mutual'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 Mutual or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Mutual'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 Mutual'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 Mutual'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 Mutual 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.

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.

Ernst & Young LLP

Quebec, Canada

March 2, 2022

[1] CPA auditor, CA, public accountancy permit No. A133737

Consolidated Statement of Financial Position

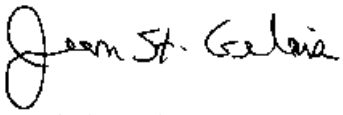
AS AT DECEMBER 31 [in thousands of Canadian dollars]

	2021	2020
	$	$
ASSETS		
Current		
Cash and cash equivalents	**3,751**	4,488
Prepaid expenses	**—**	68
Income taxes receivable	**7**	47
	3,758	4,603
Non-current		
Investment in a joint venture — Beneva Inc. *[note 4]*	**1,581,411**	1,270,305
Investment in an associate — Beneva Investment Plan Inc.	**71**	—
Deferred tax assets *[note 5]*	**1,252**	1,073
Property and equipment	**221**	225
Employee future benefits *[note 6]*	**958**	1,134
Goodwill	**2,223**	2,223
	1,586,136	1,274,960
TOTAL ASSETS	**1,589,894**	1,279,563
LIABILITIES		
Current		
Accounts payable	**22**	49
Amounts payable to related parties *[note 12]*	**4,156**	53
Income taxes payable	**—**	1
	4,178	103
Non-current		
Employee future benefits *[note 6]*	**222**	205
Other liabilities	**2,064**	2,199
	2,286	2,404
	6,464	2,507
EQUITY		
Retained earnings attributable to members	**1,488,595**	1,205,967
Accumulated other comprehensive income attributable to members	**49,983**	31,064
	1,538,578	1,237,031
Non-controlling interests	**44,852**	40,025
	1,583,430	1,277,056
TOTAL LIABILITIES AND EQUITY	**1,589,894**	1,279,563

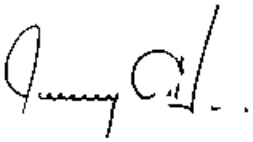
Commitments and contingencies *[note 11]*

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

On behalf of the Board of Directors,



Jean St-Gelais, Chairman of the Board



Jacques Cotton, Vice-Chairman of the Board

Consolidated Statement of Income

FOR THE YEAR ENDED DECEMBER 31 [in thousands of Canadian dollars]

	2021	2020
	$	$
Revenues		
Share of the joint venture's net income *[note 4]*	**185,933**	92,649
Investment income	**28**	183,086
Net insurance premiums	**—**	1,520,357
Gain on contribution to the joint venture *[note 4]*	**—**	101,233
Fees and other revenues	**—**	13,114
Total revenues	**185,961**	1,910,439
Policy benefits, claims and expenses		
General expenses *[note 9]*	**463**	213,495
Investment management costs	**—**	11,645
Finance costs	**—**	6,407
Net benefits and claims	**—**	1,291,418
Commissions	**—**	104,821
Premium taxes	**—**	37,905
Total policy benefits, claims and expenses	**463**	1,665,691
Income before income taxes	**185,498**	244,748
Income taxes (recovery) *[note 5]*	**(114)**	9,807
NET INCOME	**185,612**	234,941
Attributable to members of the Mutual	**180,198**	218,892
Attributable to participating policyholders	**—**	165
Attributable to non-controlling interests	**5,414**	15,884
	185,612	234,941

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

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31 [in thousands of Canadian dollars]

	2021	2020
	$	$
Net income	**185,612**	234,941
Other comprehensive income		
Items that will be reclassified subsequently to net income		
Net unrealized losses for the year on bonds measured at fair value through other comprehensive income	**—**	(18,640)
Income taxes	**—**	4,929
	—	(13,711)
Reclassification of net realized losses to net income	**—**	16,478
Income taxes	**—**	(4,371)
	—	12,107
Share of net unrealized gains for the year on available-for-sale financial assets of the joint venture, net of the joint venture's income taxes *[note 4]*	**19,487**	32,071
Net realized gain on contribution to the joint venture, reclassified to net income *[note 4]*	**—**	(3,077)
	19,487	27,390
Items that will not be reclassified subsequently to net income		
Remeasurement of the net defined benefit asset (liability) *[note 6]*	**(252)**	(24,935)
Income taxes	**69**	6,611
	(183)	(18,324)
Share of remeasurement of the net defined benefit liability of the joint venture, net of the joint venture's income taxes *[note 4]*	**104,272**	(6,486)
Share of remeasurement of the net defined benefit liability of the associate, net of the associate's income taxes	**3**	—
	104,092	(24,810)
Total other comprehensive income	**123,579**	2,580
COMPREHENSIVE INCOME	**309,191**	237,521
Attributable to members of the Mutual	**300,174**	224,058
Attributable to participating policyholders	**—**	165
Attributable to non-controlling interests	**9,017**	13,298
	309,191	237,521

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31 [in thousands of Canadian dollars]

	Retained earnings attributable to members $	Accumulated other comprehensive income attributable to members[1] $	Total retained earnings and accumulated other comprehensive income (loss) attributable to members $	Total participating policyholders' account $	Non-controlling interests $	Total equity $
Balance as at January 1, 2020	1,008,748	2,856	1,011,604	800	183,316	1,195,720
Net income	218,892	—	218,892	165	15,884	234,941
Other comprehensive income, net of income taxes[2]	—	27,809	27,809	—	(419)	27,390
Remeasurement of the net defined benefit liability	(22,643)	—	(22,643)	—	(2,167)	(24,810)
Total comprehensive income	196,249	27,809	224,058	165	13,298	237,521
Repurchase of non-controlling interests *[note 7]*	3,758	—	3,758	—	(158,999)	(155,241)
Issuance of non-controlling interests *[note 7]*	—	—	—	—	6,064	6,064
Transfer from participating policyholders to members	368	—	368	(368)	—	—
Transfer to participating policyholders of a subsidiary of the joint venture *[note 4]*	(2,724)	—	(2,724)	—	(88)	(2,812)
Contribution to the joint venture *[note 4]*	—	—	—	(597)	(3,456)	(4,053)
Net change in non-controlling interests	(432)	399	(33)	—	(110)	(143)
	970	399	1,369	(965)	(156,589)	(156,185)
Balance as at December 31, 2020	1,205,967	31,064	1,237,031	—	40,025	1,277,056
Balance as at January 1, 2021	**1,205,967**	**31,064**	**1,237,031**	**—**	**40,025**	**1,277,056**
Net income	**180,198**	**—**	**180,198**	**—**	**5,414**	**185,612**
Other comprehensive income, net of income taxes[2]	**—**	**18,919**	**18,919**	**—**	**568**	**19,487**
Remeasurement of the net defined benefit liability	**101,057**	**—**	**101,057**	**—**	**3,035**	**104,092**
Total comprehensive income	**281,255**	**18,919**	**300,174**	**—**	**9,017**	**309,191**
Repurchase of non-controlling interests *[note 7]*	**—**	**—**	**—**	**—**	**(4,231)**	**(4,231)**
Transfer from participating policyholders of a subsidiary of the joint venture *[note 4]*	**1,373**	**—**	**1,373**	**—**	**41**	**1,414**
	1,373	**—**	**1,373**	**—**	**(4,190)**	**(2,817)**
Balance as at December 31, 2021	**1,488,595**	**49,983**	**1,538,578**	**—**	**44,852**	**1,583,430**

