

Financial Results

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Management's Statement of Responsibility for Financial Reporting

Management of Loblaw Companies Limited is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements, Management's Discussion and Analysis and all other information in the 2025 Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgments and estimates necessary to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. It also includes ensuring that the financial information presented elsewhere in the 2025 Annual Report is consistent with that in the consolidated financial statements.

Management is also responsible for providing reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced. Management is required to design a system of internal controls and certify as to the design and operating effectiveness of internal control over financial reporting. A dedicated control compliance team reviews and evaluates internal controls, the results of which are shared with management on a quarterly basis.

PricewaterhouseCoopers LLP, whose report follows, were appointed as independent auditors by a vote of the Company's shareholders to audit the consolidated financial statements.

The Board of Directors, acting through an Audit Committee comprised solely of directors who are independent, are responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the shareholders. The Audit Committee meets regularly with senior and financial management, internal auditors and the independent auditors to discuss internal controls, auditing activities and financial reporting matters. The independent auditors and internal auditors have unrestricted access to the Audit Committee. These consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Directors for inclusion in the 2025 Annual Report based on the review and recommendation of the Audit Committee.

Toronto, Canada
February 24, 2026

[signed]

Per Bank

President and Chief Executive Officer

[signed]

Richard Dufresne

Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Loblaw Companies Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Loblaw Companies Limited and its subsidiaries (together, the Company) as at January 3, 2026 and December 28, 2024, and its financial performance and its cash flows for the 53-week year ended January 3, 2026 and for the 52-week year ended December 28, 2024 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of earnings for the 53-week year ended January 3, 2026 and for the 52-week year ended December 28, 2024;
- the consolidated statements of comprehensive income for the 53-week year ended January 3, 2026 and for the 52-week year ended December 28, 2024;
- the consolidated statements of changes in equity for the 53-week year ended January 3, 2026 and for the 52-week year ended December 28, 2024;
- the consolidated balance sheets as at January 3, 2026 and December 28, 2024;
- the consolidated statements of cash flows for the 53-week year ended January 3, 2026 and for the 52-week year ended December 28, 2024; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the 53-week year ended January 3, 2026. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of impairment indicators for fixed assets and right-of-use assets for retail locations

Refer to note 2 – Accounting Policies, note 3 – Critical Accounting Estimates and Judgments, note 13 – Fixed Assets and note 27 – Leases to the consolidated financial statements.

As at January 3, 2026, the Company had fixed assets of \$7,670 million and right-of-use assets of \$8,558 million. At each balance sheet date, management reviews the carrying amounts of its fixed assets and right-of-use assets at the Cash Generating Unit (CGU) level to determine whether there is any indication of impairment. Judgment is used to determine whether an indication of impairment exists; if any such indication exists, the CGU is then tested for impairment. In applying this judgment, management considers profitability of the CGU and other qualitative factors. Management determined that each retail location is a separate CGU for purposes of fixed asset and right-of-use asset impairment testing. The fixed assets and right-of-use assets related to the retail location CGUs represent a significant portion of the Company's fixed assets and right-of-use assets.

Management identified indications of impairment for certain retail location CGUs and therefore an impairment test was performed for these CGUs. An impairment loss is recognized for the amount by which the CGU's carrying value exceeds its recoverable amount.

For the 53-week year ended January 3, 2026, the Company recorded \$27 million of impairment losses on fixed assets and \$19 million of impairment losses on right-of-use assets in respect of 18 retail location CGUs. We considered this a key audit matter due to the judgments made by management in assessing the indications of impairment. This resulted in significant audit effort and subjectivity in performing procedures to assess the indications of impairment.

We considered this a key audit matter due to the judgments made by management in assessing the indications of impairment. This resulted in significant audit effort and subjectivity in performing procedures to assess the indications of impairment.

Our approach to addressing the matter included the following procedures, among others:

- Evaluated management's assessment of indications of impairment, which included the following:
 - Assessed the reasonableness of the profitability of the CGUs on a sample basis by considering the actual historical performance of the CGUs.
 - Assessed other qualitative factors by considering evidence obtained in other areas of the audit.
 - Tested the underlying data used in the indications of impairment assessment on a sample basis by tracing to supporting documentation and testing the mathematical accuracy.
 - Performed a sensitivity analysis over indications of impairment.
- Tested the disclosures made in the consolidated financial statements with regards to the impairment assessments of the retail location CGUs.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the 2025 Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Anita McQuat.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
February 24, 2026

Consolidated Statements of Earnings

For the years ended January 3, 2026 and December 28, 2024
(millions of Canadian dollars except where otherwise indicated)

	2025	2024 ⁽ⁱ⁾
Revenue	\$ 63,903	\$ 60,123
Cost of sales (note 12)	43,871	41,288
Selling, general and administrative expenses	15,608	15,361
Operating income	\$ 4,424	\$ 3,474
Net interest expense and other financing charges (note 7)	742	683
Earnings before income taxes	\$ 3,682	\$ 2,791
Income taxes (note 8)	1,080	731
Net earnings from continuing operations	\$ 2,602	\$ 2,060
Net earnings from discontinued operations	136	215
Net earnings	\$ 2,738	\$ 2,275
Attributable to:		
Shareholders of the Company (note 9)	\$ 2,667	\$ 2,171
Non-controlling interests	71	104
Net earnings	\$ 2,738	\$ 2,275
Net earnings per common share (\$) - Basic⁽ⁱⁱ⁾ (note 9)	\$ 2.24	\$ 1.77
Continuing operations	2.13	1.59
Discontinued operations	0.11	0.18
Net earnings per common share (\$) - Diluted⁽ⁱⁱ⁾ (note 9)	\$ 2.22	\$ 1.75
Continuing operations	2.11	1.58
Discontinued operations	0.11	0.17
Weighted average common shares outstanding (millions)⁽ⁱⁱ⁾ (note 9)		
Basic	1,188.0	1,220.2
Diluted	1,199.4	1,234.1

(i) Adjusted to reflect discontinued operations. See note 5 "Assets Held for Sale and Discontinued Operations".

(ii) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended January 3, 2026 and December 28, 2024
(millions of Canadian dollars)

	2025	2024 ⁽ⁱ⁾
Net earnings from continuing operations	\$ 2,602	\$ 2,060
Other comprehensive (loss) income, net of taxes		
Items that are or may be subsequently reclassified to profit or loss:		
Foreign currency translation gains	\$ 1	\$ 3
Unrealized losses on cash flow hedges (note 28)	(7)	(7)
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial (losses) gains (note 24)	(42)	76
Other comprehensive (loss) income, net of taxes, from continuing operations	\$ (48)	\$ 72
Comprehensive income from continuing operations	\$ 2,554	\$ 2,132
Net earnings from discontinued operations	\$ 136	\$ 215
Other comprehensive (loss) income, net of taxes, from discontinued operations	(3)	1
Comprehensive income from discontinued operations	\$ 133	\$ 216
Total comprehensive income	\$ 2,687	\$ 2,348
Attributable to:		
Shareholders of the Company	\$ 2,616	\$ 2,244
Non-controlling interests	71	104
Total comprehensive income	\$ 2,687	\$ 2,348

(i) Adjusted to reflect discontinued operations. See note 5 "Assets Held for Sale and Discontinued Operations".

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated)	Common Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Fair Value Adjustments	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at December 28, 2024	\$6,196	\$4,748	\$ 115	\$ 44	\$ (18)	\$ 6	\$ 32	\$ 175	\$11,266
Net earnings	\$ —	\$2,667	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 71	\$ 2,738
Other comprehensive income	—	(42)	—	1	(10)	—	(9)	—	(51)
Total comprehensive income	\$ —	\$2,625	\$ —	\$ 1	\$ (10)	\$ —	\$ (9)	\$ 71	\$ 2,687
Common shares purchased and cancelled (note 22)	(192)	(1,889)	—	—	—	—	—	—	(2,081)
Effect of equity-based compensation (note 22 and 25)	67	—	15	—	—	—	—	—	82
Shares purchased and held in trust (note 22)	(6)	(65)	—	—	—	—	—	—	(71)
Shares released from trust (note 22 and 25)	10	39	—	—	—	—	—	—	49
Dividends declared per common share – \$0.551475 ⁽ⁱ⁾ (note 22)	—	(654)	—	—	—	—	—	—	(654)
Net distribution to non-controlling interests	—	—	(4)	—	—	—	—	(82)	(86)
	\$ (121)	\$ 56	\$ 11	\$ 1	\$ (10)	\$ —	\$ (9)	\$ (11)	\$ (74)
Balance as at January 3, 2026	\$6,075	\$4,804	\$ 126	\$ 45	\$ (28)	\$ 6	\$ 23	\$ 164	\$11,192

(millions of Canadian dollars except where otherwise indicated)	Common Share Capital	Preferred Share Capital	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Fair Value Adjustments	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at December 30, 2023	\$ 6,256	\$ 221	\$6,477	\$4,816	\$ 136	\$ 41	\$ (11)	\$ 5	\$ 35	\$ 155	\$11,619
Net earnings	\$ —	\$ —	\$ —	\$2,171	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 104	\$ 2,275
Other comprehensive income	—	—	—	76	—	3	(7)	1	(3)	—	73
Total comprehensive income	\$ —	\$ —	\$ —	\$2,247	\$ —	\$ 3	\$ (7)	\$ 1	\$ (3)	\$ 104	\$ 2,348
Common shares purchased and cancelled (note 22)	(232)	—	(232)	(1,661)	—	—	—	—	—	—	(1,893)
Effect of equity-based compensation (note 22 and 25)	166	—	166	—	(21)	—	—	—	—	—	145
Shares purchased and held in trust (note 22)	(8)	—	(8)	(64)	—	—	—	—	—	—	(72)
Shares released from trust (note 22 and 25)	14	—	14	34	—	—	—	—	—	—	48
Dividends declared per common share – \$0.496250 ⁽ⁱ⁾ (note 22)	—	—	—	(604)	—	—	—	—	—	—	(604)
Dividends declared per preferred share – \$1.325000 (note 22)	—	—	—	(12)	—	—	—	—	—	—	(12)
Impact of preferred share redemption (note 22)	—	(221)	(221)	(8)	—	—	—	—	—	—	(229)
Net distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	(84)	(84)
	\$ (60)	\$ (221)	\$ (281)	\$ (68)	\$ (21)	\$ 3	\$ (7)	\$ 1	\$ (3)	\$ 20	\$ (353)
Balance as at December 28, 2024	\$ 6,196	\$ —	\$6,196	\$4,748	\$ 115	\$ 44	\$ (18)	\$ 6	\$ 32	\$ 175	\$11,266

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Assets		
Current assets		
Cash and cash equivalents (note 10)	\$ 1,002	\$ 1,462
Short term investments	39	648
Accounts receivable (note 11)	1,290	1,455
Credit card receivables (note 5)	—	4,230
Inventories (note 12)	6,491	6,330
Prepaid expenses and other assets	446	376
Assets held for sale (note 5)	5,660	47
Total current assets	\$ 14,928	\$ 14,548
Fixed assets (note 13)	7,670	7,098
Right-of-use assets (note 27)	8,558	8,239
Investment properties (note 14)	57	56
Intangible assets (note 15)	5,160	5,446
Goodwill (note 16)	4,433	4,372
Deferred income tax assets (note 8)	66	118
Other assets (note 17)	705	1,003
Total assets	\$ 41,577	\$ 40,880
Liabilities		
Current liabilities		
Trade payables and other liabilities (note 18)	\$ 7,127	\$ 7,531
Loyalty liability	124	212
Provisions (note 19)	85	252
Income taxes payable	102	86
Demand deposits from customers	—	353
Short term debt	—	800
Long term debt due within one year (note 20)	—	631
Lease liabilities due within one year (note 27)	1,584	1,648
Associate interest	396	255
Liabilities associated with assets held for sale (note 5)	4,452	—
Total current liabilities	\$ 13,870	\$ 11,768
Provisions (note 19)	134	135
Long term debt (note 20)	5,891	7,570
Lease liabilities (note 27)	8,830	8,535
Deferred income tax liabilities (note 8)	1,007	957
Other liabilities (note 21)	653	649
Total liabilities	\$ 30,385	\$ 29,614
Equity		
Share capital (note 22)	\$ 6,075	\$ 6,196
Retained earnings	4,804	4,748
Contributed surplus (note 25)	126	115
Accumulated other comprehensive income	23	32
Total equity attributable to shareholders of the Company	\$ 11,028	\$ 11,091
Non-controlling interests	164	175
Total equity	\$ 11,192	\$ 11,266
Total liabilities and equity	\$ 41,577	\$ 40,880

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended January 3, 2026 and December 28, 2024
(millions of Canadian dollars)

	2025	2024
Operating activities		
Net earnings from total operations	\$ 2,738	\$ 2,275
Add (deduct):		
Income taxes (note 8)	1,126	806
Net interest expense and other financing charges (note 7)	895	821
Adjustments to investment properties (note 5 and 14)	4	27
Depreciation and amortization	2,734	2,966
Asset impairments, net of recoveries (note 13 and 27)	46	32
Change in allowance for credit card receivables (note 5)	(8)	7
Change in provisions (note 19)	(147)	149
Change in non-cash working capital (note 10)	(132)	84
Change in gross credit card receivables (note 5)	(2)	(105)
Income taxes paid	(1,002)	(1,143)
Interest received	20	25
Other	(8)	(142)
Cash flows from operating activities	\$ 6,264	\$ 5,802
Investing activities		
Fixed asset purchases (note 13)	\$ (1,712)	\$ (1,823)
Intangible asset additions (note 15)	(350)	(377)
Purchase of short term investments	(55)	(184)
Proceeds from disposal of assets (note 13 and 27)	262	363
Lease payments received from finance leases	10	13
Disposal of long term securities	100	81
Other	(143)	(94)
Cash flows used in investing activities	\$ (1,888)	(2,021)
Financing activities		
Decrease in bank indebtedness (note 31)	\$ —	\$ (13)
Decrease in short term debt	(150)	(50)
Increase in demand deposits from customers	433	187
Long term debt (note 20)		
Issued (net)	1,059	1,557
Repayments	(640)	(1,202)
Interest paid	(455)	(443)
Cash rent paid on lease liabilities - Interest (note 7 and 27)	(453)	(415)
Cash rent paid on lease liabilities - Principal (note 27)	(1,255)	(1,086)
Dividends paid on common and preferred shares (note 22)	(812)	(459)
Common share capital		
Issued (note 25)	59	147
Purchased and held in trust (note 22)	(69)	(72)
Purchased and cancelled (note 22)	(1,875)	(1,754)
Proceeds from financial liabilities (note 27)	11	—
Preferred share capital		
Purchased and cancelled (note 22)	(225)	—
Tax paid on repurchases of share capital	(37)	—
Other	(32)	(213)
Cash flows used in financing activities	\$ (4,441)	\$ (3,816)
Effect of foreign currency exchange rate changes on cash and cash equivalents	\$ (5)	\$ 9
Change in cash and cash equivalents	\$ (70)	\$ (26)
Cash and cash equivalents, beginning of year	1,462	1,488
Cash and cash equivalents, end of year⁽ⁱ⁾	\$ 1,392	\$ 1,462

(i) The consolidated statement of cash flows is presented on a total operations basis. See note 5 "Assets Held for Sale and Discontinued Operations" for cash flow information related to discontinued operations.

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)

Note 1. Nature and Description of the Reporting Entity

Loblaw Companies Limited is a Canadian public company incorporated in 1956 and is Canada's food and pharmacy leader, and the nation's largest retailer. Its registered office is located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S5. Loblaw Companies Limited and its subsidiaries are together referred to, in these consolidated financial statements, as the "Company" or "Loblaw".

The Company's controlling shareholder is George Weston Limited ("Weston"), which owns approximately 52.6% of the Company's outstanding common shares. The Company's ultimate parent is Wittington Investments, Limited ("Wittington"). The remaining common shares are widely held.

Loblaw provides customers with grocery, pharmacy and healthcare services, other health and beauty products, apparel, general merchandise, and wireless mobile products and services. The Company also provides credit card and everyday banking services and insurance brokerage services.

On December 3, 2025, Loblaw entered into a definitive agreement (the "Transaction Agreement") with EQB Inc. ("EQB") pursuant to which EQB will acquire President's Choice Bank ("PC Bank"), PC Financial Insurance Agency Inc., PC Financial Insurance Broker Inc. and certain other affiliated entities of PC Bank (collectively, "PC Financial") (the "Sale of PC Financial"). EQB will acquire PC Financial for consideration satisfied through a combination of EQB shares and cash, subject to adjustment pursuant to the terms of the Transaction Agreement. Closing is expected to occur within calendar 2026, subject to customary closing conditions and regulatory approvals.

As at January 3, 2026, the assets and liabilities of PC Financial have been classified as held for sale, and PC Financial's results, net of intersegment eliminations, have been presented separately as discontinued operations in the Company's current and comparative results (see note 5). All notes to the consolidated financial statements relate to continuing operations unless indicated otherwise.

In connection with the closing of the Sale of PC Financial, EQB will enter into a long-term strategic relationship with Loblaw pursuant to a commercial agreement to become the exclusive financial partner of the PC Optimum™ loyalty program. Additionally, in connection with the closing of the Sale of PC Financial, EQB and Loblaw will enter into an investor rights agreement pursuant to which Loblaw will have Board of Directors nomination rights, registration rights and pre-emptive rights, and will be subject to a four-year lock-up and a standstill restricting Loblaw and its affiliates from acquiring common shares of EQB if it would bring Loblaw's ownership above 25% of the issued and outstanding EQB common shares.

The Company's continuing retail operations are comprised of several operating segments and now represent the only reportable segment due to the similar nature of the products and services offered. All material operations are carried out in Canada. No additional segment information is reported.

Note 2. Accounting Policies

Statement of Compliance The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards" or "GAAP") and using the accounting policies described herein.

These consolidated financial statements were approved for issuance by the Company's Board of Directors ("Board") on February 24, 2026.

Basis of Presentation The material accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements for all years presented.

The consolidated financial statements are presented in Canadian dollars.

In the third quarter of 2025, the Company completed a four-for-one stock split of its outstanding common shares. The stock split was implemented by way of a stock dividend, with shareholders receiving three additional common shares for each common share held. The stock split was effective at the close of business on August 18, 2025, for shareholders of record as of the close of business on August 14, 2025. All share, equity award and per share amounts presented herein have been retrospectively adjusted to reflect the stock split (see notes 22 and 25).

