

This offering statement must be delivered to every purchaser of the securities described herein prior to the purchaser becoming obligated to complete the purchase and, upon request, to any prospective purchasing member.

No official of the Government of the Province of Ontario has considered the merits of the matters addressed in this offering statement.

The securities being offered are not guaranteed through the Financial Services Regulatory Authority of Ontario or any similar public agency.

The prospective purchaser of these securities should carefully review the offering statement and any other documents it refers to, examine in particular the section on risk factors beginning on page 39, and, further, should consult a financial or tax advisor about this investment.

FirstOntario Credit Union Limited

Offering Statement

March 31, 2026

Minimum \$10,000,000 — Maximum \$75,000,000

Class B Special Shares, Series 2026

(Non-Cumulative, Non-Voting, Non-Participating Special Shares)

("Class B Shares, Series 2026")

The subscription price for each Class B Share, Series 2026 will be \$1.00 per share, with a minimum of 1,000 shares per member which may be subscribed for \$1,000, to a maximum of 1,000,000 shares per member which may be subscribed for \$1,000,000.

There is no market through which these securities may be sold. Transfers of the Class B Shares, Series 2026 may generally only occur to other members of the Credit Union or a person prescribed under the Credit Unions and Caisses Populaires Act, 2020, and all other transfers are prohibited.

The purchaser of these securities may reverse his/her decision to purchase the securities if he/she provides notice in writing, or by facsimile, or by e-mail in combination with a telephone call, to the person from whom the purchaser purchased the security, within two business days, excluding weekends and holidays, of having signed a subscription form.

The Class B Shares, Series 2026 are subject to the transfer and redemption restrictions under the Credit Unions and Caisses Populaires Act, 2020 and the restrictions under this offering statement as set out on pages 37 to 39.

THE SECURITIES OFFERED ARE NOT DEPOSITS. THE SECURITIES OFFERED ARE NOT INSURED. THE DIVIDENDS ON THE SECURITIES ARE NOT GUARANTEED.

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Offering Statement Summary

The following is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this offering statement. A “Glossary of Terms” can be found at the end of this summary, prior to the detailed offering statement.

FirstOntario Credit Union Limited

The Credit Union was formed by the amalgamation, on August 31, 1999, of Avestel Credit Union Limited (“Avestel”) and Family Savings and Credit Union (Niagara) Limited (“Family Savings”). Avestel was itself created by amalgamation on December 1, 1996, amalgamating the former Avestel Credit Union Limited (which had been incorporated in 1940 as the Stelco Employees Credit Union (Hamilton Works) Ltd.) and CUNA of Ontario Credit Union Limited. Family Savings was incorporated on October 20, 1949 as St. Catharines Auto Workers’ Credit Union Limited, and initially served the employees of General Motors. The Credit Union’s head office is located at 970 South Service Road, Suite 301, Stoney Creek ON L8E 6A2.

The Credit Union has four direct wholly-owned subsidiaries: FirstOntario Insurance Holdings Inc. (“FirstOntario Insurance Holdings”), FirstOntario Credit Union Realty Corporation (“FirstOntario Realty”), FirstOntario Credit Union GP Corporation (“FirstOntario GP”), and Momentum Credit Union Limited (“Momentum”).

FirstOntario Insurance Holdings is a holding company which manages the Credit Union’s 51% interest in FirstOntario Insurance Brokers Inc., an Ontario-licensed insurance brokerage.

FirstOntario Realty owns interests in various real estate joint ventures, whether common shares (including of a corporate general partner), its investment in FirstOntario Credit Union Realty Investment Corporation (“FirstOntario Realty Investment”) or limited partnership units, on behalf of the Credit Union.

FirstOntario GP acts as the general partner in various real estate joint ventures carried on through limited partnerships (since the *Credit Unions and Caisses Populaires Act, 2020* (the “Act”) prevents the Credit Union acting as general partner directly), in which FirstOntario Realty or FirstOntario Realty Investment owns all the limited partnership units.

Momentum, formerly based in Hamilton, was acquired by the Credit Union in 2024. Following this transaction, the Credit Union assumed control of the Momentum legal entity in 2025. The Credit Union is now proceeding with the dissolution of the Momentum entity, which is expected to be finalized in 2026. This process will not affect the consolidated financial statements of the Credit Union.

The Credit Union also operates largely digitally under the business names “Saven Financial, a division of FirstOntario Credit Union” (“Saven Financial”) and “Creative Arts Financial, a division of FirstOntario Credit Union” (“Creative Arts Financial”). The Credit Union commenced using the Creative Arts Financial business name on October 31, 2020, when the Credit Union acquired the assets of Creative Arts Savings and Credit Union Limited. The Credit Union commenced using the business name Saven Financial in January 2021.

The Credit Union earns a higher proportion of its revenue than seen elsewhere in the Ontario credit union system from various real estate joint ventures, and from investments in private equity and private debt (including outside Ontario and Canada) and infrastructure. For further details, see pages 45 to 49.

The Credit Union serves over 130,000 members through 28 branches and two commercial services locations located in the Golden Horseshoe region and Southwestern Ontario, through its interactive banking machines, which provide both automated teller machines and personal assisted teller services, and through its internet, mobile and telephone banking platforms. The Credit Union provides a full range of retail and commercial credit and non-credit financial

services and products.

The Credit Union's constating documents permit mergers and acquisitions with other credit unions. As of the date hereof, there are no active letters of intent or legally binding commitments regarding potential mergers or acquisitions.

See also "Business of the Credit Union", beginning on page 17.

The audited financial statements attached as Schedule A hereto have been approved by the Board of Directors of the Credit Union (the "Board") and have not yet been presented to the members of the Credit Union. This will occur at the Credit Union's Annual General Meeting on April 22, 2026.

Overview

With over \$7.1 billion in assets and over \$13.5 billion in member's funds under management, the Credit Union is the fifth largest credit union in Ontario and the sixteenth largest in Canada. The Credit Union is a full-service credit union providing a wide range of credit, investment, and financial advice.

Fiscal 2026 marks the last year of a four-year strategic plan developed in 2022. The Credit Union's current strategic plan includes a focus on the primary pillars of stakeholder experience, digital capabilities, and operational excellence, as well as adding the pillars of corporate relevance, embedding purpose and environment, social and governance ("ESG") issues. In this plan, the Credit Union's journey is to become a purpose driven organization, playing a vital role in society as a strong and vibrant community-based Credit Union while addressing important ESG issues.

The Credit Union has plans and programs designed to fulfill the six strategic pillars, with two key enablers guiding this plan: risk management and change management. A risk assessment process is in place that includes compensating internal controls to avoid financial loss and negative impacts to member experience and employee confidence. Successful execution of the strategic plan is predicated on ensuring effective change management protocols are in place during all major change initiatives.

The Offering

The Credit Union offers for sale to its members, at \$1.00 per share, Class B Non-Cumulative, Non-Voting, Non-Participating, Redeemable Special Shares, Series 2026 ("Class B Shares, Series 2026") in the capital of the Credit Union. Class B Shares, Series 2026 are special, non-membership shares and constitute part of the authorized capital of the Credit Union. Subscriptions will be accepted from members of the Credit Union for a minimum of 1,000 Class B Shares, Series 2026, and a maximum of 1,000,000 Class B Shares, Series 2026. Class B Shares, Series 2026 are not redeemable for five (5) years following their issuance, except when the shareholder dies or is expelled from membership in the Credit Union. All redemptions for any reason are also subject to a limit (of 10% of the number of the Class B Shares, Series 2026 issued and outstanding at the end of the prior fiscal year) on the maximum number of shares that can be redeemed in any fiscal year. Requests for redemption at the option of the holder, may be approved by the Credit Union at the Board's discretion on a first-come, first-served basis. The total redemptions for the fiscal year is an aggregate annual limit of 10%. If applicable law requires that any redemption be approved by the Authority, that redemption will be subject to the Authority's approval being obtained. The Credit Union may also acquire the Class B Shares, Series 2026 at the Redemption Amount, for cancellation after a period of five (5) years following the issuance of the shares. Potential investors should note that the Act, through the rule regarding capital adequacy promulgated by the Authority pursuant to the Act, permits the Credit Union to redeem or purchase for cancellation shares only if the shares are replaced with capital of at least the same quality as the shares being replaced without using a significant amount of the Credit Union's retained earnings, or the Credit Union can demonstrate to the Authority that its Regulatory Capital will remain substantially above regulatory minimum requirements.

Purchasers of Class B Shares, Series 2026 who are intending to include such shares in an RRSP or RRIF contract should carefully review the redemption restrictions beginning on page 37 before proceeding. Transfer of such shares will only be affected through the Credit Union, and transfers are generally restricted to other members of the Credit Union; all other transfers are prohibited. See “Description of Securities Being Offered” on pages 35 through 39.