1. Accumulated other comprehensive income comprises unrealized net losses on bonds measured at fair value through other comprehensive income of the Mutual and share of net unrealized gains for the year on available-for-sale financial assets of the subsidiaries and joint venture.

2. These amounts exclude the amount of the remeasurement of the net defined benefit asset (liability) of the Mutual, and its joint venture and associate recycled through retained earnings.

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31 [in thousands of Canadian dollars]

	2021	2020
	$	$
OPERATING ACTIVITIES		
Net income	**185,612**	234,941
Items not affecting cash and cash equivalents:		
Share of the joint venture's net income *[note 4]*	**(185,933)**	(92,649)
Net employee future benefit expense	**(36)**	21,321
Depreciation of property and equipment and amortization and write-off of intangible assets	**4**	17,649
Deferred taxes (recovery)	**(110)**	189
Changes in actuarial liabilities	**—**	477,475
Changes in gross unearned premiums	**—**	71,833
Changes in reinsurance assets	**—**	(3,447)
Changes in net discounts on investments	**—**	(10,407)
Gain on contribution to the joint venture	**—**	(101,233)
Gains on investments	**—**	(78,197)
Amortization of deferred premium acquisition costs	**—**	68,297
Other items included in net income	**—**	198
	(463)	605,970
Net change in other items related to operating activities	**330**	(194,393)
Cash flows related to operating activities	**(133)**	411,577
INVESTING ACTIVITIES		
Acquisition of an investment in an associate	**(1)**	—
Cash and cash equivalents contributed to the joint venture	**—**	(282,219)
Acquisition of additional share capital in a subsidiary	**—**	(200)
Acquisitions, issuances and advances related to investments	**—**	(1,806,752)
Disposals and repayments related to investments	**—**	1,709,299
Net additions to property and equipment and intangible assets	**—**	(10,394)
Initial capital subscription in the joint venture	**—**	(1)
Cash flows related to investing activities	**(1)**	(390,267)
FINANCING ACTIVITIES		
Repurchase of non-controlling interests *[note 7]*	**(603)**	(149,973)
Payments of lease liabilities	**—**	(1,950)
Repayment of long-term debt	**—**	(311)
Net change in non-controlling interests	**—**	(110)
Issuance of non-controlling interests	**—**	796
Interest paid on long-term debt	**—**	(3,879)
Cash flows related to financing activities	**(603)**	(155,427)
Decrease in cash	**(737)**	(134,117)
Cash and cash equivalents, beginning of year	**4,488**	138,605
Cash, end of year	**3,751**	4,488
Supplementary information on cash flows		
Interest received	**28**	31,393
Interest paid on lease liabilities	**—**	419
Dividends and distributions received	**—**	119,814
Taxes paid (recovered)	**(41)**	31,810

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

Notes to Consolidated Financial Statements

DECEMBER 31, 2021 [in thousands of Canadian dollars]

1. INCORPORATING STATUTE AND NATURE OF OPERATIONS

La Capitale Civil Service Mutual ("the Mutual"), incorporated under the Act *respecting the Quebec Civil Servants Mutual*, is a mutual management corporation.

It operates mainly in Canada through its subsidiary La Capitale Financial Group Inc. and an investment in a joint venture owned by its subsidiary, namely an investment in Beneva Inc. (renamed Beneva Group Inc. on January 1, 2022). The joint venture and its subsidiaries operate mainly as designers, marketers and distributors of products, including individual life and health insurance, savings and loans, group insurance, automobile and home insurance, commercial insurance and surety lines. Up to July 1, 2020, its operations were mainly performed through the Mutual's subsidiaries.

Until July 1, 2020, the financial results of subsidiaries were presented on a consolidated basis. Subsequently, the financial results relating to the investment in the joint venture are presented according to the equity method.

The Mutual is headquartered at 625 Jacques-Parizeau St, Quebec City, Quebec, Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Mutual have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and set out in the *CPA Canada Handbook – Accounting*.

These consolidated financial statements were approved for issue by the Board of Directors of the Mutual on March 2, 2022.

The significant accounting policies used to prepare the consolidated financial statements are summarized below.

Basis of consolidation

The consolidated financial statements include the accounts of the Mutual and those of its subsidiary as at December 31, 2021. The subsidiaries are entities controlled by the Mutual. The Mutual controls a subsidiary only and only if it has:

- Power over the subsidiary (i.e., has existing rights that give it the current ability to direct the activities);
- Exposure, or rights, to variable returns from its involvement with the subsidiary;
- The ability to use its power over the subsidiary to affect the amount of its returns.

Consolidation of the financial statements of a subsidiary begins from the date the Mutual obtains control of the subsidiary and ceases when the Mutual loses control of the subsidiary.

The Mutual's consolidated financial statements have been prepared using consistent accounting policies for similar transactions and events occurring in similar circumstances. Intragroup balances and revenues and expenses arising from intragroup transactions are eliminated in the preparation of the consolidated financial statements.

The acquisition of a subsidiary is accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the acquirer, liabilities incurred by the acquirer with the business's former owners and the equity instruments issued by the acquirer. Acquisition-related costs are recognized in net income and presented under general expenses.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Basis of consolidation [Cont'd]

These financial statements include the financial statements of La Capitale Civil Service Mutual and its subsidiary [its subsidiaries until July 1, 2020] listed below. The following table also shows the related joint venture and its own subsidiaries since July 1, 2020, and other related entities. The direct parent company's percentage of ownership of voting shares for each subsidiary and related joint venture is detailed under "% interest."