Fiscal Year The fiscal year of the Company ends on the Saturday closest to December 31. Under an accounting convention common in the retail industry, the Company follows a 52-week reporting cycle, which periodically necessitates a fiscal year of 53 weeks. The year ended January 3, 2026 contained 53 weeks and the year ended December 28, 2024 contained 52 weeks.

Basis of Consolidation The consolidated financial statements include the accounts of the Company and other entities that the Company controls. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company assesses control on an ongoing basis.

Structured entities are entities controlled by the Company which were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are consolidated if, based on an evaluation of the substance of its relationship with the Company, the Company concludes that it controls the structured entity. Structured entities controlled by the Company were established under terms that impose strict limitations on the decision-making powers of the structured entities' management and that results in the Company receiving the majority of the benefits related to the structured entities' operations and net assets, being exposed to the majority of risks incident to the structured entities' activities, and retaining the majority of the residual or ownership risks related to the structured entities or their assets.

Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

Non-controlling interests are recorded in the consolidated financial statements and represent the non-controlling shareholders' equity in an entity consolidated by the Company for which the Company's ownership is less than 100%. Transactions with non-controlling interests are treated as transactions with equity owners of the Company. Changes in the Company's ownership interest in its subsidiaries are accounted for as equity transactions.

Loblaw consolidates the licensed associates ("Associates"), as well as the franchisees of its food retail stores that are subject to a simplified franchise agreement implemented in 2015. An "Associate" is a pharmacist-owner of a corporation that is licensed to operate a retail drug store at a specific location using the Company's trademarks. The consolidation of Associates and franchisees is based on the concept of control, for accounting purposes, which was determined to exist through the agreements that govern the relationships between the Company and the Associates and franchisees. Loblaw does not have any direct or indirect shareholdings in the corporations that operate the Associates. Associate interest reflects the investment the Associates have in the net assets of their businesses. Under the terms of the Associate Agreements, Shoppers Drug Mart Inc. (or an affiliate thereof) agrees to purchase the assets that the Associates use in store operations, primarily at the carrying value to the Associate, when Associate Agreements are terminated by either party. The Associates' corporations and the franchisees remain separate legal entities.

Business Combinations Business combinations are accounted for using the acquisition method as of the date when control is transferred to the Company. The Company measures goodwill as the excess of the sum of the fair value of the consideration transferred over the net identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. Transaction costs that the Company incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Net Earnings per Common Share Basic net earnings per common share ("EPS") is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by adjusting the net earnings available to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive instruments.

Revenue Recognition The Company recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which the Company expects to be entitled to.

Retail Retail revenue includes the sale of goods and services to customers through corporate, franchise-owned retail food and Associate-owned drug stores, which includes in-store pharmacies, health care services and other health and beauty products, apparel and other general merchandise. Revenue is measured at the amount of consideration to which the Company expects to be entitled to, net of estimated returns and sales incentives. The Company recognizes revenue made through corporate, franchise and Associate stores at the time the point of sale is made or when service is delivered to the customers. The Company recognizes revenue made through independent wholesale customers at the time of delivery of inventory.

For certain sale of goods in which the Company earns commissions, including but not limited to lottery and third party gift cards, the Company records net revenue as an agent on the basis that the Company does not control pricing or bear inventory risk.

Financial Services Financial Services revenue includes interest income on credit card loans, credit card membership fees and service fees, commissions, and other revenue related to financial services. Interest income is recognized using the effective interest method. Credit card membership fees and service fees are recognized when services are rendered. Commission revenue is recorded on a net basis. Other revenue is recognized periodically or according to contractual provisions.

Income Taxes Current and deferred taxes are recognized in the consolidated statement of earnings, except for current and deferred taxes related to a business combination, or amounts charged directly to equity or other comprehensive income, which are recognized in the consolidated balance sheet.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the asset and liability method of accounting on temporary differences arising between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. Deferred tax is measured using enacted or substantively enacted income tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. A deferred tax asset is recognized for temporary differences as well as unused tax losses and credits to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxable entities where the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recorded on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

As at January 3, 2026, the Company applied the temporary exception and does not recognize or disclose information about deferred tax assets and liabilities related to enacted legislation that implements the Organization for Economic Co-operation and Development ("OECD") Pillar Two model rules ("Pillar Two").

Cash Equivalents Cash equivalents consist of highly liquid marketable investments such as government treasury bills with an original maturity date of 90 days or less from the date of acquisition. Credit card and debit card transactions that typically process in three days or less are also classified as cash equivalents.

Short Term Investments Short term investments are investments in highly liquid and rated certificates of deposit, commercial paper or other securities, primarily Canadian and United States government securities and notes of other creditworthy parties, with an original term to maturity of more than 90 days and remaining term to maturity of less than one year from the date of acquisition.

Credit Card Receivables The Company, through PC Bank, a wholly owned subsidiary of the Company, has credit card receivables that are stated net of an allowance. Interest income is recorded in revenue and interest expense is recorded in net interest expense and other financing charges using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash receipts through the expected life of the credit card receivable (or, where appropriate, a shorter period) to the carrying amount. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For credit-impaired credit card receivables, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The Company applies the expected credit loss (“ECL”) model to assess impairment on its credit card receivables at each balance sheet date. Credit card receivables are assessed collectively for impairment by applying the three-stage approach. Refer to the Impairment of Financial Assets policy for details of each stage. The application of the ECL model requires PC Bank to apply significant judgments, assumptions and estimations. Refer to the Impairment of Credit Card Receivables policy.

Impairment losses and reversals are recorded in selling, general and administrative expenses (“SG&A”) in the consolidated statements of earnings with the carrying amount of the credit card receivables adjusted through the use of allowance accounts.

The Company, through PC Bank, participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. PC Bank maintains and monitors co-ownership interest in credit card receivables with independent securitization trusts, in accordance with its financing requirements. PC Bank is required to absorb a portion of the related credit losses. As a result, Loblaw has not transferred all of the risks and rewards related to these assets and continues to recognize these assets in credit card receivables. The transferred receivables are accounted for as financing transactions. The associated liabilities secured by these assets are included in either short term debt or long term debt based on their characteristics and are carried at amortized cost. Loblaw provides a standby letter of credit for the benefit of the independent securitization trusts.

Eagle Credit Card Trust PC Bank participates in a single seller revolving co-ownership securitization program with Eagle Credit Card Trust (“Eagle”) and continues to service the credit card receivables on behalf of Eagle, but does not receive any fee for its servicing obligations and has a retained interest in the securitized receivables represented by the right to future cash flows after obligations to investors have been met. The Company consolidates Eagle as a structured entity.

Other Independent Securitization Trusts The Other Independent Securitization Trusts administer multi-seller, multi-asset securitization programs that acquire assets from various participants, including credit card receivables from PC Bank. These trusts are managed by major Canadian chartered banks. PC Bank does not control the trusts through voting interests and does not exercise any control over the trusts’ management, administration or assets. The activities of these trusts are conducted on behalf of the participants and each trust is a conduit through which funds are raised to purchase assets through the issuance of senior and subordinated short term and medium term asset backed notes. These trusts are unconsolidated structured entities.

Inventories The Company values inventories at the lower of cost and net realizable value.

Cost includes the costs of purchases net of vendor allowances plus other costs, such as transportation, that are directly incurred to bring inventories to their present location and condition. The cost of inventories are measured at weighted average cost.

The Company estimates net realizable value as the amount that inventories are expected to be sold taking into consideration fluctuations in retail prices due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period that these costs are incurred.

Vendor Allowances The Company receives allowances from certain of its vendors whose products it purchases. These allowances are received for a variety of buying and/or merchandising activities, including vendor programs such as volume purchase allowances, purchase discounts, listing fees and exclusivity allowances. Allowances received from a vendor are a reduction in the cost of the vendor's products and services, and are recognized as a reduction in the cost of sales and the related inventory in the consolidated statement of earnings and the consolidated balance sheet, respectively, when it is probable that they will be received and the amount of the allowance can be reliably estimated. Amounts received but not yet earned are presented in other liabilities as deferred vendor allowances.

Certain exceptions apply if the consideration is a payment for goods or services delivered to the vendor or for direct reimbursement of selling costs incurred to promote goods. The consideration is then recognized as a reduction of the cost incurred in the consolidated statements of earnings.

Assets Held for Sale and Discontinued Operations Non-current assets or disposal groups are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of the carrying amount or fair value less cost to sell and are not depreciated. The fair value measurement of assets held for sale is categorized within Level 2 of the fair value hierarchy. Assets that were previously classified as investment properties are measured using the fair value model consistent with properties classified as investment properties.

The Company classifies as discontinued operations a component or an entity that has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in net earnings from discontinued operations in the consolidated statements of earnings. Comparative amounts are re-presented as if the operation had been discontinued from the beginning of the comparative year.

Fixed Assets Fixed assets are recognized and subsequently measured at cost less accumulated depreciation and any net accumulated impairment losses.

Borrowing costs directly attributable to the acquisition, construction or production of fixed assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings, are capitalized to the cost of those fixed assets, based on a quarterly weighted average cost of borrowing. All other borrowing costs are expensed as incurred and recognized in net interest expense and other financing charges.

Gains and losses on disposal of fixed assets are determined by comparing the fair value of proceeds from disposal with the net book value of the assets and are recognized net, in operating income. For transactions in which the sale of a fixed asset satisfies the requirements of IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), and the asset is leased back by the Company, the Company recognizes, in operating income, only the amount of gains or losses that relate to the rights transferred to the purchaser.

Fixed assets are depreciated on a straight-line basis over their estimated useful lives to their estimated residual value when the assets are available for use. When significant parts of a fixed asset have different useful lives, they are accounted for as separate components and depreciated separately. Estimated useful lives are as follows:

Buildings	10 to 40 years
Equipment and fixtures	2 to 20 years
Building improvements	up to 10 years
Leasehold improvements	Lesser of term of the lease and useful life up to 25 years ⁽ⁱ⁾

(i) If it is reasonably certain that the Company will obtain ownership of the leased asset by the end of the lease term, the associated leasehold improvements are depreciated over the useful life of the asset on the same basis as owned assets.

Fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Refer to the Impairment of Non-Financial Assets policy.

Leases

As a Lessee At inception of a contract, the Company determines whether a contract is or contains a lease. When a contract contains both lease and non-lease components, the Company will allocate the consideration in the contract to each of the components on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Relative stand-alone prices are determined by maximizing the most observable supplier prices for a similar asset and/or service.

The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate are recognized in cost of sales and SG&A on the most systematic basis.

The measurement of lease liabilities includes the fixed and in-substance fixed payments and variable lease payments that depend on an index or a rate, less any lease incentives receivable. If applicable, lease liabilities will also include a purchase option exercise price if the Company is reasonably certain to exercise that option, termination penalties if the lease term also reflects the termination option and amounts expected to be payable under a residual value guarantee. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in management's assessment of whether it will exercise a renewal or termination option or a change in future lease payments due to a change in index or rate. Right-of-use assets are adjusted by the same remeasurement amount.

Right-of-use assets are measured at the initial amount of the lease liabilities plus any initial direct costs, lease payments made at or before the commencement date net of lease incentives received, and decommissioning costs. Subsequent to initial measurement, the Company applies the cost model with the exception of the fair value model application to right-of-use assets that meet the definition of investment properties. Right-of-use assets are measured at cost less accumulated depreciation, net accumulated impairment losses, and any remeasurements of lease liabilities. The assets are depreciated on a straight-line basis over the earlier of the assets' useful lives or the end of the lease terms. Right-of-use assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Refer to the Impairment of Non-Financial Assets policy.

Discount rates used in the present value calculation are the interest rates implicit in the leases, or if the rates cannot be readily determined, the Company's incremental borrowing rates. Lease terms applied are the contractual non-cancellable periods of the leases plus periods covered by an option to renew the leases if the Company is reasonably certain to exercise that option and the periods covered by an option to terminate the leases if the Company is reasonably certain not to exercise that option.

For sale and leaseback transactions, the Company applies the requirements of IFRS 15 to determine whether the transfer of the asset should be accounted for as a sale. If the transfer of the asset is a sale in accordance with IFRS 15, the Company will measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. If the transfer of the asset is not a sale in accordance with IFRS 15, the Company will continue to account for the asset under International Accounting Standard ("IAS") 16, "Property, Plant and Equipment" and recognize the proceeds received as financial liabilities.

Investment Properties Investment properties are properties owned by the Company that are held to either earn rental income, for capital appreciation, or both. The Company's investment properties include single tenant properties held to earn rental income and certain multiple tenant properties. Land and buildings leased to franchisees are not accounted for as investment properties as these properties are related to the Company's operating activities.

Investment property assets are measured using the fair value model. Under the fair value model, investment properties are initially measured at cost and subsequently measured at fair value. Gains and losses arising from changes in the fair value are recognized in operating income in the period in which they arise. Gains and losses from disposal of investment properties are determined by comparing the fair value of disposal proceeds and the carrying amount and are recognized in operating income.

When a property changes from own use to investment property, the property is remeasured to fair value. Any gain arising from the remeasurement is recognized in operating income to the extent that it reverses a previous impairment loss on that property, with any remaining gain recognized in other comprehensive income. Any loss on remeasurement is recognized in operating income. All subsequent changes in fair value of the property are recognized in operating income. Upon sale of an investment property that was previously classified as fixed assets, amounts included in the revaluation reserve are transferred to retained earnings.

When an investment property carried at fair value changes to own use, the property is recognized in fixed assets at the fair value at the date of change in use. The property is subsequently accounted for under the accounting policy for fixed assets.

Goodwill Goodwill arising in a business combination is recognized as an asset at the date that control is acquired. Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment on an annual basis or more frequently if there are indicators that goodwill may be impaired as described in the Impairment of Non-Financial Assets policy.

Intangible Assets Intangible assets with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses. These intangible assets are amortized on a straight-line basis over their estimated useful lives and are tested for impairment as described in the Impairment of Non-Financial Assets policy. Useful lives, residual values and amortization methods for intangible assets with finite useful lives are reviewed at least annually. Amortization expense for intangible assets is recognized in SG&A. Estimated useful lives are as follows:

Software	3 to 10 years
Prescription files	7 to 8 years
Loyalty program	18 years
Customer relationships	5 to 20 years

Indefinite life intangible assets are measured at cost less any accumulated impairment losses. These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired as described in the Impairment of Non-Financial Assets policy.

Impairment of Non-Financial Assets At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets at the cash generating unit (“CGU”) level, other than inventories, deferred tax assets and investment properties, to determine whether there is any indication of impairment. If any such indication exists, the asset is then tested for impairment by comparing its recoverable amount to its carrying value. Goodwill and indefinite life intangible assets are tested for impairment at least annually.

For the purpose of impairment testing, assets, including right-of-use assets, are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets. This grouping is referred to as a CGU. The Company has determined that each retail location is a separate CGU for purposes of impairment testing.

Goodwill arising from a business combination is tested for impairment at the minimum grouping of CGUs that are expected to benefit from the synergies of the business combination from which the goodwill arose.

The recoverable amount of a CGU or CGU grouping is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows from the CGU or CGU grouping discounted to their present value using a pre-tax discount rate in a discounted cash flow model that reflects current market assessments of the time value of money and the risks specific to the CGU or CGU grouping. If the CGU or CGU grouping includes right-of-use assets in its carrying amount, the pre-tax discount rate reflects the risks associated with the exclusion of lease payments from the estimated future cash flows. The fair value less costs to sell reflects the amount that could be obtained from the disposal of the CGU or CGU grouping in an arm’s length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

An impairment loss is recognized if the carrying amount of a CGU or CGU grouping exceeds its recoverable amount. For asset impairments other than goodwill, the impairment loss reduces the carrying amounts of the non-financial assets in the CGU on a pro-rata basis, up to an asset’s individual recoverable amount. Any loss identified from goodwill impairment testing is first applied to reduce the carrying amount of goodwill allocated to the CGU grouping, and then to reduce the carrying amounts of the other non-financial assets in the CGU or CGU grouping on a pro-rata basis.

For assets other than goodwill, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

Impairment losses and reversals are recognized in SG&A.

Customer Loyalty Awards Program The Company defers revenue at the time the award is earned by loyalty program members (“members”) based on the relative fair value of the award. The relative fair value is determined by allocating consideration between the fair value of the loyalty awards earned by members, net of breakage, and the goods and services on which the awards were earned, based on their relative stand-alone selling price. The estimated fair value per point for the *PC Optimum* loyalty program is determined based on the program reward schedule and is \$1 for every 1,000 points earned. The breakage rate of the program is an estimate of the amount of points that will never be redeemed. The rate is reviewed on an ongoing basis and is estimated utilizing historical redemption activity and anticipated earn and redeem behaviour of members. The majority of the Company’s loyalty liability, a contract liability, is expected to be redeemed and recognized as revenue within one year of issuance.

Financial Instruments and Derivative Financial Instruments Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Upon initial recognition, financial instruments, including derivatives and embedded derivatives in certain contracts, are measured at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified as fair value through profit or loss.

Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using valuation methodologies, primarily discounted cash flows taking into account external market inputs where possible. The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

The following table summarizes the classification and measurement of the Company's financial assets and liabilities:

Asset / Liability	Classification / Measurement
Cash and cash equivalents	Amortized cost
Short term investments	Amortized cost
Accounts receivable	Amortized cost
Credit card receivables	Amortized cost
Certain other assets	Amortized cost / fair value through profit and loss
Long term securities	Fair value through other comprehensive income
Bank indebtedness	Amortized cost
Trade payables and other liabilities	Amortized cost
Demand deposits from customers	Amortized cost
Short term debt	Amortized cost
Long term debt	Amortized cost
Associate interest	Amortized cost
Certain other liabilities	Amortized cost
Derivatives	Fair value through profit and loss / fair value through other comprehensive income

Financial derivative instruments in the form of forwards and futures, as well as non-financial derivatives in the form of futures contracts, options contracts and forward contracts, are recorded at fair value on the consolidated balance sheet. The Company does not use derivative instruments for speculative purposes. Embedded derivatives are separated from the host contract and accounted for separately on the consolidated balance sheet at fair value if the host contract is not a financial asset. Derivative instruments are recorded in current or non-current assets and liabilities based on their remaining terms to maturity. All changes in fair values of the derivative instruments are recorded in net earnings unless the derivative qualifies and is effective as a hedging item in a designated hedging relationship.