It is intended that the Class B Shares, Series 2026 will be issued on one closing date. Subscriptions for the closing of Class B Shares, Series 2026 shall be accepted from the offer date for that offer noted in the table below (the “Offer Date”) until the earlier of the:

1. Corresponding closing date noted in the table below, or upon such earlier time at which the Credit Union, in its sole discretion, determines to close the Offering (the “Closing Date”);
2. Time that the aggregate number of subscriptions received for Class B Shares, Series 2026 is equal to the maximum amount of \$75,000,000; or
3. Date on which the Board, having not received subscriptions for the maximum \$75,000,000 Class B Shares, Series 2026 and noting that six (6) months has not yet passed since the date of this offering statement, resolves to close the offering. The shares subscribed shall be actually issued on the issuance date noted in the table below, notwithstanding the fact that, for purposes of calculating the periods of non-redeemability outlined above, but not for the purpose of pro-rating any dividend paid in the year the Class B Shares, Series 2026 are issued (for which the actual issuance date set out below will be used), the Issue Date shall be defined as the latest date on which Class B Shares, Series 2026 are actually issued pursuant to this offering statement.

Offer Date	Closing Date	Issuance Date
March 31, 2026	September 30, 2026, or such earlier date which the Credit Union may determine in its sole discretion. The Credit Union may, at its option, extend the closing date, subject to approval by FSRA.	October 19, 2026 or such earlier date which the Credit Union may determine in its sole discretion.

No Class B Shares, Series 2026 will be issued until the minimum aggregate subscription amount received in respect of such shares is equal to at least \$10,000,000. The Credit Union may, in its sole discretion, opt to move the Closing Date earlier so long as the minimum aggregate subscription amount is met. If the aggregate subscription amount received by the targeted Closing Date of September 30, 2026 is less than \$10,000,000, then this offering for Class B Shares, Series 2026 will be cancelled and withdrawn without shares being issued, (in which case all funds “frozen” or held in Escrow to support subscriptions will be returned to the applicable members within 30 days thereof, with applicable interest), unless this offering has been renewed with the approval of the Chief Executive Officer of Financial Services Regulatory Authority of Ontario. If sales then amount to at least \$10,000,000 but do not amount to \$75,000,000, the Credit Union may proceed to close the offering or apply to the Authority for a renewal of the offering for a period not exceeding six months.

The securities to be issued under this offering statement are not secured by any assets of the Credit Union and are not covered by deposit insurance or any other form of guarantee as to repayment of the principal amount or dividends. The Class B Shares, Series 2026 will qualify as Regulatory Capital, to the extent permitted and as defined in the Act and FSRA rules.

Use of Proceeds

If fully subscribed, the gross proceeds of this issue will be \$75,000,000. The costs of issuing these securities are not expected to exceed \$360,000, and these costs, approximating \$290,000 after applicable tax savings, will be deducted from the gross proceeds in arriving at the amount to be reported as share capital outstanding. The estimated maximum net proceeds of this offering are therefore \$74,710,000. The principal use of the net proceeds, and the purpose of this offering, is to add to the Credit Union's Regulatory Capital to continue supporting the achievement of the Credit Union's strategic plan – Imagine 2026, anchored on the six pillars set out on page 20. The net proceeds will provide for the future growth, and development of the Credit Union, while maintaining a prudent cushion in the amount of Regulatory Capital above regulatory requirements.

Based on the total assets and regulatory capital at December 31, 2025, according to its audited financial statements, the Credit Union's Leverage Ratio would increase to 6.40% if this offering is minimally subscribed and to 7.22% if fully subscribed. Based upon the Credit Union's total assets as at December 31, 2025, according to its audited financial statements, this offering would support additional growth in assets of \$8.5 billion if minimally subscribed, and \$10.7 billion if fully subscribed, without contravening the regulatory minimum Leverage Ratio requirement of 3%.

Risk Factors

Investments in the Class B Shares, Series 2026 are subject to a number of risks, including regulatory redemption restrictions, the continuous need to maintain minimum Regulatory Capital levels, the uncertainty of payment of dividends, credit risk, market risk, liquidity risk, structural risk, operational risk, potential regulatory actions, reliance on key management, geographic risk, economic risk, and competitive risk. See "Risk Factors" on pages 39 to 50.

Dividend Policy

The dividend policy of the Credit Union's Board, as it relates to Class B Shares, Series 2026 shall be to pay a dividend or dividends in every year in which there are sufficient profits to do so while still fulfilling all other Regulatory Capital, liquidity, and operational requirements. The dividend rate shall be established by the Board, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations, and, in particular, on the Credit Union's earnings. The Board shall consider whether a dividend shall be declared or not, the rate of that dividend and the manner in which it is paid, including whether in the form of additional Class B Shares, Series 2026 shares or in cash. The Board shall consider this at least annually, and any declared dividend will be paid following each fiscal year end and before each annual general meeting of members.

There can be no guarantee that a dividend will be paid in each year. The Board has defined an appropriate rate to be the greater of 6.00% or a rate which exceeds by 125 Basis Points the simple average of the yields on the monthly series of the Government of Canada 5-year bonds (CANSIM Identifier VI22540) as published by the Bank of Canada on its website, www.bank-banque-canada.ca during the Credit Union's fiscal year, for fiscal years ending on or before December 31, 2031. For fiscal years ending after that date, the Board has defined an appropriate rate to be a rate equal to the rate which exceeds by 125 Basis Points the simple average of the yields on the monthly series of the Government of Canada 5-year bonds (CANSIM Identifier VI22540) as published by the Bank of Canada on its website, www.bank-banque-canada.ca during the Credit Union's fiscal year. The Credit Union will pro-rate the dividend in the year the shares are issued. This dividend policy is subject to change or exception at any time, at the Board's discretion.

Dividends paid on Class B Shares, Series 2026 will be deemed to be interest and not dividends and are therefore not eligible for the tax treatment given to dividends from taxable Canadian corporations, commonly referred to as the "dividend tax credit".

Summary Financial Information

This summary financial information should be read in conjunction with the more detailed financial statements attached hereto as Schedule A, including the notes to those statements, and Management's Discussion and Analysis beginning at page 61.

SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION			
<i>(thousands of dollars)</i>	As at December 31, 2025	As at December 31, 2024	As at December 31, 2023
ASSETS			
Cash and cash equivalents	\$ 46,600	\$ 25,977	\$ 14,736
Investments in debt and equity securities, and in joint ventures	547,500	508,330	455,683
Derivative financial instruments	10,338	13,598	10,619
Loans and advances	6,424,251	5,906,434	5,481,255
Fixed assets and intangibles assets	41,028	41,445	43,907
Other, retained rights loan securitizations, current tax assets and pension assets	103,977	93,193	51,325
Total Assets	\$ 7,173,694	\$ 6,588,977	\$ 6,057,525
LIABILITIES			
Members' deposits and shares	\$ 6,271,312	\$ 5,624,182	\$ 5,066,759
Derivative financial instruments	14,045	22,333	7,520
Secured borrowings and securitization liabilities	373,603	448,170	517,443
Other liabilities, employee benefit obligations and tax liabilities	63,755	65,614	63,056
Total Liabilities	6,722,715	6,160,299	5,654,778
MEMBERS' EQUITY			
Investment shares	170,122	162,749	159,663
Patronage shares	1,519	1,518	-
Retained earnings and contributed surplus	273,849	257,457	240,035
Non-controlling interest	(132)	(127)	(134)
Accumulated other comprehensive income	5,621	7,081	3,183
	450,979	428,678	402,747
Total Liabilities and Members' Equity	\$ 7,173,694	\$ 6,588,977	\$ 6,057,525

SUMMARY OF CONSOLIDATED STATEMENTS OF INCOME			
<i>(thousands of dollars)</i>	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Interest and investment income	\$ 309,878	\$ 305,507	\$ 258,736
Interest expense	208,079	227,046	189,341
Operating income before the following	101,799	78,461	69,395
(Provision) recovery for expected credit losses	(4,480)	(2,167)	2,138
Other income	49,170	47,166	36,379
Net interest and other income	146,489	123,460	107,912
Non-interest expenses	114,972	107,107	102,405
Income before income taxes	31,517	16,353	5,507
Income taxes (recovery)	5,330	(2,325)	(1,389)
Net income for the year	\$ 26,187	\$ 18,678	\$ 6,896

Glossary of Terms

"Act" - the *Credit Unions and Caisses Populaires Act, 2020*, and its associated Regulations and Rules, as now enacted or as the same may from time to time be amended, re-enacted, or replaced.

"Agricultural Loan" - a loan to finance the production of cultivated or uncultivated field-grown crops; the production of horticultural crops, the raising of livestock, fish, poultry, and fur-bearing animals; or the production of eggs, milk, honey, maple syrup, tobacco, wood from woodlots, and fibre and fodder crops.