	% interest		Location of main place of business	Description
	2021	2020		
Subsidiary				
La Capitale Financial Group Inc.	**97.2**	96.7	Quebec City, Canada	Holding company
Related joint venture				
Beneva Inc. (investment owned by La Capitale Financial Group Inc.)*	**51.0**	51.1	Quebec City, Canada	Holding company
Related joint venture's subsidiaries (subsidiaries of La Capitale Financial Group Inc. until July 1, 2020)				
La Capitale Civil Service Insurer Inc.	**100.0**	100.0	Quebec City, Canada	Life and health insurance company
La Capitale Financial Security Insurance Company	**100.0**	100.0	Mississauga, Canada	Life and health insurance company
La Capitale MFQ Real Estate Management Inc.	**100.0**	100.0	Quebec City, Canada	Real estate management company
La Capitale General Insurance Inc.	**100.0**	100.0	Quebec City, Canada	Property and casualty insurance company
L'Unique General Insurance Inc.	**100.0**	100.0	Quebec City, Canada	Property and casualty insurance company
Unica Insurance inc.	**100.0**	100.0	Mississauga, Canada	Property and casualty insurance company
Développement informatique Unicap inc.	**100.0**	100.0	Quebec City, Canada	IT development and system improvement services
Développement informatique ClicAssure inc.	**100.0**	100.0	Quebec City, Canada	IT system operation services
La Capitale Financial Services inc. (wholly-owned subsidiary of La Capitale Financial Group Inc. unti July 1, 2020)	**100.0**	100.0	Quebec City, Canada	Distribution firm
Immo-Beauport S.E.C.	**70.0**	70.0	Quebec City, Canada	Real estate management company
SécuriGlobe inc. (sold on July 1, 2021)	**—**	100.0	Brossard, Canada	Travel insurance product distributor
SSQ, Life Insurance Company Inc.*	**100.0**	100.0	Quebec City, Canada	Life and health and property and casualty insurance company
SSQ Distribution Inc.*	**100.0**	100.0	Quebec City, Canada	Distribution firm
SSQ Realty Inc.*	**100.0**	100.0	Quebec City, Canada	Real estate management company
Other related entities				
SSQ Mutual*	**—**	—	Quebec City, Canada	Life and health and property and casualty mutual
SSQ, Financial Corporation Inc.*	**—**	—	Quebec City, Canada	Holding company
Beneva Investment Plan Inc. (created on January 1, 2021)	**—**	—	Quebec City, Canada	Holding company
Société Bon Pasteur (s.e.n.c.) (joint venture of which a 50% interest is held through the related joint venture)	**—**	—	Quebec City, Canada	Real estate management company

* Since July 1, 2020.

As of January 1, 2022, Beneva Inc. changed its corporate name to Beneva Group Inc., while La Capitale Financial Services Inc. became Beneva Inc. Only the corporate names changed.

Non-controlling interests represent the share in the subsidiaries' equity not held by the Mutual and are presented separately from equity attributable to members and participating policyholders' account in total equity. The shares of net income and comprehensive income attributable to holders of non-controlling interests are included in total net income and total comprehensive income, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Changes in accounting policies

On January 1, 2021, the Mutual adopted the following accounting standard.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued IFRS 9, *Financial Instruments*, which makes the following changes to the recognition of financial instruments:

- The classification and measurement approach for financial assets reflects the business model with which they are managed and their cash flow characteristics.
- Impairment is based on the expected credit loss model.
- Hedge accounting takes into account the entity's risk management practices.

In September 2016, the IASB published "*Applying IFRS 9, Financial Instruments and IFRS 4, Insurance Contracts*". The purpose of the amendments contained in this publication is to align accounting treatments of IFRS 9 to those included in the current IFRS 4 standard for entities that issue insurance contracts. These changes offer the option to reclassify certain amounts of income and expenses related to designated financial instruments from net income to comprehensive income (the "overlay approach"). They also offer an optional temporary exemption allowing entities whose predominant activity is issuing insurance contracts to defer the application of IFRS 9 until the fiscal year beginning on January 1, 2023 (the "deferral approach").

The Mutual qualified for the deferral approach until July 1, 2020. Up to this date, the percentage of the total carrying amount of its insurance-related liabilities relative to the total carrying amount of all its liabilities was greater than 80% and the Mutual did not carry on a significant non-insurance business activity. Accordingly, the Mutual elected for this exemption.

Since July 1, 2020, the Mutual no longer qualifies for the deferral approach. Therefore, the Mutual applies IFRS 9 retrospectively without restatement of comparative figures starting January 1, 2021. The Mutual chose the transitory measure to defer the application of the IFRS 9 measurement and recognition requirement to its investment in the joint venture, since the joint venture and its subsidiaries, and the associate, qualify for the deferral approach.

The adoption of IFRS 9 did not have any impact on the financial position or the financial performance of the Mutual for all the periods presented in the consolidated financial statements. Changes in the classification, in the methodology for assessing credit losses as well as in the presentation of financial instruments and related disclosures have nevertheless been reflected in the consolidated financial statements of the Mutual. The Mutual does not use hedge accounting.

Classification

The classification of financial instruments under IFRS 9 includes the following categories: measurement at amortized cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). The loans and receivables and available for sale categories, formerly used by the Mutual under IAS 39, no longer exist under IFRS 9 and are replaced by the new categories. The classification under IFRS 9 is based on the nature of the financial instrument and, for financial assets, on the business model that underlies the way the financial asset is managed by the Mutual as well as on characteristics of the cash flows specific to the financial asset.

On January 1, 2021, the Mutual determined the underlying business models of its financial assets. These business models are explained below. The Mutual also made retrospective changes to the valuation categories of the financial instruments it held, as illustrated in the following table:

	Category under IAS 39	Category under IFRS 9
Financial assets		
Cash	FVPL (designated as held-for-trading)	Amortized cost
Bonds	Available-for-sale	FVOCI
Financial liabilitites		
Accounts payable, amounts payable to related parties and other liabilities	Amortized cost	Amortized cost

The changes to the valuation categories of financial instruments have not resulted in any revaluation.

Methodology for assessing credit losses

IFRS 9 replaces the IAS 39 incurred loss model with an expected loss model for financial assets. This new model applies to financial assets measured at amortized cost and debt instruments measured at FVOCI. The change in model did not result in any revaluation for the Mutual.

Presentation of financial instruments and disclosures

The Mutual's consolidated financial statements have been adjusted to reflect the new requirements of the standard with regard to the presentation of financial instruments and disclosures.

Cash

Cash includes bank balances. It is used by the Mutual to manage its short-term operations. It is a financial asset initially measured at fair value and subsequently carried at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Impairment of financial assets

At each financial statement date, financial assets measured at amortized cost using the effective interest rate method are assessed for the purpose of recognizing expected credit losses.