The Company has cash flow hedges which are used to manage exposure to fluctuations in foreign currency exchange and interest rates. The effective portion of the change in fair value of the hedging item is recorded in other comprehensive income. If the change in fair value of the hedging item is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded in net earnings. Amounts accumulated in other comprehensive income are reclassified to net earnings when the hedged item is recognized in net earnings. The Company ensures that the hedge accounting relationships are aligned with the Company's risk management objectives and strategy and applies a more qualitative and forward-looking approach to assessing hedge effectiveness. The Company's risk management strategy and hedging activities are disclosed in note 28 "Financial Instruments" and note 29 "Financial Risk Management".

Gains and losses on financial assets and financial liabilities classified as fair value through profit and loss ("FVTPL") are recognized in net earnings in the period in which they are incurred. Settlement date accounting is used to account for the purchase and sale of financial assets. Gains or losses between the trade date and settlement date on FVTPL financial assets are recorded in net earnings. Financial instruments classified as fair value through other comprehensive income ("FVOCI") are measured at fair value with changes in fair value recorded in other comprehensive income in the period in which they arise. Subsequent changes in fair value are accumulated in other comprehensive income and are reclassified to the consolidated statement of earnings as the financial asset or liability is derecognized.

Valuation Process The determination of the fair value of financial instruments is performed by the Company's treasury and financial reporting departments on a quarterly basis. There was no change in the valuation techniques applied to financial instruments during the current year. The following table describes the valuation techniques used in the determination of the fair values of financial instruments:

Type	Valuation Approach
Cash and cash equivalents, short term investments, accounts receivable, credit card receivables, bank indebtedness, trade payables and other liabilities, demand deposits from customers and short term debt	The carrying amount approximates fair value due to the short term maturity of these instruments.
Derivatives	Specific valuation techniques used to value derivative financial instruments include: <ul style="list-style-type: none"> • Quoted market prices or dealer quotes for similar instruments; and • The fair values of other derivative instruments are determined based on observable market information as well as valuations determined by external valuers with experience in financial markets.
Long term debt and certain other financial instruments	The fair value is based on the present value of contractual cash flows, discounted at the Company's current incremental borrowing rate for similar types of borrowing arrangements or, where applicable, quoted market prices.

Impairment of Financial Assets The Company applies a forward-looking ECL model at each balance sheet date to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments.

The ECL model applied to financial assets requires judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. Consideration of how changes in economic factors affect ECLs are determined on a probability-weighted basis.

Impairment losses and reversals are recorded in SG&A with the carrying amount of the financial asset or group of financial assets adjusted through the use of allowance accounts.

Foreign Currency Translation The functional currency of the Company is the Canadian dollar.

Transactions in foreign currencies are translated into the functional currency at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are transacted. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the balance sheet date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognized in operating income.

The assets and liabilities of foreign operations that have a functional currency different from that of the Company, including goodwill and fair value adjustments arising on acquisition, are translated into the functional currency at the foreign currency exchange rate in effect at the balance sheet date. Revenues and expenses of foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are transacted. The resulting foreign currency exchange gains or losses are recognized in the foreign currency translation adjustment as part of other comprehensive income. When such foreign operation is disposed of, the related foreign currency translation reserve is recognized in net earnings as part of the gain or loss on disposal. On the partial disposal of such foreign operation, the relevant proportion is reclassified to net earnings.

Defined Benefit Post-Employment Plans The Company has a number of contributory and non-contributory defined benefit post-employment plans providing pension and other benefits to eligible employees. The defined benefit pension plans provide a pension based on length of service and eligible pay. The other defined benefits include health care, life insurance and dental benefits provided to eligible employees who retire at certain ages having met certain service requirements. The Company's net defined benefit plan obligations (assets) for each plan are actuarially calculated by a qualified actuary at the end of each annual reporting period using the projected unit credit method pro-rated based on service and management's best estimate of the discount rate, the rate of compensation increase, retirement rates, termination rates, mortality rates and expected growth rate of health care costs. The discount rate used to value the defined benefit plan obligation is based on high quality corporate bonds denominated in the same currency with cash flows that match the terms of the defined benefit plan obligations. Past service costs (credits) arising from plan amendments are recognized in operating income in the year that they arise. The actuarially determined net interest costs on the net defined benefit plan obligation are recognized in net interest expense and other financing charges.

The fair values of plan assets are deducted from the defined benefit plan obligations to arrive at the net defined benefit plan obligations (assets). For plans that result in a net defined benefit asset, the recognized asset is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan ("asset ceiling"). If it is anticipated that the Company will not be able to recover the value of the net defined benefit asset, after considering minimum funding requirements, the net defined benefit asset is reduced to the amount of the asset ceiling. When the payment in the future of minimum funding requirements related to past service would result in a net defined benefit surplus or an increase in a surplus, the minimum funding requirements are recognized as a liability to the extent that the surplus would not be fully available as a refund or a reduction in future contributions.

Remeasurements including actuarial gains and losses, the effect of the asset ceiling (if applicable) and the impact of any minimum funding requirements are recognized through other comprehensive income and subsequently reclassified from accumulated other comprehensive income to retained earnings.

The Company also participates in pension plans with Weston. The Company has established a stated policy to allocate the net defined benefit cost to the Company and Weston based on the obligation attributable to plan participants, provided by a third-party actuary. Both the service cost and contribution to be paid are determined based on the actuarial valuation.

Other Long Term Employee Benefit Plans The Company offers other long term employee benefits including contributory long term disability benefits and non-contributory continuation of health care and dental benefits to employees who are on long term disability leave. As the amount of the long term disability benefit does not depend on length of service, the obligation is recognized when an event occurs that gives rise to an obligation to make payments. The accounting for other long term employee benefit plans is similar to the method used for defined benefit plans except that all actuarial gains and losses are recognized in operating income.

Defined Contribution Plans The Company maintains a number of defined contribution pension plans for employees in which the Company pays fixed contributions for eligible employees into a registered plan and has no further significant obligation to pay any further amounts. The costs of benefits for defined contribution plans are expensed as employees have rendered service.

Multi-Employer Pension Plans The Company participates in multi-employer pension plans ("MEPPs") which are accounted for as defined contribution plans. The Company's responsibility to make contributions to these plans is limited to amounts established pursuant to its collective agreements. Defined benefit MEPPs are accounted for as defined contribution plans as adequate information to account for the Company's participation in the plans is not available due to the size and number of contributing employers in the plans. The contributions made by the Company to MEPPs are expensed as contributions are due.

Equity-Settled Equity-Based Compensation Plans Stock options, Restricted Share Units (“RSUs”), Performance Share Units (“PSUs”), Director Deferred Share Units (“DSUs”) and Executive Deferred Share Units (“EDSUs”) issued by the Company are substantially all settled in common shares and are accounted for as equity-settled awards.

Stock options outstanding have a seven year term to expiry, vest 20% cumulatively on each anniversary date of the grant and are exercisable at the designated common share price, which is based on the greater of the volume weighted average trading price of the Company’s common share for either the five trading days prior to the date of grant or the trading day immediately preceding the grant date. The fair value of each tranche of options granted is measured separately at the grant date using a Black-Scholes option pricing model, and includes the following assumptions:

- The expected dividend yield is estimated based on the expected annual dividend prior to the option grant date and the closing share price as at the option grant date;
- The expected share price volatility is estimated based on the Company’s historical volatility over a period consistent with the expected life of the options;
- The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the grant date for a term to maturity equal to the expected life of the options; and
- The effect of expected exercise of options prior to expiry is incorporated into the weighted average expected life of the options, which is based on historical experience and general option holder behaviour.

RSUs and PSUs vest after the end of a three year performance period. The number of PSUs that vest is based on the achievement of specified performance measures. The fair value of each RSU and PSU granted is measured separately at the grant date based on the market value of a Loblaw common share. Dividends paid may be reinvested in RSUs and PSUs and are treated as capital transactions.

The Company established a trust for each of the RSU and PSU plans to facilitate the purchase of shares for future settlement upon vesting. The Company is the sponsor of the respective trusts and has assigned Computershare Trust Company of Canada as the trustee. The trusts are considered structured entities and are consolidated in the Company’s financial statements with the cost of the acquired shares recorded at book value as a reduction to share capital. Any premium on the acquisition of the shares above book value is applied to retained earnings until the shares are issued to settle RSU and PSU plan obligations.

Members of the Board, who are not management of the Company, may elect to receive a portion of their annual retainers and fees in the form of DSUs. Eligible executives of the Company may elect to defer up to 100% of the Short Term Incentive Plan earned in any year into the EDSU plan. Dividends paid earn fractional DSUs and EDSUs, respectively and are treated as capital transactions. DSUs and EDSUs vest upon grant.

The compensation expense for equity-settled plans is prorated over the vesting or performance period, with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures.

Upon exercise of options, the amount accumulated in contributed surplus for the award plus the cash received upon exercise is recognized as an increase in share capital. Upon settlement of RSUs and PSUs, the amount accumulated in contributed surplus for the award is reclassified to share capital, with any premium or discount applied to retained earnings.

Employee Share Ownership Plan The Company’s contributions to the Employee Share Ownership Plan (“ESOP”) are measured at cost and recorded as compensation expense in operating income when the contribution is made. The ESOP is administered through a trust which purchases the Company’s common shares on the open market on behalf of its employees.

Note 3. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make estimates and judgments in applying the Company's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key estimation uncertainty that the Company believes could have the most significant impact on the amounts recognized in the consolidated financial statements. The Company's accounting policies are disclosed in note 2 "Accounting Policies".

Consolidation

Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining the entities that it controls and therefore consolidates. The Company controls an entity when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entity's returns. The Company consolidates all of its wholly owned subsidiaries. Judgment is applied in determining whether the Company controls the entities in which it does not have ownership rights or does not have full ownership rights. Most often, judgment involves reviewing contractual rights to determine if rights are participating (giving power over the entity) or protective rights (protecting the Company's interest without giving it power).

Inventories

Key Estimations Inventories are carried at the lower of cost and net realizable value which requires the Company to utilize estimates related to fluctuations in shrink, future retail prices, the impact of vendor rebates on cost, seasonality and costs necessary to sell the inventory.

Impairment of Non-Financial Assets (Goodwill, Intangible Assets, Fixed Assets and Right-of-Use Assets)

Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining CGUs for the purpose of testing fixed assets, right-of-use assets and intangible assets for impairment. Judgment is also used to determine the goodwill CGUs for the purpose of testing goodwill for impairment. The Company has determined that each retail location is a separate CGU. Intangible assets are allocated to the CGUs (or groups of CGUs) to which they relate. Goodwill is allocated to CGUs (or groups of CGUs) based on the level at which management monitors goodwill, which cannot be higher than an operating segment. The allocation of goodwill is made to CGUs (or groups of CGUs) that are expected to benefit from the synergies and future growth of the business combination from which they arose. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed. In applying this judgment management considers profitability of the CGU and other qualitative factors.

Key Estimations In determining the recoverable amount of a CGU or a group of CGUs, various estimates are employed. The Company determines fair value less costs to sell using such estimates as market rental rates for comparable properties, discount rates and capitalization rates. The Company determines value in use by using estimates including projected future sales and earnings, and discount rates consistent with external industry information reflecting the risk associated with the specific cash flows.

Impairment of Credit Card Receivables

Judgments Made in Relation to Accounting Policies Applied and Key Estimations In each stage of the ECL model, impairment is determined based on the probability of default, loss given default, and expected exposures at default on drawn and undrawn exposures on credit card receivables. The application of the ECL model requires management to apply the following significant judgments, assumptions and estimations:

- Movement of impairment measurement between the three stages of the ECL model, based on the assessment of the increase in credit risks on credit card receivables. The assessment of changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss experience and external credit scores;
- Thresholds for significant increase in credit risk based on changes in probability of default over the expected life of the instrument relative to initial recognition; and
- Forecasts of future economic conditions, namely the unemployment rate. Management uses an average of unemployment rate forecasts published by major Canadian Chartered Banks and the Conference Board of Canada to establish the base case scenario and other representative ranges of possible forecast scenarios.

Customer Loyalty Awards Program

Key Estimations The Company defers revenue at the time the award is earned by members based on the relative fair value of the award. The relative fair value is determined by allocating consideration between the fair value of the loyalty awards earned by members, net of breakage, and the goods and services on which the awards were earned, based on their relative stand-alone selling price. The estimated fair value per point for the *PC Optimum* loyalty program is determined based on the program reward schedule and is \$1 for every 1,000 points earned. The breakage rate of the program is an estimate of the amount of points that will never be redeemed. The rate is reviewed on an ongoing basis and is estimated utilizing historical redemption activity and anticipated earn and redeem behaviour of members. In 2024, the Company recorded a charge of \$129 million related to the revaluation of the loyalty liability for outstanding points.

Income and Other Taxes

Judgments Made in Relation to Accounting Policies Applied The calculation of current and deferred income taxes requires management to make certain judgments including expectations about future operating results, the timing and reversal of temporary differences, and the interpretation of tax rules in jurisdictions where the Company performs activities. Where the amount of tax payable or recoverable is uncertain, the Company establishes provisions based on the most likely amount of the liability or recovery.

Segment Information

Judgments Made in Relation to Determining the Aggregation of Operating Segments The Company uses judgment in assessing the criteria used to determine the aggregation of operating segments. The Retail reportable operating segment consists of several operating segments comprised primarily of food retail and Associate-owned drug stores, and also includes in-store pharmacies and healthcare services and other health and beauty products, apparel and other general merchandise. The Company has aggregated its retail operating segments on the basis of their similar economic characteristics, customers and nature of products. This similarity in economic characteristics reflects the fact that the Company's retail operating segments operate primarily in Canada and are therefore subject to the same economic market pressures and regulatory environment. The Company's retail operating segments are subject to similar competitive pressures such as price and product innovation and assortment from existing competitors and new entrants into the marketplace. The similar economic characteristics also include the provision of centralized, common functions such as marketing and information technology ("IT") across all retail operating segments.

The retail operating segments' customer profile is primarily individuals who are purchasing goods for their own or their family's personal needs and consumption. The nature of products and the product assortment sold by each of the retail operating segments is also similar and includes grocery, pharmaceuticals, cosmetics, electronics and housewares. The aggregation of the retail operating segments reflects the nature and financial effects of the business activities in which the Company engages and the economic environment in which it operates. Therefore, there is only one reportable segment and no additional segment information is reported.

Provisions

Judgments made in Relation to Accounting Policies Applied and Key Estimations The recording of provisions requires management to make certain judgments regarding whether there is a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and if a reliable estimate of the amount of the obligation can be made. The Company has recorded provisions primarily in respect of self-insurance and legal claims. The Company reviews the merits, risks and uncertainties of each provision, based on current information, and the amount expected to be required to settle the obligation. Provisions are reviewed on an ongoing basis and are adjusted accordingly when new facts and events become known to the Company.

Leases

Judgments Made in Relation to Accounting Policies Applied Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds, store performances, past business practice and the length of time remaining before the option is exercisable. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew. Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may impact management's assessment of lease terms, and any changes in management's estimate of lease terms may have a material impact on the Company's consolidated balance sheets and statements of earnings.

Key Estimations In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate using a base risk-free interest rate estimated by reference to the Government of Canada bond yield with an adjustment that reflects the Company's credit rating, the security, lease term and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change due to changes in the business and macroeconomic environment.

Note 4. Future Accounting Standards and Amendments

Amendments to IFRS 9 and IFRS 7 In May 2024, amendments to IFRS 9, “Financial Instruments” (“IFRS 9”) and IFRS 7, “Financial Instruments: Disclosures” (“IFRS 7”) were issued. The amendments clarify the timing of recognition and derecognition for a financial asset or financial liability, including clarifying that a financial liability is derecognized on the settlement date. In addition to these clarifications, the amendments introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specific conditions are met. Also included in the amendments, are clarifications regarding the classification of financial assets, including those with features linked to environmental, social and corporate governance. Under the amendments, additional disclosures are required for financial instruments with contingent features and investments in equity instruments classified at fair value through other comprehensive income. These amendments are effective for annual reporting periods beginning on or after January 1, 2026. The adoption is not expected to have a material impact on the Company’s consolidated financial statements.

Amendments to IFRS 9 and IFRS 7 In December 2024, amendments to IFRS 9 and IFRS 7 were issued to enhance the transparency of nature-dependent electricity contracts. The amendments allow a company to apply an own-use exemption to certain power purchase agreements if certain requirements are met. The amendments require further disclosure where an own-use exemption is applied regarding the contractual features exposing the company to variability in electricity volume and risk of oversupply, unrecognized contractual commitments and the effect of the contracts on an entity’s financial performance. The amendments are effective for annual reporting periods beginning on or after January 1, 2026. The adoption is not expected to have a material impact on the Company’s consolidated financial statements.

IFRS 18, “Presentation and Disclosure in Financial Statements” (“IFRS 18”), has been issued to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1, “Presentation of Financial Statements”, impacts the presentation of primary financial statements and notes, mainly the income statement where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. IFRS 18 will require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and requires retrospective application. The Company is currently assessing the impact of the new standard.

Note 5. Assets Held for Sale and Discontinued Operations

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Assets held for sale	\$ 5,660	\$ 47
PC Financial	5,654	—
Other ⁽ⁱ⁾	6	47
Liabilities associated with assets held for sale	\$ 4,452	\$ —
PC Financial	4,452	—

(i) The Company classifies certain assets, primarily land and buildings, that it expects to sell in the next 12 months, as assets held for sale. These assets were either originally used or held in investment properties. In 2025, the Company disposed of six properties (2024 – three) included in assets held for sale for proceeds of \$41 million (2024 – \$24 million) and recognized a net gain of \$2 million (2024 – net gain of \$3 million). A net fair value write-down of \$9 million was also recognized in 2024 related to assets held for sale.