"Administration" - a legal status ordered by the Chief Executive Officer of the Authority in any of the following circumstances:

1. The Chief Executive Officer of the Authority, on reasonable grounds, believes that a credit union is conducting its affairs in a way that might be expected to harm the interests of members, depositors or shareholders or that tends to increase the risk of claims against the Chief Executive Officer of the Authority, but that Supervision would, in this case, not be appropriate;
2. A credit union has failed to comply with an order of the Chief Executive Officer of the Authority made while the credit union was subject to Supervision;
3. The Chief Executive Officer of the Authority is of the opinion that the assets of a credit union are not sufficient to give adequate protection to its depositors;
4. A credit union has failed to pay any liability that is due or, in the opinion of the Chief Executive Officer of the Authority, will not be able to pay its liabilities as they become due;
5. After a general meeting and any adjournment of no more than two weeks, the members of a credit union have failed to elect the minimum number of Directors required under the Act, (currently 5);
6. The Authority has received a report from the Chief Executive Officer of the Authority that the Chief Executive Officer of the Authority has ordered a credit union to discontinue operations for a period; under which the Authority has the power to:
 - a) Carry on, manage and conduct the operations of that credit union;
 - b) Preserve, maintain, realize, dispose of and add to the property of that credit union;
 - c) Receive the income and revenues of that credit union;
 - d) Exercise the powers of that credit union and of its Directors, Officers, and committees;
 - e) Exclude the Directors of that credit union and its Officers, committee members, employees and agents from its property and business of that credit union; and
 - f) Require that credit union to:
 - i. Amalgamate with another credit union;
 - ii. Dispose of its assets and liabilities; or
 - iii. Be wound up.

"Authority" - the Financial Services Regulatory Authority of Ontario.

"Basis Point" - one-hundredth of one percent (0.01%).

"Bridge Loan" - a loan to an individual made under the following circumstances:

1. The loan is for the purchase of residential property in which the purchaser will reside.
2. The term of the loan is not greater than 120 days.
3. The funds from the sale of another residential property owned by the individual will be used to repay the loan.
4. The Credit Union must receive a copy of the executed purchase and sale agreement for both properties before the loan is made.
5. The conditions of each of the purchase and sale agreements must be satisfied before the loan is made.
6. The loan is fully secured by a mortgage on the residential property being sold or, before the loan is made, the borrower's solicitor has given the Credit Union an irrevocable letter of direction from the borrower stating that the funds from the sale of the residential property being sold will be remitted to the Credit Union.

"Capital Conservation Buffer" tier 1 Capital in excess of Tier 1 Capital required to meet the Tier 1 Capital Ratio.

"Capital Conservation Buffer Ratio" - capital Conservation Buffer as a percentage of Risk-Weighted Assets.

"Commercial Loan" - a loan, other than any of the following types of loans, made for any purpose: (1) An Agricultural Loan, a Bridge Loan, an Institutional Loan, a Personal Loan or a Residential Mortgage Loan; (2) loan to an unincorporated association; (3) a loan that consists of deposits made by the Credit Union with a financial institution, Central 1 Credit Union or Fédération des caisses Desjardins du Québec; (4) a loan that is fully secured by a deposit with, (i) a financial institution, including the credit union making the loan, or (ii) Central 1 Credit Union or Fédération des caisses Desjardins du Québec; (5) A loan that is fully secured by debt obligations that are guaranteed by, (i) a financial institution other than the Credit Union making the loan, or (ii) Central 1 Credit Union or Fédération des caisses Desjardins du Québec; (6) a loan that is fully secured by a guarantee of, (i) a financial institution other than the Credit Union making the loan, or (ii) Central 1 Credit Union or Fédération des caisses Desjardins du Québec; (7) an investment in a debt obligation that is, (i) fully guaranteed by a financial institution other than the Credit Union making the loan, (ii) fully secured by deposits with a financial institution, including the Credit Union making the loan, or (iii) fully secured by debt obligations that are fully guaranteed by a financial institution other than the Credit Union making the loan; (8) an investment in a debt obligation issued by the Government of Canada, the government of a province or territory of Canada or a municipality or by an agency of such a government or municipality; (9) an investment in a debt obligation guaranteed by, or fully secured by securities issued by, the Government of Canada, the government of a province or territory of Canada, a municipality or by an agency of such a government or municipality; (10) an investment in a debt obligation issued by a central, Central 1 Credit Union or Fédération des caisses Desjardins du Québec; (11) an investment in a debt obligation that is widely distributed; (12) an investment in shares or ownership interests that are widely distributed; (13) an investment in a participating share; (14) an investment in shares of a central, Central 1 Credit Union or Fédération des caisses Desjardins du Québec. A Commercial Loan includes the supply of funds for use in automated bank machines that are not owned and operated by the Credit Union.

"Escrow" - a form of trust agreement in which funds are temporarily placed under the control of a third party (trustee) until specific conditions, set out in advance, are met.

"Institutional Loan" - a loan given to: (a) the Government of Canada; (b) the government of a province or territory of Canada; (c) an agency of the Government of Canada; (d) an agency of the government of a province or territory of Canada; (e) a school board or college funded primarily by the Government of Canada or by the government of a

province or territory of Canada; (f) any other entity funded primarily by the Government of Canada, the government of a province or territory of Canada or a municipality; or (g) a municipality or an agency of one.

"Leverage Ratio" - total Regulatory Capital divided by total assets, (adjusted for certain intangible assets, off-balance sheet exposures, and loans funded by a level of government for which the Credit Union has no credit risk).

"Membership Shares" - shares required, according to a credit union's by-laws, to maintain a membership in the credit union.

"Non-Cumulative" - dividends not declared or paid for one fiscal year are not carried forward or added to the dividend of a following year but are forever extinguished.

"Non-Participating" - in case of dissolution, shareholders receive only the Redemption Amount (see below) and do not participate in receiving any of the residual value of the Credit Union's assets.

"Non-Voting" - holders vote only at special meetings as required by the Act.

"Personal Loan" - a loan given to: (i) an individual for personal, family or household use; or (b) to an individual or entity for any other use if the loan does not exceed \$25,000, and if the total outstanding amount of all other such loans to the individual or it and to connected persons, does not exceed \$25,000.

"Redemption Amount" - the amount a shareholder receives on redemption or at which shares are transferred from one member to another; this amount is equal to the issue price of the shares (\$1.00 per share) plus any dividends which have been declared but not yet paid.

"Regulatory Capital" - membership Shares, Class A Shares, Class B Shares, retained earnings, accumulated other comprehensive income (loss), contributed surplus, and a portion of the Credit Union's general allowances for credit losses.

"Residential Mortgage Loan" - a loan that is secured by a mortgage on residential property and to which any of the following apply:

1. The amount of the loan, together with the amount then outstanding of any mortgage having an equal or prior claim against the mortgaged property, does not exceed 80% of the value of the property when the loan is made.
2. The loan is insured under the "*National Housing Act (Canada)*" or guaranteed or insured by a government agency.
3. The loan is insured by an insurer licensed to undertake mortgage insurance.

"Risk-Weighted Assets" - the absolute value of assets in specified categories, and certain off-balance sheet exposures is multiplied by a percentage, varying between 0% and 1,250% depending on the risk attributed to each category. The sum of all the categories is the Credit Union's Risk-Weighted Assets.

"Schedule I Banks" - schedule I banks are domestic banks and are authorized under the *Bank Act* to accept deposits, which may be eligible for deposit insurance provided by the Canada Deposit Insurance Corporation.

"Schedule II Banks" - schedule II banks are foreign bank subsidiaries authorized under the *Bank Act* to accept deposits, which may be eligible for deposit insurance provided by the Canada Deposit and Insurance Corporation.

"Special Resolution" – a resolution passed by two-thirds or more of the votes cast by or on behalf of the persons

who voted in respect of that resolution.

"Substantial Portion" - assets having an aggregate value equal to or greater than 15% of a credit union's assets at the end of its previous fiscal year.

"Supervision" - a legal status ordered by the Chief Executive Officer of the Authority when:

1. A credit union asks, in writing, that it be subject to supervision;
2. A credit union is not in compliance with prescribed Regulatory Capital or liquidity requirements;
3. The Chief Executive Officer of the Authority has reasonable grounds for believing that a credit union is conducting its affairs in a way that might be expected to harm the interests of members or depositors or that tends to increase the risk of claims against the Authority;
4. A credit union or an Officer or Director of it does not file, submit or deliver a report or document required to be filed, submitted, or delivered under this Act within the time limits outlined under this Act; or
5. A credit union did not comply with an order of the Chief Executive Officer of the Authority under which the Chief Executive Officer of the Authority can:
 - a) Order that credit union to correct any practices that the Chief Executive Officer of the Authority feels are contributing to the problem or situation that caused it to be ordered subject to the Authority's supervision;
 - b) Order that credit union and its Directors, committee members, Officers and employees not to exercise any powers of that credit union or of its Directors, committee members, Officers and employees;
 - c) Establish guidelines for the operation of that credit union;
 - d) Order that credit union not to declare or pay a dividend or to restrict the amount of a dividend to be paid to a rate or amount set by the Chief Executive Officer of the Authority;
 - e) Attend meetings of that credit union's Board and its audit committees; and
 - f) Propose by-laws for that credit union and amendments to its articles of incorporation.

"Supervisory Capital" - the sum of Tier 1 Capital, including the Capital Conservation Buffer, and Tier 2 Capital.