For cash, the Mutual applies a simplified method for calculating expected credit losses. The Mutual records, if applicable, a provision for loss based on expected credit losses over the full life of each type of financial assets. The Mutual does this by establishing a matrix, which is based on historical observations and adjusted to take into account future factors specific to these assets and the economic environment.

Prepaid expenses

Prepaid expenses are recognized at cost.

Income taxes

The Mutual uses the asset and liability method of accounting for income taxes. Income tax expense (recovery) comprises current tax expense (recovery) and deferred tax expense (recovery). Income taxes are recognized through profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities are based on income before income taxes in the current year, adjusted for items that are not taxable or not deductible. Current income tax assets and liabilities are calculated based on income tax laws and rates enacted or substantively enacted as at the reporting date. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recorded based on all temporary differences between the financial statement carrying amount and the corresponding tax basis. These deferred income tax assets and liabilities are calculated using enacted or substantively enacted tax rates at the reporting date that are expected to be in effect when the assets are realized or the liabilities settled in future years. Deferred tax assets are recognized only if management deems it probable that deferred tax assets will be realized.

Investment in a joint venture

The investment in a joint venture, Beneva Inc. (renamed Beneva Group Inc. on January 1, 2022), is an arrangement whereby the parties having joint control over the entity retain rights over the joint venture's net assets. Joint control is the contractually agreed sharing of control of an entity, which only exists when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Criteria used to determine significant influence or common control are similar to those used to determine control over subsidiaries.

The investment in a joint venture is initially recorded at fair value and subsequently under the equity method.

Investment in an associate

The investment in an associate, Beneva Investment Plan Inc., is an investment in an entity over which the Mutual has a significant influence. Significant influence is defined as the power to participate in decisions relating to the financial and operating policies of an entity, without, however, exercising control or joint control over these policies. This investment is accounted for using the equity method.

Property and equipment

Property and equipment comprise furniture and other. Property and equipment are recorded at cost, net of accumulated depreciation and impairment losses, and are depreciated on a straight-line basis over their estimated useful life.

Realized gains and losses on disposal of property and equipment are recognized through income for the year.

Property and equipment are depreciated on the following basis:

Class	Method	Useful life
Furniture and other	Straight-line	10 years

Depreciation methods used, useful lives and the residual value of property and equipment are reviewed annually. Any changes are recognized prospectively.

Depreciation is recognized under general expenses in the consolidated statement of income.

Impairment of property and equipment

Where significant circumstances or events indicate a possible impairment, the management of the Mutual remeasures the carrying amount of property and equipment through impairment tests. An impairment loss is recorded once the asset's carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit represents the higher of its fair value less costs to sell and its value in use, which corresponds to the value of total discounted cash flows generated by the asset or cash-generating unit.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Goodwill

Goodwill represents the excess of the cost of businesses acquired over the estimated fair value of their net identifiable assets. Goodwill is initially measured at cost and subsequently at cost less any accumulated impairment losses.

Goodwill is tested for impairment at least once a year for each cash-generating unit ("CGU") or group of CGUs or when events or changes in circumstances indicate that its carrying amount may not be recoverable. A CGU is the smallest group of assets that generates largely independent cash inflows and corresponds either to an operating segment or to a lower level. Any impairment of goodwill is measured by comparing the recoverable amounts of a CGU or a group of CGUs with its carrying amount and is recognized in income. Impairment losses may not be reversed subsequently.

The recoverable amount of a CGU is defined as the higher of its estimated fair value less costs of disposal and its value in use. In assessing the recoverable amount, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Accounts payable, amounts payable to related parties and other liabilities

Accounts payable, amounts payable to related parties and other liabilities are financial liabilities initially recognized at fair value and subsequently carried at amortized cost.

Employee future benefits

The Mutual offers one defined benefit plan to its employees and additional post-employment benefits to some members of management. The cost of pension benefits is determined according to actuarial calculations using the projected unit credit method and management's most likely assumptions of salary escalation, the retirement age of employees, expected health care costs and mortality rates. Plan obligations are discounted based on current market interest rates, and plan assets are recorded at fair value. The difference between the defined benefit pension plan assets and the obligation in respect of defined benefit pension plans is recognized under "Employee future benefits" in the consolidated statement of financial position.

The cost of benefits is recognized under general expenses in the consolidated statement of income.

Remeasurement of the net defined benefit asset (liability) is accounted for in the year in which it occurs through other comprehensive income.

Revenue recognition

Revenues are recognized when it is likely that economic benefits will flow to the Mutual and these benefits can be measured reliably. Revenues are measured at the fair value of the consideration received or receivable.

Investment income

Dividend and distribution income is recognized when the right to receive payment is established. Interest income from bonds and loans are calculated using the effective interest rate method. Rental income from investment properties are recognized on a straight-line basis over the lease term.

Fees and other income

Fees and other income comprise mainly brokerage fees, management fees, and other income and recognized on an accrual basis as services are rendered.

Foreign currency translation

The Canadian dollar is the Mutual's functional currency. Transactions in foreign currencies carried out by the Mutual are translated at the exchange rate in effect on the transaction date. At each reporting date, monetary items are translated at the rates in effect at year-end while non-monetary items are translated at historical exchange rates. Translation gains and losses are included in income for the year.

Changes in future accounting policies

The main standard issued by the IASB that was not applicable as at the date of publication of the Mutual's financial statements is described below.

The Mutual will apply this standard in future fiscal years through its investment in the joint venture

IFRS 17 – *Insurance contracts*

In May 2017, the IASB issued IFRS 17, *Insurance contracts*. This comprehensive new standard for insurance contracts (including reinsurance) covers recognition and measurement, presentation and disclosure. While the current IFRS 4 is largely based on local measurement practices, IFRS 17 introduces a new general measurement model that aims to provide more useful and consistent financial information on insurance contracts. This general measurement model is set out in various forms covering all relevant aspects of the accounting of insurance contracts. IFRS 17 will be effective retrospectively for reporting periods beginning on or after January 1, 2023. The Mutual is currently assessing the impact of this new standard on its investment in the joint venture reported on its consolidated financial statements.

3. SIGNIFICANT JUDGMENT, ESTIMATES AND ASSUMPTIONS

In preparing these consolidated financial statements, management is required to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from management's best estimates.