PC Financial The results of discontinued operations presented in the consolidated statements of earnings is as follows:

For the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars)	2025	2024
Revenue	\$ 911	\$ 891
Selling, general and administrative expenses	576	463
Operating income	\$ 335	\$ 428
Net interest expense and other financing charges	153	138
Earnings before income taxes	\$ 182	\$ 290
Income taxes	46	75
Net earnings from discontinued operations	\$ 136	\$ 215
Attributable to:		
Shareholders of the Company	\$ 136	\$ 215

The major classes of assets and liabilities of PC Financial classified as held for sale were as follows:

(millions of Canadian dollars)	As at January 3, 2026
Assets	
Cash and cash equivalents	\$ 390
Short term investments	664
Accounts receivable	46
Credit card receivables ⁽ⁱ⁾	4,240
Prepaid expenses and other assets	46
Fixed assets	1
Intangible assets	68
Deferred income tax assets	43
Other assets	156
Assets held for sale	\$ 5,654
Liabilities	
Trade payables and other liabilities	205
Loyalty liability	50
Provisions	21
Income taxes payable	17
Demand deposits from customers	786
Debt ⁽ⁱⁱ⁾	3,372
Other liabilities	1
Liabilities associated with assets held for sale	\$ 4,452

Upon closing of the Sale of PC Financial, cash in excess of a certain threshold will be distributed to Loblaw pursuant to the terms of the Transaction Agreement. As at January 3, 2026, this excess amount represented \$344 million and was included in assets held for sale. This amount will vary each reporting period based on the financial position of PC Bank.

The net cash flows from (used in) discontinued operations are as follows:

For the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars)	2025	2024
Cash flows from operating activities	\$ 319	\$ 316
Cash flows from (used in) investing activities	40	(157)
Cash flows used in financing activities	(260)	(378)
Cash flows from (used in) discontinued operations	\$ 99	\$ (219)

(i) Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Gross credit card receivables	\$ 4,495	\$ 4,493
Allowance for credit card receivables	(255)	(263)
Credit card receivables	\$ 4,240	\$ 4,230
Securitized to independent securitization trusts:		
Securitized to Eagle Credit Card Trust	\$ 1,450	\$ 1,450
Securitized to Other Independent Securitization Trusts	650	800
Total securitized to independent securitization trusts	\$ 2,100	\$ 2,250

The Company, through PC Bank, participates in various securitization programs that provide a source of funds for the operation of its credit card business. PC Bank maintains and monitors a co-ownership interest in credit card receivables with independent securitization trusts, including Eagle and Other Independent Securitization Trusts, in accordance with its financing requirements.

The associated liabilities of credit card receivables securitized to the Eagle and Other Independent Securitization Trusts are recorded in debt.

The securitization agreements between PC Bank and the Other Independent Securitization Trusts are renewed and extended on an annual basis. The existing agreements were renewed in 2025, with their respective maturity dates extended to 2027 and with all other terms and conditions remaining substantially the same.

As at January 3, 2026, PC Bank recorded a \$150 million net decrease of co-ownership interest in the securitized receivables held with the Independent Securitization Trusts as a result of rebalancing of the funding portfolio.

The undrawn commitments on facilities available from the Other Independent Securitization Trusts as at January 3, 2026 were \$150 million (December 28, 2024 – \$100 million).

The Company has arranged letters of credit on behalf of PC Bank for the benefit of the independent securitization trusts (see note 31).

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at January 3, 2026 and throughout 2025.

The following table provides gross carrying amounts of credit card receivables by internal risk ratings for credit risk management purposes:

	As at January 3, 2026			
(millions of Canadian dollars)	12-month ECL (Stage 1)	Lifetime ECL- not credit impaired (Stage 2)	Lifetime ECL- credit impaired (Stage 3)	Total
Low risk	\$ 2,217	\$ 9	\$ —	\$ 2,226
Moderate risk	1,251	36	—	1,287
High risk	618	305	59	982
Total gross carrying amount	\$ 4,086	\$ 350	\$ 59	\$ 4,495
ECL allowance	(107)	(101)	(47)	(255)
Net carrying amount	\$ 3,979	\$ 249	\$ 12	\$ 4,240

	As at December 28, 2024			
(millions of Canadian dollars)	12-month ECL (Stage 1)	Lifetime ECL- not credit impaired (Stage 2)	Lifetime ECL- credit impaired (Stage 3)	Total
Low risk	\$ 2,264	\$ 10	\$ —	\$ 2,274
Moderate risk	1,240	41	—	1,281
High risk	587	298	53	938
Total gross carrying amount	\$ 4,091	\$ 349	\$ 53	\$ 4,493
ECL allowance	(112)	(108)	(43)	(263)
Net carrying amount	\$ 3,979	\$ 241	\$ 10	\$ 4,230

The following are continuities of the Company's allowance for credit card receivables for the years ended January 3, 2026 and December 28, 2024:

(millions of Canadian dollars)	As at January 3, 2026			
	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of year	\$ 112	\$ 108	\$ 43	\$ 263
Increase / (decrease) during the year:				
Transfers ⁽ⁱ⁾				
To Stage 1	30	(30)	—	—
To Stage 2	(7)	9	(2)	—
To Stage 3	(4)	(31)	35	—
New loans originated ⁽ⁱⁱ⁾	20	14	7	41
Net remeasurements ⁽ⁱⁱⁱ⁾	(44)	31	145	132
Write-offs	—	—	(220)	(220)
Recoveries	—	—	39	39
Balance, end of year	\$ 107	\$ 101	\$ 47	\$ 255

(i) Transfers reflect allowance movements between stages for loans that were recognized as of the beginning of the year.

(ii) New loans originated reflect the stage of loan, and the related loan balance, as of the end of the year.

(iii) Net remeasurements includes the impact from changes in loan balances, model enhancements and credit quality during the year.

(millions of Canadian dollars)	As at December 28, 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of year	\$ 104	\$ 110	\$ 42	\$ 256
Increase / (decrease) during the year:				
Transfers ⁽ⁱ⁾				
To Stage 1	41	(41)	—	—
To Stage 2	(7)	9	(2)	—
To Stage 3	(4)	(28)	32	—
New loans originated ⁽ⁱⁱ⁾	16	9	3	28
Net remeasurements ⁽ⁱⁱⁱ⁾	(38)	49	155	166
Write-offs	—	—	(218)	(218)
Recoveries	—	—	31	31
Balance, end of year	\$ 112	\$ 108	\$ 43	\$ 263

(i) Transfers reflect allowance movements between stages for loans that were recognized as of the beginning of the year.

(ii) New loans originated reflect the stage of loan, and the related loan balance, as of the end of the year.

(iii) Net remeasurements includes the impact from changes in loan balances, model enhancements and credit quality during the year.

The allowances for credit card receivables recorded in the consolidated balance sheets are maintained at a level which is considered adequate to endure credit-related losses on credit card receivables.

(ii) Debt related to PC Financial

The components of debt related to PC Financial were as follows:

(millions of Canadian dollars)	As at January 3, 2026
Guaranteed Investment Certificates (0.70% – 5.45%, due 2026 – 2031)	\$ 1,282
Eagle Credit Card Trust	
1.61%, due 2026	300
4.78%, due 2027	232
5.63%, due 2027	9
6.83%, due 2027	9
5.13%, due 2028	232
6.11%, due 2028	9
7.36%, due 2028	9
4.92%, due 2029	325
5.87%, due 2029	12
7.12%, due 2029	12
3.92%, due 2030	279
4.77%, due 2030	11
6.07%, due 2030	11
Other Independent Securitization Trusts	650
Transaction costs and other	(10)
Total debt	\$ 3,372

Significant debt transactions are described below.

Guaranteed Investment Certificates The following table summarizes PC Bank's Guaranteed Investment Certificates ("GICs") activity, before commissions, in 2025:

(millions of Canadian dollars)	2025
Balance, beginning of year	\$ 1,477
GICs issued	145
GICs matured	(340)
Balance, end of year	\$ 1,282

Eagle Credit Card Trust The notes issued by Eagle are debentures, which are collateralized by PC Bank's credit card receivables.

During 2025, Eagle issued \$300 million of senior and subordinated term notes with a maturity date of June 17, 2030. These notes have a weighted average interest rate of 4.02%. In connection with this issuance, \$150 million of bond forward agreements were settled, resulting in a realized fair value loss of \$1 million before income taxes. The loss on the bond forwards will be reclassified to net earnings over the life of the notes. This settlement resulted in a net effective interest rate of 4.07% on the notes issued.

Senior and subordinated term notes of \$300 million at a weighted average interest rate of 1.34%, previously issued by Eagle, matured and were repaid on July 17, 2025.

Covenants and Regulatory Requirements The Company is subject to externally imposed capital requirements from the Office of the Superintendent of Financial Institutions (“OSFI”), the primary regulator of PC Bank. PC Bank’s capital management objectives are to maintain a consistently strong capital position while considering the economic risks generated by its credit card receivables portfolio and to meet all regulatory capital requirements as defined by OSFI. PC Bank uses Basel III as its regulatory capital management framework, which includes a target common equity Tier 1 capital ratio of 7.0%, a Tier 1 capital ratio of 8.5% and a total capital ratio of 10.5%. In addition to the regulatory capital ratios requirement, PC Bank is subject to the Basel III Leverage ratio. PC Bank is also subject to OSFI’s Guideline on Liquidity Adequacy Requirements (“LARs”). The LARs guideline establishes standards based on the Basel III framework, including a Liquidity Coverage Ratio standard. As at January 3, 2026 and throughout the year, PC Bank has met all applicable regulatory requirements.

Note 6. Wind-down and Business Disposition

Wind-down of Theodore & Pringle® optical business In the third quarter of 2025, the Company entered into an agreement with Specsavers Canada Inc. (“Specsavers”) to open Specsavers locations in select Loblaw grocery stores nationwide, resulting in the wind-down of the *Theodore & Pringle* optical business operations. Accordingly, the Company recorded charges of \$30 million in SG&A, primarily related to the write-down of optical equipment, labour and other closure costs.

Sale of Wellwise In the fourth quarter of 2024, the Company entered into an agreement with a third party to sell all of the shares of its Wellwise by Shoppers™ (“Wellwise”) business for cash proceeds. As at December 28, 2024, \$43 million of assets and \$19 million of liabilities related to the disposal group were classified as held-for-sale. The transaction closed in the first quarter of 2025. For the year ended January 3, 2026, the Company recorded a gain of \$5 million (2024 – write-down of \$23 million) in SG&A.

Note 7. Net Interest Expense and Other Financing Charges

The components of net interest expense and other financing charges were as follows:

(millions of Canadian dollars)	2025	2024 ⁽ⁱ⁾
Interest expense and other financing charges		
Lease liabilities (note 27)	\$ 453	\$ 415
Long term debt ⁽ⁱⁱ⁾	265	241
Independent funding trusts	30	35
Financial liabilities (note 27)	14	14
Post-employment and other long term employee benefits (note 24) ⁽ⁱⁱⁱ⁾	1	5
Bank indebtedness	1	1
	\$ 764	\$ 711
Interest income		
Accretion income	\$ (3)	\$ (2)
Short term interest income	(19)	(26)
	\$ (22)	\$ (28)
Net interest expense and other financing charges from continuing operations	\$ 742	\$ 683

(i) Adjusted to reflect discontinued operations. See note 5 “Assets Held for Sale and Discontinued Operations”.

(ii) Includes borrowing costs of \$29 million (2024 – \$37 million), which were capitalized related to the construction of the Company’s automated distribution facilities.

(iii) Includes \$5 million net interest income (2024 – \$1 million net interest income) from post-employment benefits and \$6 million interest expense (2024 – \$6 million interest expense) from other long term employee benefits.

Note 8. Income Taxes

The components of income taxes recognized in the consolidated statements of earnings were as follows:

(millions of Canadian dollars)	2025	2024 ⁽ⁱ⁾
Current income taxes		
Current period	\$ 1,012	\$ 920
Adjustments in respect of prior periods	(6)	8
	\$ 1,006	\$ 928
Deferred income taxes		
Origination and reversal of temporary differences	\$ 58	\$ (189)
Adjustments in respect of prior periods	16	(8)
	\$ 74	\$ (197)
Income taxes from continuing operations	\$ 1,080	\$ 731

(i) Adjusted to reflect discontinued operations. See note 5 "Assets Held for Sale and Discontinued Operations".

Income tax (recovery) expense recognized in equity and other comprehensive (loss) income were as follows:

(millions of Canadian dollars)	2025	2024
Net defined benefit plan actuarial (losses) gains (note 24)	\$ (16)	\$ 28
Unrealized losses on cash flow hedges (note 28)	(2)	(3)
Equity-based compensation expenses	\$ (4)	\$ —
Net income tax (recovery) expense recognized in equity and other comprehensive (loss) income	\$ (22)	\$ 25

The effective tax rates in the consolidated statements of earnings were reported at rates different than the weighted average basic Canadian federal and provincial statutory income tax rates for the following reasons:

	2025	2024 ⁽ⁱ⁾
Weighted average basic Canadian federal and provincial statutory income tax rate	26.5 %	26.5 %
Net increase (decrease) resulting from:		
Non-deductible and non-taxable items	(0.1)%	(0.4)%
Adjustments in respect of prior periods	0.2 %	— %
Deferred tax on outside basis difference	2.9 %	— %
Other	(0.2)%	0.1 %
Effective tax rate applicable to earnings before income taxes	29.3 %	26.2 %

(i) Adjusted to reflect discontinued operations. See note 5 "Assets Held for Sale and Discontinued Operations".

Unrecognized deferred income tax assets Deferred income tax assets were not recognized on the consolidated balance sheets in respect of the following items:

(millions of Canadian dollars)	2025	2024
Deductible temporary differences	\$ 20	\$ 21
Non-capital loss carryforwards	194	199
Unrecognized deferred tax assets	\$ 214	\$ 220

Certain non-capital loss carryforwards expire in the years 2029 to 2044. The deductible temporary differences do not expire under current income tax legislation. Deferred income tax assets were not recognized in respect of these items because it is not probable that future taxable income will be available to the Company to utilize the benefits.

Recognized deferred income tax assets and liabilities Deferred income tax assets and liabilities were attributable to the following:

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Trade payables and other liabilities	\$ 38	\$ 99
Other liabilities	209	224
Lease liabilities	2,730	2,670
Fixed assets	(517)	(589)
Right-of-use assets	(2,244)	(2,160)
Goodwill and intangible assets	(1,125)	(1,146)
Non-capital loss carryforwards (expiring 2029 to 2044)	20	45
Outside basis difference	(107)	—
Other	55	18
Net deferred income tax liabilities	\$ (941)	\$ (839)
Recorded on the consolidated balance sheets as follows:		
Deferred income tax assets	\$ 66	\$ 118
Deferred income tax liabilities	(1,007)	(957)
Net deferred income tax liabilities	\$ (941)	\$ (839)

Global Minimum Tax (Pillar Two) In December 2021, the OECD issued model rules for a new global minimum tax framework. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company operates, and is effective for the Company's fiscal year ended January 3, 2026.

The Company is applying the exception to recognizing and disclosing information about deferred tax asset and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

The Company has not recognized any Pillar Two income taxes in the consolidated statements of earnings from continuing operations in 2025 or 2024.

Note 9. Basic and Diluted Earnings per Common Share

(millions of Canadian dollars unless otherwise indicated)	2025	2024 ⁽ⁱ⁾
Net earnings attributable to shareholders of the Company	\$ 2,667	\$ 2,171
Less: Net earnings from discontinued operations	(136)	(215)
Net earnings from continuing operations attributable to shareholders of the Company	2,531	1,956
Dividends on preferred shares in equity (note 22)	—	(12)
Impact of preferred share redemption (note 22)	—	(4)
Net earnings from continuing operations available to common shareholders	\$ 2,531	\$ 1,940
Basic weighted average common shares outstanding (in millions) ⁽ⁱⁱ⁾ (note 22)	1,188.0	1,220.2
Dilutive effect of equity-based compensation ⁽ⁱⁱ⁾	9.6	11.8
Dilutive effect of certain other liabilities ⁽ⁱⁱ⁾	1.8	2.1
Diluted weighted average common shares outstanding (in millions) ⁽ⁱⁱ⁾	1,199.4	1,234.1
Net earnings per common share (\$) - Basic ⁽ⁱⁱ⁾	\$ 2.24	\$ 1.77
Continuing operations	2.13	1.59
Discontinued operations	0.11	0.18
Net earnings per common share (\$) - Diluted ⁽ⁱⁱ⁾	\$ 2.22	\$ 1.75
Continuing operations	2.11	1.58
Discontinued operations	0.11	0.17

(i) Adjusted to reflect discontinued operations. See note 5 "Assets Held for Sale and Discontinued Operations".

(ii) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

As at January 3, 2026, there were no potentially dilutive instruments (December 28, 2024 – nil) excluded from the computation of diluted net earnings per common share as they were anti-dilutive.

Note 10. Cash and Cash Equivalents and Change in Non-cash Working Capital

The components of cash and cash equivalents and change in non-cash working capital were as follows:

Cash and cash equivalents

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Cash	\$ 998	\$ 1,240
Cash equivalents	4	222
Total cash and cash equivalents	\$ 1,002	\$ 1,462

Change in Non-cash Working Capital

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Accounts receivable	\$ 130	\$ (170)
Prepaid expenses and other assets	(126)	(52)
Inventories	(161)	(510)
Trade payables and other liabilities	(56)	839
Other	81	(23)
Change in non-cash working capital ⁽ⁱ⁾	\$ (132)	\$ 84

(i) The change in non-cash working capital is presented on a total operations basis.

Note 11. Accounts Receivable

The following are continuities of the Company's allowances for uncollectible accounts receivable for the years ended January 3, 2026 and December 28, 2024:

(millions of Canadian dollars)	2025	2024
Allowances, beginning of year	\$ (39)	\$ (36)
Net write-offs (additions)	3	(3)
Allowances, end of year	\$ (36)	\$ (39)

Credit risk associated with accounts receivable is discussed in note 29 "Financial Risk Management".

Note 12. Inventories

For inventories recorded as at January 3, 2026, the Company has an inventory provision of \$29 million (December 28, 2024 – \$32 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of sales. There were no reversals of previously recorded write-downs of inventories during 2025 and 2024.