"Syndicated Loans" - a loan in Ontario, including any related credit facilities, to which all the following conditions apply:

1. The loan is made under a syndicated loan agreement.
2. The syndicating lead is one of the following institutions:
 - a) A credit union, or a subsidiary of a credit union if that credit union is the only other party, other than the borrower, to the syndicated loan agreement
 - b) A central
 - c) Central 1 Credit Union
 - d) Fédération des caisses Desjardins du Québec
 - e) A bank listed in Schedule I to the Bank Act (Canada)
3. The only parties to the syndicated loan agreement are the following entities:

- a) The syndicating lead
- b) A borrower from Ontario
- c) One or more of the following entities:
 - i. A credit union or its subsidiary or affiliate
 - ii. A central
 - iii. Central 1 Credit Union
 - iv. Fédération des caisses Desjardins du Québec
 - v. A financial institution other than a securities dealer
 - vi. An extra-provincial credit union registered under clause 273 (6) (a) of the Act
4. Each of the parties to the syndicated loan agreement, other than the borrower, agrees to contribute a specified portion of the loan and to be bound by the terms and conditions of the syndicated loan agreement.
5. The syndicating lead contributes at least 10% of the loans, including any related credit facilities, and underwrites, disburses, and administers them on behalf of the parties to the syndicated loan agreement.

A syndicated loan outside Ontario is a loan, including any related credit facilities, to which all the following conditions apply:

1. The loan is made under a syndicated loan agreement.
2. The syndicating lead is one of the following entities:
 - i. An entity that is incorporated as a credit union or central or federation in a province or territory of Canada other than Ontario under legislation that is comparable to the Act.
 - ii. A bank listed in Schedule I to the Bank Act (Canada).
3. The parties to the syndicated loan agreement include, but are not limited to, the following entities:
 - i. The syndicating lead.
 - ii. A borrower from a province or territory of Canada other than Ontario.
 - iii. A credit union or a central.
4. Each of the parties to the syndicated loan agreement, other than the borrower, agrees to contribute a specified portion of the loan and to be bound by the terms and conditions of the syndicated loan agreement.
5. The syndicating lead contributes at least 10 per cent of the loans, including any related credit facilities, and underwrites, disburses and administers them on behalf of the parties to the syndicated loan agreement.

“Tier 1 Capital” - has the meaning as specified in the Authority’s Rule 2021-02 with respect to capital adequacy.

“Tier 2 Capital” - has the meaning as specified in the Authority’s Rule 2021-02 with respect to capital adequacy.

“Tier 1 Capital Ratio” - tier 1 Capital as a percentage of Risk-Weighted Assets.

“Total Capital Ratio” - regulatory Capital divided by Risk-Weighted Assets.

"Total Supervisory Capital Ratio" - the sum of Tier 1 Capital, including the Capital Conservation Buffer, and Tier 2 Capital, as a percentage of Risk-Weighted Assets.

"Unincorporated Association Loan" – a loan to an unincorporated association or organization that is not a partnership registered under the *Business Names Act*, and that is operated on a non-profit basis for educational, benevolent, fraternal, charitable, religious, or recreational purposes.

DETAILED OFFERING STATEMENT

The Credit Union

The Credit Union was formed by the amalgamation, on August 31, 1999, of Avestel Credit Union Limited ("Avestel") and Family Savings and Credit Union (Niagara) Limited ("Family Savings"). Avestel was itself created by amalgamation on December 1, 1996, amalgamating the former Avestel Credit Union Limited (which had been incorporated in 1940 as the Stelco Employees Credit Union (Hamilton Works) Ltd.) and CUNA of Ontario Credit Union Limited. Family Savings was incorporated on October 20, 1949, as St. Catharines Auto Workers' Credit Union Limited, and initially served the employees of General Motors. The Credit Union's head office is located at 970 South Service Road, Suite 301, Stoney Creek ON L8E 6A2.

The Credit Union has four direct wholly-owned subsidiaries: FirstOntario Insurance Holdings Inc. ("FirstOntario Insurance Holdings"), FirstOntario Credit Union Realty Corporation ("FirstOntario Realty"), FirstOntario Credit Union GP Corporation ("FirstOntario GP") and Momentum Credit Union Limited ("Momentum").

FirstOntario Insurance is a holding company which manages the Credit Union's 51% interest in FirstOntario Insurance Brokers Inc., an Ontario-licensed insurance brokerage.

FirstOntario Realty owns interests in various real estate joint ventures, whether common shares (including of a corporate general partner), its investment in FirstOntario Realty Investment or limited partnership units, on behalf of the Credit Union.

FirstOntario GP acts as the general partner in various real estate joint ventures carried on through limited partnerships (since the Act prevents the Credit Union acting as general partner directly), in which FirstOntario Realty or FirstOntario Realty Investment owns all the limited partnership units.

Momentum, formerly based in Hamilton, was acquired by the Credit Union in 2024. Following this transaction, the Credit Union assumed control of the Momentum legal entity in 2025. The Credit Union is now proceeding with the dissolution of the Momentum entity, which is expected to be finalized in 2026. This process will not affect the consolidated financial statements of the Credit Union.

The financial results of all subsidiaries are consolidated with those of the Credit Union in the preparation of the Credit Union's audited financial statements each year. Included in Appendix A are the audited financial statements for the year ended December 31, 2025.

The Credit Union also operates largely digitally under the business names Saven Financial and Creative Arts Financial. The Credit Union started using the Creative Arts Financial business name on October 31, 2020, when the Credit Union acquired the assets of Creative Arts Savings and Credit Union Limited. The Credit Union commenced using the business name Saven Financial in January 2021.

The Credit Union earns a higher proportion of its revenue than seen elsewhere in the Ontario Credit Union system from various real estate joint ventures, and from investments in private equity and private debt (including outside Ontario and Canada) and infrastructure. For further details, see pages 45 to 49.

The Credit Union serves over 130,000 members through 28 branches and two commercial services locations located in the Golden Horseshoe and Southwestern Ontario, through its interactive banking machines, which provide both Automated Teller Machine and Personal Assisted Teller services, and through its Internet, mobile and telephone banking platforms. The Credit Union provides a full range of retail and commercial credit and non-credit financial services and products.

The Credit Union's constating documents permit mergers and acquisitions with other credit unions. As of the date hereof, there are no active letters of intent or legally binding commitments regarding potential mergers or acquisitions.

See also "Business of the Credit Union", beginning on page 17.

The audited financial statements attached as Schedule A hereto have been approved by the Credit Union's Board of Directors (the "Board").

BUSINESS OF THE CREDIT UNION

General Description of the Business

With over \$7.1 billion in assets and over \$13.5 billion in member's funds under management, the Credit Union is the fifth largest Credit Union in Ontario and the sixteenth largest in Canada. The Credit Union is a full-service Credit Union providing a wide range of credit, investment, and financial advice.

Fiscal 2026 marks the final year of a four-year strategic plan developed in 2022. The strategic plan includes a focus on the primary pillars of stakeholder experience, digital capabilities, and operational excellence, as well as adding the pillars of corporate relevance, embedding purpose and ESG issues. In the new plan, the Credit Union's journey is to become a purpose driven organization, playing a vital role in society as a strong and vibrant community-based credit union while addressing important ESG issues.

The Credit Union has plans and programs designed to fulfill the six strategic pillars, with two key enablers guiding this plan: risk management and change management. A comprehensive risk assessment is in place that includes compensating internal controls to avoid financial loss and negative impacts to member experience and employee confidence. Successful execution of the strategic plan is predicated on ensuring effective change management protocols are in place during all major change initiatives.

An overview of the products and services offered by the Credit Union follows:

Personal Financial Services

The Credit Union provides a broad range of personal financial products and services to its members. Retail financial products for individuals include Canadian-dollar savings and chequing accounts (including a high-interest savings account), U.S.-dollar chequing accounts, and an extensive variety of Canadian-dollar term deposit products in both short terms of 30 to 364 days (which are also available in US dollars) and longer terms of one to five years. The Credit Union also offers a variety of business accounts to serve the needs of its small business members. Registered investment options include registered retirement savings plans ("RRSPs") and their locked-in equivalent, registered retirement income funds ("RRIFs") and their locked-in equivalent, tax-free savings accounts ("TFSAs"), registered disability savings plans ("RDSP") and registered education savings plans ("RESPs"). As at December 31, 2025, members of the Credit Union had \$522,779,000 in investments administered by the Credit Union, primarily in mutual funds, stocks and bonds. All registered plans are trusted by Concentra Trust ("Concentra Trust").

The Credit Union owns and operates 46 Interactive Banking Machines ("IBMs") located primarily at its branches. The

Credit Union is also linked to the Interac, Cirrus System and Plus networks and is a member of The Exchange® Network, giving members access to their accounts at point-of-sale terminals and IBMs well beyond its own branch network and throughout Ontario, Canada, and internationally. The Credit Union offers both Debit Mastercard and Interac Flash Debit Card services which provide members with access to their chequing and savings accounts both domestically and internationally where available on approved card transaction networks.

The Credit Union has arrangements with approximately 17 deposit brokers to assist it in its efforts to attract members' deposits. The Credit Union's structural risk management policy limits these deposits in the aggregate to 37.5% of the Credit Union's total deposits (approximately \$2.3 billion).