Judgment

In the process of applying the accounting policies, management has made the following judgment that had the most significant effects on the amounts recognized in the consolidated financial statements:

Initial recognition at fair value of investment in the joint venture

The initial contribution to the joint venture Beneva Inc. has been recognized as a contribution of businesses at fair value to form a joint venture. The main categories of assets acquired and liabilities assumed by Beneva Inc. from each of the contributed entities as at July 1, 2020, namely SSQ, Life Insurance Company Inc. and La Capitale Civil Service Insurer Inc., were recorded at fair value in the accounting records of Beneva Inc. The Mutual's investment in Beneva Inc. upon initial contribution was equal to its share of equity attributable to shareholders of Beneva Inc. as at that date.

Estimates and assumptions

In the process of applying the accounting policies, management has made the following estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements:

Income taxes

The computation of current and deferred tax expense (recovery) is based on several factors including the interpretation of tax regulations in the jurisdictions in question, assessments regarding the recovery of deferred tax assets and how the assets and liabilities are expected to be recovered. The recovery of deferred tax assets depends, among other factors, on projected future taxable income from the Mutual's operations and the tax planning strategies developed. The Mutual establishes a provision for income tax it considers reasonable and which is based on the weighted estimate of the possible results from the adopted tax positions. When establishing the provision, the Mutual takes into consideration previous adjustments made by tax authorities, interpretation bulletins and recent rulings rendered in the relevant jurisdictions.

4. INVESTMENT IN THE JOINT VENTURE

Initial contribution to the joint venture

On July 1, 2020, SSQ, La Capitale Financial Group Inc. and SSQ, Financial Corporation Inc. combined their respective wholly owned subsidiaries into the joint venture Beneva Inc. As of this date, Beneva Inc. holds all the voting and participating shares of insurers SSQ, Life Insurance Company Inc. ("SSQ Life") and La Capitale Civil Service Insurer Inc. ("CCSI"). The business combination was carried out in accordance with the combination agreement signed by the parties involved on January 28, 2020 and after obtaining the required approvals from the competent authorities.

The aim of this combination is to create the largest mutual insurance company in Canada, resulting from the combination of two equal parties in the form of a joint venture via Beneva Inc. Beneva Inc.'s ultimate owners include the mutual management companies SSQ Mutual and La Capitale Civil Service Mutual.

4. INVESTMENT IN THE JOINT VENTURE [Cont'd]

Initial contribution to the joint venture [Cont'd]

The combination was accounted for as a contribution of a business at fair value to form a joint venture, which represents a significant management judgment. The main categories of assets acquired and liabilities assumed by Beneva Inc. from each of the contributed businesses and subsidiaries as at July 1, 2020, and their respective fair values at that date, are as follows:

	Carrying amount before the combination date	Fair value at the combination date		
	CCSI	CCSI	SSQ Life	Total
	In millions of $	In millions of $	In millions of $	In millions of $
Main categories				
Assets				
Investments, including a total of $606.8 in cash and cash equivalents	7,282.0	7,282.0	5,587.6	12,869.6
Premiums receivable	851.2	851.2	317.5	1,168.7
Reinsurance assets	326.4	326.4	2,420.2	2,746.6
Current tax assets	17.5	17.5	—	17.5
Other assets	164.1	164.1	200.3	364.4
Deferred tax assets	41.7	41.7	58.4	100.1
Property and equipment	165.8	165.8	192.8	358.6
Intangible assets	185.2	274.7	279.0	553.7
Investments related to segregated funds	—	—	5,076.4	5,076.4
	9,033.9	9,123.4	14,132.2	23,255.6
Liabilities				
Life and health insurance contract liabilities	6,092.3	6,092.3	6,748.2	12,840.5
Property and casualty insurance contract liabilities	1,316.7	1,316.7	349.6	1,666.3
Current tax liabilities	13.3	13.3	3.2	16.5
Other liabilities	307.9	307.9	531.8	839.7
Employee future benefits	175.7	175.7	193.7	369.4
Deferred tax liabilities	10.4	33.0	68.6	101.6
Long-term debt	13.3	13.3	—	13.3
Subordinated debt	149.6	153.8	152.7	306.5
Segregated fund insurance contract liabilities	—	—	1,743.6	1,743.6
Segregated fund investment contract liabilities	—	—	3,332.8	3,332.8
	8,079.2	8,106.0	13,124.2	21,230.2
Excess of assets acquired over liabilities assumed	954.7	1,017.4	1,008.0	2,025.4
Goodwill	106.1	141.5	100.2	241.7
Total	1,060.8	1,158.9	1,108.2	2,267.1

4. INVESTMENT IN THE JOINT VENTURE [Con'td]

Initial contribution to the joint venture [Con'td]

The consideration paid in share capital by Beneva Inc. to La Capitale Financial Group Inc. and to SSQ, Financial Corporation Inc. on July 1, 2020 was as follows:

	Consideration paid in share capital					
	Number of Class A shares, without par value	Percentage of voting rights	Carrying amount	Number of Class B shares, without par value	Percentage of interest in the entity	Carrying amount [1]
		%	$		%	$
Entities making a contribution						
La Capitale Financial Group Inc.	**500**	**50.0**	**1**	**1,158,935,000**	**51.1**	**1,158,935**
SSQ, Financial Corporation Inc.	**500**	**50.0**	**1**	**1,108,185,000**	**48.9**	**1,108,185**
Total	**1,000**	**100.0**	**2**	**2,267,120,000**	**100.0**	**2,267,120**

1. Carrying amount of $1,158,935 includes $1,154,882 attributed to the shareholder La Capitale Financial Group Inc., $597 attributable to participating policyholders and $3,456 attributable to non-controlling interests.

In the Mutual's consolidated financial statements, the combination results in a disposal and derecognition of assets and liabilities contributed by CCSI and its subsidiaries into Beneva Inc., and the recognition of an investment in the joint venture. The difference between the carrying amount of assets and liabilities of CCSI and its subsidiaries of $1,060,779 as at July 1, 2020, and the contribution of the shareholder La Capitale Financial Group Inc. into Beneva Inc. as at this date at a fair value of $1,154,882, amounting to a total of $94,103, was added to the reclassification of net realized gains of $3,077 related to the assets of CCSI and its subsidiaries and to the gain associated with the derecognition of participating policyholders' accounts and non-controlling interests of $4,053, and were recognized as a gain on the contribution of businesses to the joint venture of $101,233 in the consolidated statement of income.

Following the combination, the Mutual owns an interest of 51.1% through its ownership of 1,158,935,000 Class B shares, without par value, and 50% voting rights through its 500 Class A shares, without par value, in Beneva Inc. These shares were initially subscribed for $1.