Note 13. Fixed Assets

The following are continuities of the cost and the accumulated depreciation of fixed assets for the years ended January 3, 2026 and December 28, 2024:

		2025					
(millions of Canadian dollars)		Land	Buildings and building improvements	Equipment and fixtures	Leasehold improvements	Assets under construction	Total
Cost							
Balance, beginning of year	\$	172	\$ 1,492	\$ 11,724	\$ 5,009	\$ 1,436	\$ 19,833
Additions		—	—	363	79	1,310	1,752
Business acquisitions		—	—	—	1	—	1
Disposals		(35)	(184)	(98)	(15)	—	(332)
Net transfer to assets held for sale (note 5)		3	—	(44)	—	—	(41)
Net transfer to investment properties (note 14)		(5)	(1)	—	—	—	(6)
Transfer from assets under construction		16	699	843	314	(1,872)	—
Balance, end of year	\$	151	\$ 2,006	\$ 12,788	\$ 5,388	\$ 874	\$ 21,207
Accumulated depreciation							
Balance, beginning of year	\$	3	\$ 865	\$ 8,532	\$ 3,333	\$ 2	\$ 12,735
Depreciation		—	44	671	285	—	1,000
Impairment losses		—	4	19	17	—	40
Reversal of impairment losses		(1)	—	(2)	(5)	—	(8)
Disposals		—	(76)	(96)	(15)	—	(187)
Net transfer to assets held for sale (note 5)		—	—	(43)	—	—	(43)
Balance, end of year	\$	2	\$ 837	\$ 9,081	\$ 3,615	\$ 2	\$ 13,537
Carrying amount as at:							
January 3, 2026	\$	149	\$ 1,169	\$ 3,707	\$ 1,773	\$ 872	\$ 7,670
		2024					
(millions of Canadian dollars)		Land	Buildings and building improvements	Equipment and fixtures	Leasehold improvements	Assets under construction	Total
Cost							
Balance, beginning of year	\$	189	\$ 1,700	\$ 10,740	\$ 4,728	\$ 986	\$ 18,343
Additions		10	—	126	74	1,658	1,868
Business acquisitions		—	—	—	1	—	1
Disposals		(36)	(172)	(86)	(39)	—	(333)
Net transfer to assets held for sale		(18)	(2)	(12)	(14)	—	(46)
Transfer from assets under construction		27	(34)	956	259	(1,208)	—
Balance, end of year	\$	172	\$ 1,492	\$ 11,724	\$ 5,009	\$ 1,436	\$ 19,833
Accumulated depreciation							
Balance, beginning of year	\$	3	\$ 910	\$ 8,001	\$ 3,081	\$ 2	\$ 11,997
Depreciation		—	41	609	286	—	936
Impairment losses		—	1	17	15	—	33
Reversal of impairment losses		—	(2)	(6)	—	—	(8)
Disposals		—	(85)	(81)	(39)	—	(205)
Net transfer to assets held for sale		—	—	(8)	(10)	—	(18)
Balance, end of year	\$	3	\$ 865	\$ 8,532	\$ 3,333	\$ 2	\$ 12,735
Carrying amount as at:							
December 28, 2024	\$	169	\$ 627	\$ 3,192	\$ 1,676	\$ 1,434	\$ 7,098

Fixed Asset Commitments As at January 3, 2026, the Company had entered into commitments of \$679 million (December 28, 2024 – \$455 million) for the construction, expansion and renovation of buildings and the purchase of real property.

Impairment Losses and Reversals of Fixed Assets and Right-of-Use Assets Management identified indications of impairment for certain retail location CGUs and therefore an impairment test was performed for these CGUs. For the year ended January 3, 2026, the Company recorded \$27 million (2024 – \$30 million) of impairment losses on fixed assets and \$19 million (2024 – \$15 million) of impairment losses on right-of-use assets (see note 27) in respect of 18 CGUs (2024 – 18 CGUs). The recoverable amount was based on the greater of the CGU's fair value less costs to sell and its value in use.

For the year ended January 3, 2026, the Company recorded \$8 million (2024 – \$8 million) of impairment reversals on fixed assets and \$5 million (2024 – \$8 million) of impairment reversals on right-of-use assets (see note 27) in respect of 8 CGUs (2024 – 7 CGUs) where the value in use was greater than the carrying value. Impairment reversals are recorded where the recoverable amount of the retail location exceeds its carrying values. One CGU (2024 – one) with impairment reversals had a fair value less costs to sell greater than its carrying value.

When determining the value in use of a retail location, the Company develops a discounted cash flow model for each CGU. The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant assets within the CGU for owned locations or the remaining lease term of the CGU for leased locations. Projected future sales and earnings for cash flows are based on actual operating results, operating budgets, and long term growth rates that are consistent with industry averages, all of which are consistent with strategic plans presented to the Company's Board. The estimate of the value in use of relevant CGUs was determined using a pre-tax discount rate of 8.0% to 9.8% at January 3, 2026 (December 28, 2024 – 7.8% to 9.2%).

Additional impairment losses on fixed assets of \$13 million (2024 – \$3 million) were incurred related to store closures, renovations and conversions of retail locations.

Note 14. Investment Properties

The following are continuities of investment properties for the years ended January 3, 2026 and December 28, 2024:

(millions of Canadian dollars)	2025	2024
Balance, beginning of year	\$ 56	\$ 53
Adjustment to fair value of investment properties	(4)	6
Net transfer from fixed assets (note 13)	6	—
Net transfer to assets held for sale (note 5)	(1)	(3)
Balance, end of year	\$ 57	\$ 56

The valuations of investment properties using the income approach includes assumptions as to market rental rates for properties of similar size and condition located within the same geographical areas, recoverable operating costs for leases with tenants, non-recoverable operating costs, vacancy periods, tenant inducements and terminal capitalization rates for the purposes of determining the estimated net proceeds from the sale of the property. As at January 3, 2026, the pre-tax discount rates used in the valuations for investment properties ranged from 6.5% to 8.5% (December 28, 2024 – 6.75% to 8.5%) and the terminal capitalization rates ranged from 5.5% to 8.5% (December 28, 2024 – 5.25% to 7.5%).

Note 15. Intangible Assets

The following are continuities of the cost and the accumulated amortization of intangible assets for the years ended January 3, 2026 and December 28, 2024:

(millions of Canadian dollars)	2025			
	Indefinite life intangible assets	Software	Other definite life intangible assets	Total
Cost				
Balance, beginning of year	\$ 3,757	\$ 5,003	\$ 6,239	\$ 14,999
Additions	3	341	6	350
Net transfer to assets held for sale (note 5)	—	(374)	—	(374)
Business acquisitions	—	—	27	27
Disposals	—	(10)	—	(10)
Balance, end of year	\$ 3,760	\$ 4,960	\$ 6,272	\$ 14,992
Accumulated amortization				
Balance, beginning of year	\$ —	\$ 3,977	\$ 5,576	\$ 9,553
Amortization	—	427	168	595
Net transfer to assets held for sale (note 5)	—	(306)	—	(306)
Disposals	—	(10)	—	(10)
Balance, end of year	\$ —	\$ 4,088	\$ 5,744	\$ 9,832
Carrying amount as at:				
January 3, 2026	\$ 3,760	\$ 872	\$ 528	\$ 5,160
2024				
(millions of Canadian dollars)	Indefinite life intangible assets	Software	Other definite life intangible assets ⁽ⁱ⁾	Total
Cost				
Balance, beginning of year	\$ 3,756	\$ 4,629	\$ 6,221	\$ 14,606
Additions	1	372	4	377
Net transfer to assets held for sale	—	3	—	3
Business acquisitions	—	—	15	15
Disposals	—	(1)	(1)	(2)
Balance, end of year	\$ 3,757	\$ 5,003	\$ 6,239	\$ 14,999
Accumulated amortization				
Balance, beginning of year	\$ —	\$ 3,552	\$ 5,060	\$ 8,612
Amortization	—	426	517	943
Disposals	—	(1)	(1)	(2)
Balance, end of year	\$ —	\$ 3,977	\$ 5,576	\$ 9,553
Carrying amount as at:				
December 28, 2024	\$ 3,757	\$ 1,026	\$ 663	\$ 5,446

(i) Other definite life intangible assets includes prescription files with a net book value of \$104 million related to the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") in 2014, which were fully amortized at the end of 2025.

Indefinite Life Intangible Assets Indefinite life intangible assets are comprised of brand names, trademarks, import purchase quotas and certain liquor licenses. The brand names and trademarks are a result of the Company's acquisition of Shoppers Drug Mart, Lifemark Health Group ("Lifemark") and T&T Supermarket Inc. The Company expects to renew the registration of the brand names, trademarks, import purchase quotas and liquor licenses at each expiry date indefinitely, and expects these assets to generate economic benefit in perpetuity. As such, the Company has assigned these intangible assets indefinite useful lives.

Software Software is comprised of software purchases and development costs. There were no capitalized borrowing costs included in 2025 and 2024.

Other Definite Life Intangible Assets Other definite life intangible assets primarily consist of prescription files, the customer loyalty awards program and customer relationships.

Note 16. Goodwill

The following are continuities of the cost and the accumulated impairment of goodwill for the years ended January 3, 2026 and December 28, 2024:

(millions of Canadian dollars)	2025	2024
Cost		
Balance, beginning of year	\$ 5,366	\$ 5,343
Business acquisitions	61	23
Balance, end of year	\$ 5,427	\$ 5,366
Accumulated impairment losses		
Balance, beginning of year	\$ 994	\$ 994
Balance, end of year	\$ 994	\$ 994
Carrying amount, end of year	\$ 4,433	\$ 4,372

The carrying amount of goodwill attributed to each CGU grouping was as follows:

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Shoppers Drug Mart	\$ 3,012	\$ 3,006
Market	139	139
Discount	703	703
Lifemark	443	388
T&T Supermarket Inc.	129	129
All other	7	7
Carrying amount, end of year	\$ 4,433	\$ 4,372

Impairment Testing of Goodwill and Indefinite Life Intangibles The Company tests goodwill and indefinite-life intangible assets for impairment annually or more frequently if indicators of impairment are identified.

The key assumptions used to calculate the fair value less costs to sell are revenue and gross margin forecasts, growth/attrition rates, discount rate, and terminal rate. These assumptions are considered to be Level 3 in the fair value hierarchy.

The weighted average cost of capital was determined to be 5.5% to 9.3% (December 28, 2024 – 7.1% to 9.8%) and is based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on corporate bond yields and the capital structure of comparable publicly traded companies.

Cash flow projections have been discounted using a rate derived from an after-tax weighted average cost of capital.

The Company included a minimum of three years of cash flows in its discounted cash flow model. The cash flow forecasts were extrapolated beyond the forecasting period using an estimated long term growth rate of 2.2% to 2.5% (December 28, 2024 – 2.0% to 2.5%). The budgeted EBITDA growth was based on the Company's strategic plan approved by the Board of Directors.

The Company completed its annual impairment tests for goodwill and indefinite life intangible assets and concluded there was no impairment.

Note 17. Other Assets

The components of other assets were as follows:

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Accrued benefit plan asset (note 24)	\$ 254	\$ 356
Investments	112	73
Investments accounted for under the equity method	81	85
Finance lease receivable	59	61
Sundry investments and other receivables	9	26
Long term receivable ⁽ⁱ⁾	—	133
Long term securities	—	120
Other	190	149
Total other assets	\$ 705	\$ 1,003

(i) Balance includes recovery related to the PC Bank commodity tax matter (see note 30).

Note 18. Supplier Financing Arrangements

In 2024, the Company started a supplier financing program with a third-party financial institution that provides financing to suppliers. This arrangement allows these suppliers to elect to be paid by the financial institution at a discount earlier than the maturity date of the receivable which generally ranges between 30 and 60 days. Participating suppliers can sell one or more of the Company's payment obligations at their sole discretion, and the Company's rights and obligations to suppliers are not impacted. The Company will pay the full amount owing to the financial institution according to the terms negotiated with the supplier on the maturity dates. The amount outstanding under this program as at January 3, 2026 was \$242 million (December 28, 2024 – \$52 million) and is presented within trade payables and other liabilities. Of this amount, suppliers have received payment of \$187 million (December 28, 2024 – \$44 million) from the financial institution under the program. The activity related to this program is classified as an operating activity within the consolidated statements of cash flows.

Note 19. Provisions

The following are the continuities of the Company's provisions for the years ended January 3, 2026 and December 28, 2024:

(millions of Canadian dollars)	2025	2024
Balance, beginning of year	\$ 387	\$ 238
Additions (note 30)	79	226
Payments ⁽ⁱ⁾	(223)	(76)
Reversals	(3)	(1)
Transfer to liabilities associated with assets held for sale (note 5)	(21)	—
Balance, end of year	\$ 219	\$ 387
Recorded on the consolidated balance sheets as follows:		
Current portion of provisions	\$ 85	\$ 252
Non-current portion of provisions	\$ 134	\$ 135

(i) Includes payments of \$161 million related to the settlement of class action lawsuits in connection with the industry-wide price-fixing arrangement involving certain packaged bread products (see note 30).

Note 20. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Debentures		
Loblaw Companies Limited Notes		
6.65%, due 2027	\$ 100	\$ 100
6.45%, due 2028	200	200
4.49%, due 2028	400	400
6.50%, due 2029	175	175
3.56%, due 2029	400	400
2.28%, due 2030	350	350
11.40%, due 2031		
Principal	151	151
Effect of coupon repurchase	22	25
6.85%, due 2032	200	200
5.01%, due 2032	400	400
6.54%, due 2033	200	200
8.75%, due 2033	200	200
6.05%, due 2034	200	200
6.15%, due 2035	200	200
4.39%, due 2035	500	—
5.90%, due 2036	300	300
6.45%, due 2039	200	200
7.00%, due 2040	150	150
5.86%, due 2043	55	55
5.34%, due 2052	400	400
5.12%, due 2054	400	400
Guaranteed Investment Certificates (0.60% – 5.50%, due 2024 – 2029) (note 5)	—	1,477
Eagle Credit Card Trust (note 5)	—	1,450
Independent Funding Trusts	704	590
Transaction costs and other	(16)	(22)
Total long term debt	\$ 5,891	\$ 8,201
Less amount due within one year	—	631
Long term debt	\$ 5,891	\$ 7,570

Significant long term debt transactions are described below.

Debentures The following table summarizes the debentures issued in 2025 and 2024:

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	Principal Amount 2025
Loblaw Companies Limited Notes	4.39%	June 16, 2035	\$ 500
Total debentures issued			\$ 500

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	Principal Amount 2024
Loblaw Companies Limited Notes	3.56%	December 12, 2029	\$ 400
Loblaw Companies Limited Notes	5.12%	March 4, 2054	400
Total debentures issued			\$ 800

There were no debentures repaid in 2025. The following table summarizes the debentures repaid in 2024:

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	Principal Amount 2024
Loblaw Companies Limited Notes	3.92%	June 10, 2024	\$ 400
Total debentures repaid			\$ 400

Independent Funding Trusts The Company has a \$1 billion revolving committed credit facility that is the source of funding to the independent funding trusts that has a maturity date of March 27, 2028.

Committed Credit Facility The Company has a committed credit facility for \$1.5 billion with a maturity date of March 27, 2030, provided by a syndicate of lenders. This committed credit facility contains certain financial covenants (see note 23). As at January 3, 2026 and December 28, 2024, there were no amounts drawn under this facility.

Schedule of Repayments The schedule of repayments of long term debt, based on maturity, is as follows:

(millions of Canadian dollars)	As at January 3, 2026
2027	\$ 100
2028	1,304
2029	575
2030	350
Thereafter	3,578
Total long term debt (excludes transaction costs)	\$ 5,907

See note 28 for the fair value of long term debt.

Reconciliation of Long Term Debt The following table reconciles the changes in cash flows from financing activities for long term debt:

(millions of Canadian dollars)	2025	2024
Long term debt, beginning of year	\$ 8,201	\$ 7,852
Long term debt issuances ⁽ⁱ⁾⁽ⁱⁱ⁾	\$ 1,059	\$ 1,557
Long term debt repayments ⁽ⁱⁱ⁾	(640)	(1,202)
Total cash flows from financing activities for long term debt	\$ 419	\$ 355
Other non-cash changes ⁽ⁱⁱ⁾	\$ (7)	\$ (6)
Transfer to liabilities associated with assets held for sale (note 5)	(2,722)	—
Long term debt, end of year	\$ 5,891	\$ 8,201

(i) Includes net movements from the Independent Funding Trust, which are revolving debt instruments.

(ii) Cash flows from financing activities for long term debt and other non-cash changes are presented on a total operations basis.

Note 21. Other Liabilities

The components of other liabilities were as follows:

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Net defined benefit plan obligation (note 24)	\$ 217	\$ 231
Financial liabilities (note 27)	193	180
Other long term employee benefit obligation	136	133
Equity-based compensation liabilities (note 25)	6	3
Other	101	102
Total other liabilities	\$ 653	\$ 649

Note 22. Share Capital

First Preferred Shares (authorized - 1.0 million shares) There were no First Preferred Shares outstanding as at January 3, 2026 and December 28, 2024.

Second Preferred Shares (authorized - unlimited) In the fourth quarter of 2024, pursuant to the terms of the Series B preferred share agreement, the Company announced its intention to redeem for cash all of its 9.0 million 5.3% non-voting Second Preferred Shares, Series B. The redemption occurred on January 8, 2025 and the shares were redeemed for an aggregate amount of \$225 million, plus accrued and unpaid dividends (\$0.02944 per share) up to but excluding the redemption date, less any tax required to be deducted and withheld by the Company. As at January 3, 2026, there were no Second Preferred Shares outstanding.

Common Shares (authorized – unlimited) Common shares issued are fully paid and have no par value. The activities in the common shares issued and outstanding were as follows:

	January 3, 2026 (53 weeks)		December 28, 2024 (52 weeks)	
	Number of Common Shares ⁽ⁱ⁾	Common Share Capital	Number of Common Shares ⁽ⁱ⁾	Common Share Capital
(millions of Canadian dollars except where otherwise indicated)				
Issued and outstanding, beginning of year	1,206,944,212	\$ 6,215	1,242,105,516	\$ 6,281
Issued for settlement of stock options (note 25)	2,976,888	67	8,712,528	166
Purchased and cancelled	(34,774,899)	(192)	(43,873,832)	(232)
Issued and outstanding, end of year	1,175,146,201	\$ 6,090	1,206,944,212	\$ 6,215
Shares held in trust, beginning of year	(3,928,496)	\$ (19)	(5,076,956)	\$ (25)
Purchased for future settlement of RSUs and PSUs	(1,240,000)	(6)	(1,680,000)	(8)
Released for settlement of RSUs and PSUs (note 25)	1,957,068	10	2,828,460	14
Shares held in trust, end of year	(3,211,428)	\$ (15)	(3,928,496)	\$ (19)
Issued and outstanding, net of shares held in trust, end of year	1,171,934,773	\$ 6,075	1,203,015,716	\$ 6,196
Weighted average outstanding, net of shares held in trust (note 9)	1,187,971,932		1,220,204,360	

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

In the third quarter of 2025, the Company completed a four-for-one stock split of its outstanding common shares. The stock split was implemented by way of a stock dividend, with shareholders receiving three additional common shares for each common share held. The stock split was effective at the close of business on August 18, 2025, for shareholders of record as of the close of business on August 14, 2025.