The Credit Union offers Visa credit cards through an arrangement with a third party. The Credit Union does not hold the accounts receivable owing from its credit card holders. Thus, the Credit Union bears no credit risk; all credit risk is assumed by the third-party Visa credit card vendor.

Lending Services

The Credit Union is permitted to offer Personal Loans, Mortgage Loans, Bridge Loans, Commercial Loans, Agricultural Loans, Institutional Loans, Syndicated Loans and Unincorporated Association Loans, up to limits defined in its lending policies, which are required by regulation to meet a "prudent person" standard. The Credit Union is also subject to a limit on loans to any one person and their "connected persons", as that phrase is defined in a regulation passed pursuant to the Act, of 25% of its Regulatory Capital (approximately \$115 million). The Board has approved, and management follows, its lending policies in all areas to minimize the risk of loan losses. A variety of loan-related group insurance products are also available to members for personal loans and mortgages.

Personal Loans

Personal Loans consist of instalment loans, demand loans, and lines of credit. According to the Credit Union's structural and credit risk management policies, aggregate Personal Loans are not to exceed 30% of the Credit Union's total assets (currently approximately \$2.2 billion). As at December 31, 2025, the Credit Union's Personal Loan portfolio totalled \$250,598,000 or 3.5% of the Credit Union's total assets.

Included in the Credit Union's Personal Loan portfolio are vehicle loans granted by what it refers to as its "dealer finance centre". The Credit Union has arrangements with approximately 144 vehicle dealers whereby the vehicle dealer completes and submits the required loan and personal identification documents to the Credit Union, which then approves and funds the loan. Since these Personal Loans tend to be riskier than general, the Credit Union's credit risk management policy limits these loans in the aggregate to 15% of the Credit Union's total assets (currently approximately \$1.1 billion). As at December 31, 2025, the Credit Union has approximately \$208,808,000 outstanding in such Personal Loans or 2.9% of the Credit Union's total assets.

Residential Mortgages

The Credit Union offers Mortgage Loans and Bridge Loans to its members through its branch network and relationships with over 2,100 independent mortgage brokers. It grants Mortgage Loans to individuals according to conventional mortgage lending standards for residential property. As at December 31, 2025, approximately 70% of the Credit Union's portfolio of Mortgage Loans consists of conventional mortgages; the remainder are high-ratio mortgages insured either by the Canada Mortgage and Housing Corporation, Canada Guaranty Mortgage Insurance Company or by Sagen MI Canada Inc. (formerly Genworth Financial Mortgage Insurance Company Canada), the insurance regarding \$318,457,000 of which was purchased in bulk. According to the Credit Union's credit risk management and structural risk management policy, individual Mortgage Loans are generally limited to \$3,500,000, and individual Bridge Loans are generally limited to \$1,000,000, and aggregate Mortgage Loans and Bridge Loans are

limited to 80% of total assets (approximately \$5.7 billion). As at December 31, 2025, the Credit Union's portfolio of Mortgage Loans and Bridge Loans totalled \$4,723,039,000 or 65.8% of the Credit Union's total assets. In addition, the Credit Union's members had \$386,885,000 then outstanding in Mortgage Loans which had been securitized by the Credit Union through the securitization program discussed at page 43.

The Credit Union operates a Mortgage Loan program for those who cannot meet all the covenants of a conventional residential mortgage, such as self-employment income or non-traditional income sources, often referred to as Alt-A mortgages. In addition, the Credit Union has commenced the offering of "halal" mortgages which are compliant with Islamic laws. The Credit Union believes any risks associated with these Mortgage Loans are mitigated through pricing and various compensating adjudication standards, such as requiring lower loan to value ratios and higher levels of property appraisals.

The Credit Union utilizes various third parties to source and service new Mortgage Loans. After funding of the loans by the Credit Union, relationships typically remain with the third-party lender, acting as the lead lender and servicer of the Mortgage Loans. However, all amounts are due to the Credit Union by the members, with the third party acting as an agent on the Credit Union's behalf to collect funds from the member and then remit those funds to the Credit Union on a recurring basis.

Commercial Loans

Commercial Loans consist of mortgages, term loans and operating lines of credit to small and medium-sized businesses, and mortgages that do not meet the definition of a Mortgage Loan because the property is multi-unit residential or non-residential property. According to the Credit Union's credit risk management, individual or connected Commercial Loans are limited to 20% of the Credit Union's Regulatory Capital (approximately \$92 million) and aggregate Commercial Loans are limited to 38% of the Credit Union's total assets according to the credit risk management policy (approximately \$2.7 billion). The Credit Union utilizes a 10-point Risk Rating scale developed by Central 1 for measuring the credit risk of Commercial Loans. Management limits are established for the aggregate amount of loans in the riskiest four ratings. The Credit Union's credit risk management policy imposes formal limits on the portion of the Commercial Loan portfolio that can come from specified industry classifications and sub-classifications, and from particular geographic areas. As at December 31, 2025, the Credit Union's Commercial Loan portfolio totalled \$1,433,866,000 or 20.0% of the Credit Union's total assets. In addition, the Credit Union's members had \$3,511,590,000 then outstanding in Commercial Loans which had been securitized by the Credit Union through the securitization program discussed at page 43.

Institutional Loans

Institutional Loans are loans to the federal or a provincial, territorial, or municipal government or governmental agency, a school board or college funded primarily by the federal or a provincial or territorial government, or an entity funded primarily by the federal or a provincial or municipal government. The Credit Union's credit risk management policy limits aggregate Institutional Loans to 10% of Regulatory Capital (approximately \$46 million). As at December 31, 2025, the Credit Union had no Institutional Loans outstanding.

Agricultural Loans

Agricultural Loans consist of mortgages, term loans and operating lines of credit to all types of agricultural businesses. The Credit Union's credit risk management policy limits aggregate Agricultural Loans to 1.9% of the Credit Union's total assets (approximately \$136 million). As at December 31, 2025, the Credit Union had no Agricultural Loans outstanding.

Unincorporated Association Loans

Unincorporated Association Loans consist of any loan made to an unincorporated association or organization that is not a partnership, and that is operated on a non-profit basis for educational, benevolent, fraternal, charitable, religious, or recreational purposes. The Credit Union's credit risk management policy limits individual Unincorporated Association Loans to 3.8% of the Credit Union's total assets (approximately \$273 million). As at December 31, 2025, the Credit Union had no Unincorporated Association Loans outstanding.

Syndicated Loans

Syndicated Loans are loans made by a syndicating credit union and other financial institutions pursuant to a syndicated loan agreement, enabling several lenders to cooperate in making a larger loan than any one of them would have been able or willing to offer to the borrower individually. The Credit Union's credit risk management policy limits individual Syndicated Loans (where the Credit Union is not the lead in the syndication) to 13.3% of the Credit Union's total assets (approximately \$954 million). As at December 31, 2025, the Credit Union's Syndicated Loan portfolio totalled \$85,340,000 or 1.2% of the Credit Union's total assets. All these loans are included in the Credit Union's Commercial Loan portfolio.

Other Limits Contained in the Credit Union's Credit Risk Management Policy

The Credit Union's credit risk management policy also contains limits on the percentage particular products can be of the Credit Union's portfolio of Personal Loans and Mortgage Loans.

Summary Lending Comments

For further information regarding any of these loan portfolios, see the "Loan Composition" heading in the table presented in the "Management Discussion and Analysis" section, on page 70, and Note 7 in the Credit Union's audited financial statements, on page 35 and 36 of Schedule A hereto.

Vision. Values. Purpose.

The Credit Union's vision is to be a credit union that inspires communities of people, organizations, and groups to combine their collective resources to build a thriving and sustainable future: a future where all communities are inclusive and equitable.

By uniting communities through everything the Credit Union does, as a financial institution, employer, community partner, cooperative, buyer, benefactor, and investor, the Credit Union can help all stakeholders participate in a sustainable future.

The Credit Union's decisions and culture are guided by its values of innovation, collaboration, accountability, and integrity. The Credit Union seeks always to do the right things for the right reasons. Its purpose and values are central to everything it does.

The Credit Union's purpose is to unite communities for a sustainable future.

Strategic Plan (2023-2026)

The Credit Union's key priorities for 2023 through 2026 are to (1) improve stakeholder experience, (2) enhance its digital capabilities, (3) focus on operational excellence, (4) increase its corporate relevance, (5) commence work on its ESG program, and (6) embed its purpose in every aspect of its operations.

The Credit Union's constating documents permit mergers and acquisitions with other credit unions. As of the date hereof, there are no active letters of intent or legally binding commitments regarding potential mergers or

acquisitions as of the date hereof.

The Credit Union's journey is to become a purpose driven organization showing all stakeholders the Credit Union understands its vital role in society as a strong and vibrant community-based credit union, while addressing important ESG issues.

The Credit Union ensures a comprehensive risk assessment is in place that includes compensating internal controls to avoid financial loss and negative impacts to member experience and employee confidence.