Change in investment in the joint venture

The following table shows the movements of the investment in the joint venture since the date of the combination:

	Beneva Inc.
	$
Contribution on July 1st, 2020, at fair value, and initial subscription	1,154,883
Share of the joint venture's net income	92,649
Share of net unrelalized gains for the year on available-for-sale financial assets of the joint venture	32,071
Share of remeasurement of the net defined benefit liability of the joint venture	(6,486)
Transfer to participating policyholders of a subsidiary of the joint venture	(2,812)
Balance as at December 31, 2020	1,270,305
Share of the joint venture's net income	**185,933**
Share of net unrelalized gains for the year on available-for-sale financial assets of the joint venture	**19,487**
Share of remeasurement of the net defined benefit liability of the joint venture	**104,272**
Transfer from participating policyholders of a subsidiary of the joint venture	**1,414**
Balance as at December 31, 2021	**1,581,411**

As at December 31, 2021, the Mutual owns an interest of 51,0% [2020: 51.1%] in the joint venture.

4. INVESTMENT IN THE JOINT VENTURE [Cont'd]

Summary financial information of the joint venture

The following table presents summary financial information of the joint venture derived from its financial statements:

	Beneva Inc.	
	2021	2020
	$	$
Consolidated Statement of Financial Position		
Investments (including $895,500 of cash and cash equivalents [2020: $925,700])	**15,779,400**	14,304,300
Investments related to segregated funds	**5,817,800**	5,392,700
Other assets	**5,168,500**	5,337,500
Total assets	**26,765,700**	25,034,500
Insurance contract liabilities	**15,834,100**	15,129,300
Segregated fund insurance and investment contract liabilities	**5,817,800**	5,392,700
Other liabilities	**2,003,000**	2,019,600
Total liabilities	**23,654,900**	22,541,600
Total equity	**3,110,800**	2,492,900

	Beneva Inc.	
	2021	2020 (6 months of operations)
	$	$
Consolidated Statement of Net Income and Comprehensive Income		
Net premium revenues earned	**5,747,100**	2,657,400
Investment income and other revenues	**669,700**	572,100
Total revenues	**6,416,800**	3,229,500
Total policy benefits, claims and expenses	**(5,900,800)**	(2,978,000)
Experience rating refunds and participating policyholder dividends	**(56,500)**	(21,800)
Income taxes	**(91,600)**	(53,800)
Net income	**367,900**	175,900
Other comprehensive income	**242,800**	50,100
Comprehensive income	**610,700**	226,000

5. INCOME TAXES

	2021	2020
	$	$
Income tax expense (recovery) as reported in the consolidated statement of income:		
Current taxes (recovery)	**(4)**	9,618
Deferred taxes (recovery)	**(110)**	189
	(114)	9,807

	2021	2020
	$	$
Income tax expense (recovery) reported in the consolidated statement of income attributable to:		
Members of the Mutual	**(111)**	5,715
Participating policyholders	**—**	1,360
Non-controlling interests	**(3)**	2,732
	(114)	9,807

5. INCOME TAXES [Cont'd]

	2021	2020
	$	$
Income tax recovery reported in other comprehensive income:		
Current taxes recovery	**—**	(1,506)
Deferred taxes recovery	**(69)**	(5,663)
	(69)	(7,169)

	2021	2020
	$	$
Income tax recovery reported in other comprehensive income attributable to:		
Members of the Mutual	**(68)**	(5,984)
Non-controlling interests	**(1)**	(1,185)
	(69)	(7,169)

Income tax expense (recovery) differs from the expense that would be determined under applicable legislation in Canada for the following reasons:

	2021		2020	
	$	%	$	%
Income before income taxes	**185,498**	**—**	244,748	—
Income tax expense based on statutory rates	**49,157**	**26.5**	64,858	26.5
Increase (decrease) in income taxes resulting from:				
Non-taxable items	**(49,272)**	**(26.5)**	(55,971)	(22.9)
Prior-year adjustment	**—**	**—**	13	—
Other	**1**	**—**	327	0.1
	(114)	**—**	9,227	3.7
Income taxes on investment income	**—**	**—**	580	0.3
Income taxes (recovery) and effective rates	**(114)**	**—**	9,807	4.0

The tax consequences of the temporary differences that generate deferred income tax assets or liabilities are as follows:

	2021	2020
	$	$
Deferred tax assets		
Employee future benefits	**92**	68
Other liabilities	**491**	523
Unused tax losses	**943**	736
Other	**—**	43
	1,526	1,370
Deferred tax liabilities		
Employee future benefits	**230**	255
Property and equipment	**44**	42
	274	297
Net deferred tax assets	**1,252**	1,073

6. EMPLOYEE FUTURE BENEFITS

Description of pension plans and other future benefits

The Mutual has one defined benefit plan providing pension benefits to most of its employees [five plans until July 1, 2020]. The Mutual also provides additional defined benefit plans for certain members of senior management.

The defined benefit plans are based on years of service and use final average earnings or annually indexed pension credits. Pension benefits are generally increased based on the consumer price index up to a maximum of 3% each year. Generally, employees contribute a set percentage of their annual salary to the pension plans. The employer contributes the balance required to fund pension plan obligations, as determined by actuarial valuations. These plans are funded. The additional plans are unfunded.

The Mutual also offers other future benefits. These other future benefits include life insurance plans and celebration costs and retirements. These plans are unfunded.

Net defined benefit liability (asset)

Information related to the pension plans and other future benefits is as follows:

	Pension plans		Other future benefits	
	2021	2020	**2021**	2020
	$	$	$	$
Change in fair value of plan assets				
Fair value, beginning of year	**5,230**	744,532	**—**	—
Actual return on plan assets	**(161)**	4,773	**—**	—
Employer contributions	**—**	9,923	**33**	833
Employee contributions	**—**	6,677	**—**	—
Transfers	**—**	98	**—**	—
Benefits paid	**(254)**	(12,845)	**(33)**	(833)
Contribution to the joint venture	**—**	(747,928)	**—**	—
Fair value of assets, end of year	**4,815**	5,230	**—**	—
Change in defined benefit obligation				
Balance, beginning of year	**4,096**	872,682	**205**	11,173
Employee contributions	**—**	6,677	**—**	—
Current service costs	**—**	18,431	**—**	500
Transfers	**—**	98	**—**	—
Financial cost	**108**	13,759	**5**	188
Actuarial losses (gains) arising from plan experience	**(76)**	1,093	**34**	(10)
Actuarial losses (gains) arising from changes in financial and demographic assumptions	**(17)**	16,777	**11**	291
Benefits paid	**(254)**	(12,845)	**(33)**	(833)
Contribution to the joint venture	**—**	(912,576)	**—**	(11,104)
Balance of obligation, end of year	**3,857**	4,096	**222**	205
Net defined benefit liability (asset)	**(958)**	(1,134)	**222**	205

Pension plan assets were measured as at December 31, 2021 and accrued defined benefit obligations were measured as at December 31, 2019 and projected to December 31, 2021.