Dividends The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Board, which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. Over the long term, it is the Company's intention to increase the amount of the dividend while retaining appropriate free cash flow to finance future growth. In the second quarter of 2025, the Board raised the quarterly dividend by \$0.128250 to \$0.141075 per common share.

The following table summarizes the Company's cash dividends declared for the years as indicated:

	2025	2024
Dividends declared per share (\$)		
Common Share ⁽ⁱ⁾⁽ⁱⁱ⁾	\$ 0.551475	\$ 0.496250
Second Preferred Share, Series B	\$ 0.029440	\$ 1.325000

(i) The Common Share dividends declared in the fourth quarter of 2025 of \$0.141075 per share had a payment date of December 30, 2025.

(ii) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

(millions of Canadian dollars)

	2025	2024
Dividends declared		
Common Share	\$ 654	\$ 604
Second Preferred Share, Series B	—	12
Total dividends declared	\$ 654	\$ 616

Subsequent to January 3, 2026, the Board declared a quarterly dividend of \$0.141075 per common share, payable on April 1, 2026 to shareholders of record on March 15, 2026.

Normal Course Issuer Bid Activities under the Company's Normal Course Issuer Bid ("NCIB") for the years ended January 3, 2026 and December 28, 2024 were as follows:

(millions of Canadian dollars except where otherwise indicated)	2025	2024
Common shares repurchased under the NCIB for cancellation (number of shares) ⁽ⁱ⁾⁽ⁱⁱ⁾	34,774,899	43,873,832
Cash consideration paid ⁽ⁱⁱⁱ⁾	\$ 1,875	\$ 1,754
Premium charged to retained earnings ^(iv)	1,889	1,661
Reduction in common share capital ^(v)	192	232
Common shares repurchased under the NCIB and held in trust (number of shares) ⁽ⁱ⁾	1,240,000	1,680,000
Cash consideration paid	\$ 69	\$ 72
Premium charged to retained earnings	65	64
Reduction in common share capital	6	8

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

(ii) Common shares repurchased and cancelled as at January 3, 2026 do not include the shares that may be repurchased subsequent to the end of the quarter under the automatic share repurchase plan, as described below.

(iii) \$3 million of cash consideration related to common shares repurchased under NCIB for cancellation in the third quarter of 2025 was paid in the fourth quarter of 2025.

(iv) Premium charged to retained earnings includes \$351 million related to the automatic share purchase plan, as described below.

(v) Includes \$32 million related to the automatic share purchase plan, as described below.

In the second quarter of 2025, the Company renewed its NCIB to purchase on the Toronto Stock Exchange or through alternative trading systems up to 59,800,244 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. As at January 3, 2026, the Company had purchased 21,899,071 common shares for cancellation under its current NCIB. The Company is still permitted to purchase its common shares from Weston under its NCIB, pursuant to an automatic disposition plan agreement among the Company's broker, the Company and Weston, in order for Weston to maintain its proportionate ownership interest in the Company. The maximum number of common shares that may be purchased pursuant to the NCIB will be reduced by the number of common shares purchased from Weston.

During 2025, 34,774,899 common shares (2024 – 43,873,832) were purchased under the NCIB for cancellation, for aggregate consideration of \$1,875 million (2024 – \$1,754 million), including 16,756,185 common shares (2024 – 18,480,092) purchased from Weston, for aggregate consideration of \$906 million (2024 – \$746 million).

The Company participates in an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. As at January 3, 2026, an obligation to repurchase shares of \$375 million was recognized under the ASPP in trade payables and other liabilities.

Note 23. Capital Management

In order to manage its capital structure, the Company may, among other activities, adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to its NCIB, issue new shares or issue or repay long term debt with the objective of:

- ensuring sufficient liquidity is available to support its financial obligations and to execute its operating and strategic plans;
- maintaining financial capacity and flexibility through access to capital to support future development of the business;
- minimizing the after-tax cost of its capital while taking into consideration current and future industry, market and economic risks and conditions;
- utilizing short term funding sources to manage its working capital requirements and long term funding sources to manage the long term capital investments of the business;
- returning an appropriate amount of capital to shareholders; and
- targeting an appropriate leverage and capital structure for the Company.

The Company has policies in place which govern debt financing plans and risk management strategies for liquidity, interest rates and foreign exchange. These policies outline measures and targets for managing capital, including a range for leverage consistent with the desired credit rating. Management and the Audit Committee regularly review the Company's compliance with, and performance against, these policies. In addition, management regularly reviews these policies to ensure they remain consistent with the risk tolerance acceptable to the Company.

The following table summarizes the Company's total capital under management:

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Demand deposits from customers	\$ —	\$ 353
Short term debt	—	800
Long term debt due within one year	—	631
Long term debt	5,891	7,570
Certain other liabilities ⁽ⁱ⁾	315	294
Total debt excluding lease liabilities and liabilities associated with assets held for sale	\$ 6,206	\$ 9,648
Lease liabilities due within one year	1,584	1,648
Lease liabilities	8,830	8,535
Total debt excluding liabilities associated with assets held for sale	\$ 16,620	\$ 19,831
Total debt and demand deposits from customers included in liabilities associated with assets held for sale (note 5)	4,158	—
Equity attributable to shareholders of the Company	11,028	11,091
Total capital under management	\$ 31,806	\$ 30,922

(i) As at January 3, 2026, certain other liabilities include financial liabilities of \$204 million related to the sale and leaseback of retail properties (December 28, 2024 – \$192 million) (see note 27).

Covenants and Regulatory Requirements The Company is subject to certain key financial and non-financial covenants under its existing committed credit facility, debentures and letters of credit. These covenants, which include interest coverage and leverage ratios, as defined in the respective agreements, are measured by the Company on a quarterly basis to ensure compliance with these agreements. As at January 3, 2026 and throughout the year, the Company was in compliance with each of the covenants under these agreements.

Note 24. Post-Employment Benefits

The Company sponsors a number of pension plans, including registered defined benefit pension plans, registered defined contribution pension plans and supplemental retirement arrangements providing pension benefits in excess of statutory limits. Certain obligations of the Company under these supplemental pension arrangements are secured by a standby letter of credit issued by a major Canadian chartered bank.

In January 2025, the Governance, Talent and Compensation Committee (the "Governance Committee") assumed oversight of the Company's pension plans from the former Pension Committee. The Governance Committee is responsible for assisting the Board in fulfilling its general oversight responsibilities for the plans. The Governance Committee assists the Board with oversight of management's administration of the plans, pension investment and monitoring responsibilities, and compliance with legal and regulatory requirements.

The Company's defined benefit pension plans are primarily funded by the Company, predominantly non-contributory and the benefits are, in general, based on career average earnings subject to limits. The funding is based on regulatory going concern and solvency valuations for which the assumptions may differ from the assumptions used for accounting purposes as detailed in this note.

The Company also offers certain other defined benefit plans other than pension plans. These other defined benefit plans are generally not funded, are mainly non-contributory and include health care, life insurance and dental benefits. Employees eligible for these other defined benefits are those who retire at certain ages having met certain service requirements. The majority of other defined benefit plans for current and future retirees include a limit on the total benefits payable by the Company.

The Company's defined benefit pension plans and other defined benefit plans expose it to a number of actuarial risks, such as longevity risk, interest rate risk and market risk.

In Canada, the Company also has a national defined contribution plan. All newly hired employees who are not eligible to participate in the defined benefit pension plans and the Canadian Commercial Workers Industry Pension Plan ("CCWIPP") are eligible to participate in this defined contribution plan. The Company also contributes to various MEPPs, which are administered by independent boards of trustees generally consisting of an equal number of union and employer representatives.

The Company, together with its franchises, is the largest participating employer in the CCWIPP, with approximately 52,000 (2024 – 53,000) employees as members. The Company's responsibility to make contributions to these plans is limited by amounts established pursuant to its collective agreements (see note 26).

The Company expects to make contributions in 2026 to its defined benefit and defined contribution plans and the MEPPs in which it participates as well as benefit payments to the beneficiaries of the supplemental unfunded defined benefit pension plans, other defined benefit plans and other long term employee benefit plans.

Defined Benefit Pension Plans and Other Defined Benefit Plans Information on the Company's defined benefit pension plans and other defined benefit plans, in aggregate, is summarized as follows:

	2025		2024	
	Defined Benefit Pension Plans	Other Defined Benefit Plans	Defined Benefit Pension Plans	Other Defined Benefit Plans
(millions of Canadian dollars)				
Present value of funded obligations	\$ (1,101)	\$ —	\$ (1,454)	\$ —
Present value of unfunded obligations	(113)	(98)	(118)	(106)
Total present value of defined benefit obligation	\$ (1,214)	\$ (98)	\$ (1,572)	\$ (106)
Fair value of plan assets	1,470	—	1,817	—
Total funded status of surpluses (obligations)	\$ 256	\$ (98)	\$ 245	\$ (106)
Assets not recognized due to asset ceiling	(121)	—	(14)	—
Total net defined benefit plan surpluses (obligations)	\$ 135	\$ (98)	\$ 231	\$ (106)
Recorded on the consolidated balance sheets as follows:				
Other assets (note 17)	\$ 254	\$ —	\$ 356	\$ —
Other liabilities (note 21)	\$ (119)	\$ (98)	\$ (125)	\$ (106)

The following are continuities of the fair value of plan assets and the present value of the defined benefit plan obligations:

	2025			2024		
	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
(millions of Canadian dollars)						
Changes in the fair value of plan assets						
Fair value, beginning of year	\$ 1,817	\$ —	\$ 1,817	\$ 1,729	\$ —	\$ 1,729
Employer contributions, net of surplus utilization ⁽ⁱ⁾	(2)	—	(2)	—	—	—
Employee contributions	3	—	3	2	—	2
Benefits paid	(59)	—	(59)	(49)	—	(49)
Interest income	84	—	84	78	—	78
Actuarial (losses) gains in other comprehensive income	(11)	—	(11)	60	—	60
Settlement ⁽ⁱ⁾	(357)	—	(357)	—	—	—
Other	(5)	—	(5)	(3)	—	(3)
Fair value, end of year	\$ 1,470	\$ —	\$ 1,470	\$ 1,817	\$ —	\$ 1,817
Changes in the present value of the defined benefit plan obligations						
Balance, beginning of year	\$ 1,572	\$ 106	\$ 1,678	\$ 1,548	\$ 114	\$ 1,662
Current service cost	42	2	44	43	2	45
Interest cost	73	5	78	71	5	76
Benefits paid	(66)	(5)	(71)	(57)	(5)	(62)
Employee contributions	3	—	3	2	—	2
Actuarial gains in other comprehensive income	(49)	(10)	(59)	(35)	(10)	(45)
Settlement ⁽ⁱ⁾	(357)	—	(357)	—	—	—
Gain on settlement ⁽ⁱ⁾	(4)	—	(4)	—	—	—
Balance, end of year	\$ 1,214	\$ 98	\$ 1,312	\$ 1,572	\$ 106	\$ 1,678
Total funded status of surpluses (obligations)	\$ 256	\$ (98)	\$ 158	\$ 245	\$ (106)	\$ 139
Changes in the assets not recognized due to asset ceiling						
Balance, beginning of year	\$ 14	\$ —	\$ 14	\$ 12	\$ —	\$ 12
Change in liability arising from change in asset ceiling	106	—	106	1	—	1
Interest expense on assets not recognized due to asset ceiling	1	—	1	1	—	1
Balance, end of year	\$ 121	\$ —	\$ 121	\$ 14	\$ —	\$ 14
Total net defined benefit plan surpluses (obligations)	\$ 135	\$ (98)	\$ 37	\$ 231	\$ (106)	\$ 125

(i) Settlement relates to annuity purchases.

(ii) Net amount reflects \$4 million of contributions to the defined benefit plan and \$6 million of surplus assets used to fund employer contributions to the defined contribution plan.

For 2025, the actual gain on plan assets was \$73 million (2024 – \$138 million).

The net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants 61% (2024 – 49%);
- Deferred plan participants 10% (2024 – 13%); and
- Retirees 29% (2024 – 38%).

During 2026, the Company expects to contribute nominal amounts (2025 – nominal amounts) to its registered defined benefit pension plans due to the surplus position of the total funded status of the pension plans. During 2026, the Company expects to contribute \$43 million (2025 – \$56 million) to MEPPs. The actual amount of contributions may vary from the estimate depending on the funded positions of the plans, filing of any actuarial valuations, any new regulatory requirements or other factors.

The net cost recognized in earnings before income taxes for the Company's defined benefit pension plans and other defined benefit plans was as follows:

	2025			2024		
	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
(millions of Canadian dollars)						
Current service cost	\$ 42	\$ 2	\$ 44	\$ 43	\$ 2	\$ 45
Net interest (income) cost on net defined benefit plan assets (obligations)	(10)	5	(5)	(6)	5	(1)
Gain on settlement ⁽ⁱ⁾	(4)	—	(4)	—	—	—
Other	5	—	5	3	—	3
Net post-employment defined benefit cost	\$ 33	\$ 7	\$ 40	\$ 40	\$ 7	\$ 47

(i) Settlement relates to annuity purchases

The actuarial gains recognized in other comprehensive (loss) income, net of taxes for defined benefit plans were as follows:

	2025			2024		
	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
(millions of Canadian dollars)						
(Loss) return on plan assets, excluding amounts included in net interest expense and other financing charges	\$ (11)	\$ —	\$ (11)	\$ 60	\$ —	\$ 60
Experience adjustments	(2)	8	6	5	2	7
Actuarial gains from change in demographic assumptions	—	—	—	—	7	7
Actuarial gains from change in financial assumptions ⁽ⁱ⁾	51	2	53	30	1	31
Change in liability arising from change in asset ceiling ⁽ⁱ⁾	(106)	—	(106)	(1)	—	(1)
Total net actuarial (losses) gains recognized in other comprehensive income before income taxes	\$ (68)	\$ 10	\$ (58)	\$ 94	\$ 10	\$ 104
Income tax recoveries (expenses) on actuarial (losses) gains (note 8)	19	(3)	16	(25)	(3)	(28)
Actuarial (losses) gains, net of income tax expenses	\$ (49)	\$ 7	\$ (42)	\$ 69	\$ 7	\$ 76

(i) The actuarial gains and the change in liability arising from change in asset ceiling were primarily driven by an increase in discount rates.

The cumulative actuarial gains before income taxes recognized in equity for the Company's defined benefit plans were as follows:

	2025			2024		
	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
(millions of Canadian dollars)						
Cumulative amount, beginning of year	\$ 420	\$ 152	\$ 572	\$ 326	\$ 142	\$ 468
Net actuarial (losses) gains recognized in the year before income taxes	(68)	10	(58)	94	10	104
Cumulative amount, end of year	\$ 352	\$ 162	\$ 514	\$ 420	\$ 152	\$ 572

Composition of Plan Assets The defined benefit pension plan assets are held in trust and consist of the following asset categories:

(millions of Canadian dollars, except where otherwise indicated)	2025		2024	
Equity securities				
Canadian - pooled funds	\$ 22	1 %	\$ 24	1 %
Foreign - pooled funds	628	43 %	839	46 %
Total equity securities	\$ 650	44 %	\$ 863	47 %
Debt securities				
Fixed income securities:				
- government	\$ 404	27 %	\$ 554	30 %
- corporate	85	6 %	162	9 %
Total debt securities	\$ 489	33 %	\$ 716	39 %
Other investments	251	17 %	233	13 %
Cash and cash equivalents	80	6 %	5	1 %
Total	\$ 1,470	100 %	\$ 1,817	100 %

As at January 3, 2026 and December 28, 2024, the defined benefit pension plans did not directly include any of the Company's securities.

All equity and debt securities and other investments are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities or based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly as prices or indirectly, either derived from prices or as per agreements for contractual returns.

The Company's asset allocation reflects a balance of interest-rate sensitive investments, such as fixed income investments, and equities, which are expected to provide higher returns over the long term. The Company's targeted asset allocations are actively monitored and adjusted on a plan by plan basis to align the asset mix with the liability profiles of the plans.

Principal Actuarial Assumptions The principal actuarial assumptions used in calculating the Company's defined benefit plan obligations and net defined benefit plan cost for the year were as follows (expressed as weighted averages):

	2025		2024	
	Defined Benefit Pension Plans	Other Defined Benefit Plans	Defined Benefit Pension Plans	Other Defined Benefit Plans
Defined Benefit Plan Obligations				
Discount rate	5.00 %	4.90 %	4.70 %	4.70 %
Rate of compensation increase	3.00 %	n/a	3.00 %	n/a
Mortality table ⁽ⁱ⁾	CPM-RPP2014 Pub/Priv Generational	CPM-RPP2014 Pub/Priv Generational	CPM-RPP2014 Pub/Priv Generational	CPM-RPP2014 Pub/Priv Generational
Net Defined Benefit Plan Cost				
Discount rate	4.70 %	4.70 %	4.60 %	4.60 %
Rate of compensation increase	3.00 %	n/a	3.00 %	n/a
Mortality table ⁽ⁱ⁾	CPM-RPP2014 Pub/Priv Generational	CPM-RPP2014 Pub/Priv Generational	CPM-RPP2014 Pub/Priv Generational	CPM-RPP2014 Pub/Priv Generational

n/a – not applicable

(i) An adjusted public or private sector mortality table is used depending on the prominent demographics and actual experience for each plan.

The weighted average duration of the defined benefit obligation as at January 3, 2026 is 13.8 years (December 28, 2024 – 13.9 years).

The growth rate of health care costs, primarily drug and other medical costs, for the other defined benefit plan obligations as at the end of the year was estimated at 5.30% and is expected to remain at 5.30% as at year end 2026.