Successful execution of the Credit Union's strategic plan is predicated on ensuring effective change management protocols are in place during all major change initiatives.

Bond of Association and Membership

The Credit Union's by-laws require that a bond of association exist among members of the Credit Union. Typically, such bonds of association may be community-based, employer-based, or otherwise based on a group of members with a form of common association. The Credit Union's bond of association is as fully described in section 2.01 of its by-laws, which permits any person who, if an individual, whether a minor or an adult, resides or is employed in Canada to be a member of the Credit Union.

The Credit Union's by-laws also permit those not otherwise qualifying for membership under its bond of association to become members, but only if the aggregate number of such members does not exceed 3% of the membership of the Credit Union.

Certain entities (*i.e.*, corporations, partnerships, and government ministries and agencies) may also become members.

Once one becomes a member of the Credit Union, one can remain a member of the Credit Union, even if one no longer qualifies for membership in the Credit Union.

Membership in the Credit Union is granted to applicants who are within the bond of association by enabling them to purchase and hold the required number of Membership Shares as specified in paragraphs 2.03 of the by-laws of the Credit Union. All members of the Credit Union are required eventually to hold thirty (30) five-dollar (\$5.00) membership shares of the Credit Union. Purchases of membership shares in excess of the first five shares are typically funded through an annual membership dividend of \$5.00, which, until the member owns the minimum required number of membership shares, is, once paid, debited from the member's account to purchase the additional membership share the member is required to purchase that year.

The Credit Union's by-laws also permit members of the Credit Union to hold, if those members choose to do so, up to 200 additional Membership Shares in the Credit Union.

Corporate Governance

The duties, powers and standards of care and performance for the Board of Directors, Officers and committee members of credit unions are specified in the Act, and include a duty to act honestly, in good faith, and with a view to the best interest of the Credit Union, and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

FirstOntario's Board is comprised of a group of 12 qualified Credit Union members who comply with the minimum Membership Share requirement outlined above, and who are 18 years of age and over, prior to the Annual General Meeting of the Credit Union pursuant to the procedures outlined in the Credit Union's by-laws.

No class or series of shares, other than Membership Shares, carries the right to elect the Board.

In the normal course of Director terms, annually, four vacancies become available on the Board. After the Board of Directors election, the four candidates with the highest voting results are elected for a three-year term (each a “Director”). The Credit Union follows a self-nomination procedure for its Director elections which is outlined in its by-laws. According to the Credit Union's by-laws, no member may serve as a Director for more than eight terms.

The knowledge, experience and skill of each Director and the Board are important elements in the success and viability of the Credit Union. It is important that Directors have appropriate competencies to effectively fulfil their responsibilities to the Credit Union, its members, shareholders and communities, and thereby contribute to the safety and soundness of the Ontario Credit Union System.

Once elected to the Board, within their first three-year term, a new Director must complete the Credit Union Director Achievement Program (CUDA) offered by the Canadian Credit Union Association (CCUA) and write an exam upon completion of the program to achieve their Accredited Canadian Credit Union Director (ACCUD) designation. To maintain their ACCUD designation, Directors must complete a total of 12 continuing education credits from the CUDA Program annually.

Annually, the Board is assessed by a third-party consultant both as a group and individually. From these assessments, the Credit Union prepares education and development plans for all Directors. Directors undertake any required training/development requirements to bring their competencies to a minimum level of “strong”, as defined in the Credit Union’s Board Education & Development Policy. Directors continue their education through ongoing in-house training courses, online courses, seminars, and conferences. Annually, Directors are assigned to serve on two Board committees. All members of committees must be independent, as determined by the Board, i.e., free of any interest and business or other relationship which would reasonably be perceived to materially interfere with the exercise of independent judgment. The Board has established the four committees below to assist in its effective functioning and to comply with the requirements of Board policies, regulations, and the Act.

Audit Committee: The Audit Committee serves a critical role in ensuring the integrity and reliability of financial information. The committee is responsible for overseeing both the internal and external audit processes, ensuring internal control systems are effective, and providing recommendations to the Board of Directors on matters related to financial reporting and internal controls. The Audit Committee undertakes responsibility for the oversight of the design and implementation of internal controls to support the integrity of financial reporting and compliance with regulatory matters. All members of the committee must be enrolled in or have completed the Credit Union Director Achievement (CUDA) Program. The Audit Committee’s mandate and duties are set out in its Charter, Board policies, regulations and the Act. The Audit Committee is comprised of a minimum of four Board Directors, including a Committee Chair and Vice Chair.

Risk Committee: The Risk Committee establishes and maintains a risk management framework that identifies, assesses, manages, and monitors risk across the Credit Union. This Enterprise Risk Management Framework is established to provide reasonable assurance that risk objectives are achieved, and the governance and accountability responsibilities of the Board are met. The Risk Committee undertakes oversight of the Credit Union’s risk management policies and ensures procedures are in place that are consistent with the Credit Union’s established risk appetite, risk tolerances, and strategic objectives as defined by the Board. The Risk Committee is comprised of a minimum of four Board Directors, including a Committee Chair.

Governance Committee: The Governance Committee facilitates the effective governance of the credit union through the creation and maintenance of a healthy governance culture within the Credit Union, so members are assured of both appropriate representation and of governance structures, policies and procedures that reflect the industry’s current best practices and regulatory requirements. The Governance Committee is comprised of a minimum of four Board Directors, including a Committee Chair.

Strategic Oversight Committee: The Credit Union’s Board of Directors is responsible for developing and overseeing the Corporate Strategic Plan. The Strategic Oversight Committee is assigned to oversee the development, implementation, and progress of the Corporate Strategic Plan, the implementation and progress of the annual Business Plan, and oversight of all merger and acquisition activities. The Strategic Oversight Committee is comprised of a minimum of four Board Directors, including a Committee Chair.

Other Board committees formed from time to time are ad hoc, informal, and advisory in nature. The Credit Union has a Chief Leadership Team as outlined on pages 55 to 56 of the offering statement. The Credit Union has 506 full-time employees and 64 part-time employees, the part-time employees equating to 38 full-time positions. For the names, municipality of residence, offices with the Credit Union and the present principal occupations of the Directors and Chief Leadership Team of the Credit Union as of the date of this offering statement, see “Directors and Chief Leadership Team”, beginning on page 55 of the offering statement.

The Regulatory Framework

The Credit Unions and Caisses Populaires Act, 2020 (See also “Capital Adequacy”, beginning on page 24).

Ontario credit unions are regulated through a comprehensive regulatory framework which involves the Ministry of Finance and the Authority. The credit union sector is governed by the Act.

The Ministry of Finance is responsible for developing and proposing the legislation and regulations, and the Authority is responsible for developing the rules, that credit unions must follow.

The Authority is responsible for ensuring that credit unions operate in accordance with the requirements of the Act, including issues involving market conduct relating to members and the general public. The Authority is responsible for incorporating credit unions and caisses populaires, approving changes to their articles of incorporation, and issuing certain approvals under the Act, and for reviewing complaints against credit unions and caisses populaires.

The Authority is also responsible for overseeing compliance with sound business and financial practices, capital, and liquidity rules, and for administering the deposit insurance protection program for deposits held in Ontario credit unions up to prescribed limits. As part of this responsibility, the Authority has the authority to issue rules to ensure that insured institutions operate in accordance with sound business and financial practices.

The Authority may place a credit union or caisse populaire in Supervision or Administration, or cancel its deposit insurance, if it believes that a credit union or caisse populaire is conducting its affairs in a way that might be expected to harm the interests of members or depositors or that tends to increase the risk of claims by depositors against the Authority. The Authority has rated the Credit Union on its differential premium system, enabling calculation of the Credit Union’s deposit insurance premium for its fiscal year ending December 31, 2025, and its insurance is in place and in good standing regarding its current fiscal year. The Credit Union is required to report to the Authority immediately any actual or anticipated event which is likely to have a material impact on the Credit Union’s financial position and increase the Authority’s insurance risk. In that event, the Authority reserves the right to impose other terms, conditions, or requirements as the Authority deems appropriate.

Central 1 Credit Union

Each province in Canada has one or more credit union associations that serve their member credit unions in that province, and, in Ontario, one of these bodies is Central 1 Credit Union (“Central 1”). Central 1 Credit Union was formed through a merger of Credit Union Central of British Columbia (“CUCBC”) and Credit Union Central of Ontario (“CUCO”) on July 1, 2008.

As an incorporated association owned by its member credit unions, Central 1 provides wholesale financial, and payments to its member credit unions.

As the central banker for its member credit unions, Central 1 provides, through an arrangement with a third party, centralized cheque clearing, and itself provides lending services to member credit unions. Lending services include overdraft facilities, demand loans, and term loans at fixed and variable rates. Central 1 provides commercial services such as facilitating securitization and commercial loan syndications. Central 1 also undertakes government relations, economic forecasting, and market research and planning.

As a member of the Canadian Credit Union Association ("CCUA"), Central 1 and its member credit unions enjoy access to national and provincial government relations and lobbying efforts, national marketing and research, and a voice in the World Council of Credit Unions, a world-wide association of national credit union associations of which CCUA is a member.