Capitalization situation

Capitalization situation related to the balance of defined benefit obligation is as follows:

	Pension plans		Other future benefits	
	2021	2020	**2021**	2020
	$	$	$	$
Funded plans	**3,643**	3,947	**—**	—
Unfunded plans	**214**	149	**222**	205
	3,857	4,096	**222**	205

The dates of the most recent and the next required actuarial valuations for funding purposes are December 31, 2019 and December 31, 2022, respectively. The Mutual does not expect to contribute to the defined benefit pension plans during the upcoming fiscal year.

6. EMPLOYEE FUTURE BENEFITS [Cont'd]

Net expense (recovery) for the period

The Mutual's net expense (recovery) in respect of employee pension plans and other employee future benefits is included under general expenses in the consolidated statement of income and is as follows:

	Pension plans		Other future benefits	
	2021	2020	2021	2020
	$	$	$	$
Current service costs	—	18,431	—	500
Net interest on net defined benefit obligation (asset)	**(31)**	2,147	**(5)**	188
Administrative costs	—	55	—	—
Net expense (recovery)	**(31)**	20,633	**(5)**	688

Remeasurement of net defined benefit asset (liability)

Remeasurement of net defined benefit asset (liability) included under comprehensive income is as follows:

	Pension plans		Other future benefits	
	2021	2020	2021	2020
	$	$	$	$
Remeasurement of net defined benefit asset (liability)				
Return on plan assets, excluding amounts included in net interest	**(300)**	(6,784)	—	—
Actuarial gains (losses) arising from plan experience	**76**	(1,093)	**(34)**	10
Actuarial gains (losses) arising from changes in financial and demographic assumptions	**17**	(16,777)	**(11)**	(291)
Balance of remeasurement of net defined benefit asset (liability)	**(207)**	(24,654)	**(45)**	(281)

Supplementary information on pension plan assets

Plan assets consist of bonds as at December 31, 2020 and 2021. Fair value of bonds are determined using market bid prices and are classified Level 2.

Actuarial assumptions

The following table summarizes the weighted average actuarial assumptions used to calculate defined benefit obligation and expense:

	Pension plans		Other future benefits	
	2021	2020	2021	2020
	%	%	%	%
To determine defined benefit obligation				
Discount rate	**3.2**	2.7	**3.2**	2.7
Rate of increase in future compensation	**3.3**	3.3	**3.3**	3.3
To determine defined benefit expense				
Discount rate	**2.7**	3.1	**2.7**	3.1
Rate of increase in future compensation	**3.3**	3.3	**3.3**	3.3

	Other future benefits			Other future benefits		
	2021			2020		
Assumed health care cost trend rates	Drugs %	Health %	Dental %	Drugs %	Health %	Dental %
Initial health care cost trend rates	**4.6**	**4.1**	**4.5**	6.0	5.0	3.5
Cost trend rates tend towards	**4.1**	**4.1**	**4.1**	3.5	3.5	3.5

6. EMPLOYEE FUTURE BENEFITS [Cont'd]

Actuarial assumptions [Cont'd]

	Pension plans	
	2021	2020
	Years	Years
Human life expectancy		
Male	**88**	87
Female	**89**	89

Canadian mortality rates used are those published in 2014 by the Canadian Institute of Actuaries following its Canadian pensioner mortality study.

The weighted average duration of the defined benefit obligation is 11 years [2020: 23 years] for the pension plans and 9 years [2020: 9 years] for other future benefits.

Sensitivity analysis

The following tables summarize the sensitivity analysis for each of the significant actuarial assumptions used to calculate defined benefit obligation. Sensitivity analysis were determined using a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in significant assumptions arising at the end of the reporting period.

	2021				2020			
Assumptions:	Discount rate		Rate of increase in future compensation		Discount rate		Rate of increase in future compensation	
Sensitivity level:	1% increase $	1% decrease $	1% increase $	1% decrease $	1% increase $	1% decrease $	1% increase $	1% decrease $
	(391)	**468**	**59**	**(55)**	(414)	494	65	(60)

	2021				2020			
Assumptions:	Health care cost trend rate		Human life expectancy		Health care cost trend rate		Human life expectancy	
Sensitivity level:	1% increase $	1% decrease $	1 year increase $	1 year decrease $	1% increase $	1% decrease $	1 year increase $	1 year decrease $
	13	**(12)**	**191**	**(186)**	18	(16)	200	(196)

7. NON-CONTROLLING INTERESTS

Repurchase of non-controlling interests

During the year, the Mutual repurchased 90,156 Class E, Y and Z shares [2020: 203,940 shares] of La Capitale Financial Group Inc. as part of the employee share purchase plan for a consideration of $4,231, of which $603 has been settled in cash and $3,628 included in amounts payable to related parties [2020: $7,373].

On July 1, 2020, La Capitale Civil Service Insurer Inc. repurchased non-controlling interests in La Capitale Participations Inc. and in 3602214 Canada Inc. for a total consideration of $146,470, comprising $141,200 in cash and $5,270 in share capital. An excess of $3,758 of the non-controlling interests' carrying value on the repurchase date over the consideration paid was recognized in retained earnings attributable to members in the consolidated statement of changes in equity.

La Capitale Civil Service Insurer Inc. also repurchased, in the first half of 2020, non-controlling interests in La Capitale Participations Inc. for $1,398 in cash.

Issuance of non-controlling interests

In fiscal 2020, La Capitale Financial Group Inc. issued 22,069 Class E shares for a consideration of $796 in cash as part of the employee share purchase plan. Those shares are subject to an automatic offer to sell to the Mutual no later than on December 31 preceding the tenth anniversary date of their issuance. This plan is now closed to any new subscription.

On July 1, 2020, La Capitale Financial Group Inc. repurchased the non-controlling interests in La Capitale Participations Inc. ("CAPI"), formerly a subsidiary of La Capitale Civil Service Insurer Inc., for a total consideration of $5,270, including 53,441 Class Y shares valued at $1,956, 90,463 Class Z shares valued at $9, and $2 paid in cash, with the balance amount of $3,303 attributed to the contributed surplus of La Capitale Financial Group Inc. Consequently, an amount of $5,268 was attributed to the Mutual's non-controlling interests.