Sensitivity of Key Actuarial Assumptions The following table outlines the key assumptions for 2025 (expressed as weighted averages) and the sensitivity of each of these assumptions on the defined benefit plan obligations.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	Defined Benefit Pension Plans	Other Defined Benefit Plans
Increase (Decrease) (millions of Canadian dollars except where otherwise indicated)	Defined Benefit Plan Obligations	Defined Benefit Plan Obligations
Discount rate	5.00 %	4.90 %
Impact of:		
1% increase	\$ (144)	\$ (10)
1% decrease	\$ 178	\$ 13
Expected growth rate of health care costs		5.30 %
Impact of:		
1% increase	n/a	\$ 8
1% decrease	n/a	\$ (7)
Mortality rates		
Impact of:		
One year increase in life expectancy	\$ 23	\$ 1
One year decrease in life expectancy	\$ (22)	\$ (1)

n/a – not applicable

Note 25. Equity-Based Compensation

The Company's equity-based compensation expense, which includes Stock Option, RSU, PSU, DSU and EDSU plans, was \$69 million during 2025 (2024 – \$63 million). The expense was recognized in operating income.

The carrying amounts of the Company's equity-based compensation arrangements, which include Stock Option, RSU, PSU, DSU and EDSU plans, were recorded on the consolidated balance sheets as follows:

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Other liabilities (note 21)	\$ 6	\$ 3
Contributed surplus	130	115

All share, equity award and per share amounts presented herein have been retrospectively adjusted to reflect the four-for-one stock split (see notes 2 and 22). The following are details related to the equity-based compensation plans of the Company:

Stock Option Plan The Company maintains a stock option plan for certain employees. Under this plan, the Company may grant options up to 112,548,648 common shares.

The following is a summary of the Company's stock option plan activity:

	2025 ⁽ⁱ⁾		2024 ⁽ⁱ⁾	
	Options (number of shares)	Weighted Average Exercise Price / Share	Options (number of shares)	Weighted Average Exercise Price / Share
Outstanding options, beginning of year	14,368,752	\$ 23.96	21,984,896	\$ 19.97
Granted	1,857,589	\$ 47.16	2,022,140	\$ 36.92
Exercised (note 22)	(2,976,888)	\$ 19.65	(8,712,528)	\$ 16.92
Forfeited/cancelled	(463,140)	\$ 33.77	(869,224)	\$ 24.39
Expired	(4,052)	\$ 29.34	(56,532)	\$ 14.75
Outstanding options, end of year	12,782,261	\$ 27.98	14,368,752	\$ 23.96
Options exercisable, end of year	5,514,216	\$ 21.76	4,817,084	\$ 19.65

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

The following is the weighted average remaining contractual life and exercise price of outstanding and exercisable stock options as at January 3, 2026:

	2025 Outstanding Options			2025 Exercisable Options	
	Number of Options Outstanding ⁽ⁱ⁾	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price/Share ⁽ⁱ⁾	Number of Exercisable Options ⁽ⁱ⁾	Weighted Average Exercise Price/ Share ⁽ⁱ⁾
Range of Exercise Prices					
\$15.67-\$24.60	3,978,298	1.6	\$ 16.63	3,073,782	\$ 16.74
\$24.61-\$29.46	4,692,418	3.6	\$ 26.90	1,945,226	\$ 26.58
\$29.47-\$60.98	4,111,545	5.4	\$ 40.20	495,208	\$ 33.98
	12,782,261		\$ 27.98	5,514,216	\$ 21.76

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

During 2025, the Company issued common shares on the exercise of stock options with a weighted average market share price of \$52.66 (2024 – \$38.36). The Company received cash consideration of \$59 million (2024 – \$147 million) related to the exercise of these options.

The fair value of stock options granted during 2025 was \$17 million (2024 – \$15 million). The assumptions used to measure the fair value of options granted during 2025 and 2024 under the Black-Scholes valuation model at date of grant were as follows:

	2025	2024
Expected dividend yield	1.0 %	1.2 %
Expected share price volatility	17.6% – 21.3%	17.6% – 22.0%
Risk-free interest rate	2.6% – 3.1%	3.1% – 3.8%
Expected life of options	3.8 – 6.3 years	3.8 – 6.2 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at January 3, 2026 was 10.0% (December 28, 2024 – 10.0%).

Restricted Share Unit Plan The following is a summary of the Company's RSU plan activity:

(number of awards ⁽ⁱ⁾)	2025	2024
Restricted share units, beginning of year	2,349,588	3,011,392
Granted	502,909	639,760
Reinvested	26,672	22,712
Settled	(843,201)	(1,166,964)
Forfeited	(94,084)	(157,312)
Restricted share units, end of year	1,941,884	2,349,588

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

The fair value of RSUs granted during 2025 was \$25 million (2024 – \$25 million).

Performance Share Unit Plan The following is a summary of the Company's PSU plan activity:

(number of awards ⁽ⁱ⁾)	2025	2024
Performance share units, beginning of year	1,756,676	2,304,300
Granted	850,895	1,219,888
Reinvested	19,609	17,380
Settled	(1,114,196)	(1,661,496)
Forfeited	(75,814)	(123,396)
Performance share units, end of year	1,437,170	1,756,676

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

The fair value of PSUs granted during 2025 was \$22 million (2024 – \$18 million).

Settlement of Awards from Shares Held in Trust During 2025, the Company settled RSUs and PSUs totaling 1,957,068 (2024 – 2,828,460), all of which were settled through the trusts established for settlement of each of the RSU and PSU plans (see note 22). The settlements resulted in a \$10 million (2024 – \$14 million) increase to share capital and a net increase of \$39 million (2024 – \$34 million) to retained earnings.

Director Deferred Share Unit Plan The following is a summary of the Company's DSU plan activity:

(number of awards ⁽ⁱ⁾)	2025	2024
Director deferred share units, beginning of year	1,302,676	1,406,544
Granted	63,647	72,692
Reinvested	17,003	12,596
Settled	—	(189,156)
Director deferred share units, end of year	1,383,326	1,302,676

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

The fair value of DSUs granted during 2025 was \$3 million (2024 – \$3 million).

Executive Deferred Share Unit Plan The following is a summary of the Company's EDSU plan activity:

(number of awards ⁽ⁱ⁾)	2025	2024
Executive deferred share units, beginning of year	158,764	153,360
Granted	6,252	10,684
Reinvested	2,042	1,428
Settled	(6,500)	(6,708)
Executive deferred share units, end of year	160,558	158,764

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

The fair value of EDSUs granted during 2025 was nominal (2024 – nominal).

Note 26. Employee Costs

Included in operating income are the following employee costs:

(millions of Canadian dollars)	2025	2024 ⁽ⁱ⁾
Wages, salaries and other short term employment benefits	\$ 8,282	\$ 7,844
Post-employment benefits ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾ (note 24)	140	154
Other long term employee benefits (note 24)	33	30
Equity-based compensation	63	60
Capitalized to fixed assets and intangible assets	(137)	(128)
Total employee costs from continuing operations	\$ 8,381	\$ 7,960

(i) Adjusted to reflect discontinued operations. See note 5 "Assets Held for Sale and Discontinued Operations".

(ii) Includes \$39 million (2024 – \$37 million) of the Company's contributions made in connection with defined contribution pension plans.

(iii) Includes \$56 million (2024 – \$69 million) of the Company's contributions made in connection with the MEPPs, of which \$55 million (2024 – \$68 million) relates to CCWIPP.

Note 27. Leases

The Company leases certain of its retail stores, distribution centres, corporate offices, passenger vehicles, trailers and IT equipment. Leases of retail stores are a substantial portion of the Company's lease portfolio. Retail store leases typically have an initial contractual period of 10 to 15 years with additional renewal options available thereafter.

Right-of-Use Assets The following are continuities of the cost and accumulated depreciation of right-of-use assets for the years ended January 3, 2026 and December 28, 2024:

(millions of Canadian dollars)	2025			2024		
	Property	Other	Total	Property	Other	Total
Cost						
Balance, beginning of year	\$ 14,045	\$ 195	\$ 14,240	\$ 12,438	\$ 181	\$ 12,619
Lease additions, net of lease terminations	506	23	529	612	17	629
Lease extensions and other items	918	27	945	1,056	(3)	1,053
Retired leases	(40)	—	(40)	(49)	—	(49)
Reclassification to asset held for sale (note 5)	—	—	—	(12)	—	(12)
Balance, end of year	\$ 15,429	\$ 245	\$ 15,674	\$ 14,045	\$ 195	\$ 14,240
Accumulated depreciation						
Balance, beginning of year	\$ 5,873	\$ 128	\$ 6,001	\$ 4,852	\$ 105	\$ 4,957
Depreciation	1,113	28	1,141	1,063	23	1,086
Impairment losses, net of reversals (note 13)	14	—	14	7	—	7
Retired leases	(40)	—	(40)	(49)	—	(49)
Balance, end of year	\$ 6,960	\$ 156	\$ 7,116	\$ 5,873	\$ 128	\$ 6,001
Carrying amount, end of year	\$ 8,469	\$ 89	\$ 8,558	\$ 8,172	\$ 67	\$ 8,239

Lease Liabilities The following are continuities of lease liabilities for the years ended January 3, 2026 and December 28, 2024:

(millions of Canadian dollars)	2025	2024
Balance, beginning of year	\$ 10,183	\$ 9,458
Lease additions, net of lease terminations	566	781
Lease extensions and other items	920	1,044
Lease payments	(1,708)	(1,501)
Interest expense on lease liabilities (note 7)	453	415
Reclassification to asset held for sale (note 5)	—	(14)
Balance, end of year	\$ 10,414	\$ 10,183
Recorded on the consolidated balance sheets as follows:		
Lease liabilities due within one year	\$ 1,584	\$ 1,648
Lease liabilities	\$ 8,830	\$ 8,535

Liquidity The future undiscounted contractual lease obligations are as follows:

(millions of Canadian dollars)	Due by year						As at January 3, 2026	As at December 28, 2024
	2026	2027	2028	2029	2030	Thereafter	Total	Total
Lease obligations	\$1,650	\$1,560	\$1,271	\$ 1,181	\$ 928	\$ 3,429	\$ 10,019	\$ 9,920

As at January 3, 2026, the Company also had commitments of \$1,212 million (December 28, 2024 – \$589 million) related to leases not yet commenced.

Short-Term Leases The Company has short-term leases that are primarily related to trailer rentals and certain properties. During 2025, \$43 million (2024 – \$44 million) was recognized in cost of sales and SG&A related to short-term leases.

Variable Lease Payments The Company makes variable lease payments for property tax and insurance charges on leased properties. The Company also has certain retail store leases where portions of the lease payments are contingent on a percentage of retail sales. During 2025, \$442 million (2024 – \$417 million) of variable lease payments were recognized in SG&A.

Extension Options Substantially all of the retail store leases have extension options for additional lease terms. As at January 3, 2026, approximately 25% (December 28, 2024 – 24%) of the lease liabilities are related to extension options that were deemed reasonably certain to be exercised.

As at January 3, 2026, approximately \$16 billion (December 28, 2024 – \$16 billion) of discounted future lease payments are related to extension options that were not deemed to be reasonably certain to be exercised and were not included in lease liabilities. These future lease payments are discounted at the incremental borrowing rates associated with the current lease liability profile.

Sale and Leaseback Transactions During 2025, the Company disposed of and leased back two retail properties and one distribution centre (2024 – four retail properties and two distribution centres) for proceeds of \$219 million (2024 – \$335 million), and recognized a gain of \$30 million (2024 – gain of \$58 million) in SG&A (see note 31).

Financial Liabilities In 2025, the Company disposed of one property for proceeds of \$11 million. The property was subsequently leased back by the Company and the disposition did not meet the criteria for sale in accordance with IFRS 15 (see note 21).

As at January 3, 2026, \$11 million (December 28, 2024 – \$12 million) was recorded in trade payables and other liabilities and \$193 million (December 28, 2024 – \$180 million) was recorded in other liabilities for all properties sold to date that did not meet the criteria for sale. During 2025, \$14 million (2024 – \$14 million) of interest expense was recognized in net interest expense and other financing charges (see note 7) and repayments of \$13 million (2024 – \$12 million) were made on financial liabilities.

Note 28. Financial Instruments

The following table presents the fair value and fair value hierarchy of financial assets and financial liabilities, excluding those that are classified as amortized cost that are short term in nature, and certain other assets for which the carrying value approximates fair value. The carrying values of the Company's financial instruments approximate their fair values except for long term debt.

(millions of Canadian dollars)	As at January 3, 2026				As at December 28, 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Fair value through other comprehensive income:								
Long term securities	\$ —	\$ —	\$ —	\$ —	\$ 120	\$ —	\$ —	\$ 120
Derivatives included in prepaid expenses and other assets	—	—	—	—	—	1	—	1
Fair value through profit and loss:								
Certain other assets ⁽ⁱ⁾	—	—	114	114	—	—	76	76
Derivatives included in prepaid expenses and other assets	—	—	1	1	—	5	—	5
Financial liabilities								
Amortized cost:								
Long term debt	\$ —	\$ 6,270	\$ —	\$ 6,270	\$ —	\$ 8,680	\$ —	\$ 8,680
Associate interest	—	—	396	396	—	—	255	255
Certain other liabilities ⁽ⁱⁱ⁾	—	—	321	321	—	—	301	301
Fair value through other comprehensive income:								
Derivatives included in trade payables and other liabilities	—	—	27	27	—	—	16	16
Fair value through profit and loss:								
Derivatives included in trade payables and other liabilities	2	1	—	3	—	—	6	6

(i) Certain other assets relate primarily to Venture Fund I and II (see note 32).

(ii) Certain other liabilities relate primarily to financial liabilities associated with properties that did not meet the criteria for sale (see note 13).

There were no transfers between levels of the fair value hierarchy during the years presented.

During 2025, the Company recognized a loss of \$5 million (2024 – gain of \$8 million) in operating income on financial instruments designated as amortized cost. In addition, during 2025, a net gain of \$13 million (2024 – net gain of \$37 million) was recorded in earnings before income taxes related to financial instruments required to be classified as fair value through profit and loss.

Other Derivatives The Company uses bond forwards and foreign exchange forwards to manage its anticipated exposure to exchange rates on its underlying operations and anticipated fixed asset purchases. The Company also uses swaps, futures, and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates in its underlying operations. The following is a summary of the fair values recognized in the consolidated balance sheets and the net realized and unrealized gains (losses) before income taxes related to the Company's other derivatives:

	January 3, 2026		
(millions of Canadian dollars)	Net asset/ (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Foreign Exchange Forwards	\$ —	\$ (1)	\$ (2)
Bond Forwards ⁽ⁱ⁾	—	3	(3)
Energy Hedge ⁽ⁱⁱ⁾	(27)	(11)	(7)
Total derivatives designated as cash flow hedges	\$ (27)	\$ (9)	\$ (12)
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	\$ (1)	\$ —	\$ (14)
Other Non-Financial Derivatives	(2)	—	5
Total derivatives not designated in a formal hedging relationship	\$ (3)	\$ —	\$ (9)
Total derivatives from continuing operations	\$ (30)	\$ (9)	\$ (21)

(i) The Company uses bond forwards to manage its interest risk related to future debt issuances.

(ii) In 2023, the Company entered into a 20 year arrangement to hedge energy pricing on its purchases in Alberta beginning on January 1, 2025. The hedge has a notional value of \$223 million. The fair value of the derivative is included in other liabilities.

	December 28, 2024 ⁽ⁱ⁾		
(millions of Canadian dollars)	Net asset/ (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Foreign Exchange Forwards	\$ 1	\$ (1)	\$ —
Bond Forwards ⁽ⁱⁱ⁾	—	3	(3)
Energy Hedge ⁽ⁱⁱⁱ⁾	(15)	(12)	—
Total derivatives designated as cash flow hedges	\$ (14)	\$ (10)	\$ (3)
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	\$ 5	\$ —	\$ 26
Other Non-Financial Derivatives	—	—	2
Total derivatives not designated in a formal hedging relationship	\$ 5	\$ —	\$ 28
Total derivatives from continuing operations	\$ (9)	\$ (10)	\$ 25

(i) Adjusted to reflect discontinued operations. See note 5 "Assets Held for Sale and Discontinued Operations".

(ii) The Company uses bond forwards to manage its interest risk related to future debt issuances.

(iii) In 2023, the Company entered into a 20 year arrangement to hedge energy pricing on its purchases in Alberta beginning on January 1, 2025. The hedge has a notional value of \$223 million. The fair value of the derivative is included in other liabilities.

Note 29. Financial Risk Management

As a result of holding and issuing financial instruments, the Company is exposed to liquidity, credit and market risk. The following is a description of those risks and how the exposures are managed:

Liquidity Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost effective manner to fund its obligations as they come due. The Company would experience liquidity risks if it fails to maintain appropriate levels of cash and short-term investments, is unable to access sources of funding or fails to appropriately diversify sources of funding. If any of these events were to occur, they could adversely affect the financial performance of the Company.

Liquidity risk is mitigated by maintaining appropriate levels of cash and cash equivalents and short term investments, actively monitoring market conditions, and by diversifying sources of funding, including the Company's committed credit facilities, and maintaining a well diversified maturity profile of debt and capital obligations.

The following are the undiscounted contractual maturities of significant financial liabilities (excluding lease liabilities - see note 27) as at January 3, 2026:

	2026	2027	2028	2029	2030	Thereafter	Total
Derivative financial liabilities							
Foreign exchange forward contracts	\$ 336	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 336
Non-derivative financial liabilities							
Trade payables and other liabilities	7,127	—	—	—	—	—	7,127
Associate interest	396	—	—	—	—	—	396
Financial liabilities (note 27)	—	13	12	13	13	142	193
Long term debt including interest payments ⁽ⁱ⁾	291	390	1,577	818	573	5,998	9,647
Total	\$ 8,150	\$ 403	\$ 1,589	\$ 831	\$ 586	\$ 6,140	\$ 17,699

(i) Fixed interest payments are based on the maturing face values and annual interest for each instrument, including an independent funding trust and annual payment obligations for structured entities. Variable interest payments are based on the forward rates as at January 3, 2026.

Credit The Company is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to the Company, including derivative instruments, cash and cash equivalents, short term investments, security deposits, finance lease receivable, pension assets held in the Company's defined benefit plans and accounts receivable, including amounts due from government and third-party drug plans arising from prescription drug sales, independent accounts and amounts owed from vendors. Failure to manage credit risk could adversely affect the financial performance of the Company.