To become a member of Central 1, the Credit Union must purchase membership shares calculated based on the percentage of its total assets relative to the system's total assets as of the preceding calendar year end. The Credit Union must also pay membership dues which are calculated using a formula which is based on the Credit Union's membership. As at December 31, 2025, the Credit Union's membership in Central 1 is in good standing.

Tier 1 and Tier 2 Capital

Capital is defined in an Authority rule as the Credit Union's Tier 1 Capital and Tier 2 Capital. Tier 1 Capital, regarded as the most permanent form of capital, includes the Credit Union's Membership Shares, retained earnings, retained surpluses, including contributed surplus, accumulated other comprehensive income, and any issued and outstanding Class A Shares or Class B Shares which are not eligible to be redeemed in the twelve months following the date of the determination (i.e., 90%, because of the restriction on aggregate redemptions in a fiscal year). The Credit Union's Tier 2 Capital includes that portion of any issued and outstanding Class A Shares or Class B Shares which can be redeemed in the next 12 months (i.e., 10%), and an allowance up to 1.25% of the Credit Union's Risk-Weighted Assets.

Capital Adequacy

As at December 31, 2025, 2024 and 2023, the Credit Union was in compliance with the Regulatory Capital adequacy requirements of the Act and its predecessor legislation, as indicated under the "Compliance with Capital Requirements" heading of the table at page 69 of the offering statement.

The Credit Union's capital management policy requires that the Credit Union maintain regulatory capital ratios that are in excess of the regulatory minimum levels. This policy also requires that dividends, interest rebates and patronage dividends not normally exceed profitability earned in the year in which they are declared and will not cause the Credit Union's Regulatory Capital to fall below policy minimum levels. This policy also applies to all subsidiaries of the Credit Union which have not adopted a policy of their own regarding capital management.

At December 31, 2025 the Credit Union and its subsidiaries, on a consolidated basis, were in compliance with its capital management policy.

Based on the total assets and regulatory capital at December 31, 2025, the Credit Union's Leverage Ratio would increase to 6.40% if this offering is minimally subscribed (10,000,000 Class B Shares, Series 2026) and to 7.22% if fully subscribed (75,000,000 Class B Shares, Series 2026). Based upon the Credit Union's December 31, 2025, balance sheet, this offering would support additional growth of \$8.5 billion if minimally subscribed, and \$10.7 billion if fully subscribed, and \$8.2 billion of growth if this offering does not proceed, while still maintaining the Leverage Ratio at no less than the regulatory minimum requirement of 3%.

The growth possible for the Credit Union, if this offering is fully or minimally subscribed, is calculated as follows. If this offering is fully subscribed (75,000,000 Class B Shares, Series 2026), the Credit Union will have Regulatory Capital of \$536.2 million. Dividing this amount of Regulatory Capital by the required Leverage Ratio of 3.00% reveals that the Credit Union would then have sufficient Regulatory Capital to support assets of \$17.9 billion. Subtracting from this level of assets the Credit Union's total assets as reported on its December 31, 2025, balance sheet indicates that the Credit Union could grow by approximately \$10.7 billion if this offering is fully subscribed. The Credit Union's Leverage Ratio in this case will be 7.22%, assuming no growth from the assets disclosed on the Credit Union's financial statements as at December 31, 2025.

If this offering is only minimally subscribed (10,000,000 Class B Shares, Series 2026), the Credit Union will have Regulatory Capital of \$471.3 million. Dividing this level of Regulatory Capital by the required Leverage of 3.00% reveals that the Credit Union would then have sufficient Regulatory Capital to support assets of \$15.7 billion. Subtracting from this level of assets the Credit Union's total assets as reported on its December 31, 2025, balance sheet indicates that the Credit Union could grow by approximately \$8.5 billion if this offering is minimally subscribed. The Credit Union's Leverage Ratio in this case would be 6.40%, assuming no growth from the assets disclosed on the Credit Union's financial statements as at December 31, 2025.

The Credit Union's capital management policy also requires a surplus of 0.35% as a percentage of Risk Weighted Assets according to an annual internal capital adequacy report it is required to file with the Authority, but the requirement escalates to 1% of Risk-Weighted Assets over the next two years. The Credit Union's most recently completed internal capital adequacy planning report as at December 31, 2024, showed a current surplus in capital.

Additional Information

For more information regarding the Credit Union's operations, see "Management's Discussion and Analysis" beginning on page 61, and the audited financial statements as at December 31, 2025, attached hereto as Schedule A.

CAPITAL STRUCTURE OF THE CREDIT UNION

The Credit Union has three classes of shares in its capital structure: Membership Shares, Class A Special Shares (the "Class A Shares"), and Class B Special Shares (the "Class B Shares"), of which both Class A Shares and Class B Shares are issuable in series. The Credit Union has created and authorized one (1) series of Class A Shares (the "Class A Patronage Shares, Series 1"), and nine (9) series of Class B Shares (the "Class B Shares, Series 1", the "Class B Shares, Series 2", the "Class B Shares, Series 2010", the "Class B Shares, Series 2013", the "Class B Shares, Series 2015", the "Class B Shares, 2020", "Class B Shares, Series 2023", "Class B Shares, Series 2024" and the "Class B Shares, Series 2026").

The Credit Union, as of the date hereof, has 1,518,955 Class A Patronage Shares, Series 1, outstanding.

The Class B Shares, Series 2013, were issued on November 30, 2013, to facilitate the Credit Union's purchase of the assets of Rochdale Credit Union Limited.

The Class B Investment Shares, Series 2020, were issued on October 31, 2020, to facilitate the Credit Union's purchase of the assets of Creative Arts Financial Savings & Credit Union Limited, which is now the Creative Arts Financial business name of the Credit Union.

Class A Patronage Shares, Series 1 and the Class B Shares, Series 2024, were issued on July 31, 2024, to facilitate the Credit Union's purchase of the assets of Momentum.

The following represents a summary of the rights of the Membership Shares, the Class A Patronage Shares, Series 1,

and the Class B Shares, Series 1, 2, 2010, 2013, 2015, 2020, 2023 and 2024 in the capital structure of the Credit Union regarding dividends, return of capital on dissolution, redeemability at the holder's initiative, redeemability at the Credit Union's initiative, voting, and treatment of shares as Regulatory Capital. The amount members hold in Membership Shares, Class A Shares, and the various series of Class B Shares are outlined in detail in Note 15 of the audited financial statements, beginning at page 51 of Schedule A hereto.

Right	Membership Shares
Dividends	The holders of the Membership Shares are entitled, after payment of dividends to holders of the Class B Investment Shares, Series 1, 2, 2010, 2013, 2015, 2020, 2023, 2024 and 2026 and of the Class A Patronage Shares, Series 1, to receive Non-Cumulative cash or share dividends if, as and when declared by the Board. Dividends are taxed as interest income and not as dividends.
Return of Capital on Dissolution	The holders of the Membership Shares are entitled, on dissolution of the Credit Union, to receive an amount representing equal portions of the assets or property of the Credit Union remaining after payment of all its debts and obligations, including redemption of the Class B Investment Shares, Series 1, 2, 2010, 2013, 2015, 2020 and 2023, 2024, 2026 and the Class A Patronage Shares, Series 1.
Redeemability at the Holder's Initiative (Retraction)	Membership Shares are not redeemable at the member's initiative. See below, however, regarding the Credit Union's obligation to redeem the Membership Shares at its initiative in certain circumstances.
Redeemability at the Credit Union's Initiative	Upon death, or upon withdrawal or expulsion from membership in the Credit Union, the Credit Union must redeem the member's Membership Shares held at the amount paid up for each such membership Share, plus any declared but unpaid dividends thereon, unless such redemption would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements.
Voting	Each member of the Credit Union age 18 years or older has one vote on any matter considered by any annual or special meetings of its membership, and in the Board elections conducted prior to the annual general meeting.
Treatment as Regulatory Capital	The Credit Union includes all its membership Shares as Tier I Regulatory Capital.