7. NON-CONTROLLING INTERESTS [Cont'd]

Percentage holdings of non-controlling interests

The following tables provide financial information on the subsidiary in which the non-controlling interests have significant holdings.

	Location of principal place of business	2021	2020
		%	%
Subsidiary			
La Capitale Financial Group Inc.	Quebec, Canada	**2.8**	3.3

Cumulative balances of significant non-controlling interests

	2021	2020
	$	$
La Capitale Financial Group Inc.	**44,852**	40,025

Net income attributable to significant non-controlling interests

	2021	2020
	$	$
La Capitale Financial Group Inc.	**5,414**	7,137
La Capitale Participations inc.	**—**	10,462
3602214 Canada inc.	**—**	(1,897)
	5,414	15,702

The following tables provide summarized financial information of La Capitale Financial Group Inc. This information is based on amounts before the elimination of intercompany accounts and transactions.

	2021	2020
	$	$
Revenue	**185,959**	230,814
Net income	**185,890**	230,630
Other comprehensive income	**123,703**	5,265
Comprehensive income	**309,593**	235,895

	2021	2020
	$	$
Total assets	**1,586,408**	1,275,364
Total liabilities	**2,277**	2,240
Equity	**1,584,131**	1,273,124
Attributable to members of the Mutual	**1,539,279**	1,233,099
Attributable to non-controlling interests	**44,852**	40,025

	2021	2020
	$	$
Cash flows		
Operating activities	**(46)**	304
Investing activities	**(1)**	9,375
Financing activities	**—**	(7,004)
Net change in cash	**(47)**	2,675

8. CAPITAL MANAGEMENT

The Mutual's capital management objectives are to ensure capital preservation, development, and growth.

The Mutual's capital is reviewed regularly.

Equity

The following shows the details of equity accounts:

	2021	2020
	$	$
Retained earnings attributable to members	**1,488,595**	1,205,967
Accumulated other comprehensive income attributable to members	**49,983**	31,064
	1,538,578	1,237,031
Non-controlling interests	**44,852**	40,025
	1,583,430	1,277,056

In 2021, items resulting primarily in a net increase in equity consisted of net income, the share of net unrealized gains on available-for-sale financial assets of the joint venture, remeasurement of net defined benefit asset (liability) including the share of this measurement of the joint venture and associate, transfer from participating policyholders of a subsidiary of the joint venture, and repurchase of non-controlling interests.

9. GENERAL EXPENSES

General expenses by nature

	2021	2020
	$	$
Salaries and employee benefits	**231**	166,619
Depreciation of property and equipment	**4**	6,383
Amortization and write-off of intangible assets and others	**—**	11,266
Fees, rent and other	**228**	29,227
	463	213,495

10. MANAGEMENT OF FINANCIAL INSTRUMENTS RISKS

Principles and responsibilities of risk management

The Mutual is exposed to financial risks arising from transactions involving financial instruments. Financial assets consist of cash. Financial liabilities include accounts payable, amounts payable to related parties and other liabilities. The following information is used to assess the extent of the financial risks to which the Mutual is exposed.

The Mutual has adopted control policies and procedures to manage risks related to financial instruments. An investment policy was approved by the Board of Directors to provide a framework for investment decision making. As at December 31, 2020 and 2021, investments consist of cash.

The main risks of the Mutual related to financial instruments are credit risk and liquidity risk.

Credit risk

Credit risk is the risk of financial loss for the Mutual if a debtor does not honor its commitments. The Mutual is exposed to credit risk with respect to cash. Exposure to credit risk is mitigated by placing cash with a recognized financial institution with a superior credit rating. The Mutual's maximum credit risk exposure for its financial instruments is equal to the carrying amount of cash of $3,751 [2020: $4,488].

Liquidity risk

Liquidity risk is the risk that the Mutual will encounter difficulty in meeting the cash flows arising from its financial liabilities. The main liquidity risk relates to the Mutual's accounts payable, amounts payable to related parties and other liabilities. Accounts payable are settled on a short-term basis. Amounts payable to related parties are due on demand, and other liabilities are due on a long-term basis. Effective management of cash and cash equivalents enables the Mutual to minimize costs in accessing funds and meeting its financial obligation.

11. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2021, the Mutual was committed under agreements with charities to pay a total amount of $559 [2020: $1,463]. The minimum payments for the next three fiscal years amount to $359 in 2022, $190 in 2023 and $10 in 2024.

Contingencies

The Mutual is involved in certain legal claims arising in the normal course of business. Management believes that the Mutual has set aside sufficient provisions to cover potential losses in relation to such lawsuits.

12. RELATED PARTY TRANSACTIONS

The Mutual has an amount of $68 as at December 31, 2021 payable to the associate relating to the purchase of shares of the associate from third parties. The Mutual paid $1 in 2021 for the purchase of an investment in the associate. As at December 31, 2021, the Mutual has an amount of $4,088 payable to a subsidiary of the related joint venture, of which $3,628 relates to the repurchase of non-controlling interests.

13. IMPACTS RELATED TO THE COVID-19 PANDEMIC

As of March 2020, the outbreak of the 2019 coronavirus disease ("COVID-19") was considered a global pandemic by the World Health Organization. To contain the pandemic, governments took several measures to reduce the spread of the virus, including travel and non-essential travel restrictions, border closures, cancellations of major cultural and sports events, population lockdown measures and closures of nonessential businesses. These measures have had a significant adverse impact on the global economy and financial markets. To mitigate the negative effects on the economy and financial markets and ensure a measure of stability, governments and central banks have introduced a range of programs to help populations and businesses, and various fiscal and monetary measures. The Mutual continued to implement significant health safety measures to protect employees while carrying on its everyday business.

The pandemic continues to give rise to a high degree of uncertainty as to future developments, making it impossible to reliably assess its duration and total impact on the Mutual's future financial results, including the returns from its investments in the joint venture. The estimates and assumptions used by the Mutual take into account the uncertainty related to the COVID-19 pandemic. Actual results could differ from these estimates and assumptions.

Board of Directors









From left to right

Chair
Jean St-Gelais, Chair of the Board

Vice-Chair
Jacques Cotton, Vice-Chair of the Board

Directors
Hubert Bolduc, President, Investissement Québec International
Olga Farman, Managing Partner — Quebec City office, Norton Rose Fulbright
Carl Gauthier, Corporate Director
Carole Imbeault, Corporate Director
François Latreille — Personal Protective Equipment Procurement File, CHU de Québec
Madeleine Paulin, Corporate Director

Corporate Secretary
Pierre Marc Bellavance

Selection Committee
Jacques Cotton, Chair
François Latreille
Jean St-Gelais

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