The risk related to derivative instruments, cash and cash equivalents and short term investments is reduced by policies and guidelines that require that the Company enters into transactions only with counterparties or issuers that have a minimum long term "A-" credit rating from a recognized credit rating agency and place minimum and maximum limits for exposures to specific counterparties and instruments.

Finance lease receivable and accounts receivable, including amounts due from governments and third-party drug plans arising from prescription drug sales, independent accounts and amounts owed from vendors and tenants, are actively monitored on an ongoing basis and settled on a frequent basis in accordance with the terms specified in the applicable agreements.

Interest Rates The Company is exposed to interest rate risk from fluctuations in interest rates on its floating rate debt and from the refinancing of existing financial instruments. An increase in interest rates could adversely affect the operations or financial performance of the Company. The Company manages interest rate risk by monitoring the respective mix of fixed and floating rate debt and by taking action as necessary to maintain an appropriate balance considering current market conditions, with the objective of maintaining the majority of its debt at fixed interest rates. The Company estimates that a 1% increase (decrease) in short term interest rates, with all other variables held constant, would result in an (decrease) increase of \$1 million to net interest expense and other financing charges.

Currency Exchange Rates The Company is exposed to foreign currency exchange rate variability, primarily on its U.S. dollar denominated purchases in trade payables and other liabilities. A depreciating Canadian dollar relative to the U.S. dollar will have a negative impact on year-over-year changes in reported operating income and net earnings, while an appreciating Canadian dollar relative to the U.S. dollar will have the opposite impact. To manage a portion of this exposure, the Company uses derivative instruments in the form of futures contracts and forward contracts to minimize cost volatility related to foreign exchange.

Commodity Prices The Company is exposed to increases in the prices of commodities in operating its stores and distribution networks, as well as to the indirect effect of changing commodity prices on the price of consumer products. Rising commodity prices could adversely affect the financial performance of the Company. To manage a portion of this exposure, the Company uses purchase commitments and derivative instruments in the form of exchange traded futures contracts and forward contracts to minimize cost volatility related to commodities. The Company estimates that, based on the outstanding derivative contracts held by the Company as at January 3, 2026, a 10% decrease in relevant commodity prices, with all other variables held constant, would result in a loss of \$2 million on earnings before income taxes.

Note 30. Contingent Liabilities

In the ordinary course of business, the Company is involved in and potentially subject to, legal actions and proceedings. In addition, the Company is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments.

There are a number of uncertainties involved in such matters, individually or in aggregate, and as such, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect on the Company's reputation, operations, financial condition or performance in future periods. It is not currently possible to predict the outcome of the Company's legal actions and proceedings with certainty. Management regularly assesses its position on the adequacy of accruals or provisions related to such matters and will make any necessary adjustments.

The following is a description of the Company's significant legal proceedings:

Shoppers Drug Mart was previously served with an Amended Statement of Claim in a class action proceeding that has been filed in the Ontario Superior Court of Justice ("Superior Court") by Associates, claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement. The class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Quebec, who were parties to Shoppers Drug Mart's 2002 and 2010 forms of the Associate Agreement. On July 9, 2013, the Superior Court certified as a class proceeding portions of the action. A summary judgment trial of the matter was held in December 2022 and on February 17, 2023, the Superior Court released its decision in relation to those summary judgment motions (the "Decision"). The Superior Court dismissed the plaintiffs' claims on the majority of the issues including a request for damages at this stage of proceedings. The Superior Court also held that Shoppers Drug Mart breached the 2002 form of Associate Agreement when it did not remit certain amounts that it received from generic drug manufacturers to Associates. On March 20, 2023, the plaintiffs filed a Notice of Appeal and on April 4, 2023, the Company filed a Notice of Cross-Appeal. A hearing for the appeals was held on February 14, 2024 and on February 15, 2024. On August 29, 2024, the Court of Appeal dismissed both the appeal and cross appeal, with the exception that the plaintiff's appeal was allowed to correct the amount Shoppers Drug Mart received in professional allowances during the class period. Accordingly, the Company has not recorded any amounts related to the potential liability associated with this lawsuit. The Company does not believe that the ultimate resolution of this matter will have a material adverse impact on its financial condition or prospects.

In 2017, the Company and Weston announced actions taken to address their role in an industry-wide price-fixing arrangement involving certain packaged bread products. The arrangement involved the coordination of retail and wholesale prices of certain packaged bread products over a period extending from late 2001 to March 2015. Under the arrangement, the participants regularly increased prices on a coordinated basis. Class action lawsuits were commenced against the Company and Weston as well as a number of other major grocery retailers and another bread wholesaler. On July 24, 2024, the Company and Weston entered into binding Minutes of Settlement and on January 31, 2025, the Company and Weston entered into a Settlement Agreement with the lawyers representing consumers to settle those class action lawsuits for \$500 million. The Company and Weston will each pay for a portion of the settlement, with Loblaw paying \$253 million and Weston paying \$247 million. The Company will

receive credit for the \$96 million it previously paid to customers in the form of Loblaw cards, resulting in it being required to pay \$157 million in cash towards the settlement. On March 3, 2025, the settlement funds were paid into a trust account. The Settlement Agreement was approved by the Ontario Superior Court in May 2025 and the Quebec Superior Court in July 2025. As a result of admission of participation in the arrangement and cooperation in the Competition Bureau's investigation, the Company and Weston will not face criminal charges or penalties. In response to such class action lawsuits, certain major grocery retailers have crossclaimed against the Company and Weston, and the Company and Weston believe such crossclaims are without merit.

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including the Company and its subsidiaries, Shoppers Drug Mart Inc. and Sanis Health Inc. The claim contains allegations of breach of the Competition Act, fraudulent misrepresentation and deceit and negligence, and seeks unquantified damages for the expenses incurred by the federal government, provinces, and territories of Canada in paying for opioid prescriptions and other healthcare costs related to opioid addiction and abuse in Canada. During the second quarter of 2021, the claim against Loblaw Companies Limited was discontinued. In May 2019, two further opioid-related class actions were commenced in each of Ontario and Quebec against a large group of defendants, including Sanis Health Inc. In February 2022, the plaintiff and Sanis Health Inc. agreed to settle the Quebec action for a nominal amount, with no admission of liability and for the express purpose of avoiding the delays, disruption, and expenses associated with the litigation. The settlement has been approved by the court and is now final. On December 12, 2024, the Ontario action was dismissed against Sanis Health Inc., with costs. In December 2019, a further opioid-related class action was commenced in British Columbia against a large group of defendants, including Sanis Health Inc., Shoppers Drug Mart Inc. and the Company. The allegations in the civil British Columbia class action are similar to the allegations against manufacturer defendants in the Province of British Columbia class action, except that the December 2019 claim seeks recovery of damages on behalf of opioid users directly. In April 2021, the Company, Shoppers Drug Mart Inc. and Sanis Health Inc. were served with another opioid-related class action that was started in Alberta against multiple defendants. In February 2025, Loblaws Inc. and Weston were also served with the claim. The claim seeks damages on behalf of municipalities and local governments in relation to public safety, social services, and criminal justice costs allegedly incurred due to the opioid crisis. In September 2021, the Company, Shoppers Drug Mart Inc. and Sanis Health Inc. were served with a class action started in Saskatchewan by Peter Ballantyne Cree Nation and Lac La Ronge Indian Band on behalf of all Indigenous, Metis, First Nation and Inuit communities and governments in Canada to recover costs they have incurred as a result of the opioid crisis, including healthcare costs, policing costs and societal costs. In October 2024, the claim was discontinued against Shoppers Drug Mart Inc. In January 2024, Shoppers Drug Mart Inc. was served with a second class action in Saskatchewan started by Lac La Ronge Indian Band. The case is brought on behalf of Band members and is claiming damages relating to abatement costs, the diversion of financial and other resources, the reduction in the value of the reserve lands and interests, and lost tax revenues. Shoppers Drug Mart Inc. is being sued as a representative of an international defendant subclass of opioid "dealers" and Sanis Health Inc. is a proposed supplier class member. The Company believes these proceedings are without merit and is vigorously defending them. The Company does not currently have any significant accruals or provisions for these matters recorded in the consolidated financial statements.

In 2022, the Tax Court of Canada ("Tax Court") released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court ruled that PC Bank is not entitled to claim notional input tax credits for certain payments it made to Loblaws Inc. in respect of redemptions of loyalty points. PC Bank subsequently filed a Notice of Appeal with the Federal Court of Appeal ("FCA") and in March 2024, the matter was heard by the FCA. In the third quarter of 2024, the FCA released its decision and reversed the decision of the Tax Court. As a result, PC Bank reversed charges of \$155 million, including \$111 million initially recorded in 2022. In addition, \$10 million was recorded related to interest income on cash tax refunds. Certain taxation years subsequent to the periods covered by the FCA decision remain under review by the tax authorities.

Indemnification Provisions The Company from time to time enters into agreements in the normal course of its business, such as service and outsourcing arrangements, lease agreements in connection with business or asset acquisitions or dispositions, and other types of commercial agreements. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breaches of representations and warranties or in respect of future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration and may extend for an unlimited period of time. In addition, the terms of these indemnification provisions vary in amount and certain indemnification provisions do not provide for a maximum potential indemnification amount. Indemnity amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. As a result, the Company is unable to reasonably estimate its total maximum potential liability in respect of indemnification provisions. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

Note 31. Financial Guarantees

The Company established letters of credit used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and guarantees with a gross potential liability of approximately \$356 million as at January 3, 2026 (December 28, 2024 – \$324 million). In addition, the Company has provided to third parties the following significant guarantees:

Associate Guarantees The Company has arranged for its Associates to obtain financing to facilitate their inventory purchases and fund their working capital requirements by providing guarantees to various Canadian chartered banks that support Associate loans. As at January 3, 2026, the Company's maximum obligation in respect of such guarantees was \$580 million (December 28, 2024 – \$580 million) with an aggregate amount of \$32 million (December 28, 2024 – \$476 million) in available lines of credit allocated to the Associates by the various banks. As at January 3, 2026, Associates had drawn a nominal amount (December 28, 2024 – a nominal amount) against these available lines of credit. Any amounts drawn by the Associates are included in bank indebtedness on the Company's consolidated balance sheets. As recourse, in the event that any payments are made under the guarantees, the Company holds a first-ranking security interest on all assets of Associates, subject to certain prior-ranking statutory claims.

Independent Funding Trusts The full balance relating to the debt of the independent funding trusts has been consolidated on the balance sheets of the Company (see note 20). As at January 3, 2026 the Company has agreed to provide a credit enhancement of \$80 million (December 28, 2024 – \$64 million) in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% (December 28, 2024 – not less than 10%) of the principal amount of loans outstanding. This credit enhancement allows the independent funding trusts to provide financing to the Company's franchisees. As well, each franchisee provides security to the independent funding trusts for its obligations by way of a general security agreement. In the event that a franchisee defaults on its loan and the Company has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trusts would assign the loan to the Company and draw upon this standby letter of credit. This standby letter of credit has never been drawn upon. The Company has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

Lease Obligations In connection with historical dispositions of certain of its assets and Wellwise (see note 6), the Company has assigned leases to third parties. The Company remains contingently liable for these lease obligations in the event any of the assignees are in default until 2033. As at January 3, 2026, the Company has guaranteed lease obligations in the amount of \$9 million (December 28, 2024 – \$2 million).

Cash Collateralization As at January 3, 2026, the Company had agreements to cash collateralize certain of its uncommitted credit facilities up to an amount of \$93 million (December 28, 2024 – \$94 million). As at January 3, 2026, there was no cash (December 28, 2024 – nil) deposited with major financial institutions and classified as security deposits.

Financial Services The Company has provided a guarantee on behalf of PC Bank to Mastercard International Incorporated ("Mastercard") for accepting PC Bank as a card member and licensee of Mastercard. As at January 3, 2026, the guarantee on behalf of PC Bank to Mastercard was \$190 million USD (December 28, 2024 – \$190 million USD).

Letters of credit for the benefit of independent securitization trusts with respect to the securitization programs of PC Bank have been issued by major financial institutions. These standby letters of credit can be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables. The Company has agreed to reimburse the issuing banks for any amount drawn on the standby letters of credit. The aggregate gross potential liability under these arrangements for the Other Independent Securitization Trusts was \$59 million (December 28, 2024 – \$72 million), which represented approximately 9% (December 28, 2024 – 9%) of the securitized credit card receivables amount (see note 5).

Note 32. Related Party Transactions

The Company's controlling shareholder is Weston, which owns, directly and indirectly, 618,657,687 of the Company's common shares, representing approximately 52.6% of the Company's outstanding common shares. Galen G. Weston beneficially owns or controls, directly and indirectly, including through Wittington, a total of 225,794,884 of Weston's common shares, representing approximately 59.5% of Weston's outstanding common shares. Galen G. Weston also beneficially owns 2,362,544 of the Company's common shares, representing approximately 0.2% of the Company's outstanding common shares.

Weston is the controlling shareholder of Choice Properties Real Estate Investment Trust ("Choice Properties"). Therefore, Choice Properties is a related party by virtue of common control. As at January 3, 2026, Weston's ownership interest in Choice Properties was approximately 61.7% (December 28, 2024 – 61.7%). The Company is Choice Properties' largest tenant, representing approximately 57.7% (December 28, 2024– 57.7%) of Choice Properties' rental revenue as at January 3, 2026.

Transactions with Related Parties

(millions of Canadian dollars)	Transaction Value	
	2025	2024
Operating income		
Transactions with Weston and Wittington		
Cost sharing agreements with Weston ⁽ⁱ⁾	\$ 57	\$ 56
Net administrative services provided by Weston ⁽ⁱⁱ⁾	21	23
Lease payments to Wittington	1	1
Transactions with Choice Properties		
Lease payments to Choice Properties ⁽ⁱⁱⁱ⁾	\$ 836	\$ 797
Site intensification payments received from Choice Properties	(5)	(4)
Equity transactions with Weston		
Dividends paid on common shares	\$ 345	\$ 319

- (i) The Company and Weston have each entered into certain contracts with third parties for administrative and corporate services, including telecommunication services and IT related matters on behalf of itself and the related party. Through cost sharing agreements that have been established between the Company and Weston concerning these costs, the Company has agreed to be responsible to Weston for the Company's proportionate share of the total costs incurred.
- (ii) The Company and Weston have entered into an agreement whereby certain administrative services are provided by one party to the other. The services to be provided under this agreement include those related to commodity management, information systems, risk management, treasury, certain accounting functions and legal. Payments are made quarterly based on the actual costs of providing these services. Where services are provided on a joint basis for the benefit of the Company and Weston together, each party pays the appropriate proportion of the costs.
- (iii) During 2025, lease payments paid to Choice Properties included base rent of \$575 million (2024 – \$548 million) and operating expenses of \$261 million (2024 – \$249 million).

The net balances due to (from) related parties are comprised as follows:

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Weston ⁽ⁱ⁾	\$ 11	\$ 97
Choice Properties	(11)	(16)

- (i) Balances relate to trade payables and other liabilities due to Weston, including dividends declared on common shares, net of receivables from Weston.

Other Transactions and Agreements with Choice Properties

Strategic Alliance Agreement The Strategic Alliance Agreement established on the initial public offering (“IPO”) of Choice Properties creates a series of rights and obligations between Choice Properties and the Company, intended to establish a preferential and mutually beneficial business and operating relationship. The Strategic Alliance Agreement will expire on the earlier of July 5, 2033 or the date on which Weston and its affiliates own less than 50% effective interest in Choice Properties (on a fully diluted basis).

Commitments The following is a summary of the Company’s future undiscounted contractual lease payments to Choice Properties:

	Payments due by year						As at	As at
	2026	2027	2028	2029	2030	Thereafter	January 3, 2026	December 28, 2024
(millions of Canadian dollars)							Total	Total
Lease payments	\$ 607	\$ 589	\$ 487	\$ 447	\$ 338	\$ 1,245	\$ 3,713	\$ 3,838

Sale and Leaseback Transactions with Choice Properties During 2025, the Company sold two properties (2024 – one property) to Choice Properties for proceeds of \$215 million (2024 – \$38 million) and recognized a gain of \$29 million (2024 – gain of \$14 million). During 2024, the Company also sold four properties to a joint arrangement between a third party and Choice Properties for proceeds of \$278 million and recognized a gain of \$40 million. All (2024 - all) of these properties were leased back by the Company (see note 27).

Other Transactions

Venture Fund During 2020, Loblaw, Weston, and a wholly owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington (“Venture Fund I”). A wholly owned subsidiary of Wittington is the general partner of the Venture Fund, which hired an external fund manager to oversee it. The purpose of the Venture Fund I is to pursue venture capital investing in innovative businesses that are in technology-oriented companies at all stages of the start-up life cycle that operate in commerce, healthcare, and food sectors and are based in North America. Each of the three limited partners have 33% interest in the Venture Fund I. The Company has a total capital commitment of \$33 million over a 10-year period.

During 2022, Loblaw became a limited partner in another limited partnership formed by Wittington (“Venture Fund II”). A wholly owned subsidiary of Wittington is also the general partner of Venture Fund II, and the purpose of Venture Fund II is consistent with Venture Fund I. The Company has a 50% interest in Venture Fund II and has a total capital commitment of \$60 million over a 10-year period.

Post-Employment Benefit Plans The Company sponsors a number of post-employment plans, which are related parties. Contributions made by the Company to these plans are disclosed in note 24 “Post-Employment Benefits”.

Income Tax Matters From time to time, the Company, Weston, and its affiliates may enter into agreements to make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations.

Key Management Personnel The Company’s key management personnel are comprised of the Board and certain members of the executive team of the Company, as well as both the Board and certain members of the executive team of Weston and Wittington to the extent that they have the authority and responsibility for planning, directing and controlling the day-to-day activities of the Company.

Compensation of Key Management Personnel Annual compensation of key management personnel that is directly attributable to the Company was as follows:

(millions of Canadian dollars)	2025	2024
Salaries, director fees and other short term employee benefits	\$ 10	\$ 10
Equity-based compensation	13	8
Total compensation	\$ 23	\$ 18

Other transactions with related parties, as defined by IFRS Accounting Standards, were not significant during the year.