Right	Class A Patronage Shares, Series 1
Dividends	The holders of Class A Patronage Shares, Series 1, are entitled, in preference to holders of the Membership Shares, but ranking junior to the holders of Class B Shares, Series 1, 2, 2010, 2013, 2015, 2020, 2023, 2024 and 2026, to receive Non-Cumulative cash or share dividends if, as, and when declared by the Board. Holders of Class A Patronage Shares, Series 1 may, however, consent, by majority vote at a special meeting, to the prior payment of dividends to holders of a junior class of shares. Dividends are taxed as interest income and not as dividends.
Return of Capital on Dissolution	The holders of Class A Patronage Shares, Series 1 are entitled, in preference to the holders of the Membership Shares, but junior to the holders of the Class B Shares, Series 1, 2 2010, 2013, 2015, 2020, 2023, 2024 and 2026, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of its other debts and

	obligations.
Redeemability at the Holder's Initiative (Retraction)	Holders who are withdrawing or expelled from membership in the Credit Union, or who have died, may request that the Credit Union redeem the Class A Patronage Shares, Series 1, they hold, at any time. Redemption requests are processed on a first-come, first-served basis, and any shares not redeemed in a particular fiscal year are the first shares redeemed in the next fiscal year. All redemptions are at the discretion of the Credit Union. In no case shall the total number of Class A Patronage Shares, Series 1, redeemed in any fiscal year exceed 10% of the issued and outstanding Class A Patronage Shares, Series 1, reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a redemption occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements. Note that all redemptions and retractions are subject to certain regulatory requirements.
Redeemability at the Credit Union's Initiative	The Credit Union may at its initiative purchase for cancellation, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Class A Patronage Shares, Series 1 outstanding at any time five years or more after the shares were issued. Note that all redemptions and retractions are subject to certain regulatory requirements.
Voting	Class A Patronage Shares, Series 1 do not carry any voting rights, except when the Act requires that those shares carry voting rights. When the Class A Patronage Shares, Series 1 carry voting rights, each Class A Patronage Share, Series 1 carries one vote.
Treatment as Regulatory Capital	The Credit Union includes 90% of the Class A Patronage Shares, Series 1 as Tier I Regulatory Capital, and includes the remaining 10% of the Class A Patronage Shares, Series 1 as Tier II Regulatory Capital.

Right	Class B Investment Shares, Series 1
Dividends	The holders of Class B Shares, Series 1, are entitled, in preference to holders of the Class A Patronage Shares, Series 1 and of the Membership Shares, but equally with holders of the Class B Shares, Series 2, 2010, 2013, 2015, 2020, 2023, 2024 and 2026, to receive Non-Cumulative cash or share dividends if, as and when declared by the Board. Holders of Class B Shares, Series 1, may, however, consent, by majority vote at a special meeting, to the prior payment of dividends to holders of a junior class of shares. Dividends are taxed as interest income and not as dividends.
Return of Capital on Dissolution	The holders of Class B Shares, Series 1, are entitled, in preference to the holders of the Class A Patronage Shares, Series 1, and the Membership Shares, but rateably with the holders of the Class B Shares, Series 2, 2010, 2013, 2015, 2020, 2023, 2024 and 2026, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of its other debts and obligations.
Redeemability at the Holder's Initiative (Retraction)	Holders may request that the Credit Union redeem the Class B Shares, Series 1, they hold, at any time three years or more after the issuance of these shares, or at any time after the death or expulsion from membership of the holder of the Class B Shares, Series 1. Redemption requests made by estates of deceased shareholders are processed on a first come, first served basis, and any shares not redeemed in a particular fiscal year are the first shares redeemed in the next fiscal year. Other redemption requests are processed twice annually and are pro-rated if redemption requests exceed the redemption limit. All redemptions are at the discretion of the Credit Union. In no case shall the total number of Class B Shares, Series 1, redeemed in any fiscal year exceed 10% of the issued and

	outstanding Class B Shares, Series 1, reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a redemption occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements. Requests for redemption at the option of the holder, may be approved by the Credit Union at the Board's discretion on a first-come, first-served basis. The total redemptions for the fiscal year is an aggregate annual limit of 10%. Note that all redemptions and retractions are subject to certain regulatory requirements.
Redeemability at the Credit Union's Initiative	The Credit Union may at its initiative purchase for cancellation, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Class B Shares, Series 1, outstanding at any time five years or more after the shares were issued. Note that all redemptions and retractions are subject to certain regulatory requirements.
Voting	Class B Shares, Series 1, do not carry any voting rights, except when the Act requires that those shares carry voting rights. When the Class B Shares, Series 1, carry voting rights, each Class B Share, Series 1, carries one vote.
Treatment as Regulatory Capital	The Credit Union includes 90% of the Class B Shares, Series 1, as Tier I Regulatory Capital, and includes the remaining 10% of the Class B Shares, Series 1, as Tier II Regulatory Capital.

Right	Class B Investment Shares, Series 2
Dividends	The holders of Class B Shares, Series 2 are entitled, in preference to holders of the Class A Patronage Shares, Series 1, and of the Membership Shares, but equally with the holders of the Class B Shares, Series 1, 2010, 2013, 2015, 2020, 2023, 2024 and 2026, to receive Non-Cumulative cash or share dividends if, as and when declared by the Board. Holders of Class B Shares, Series 2 may, however, consent, by majority vote at a special meeting, to the prior payment of dividends to holders of a junior class of shares. Dividends are taxed as interest income and not as dividends.
Return of Capital on Dissolution	The holders of Class B Shares, Series 2 are entitled, in preference to the holders of the Class A Patronage Shares, Series 1, and the Membership Shares, but rateably with the holders of the Class B Shares, Series 1, 2010, 2013, 2015, 2020, 2023, 2024 and 2026, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of its other debts and obligations.
Redeemability at the Holder's Initiative (Retraction)	Holders may request that the Credit Union redeem the Class B Shares, Series 2, they hold, at any time five years or more after the issuance of these shares, or at any time after the death or expulsion from membership of the holder of the Class B Shares, Series 2. Redemption requests are processed on a first come, first served basis, and any shares not redeemed in a particular fiscal year are the first shares redeemed in the next fiscal year. All redemptions are at the discretion of the Credit Union. In no case shall the total number of Class B Shares, Series 2, redeemed in any fiscal year exceed 10% of the issued and outstanding Class B Shares, Series 2, reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a redemption occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements. Requests for redemption at the option of the holder, may be approved by the Credit Union at the Board's discretion on a first-come, first-served basis. The total redemptions for the fiscal year is an aggregate annual limit of 10%. Note that all redemptions and retractions are subject to certain regulatory requirements.
Redeemability at the	The Credit Union may at its initiative purchase for cancellation, subject to continued compliance with

Credit Union's Initiative	Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Class B Shares, Series 2, outstanding at any time five years or more after the shares were issued. Note that all redemptions and retractions are subject to certain regulatory requirements.
Voting	Class B Shares, Series 2 do not carry any voting rights, except when the Act requires that those shares carry voting rights. When the Class B Shares, Series 2 carry voting rights, each Class B Share, Series 2 carries one vote.
Treatment as Regulatory Capital	The Credit Union includes 90% of the Class B Shares, Series 2 as Tier I Regulatory Capital, and includes the remaining 10% of the Class B Shares, Series 2 as Tier II Regulatory Capital.

Right	Class B Investment Shares, Series 2010
Dividends	The holders of Class B Shares, Series 2010 are entitled, in preference to holders of the Class A Patronage Shares, Series 1, and of the Membership Shares, but equally with the holders of the Class B Shares, Series 1, 2, 2013, 2015, 2020, 2023, 2024 and 2026, to receive Non-Cumulative cash or share dividends if, as and when declared by the Board. Holders of Class B Shares, Series 2010 may, however, consent, by majority vote at a special meeting, to the prior payment of dividends to holders of a junior class of shares. Dividends are taxed as interest income and not as dividends.
Return of Capital on Dissolution	The holders of Class B Shares, Series 2010 are entitled, in preference to the holders of the Class A Patronage Shares, Series 1, and the Membership Shares, but rateably with the holders of the Class B Shares, Series 1, 2, 2013, 2015, 2020, 2023, 2024 and 2026, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of its other debts and obligations.
Redeemability at the Holder's Initiative (Retraction)	Holders may request that the Credit Union redeem the Class B Shares, Series 2010 they hold, at any time five years or more after the issuance of these shares, or at any time after the death or expulsion from membership of the holder of the Class B Shares, Series 2010. Redemption requests are processed on a first-come, first-served basis twice annually, and any shares not redeemed in a particular fiscal year are the first shares redeemed in the next fiscal year. All redemptions are at the discretion of the Credit Union. In no case shall the total number of Class B Shares, Series 2010 redeemed in any fiscal year exceed 10% of the issued and outstanding Class B Shares, Series 2010 reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a redemption occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements. Requests for redemption at the option of the holder, may be approved by the Credit Union at the Board's discretion on a first-come, first-served basis. The total redemptions for the fiscal year is an aggregate annual limit of 10%. Note that all redemptions and retractions are subject to certain regulatory requirements.
Redeemability at the Credit Union's Initiative	The Credit Union may at its initiative purchase for cancellation, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Class B Shares, Series 2010 outstanding at any time five years or more after the shares were issued. Note that all redemptions and retractions are subject to certain regulatory requirements.
Voting	Class B Shares, Series 2010 do not carry any voting rights, except when the Act requires that those shares carry voting rights. When the Class B Shares, Series 2010 carry voting rights, each Class B Share,

	Series 2010 carries one vote.
Treatment as Regulatory Capital	The Credit Union includes 90% of the Class B Shares, Series 2010 as Tier I Regulatory Capital, and includes the remaining 10% of the Class B Shares, Series 2010 as Tier II Regulatory Capital.

Right	Class B Investment Shares, Series 2013
Dividends	The holders of Class B Shares, Series 2013 are entitled, in preference to holders of the Class A Patronage Shares, Series 1, and of the Membership Shares, but equally with the holders of the Class B Shares, Series 1, 2, 2010, 2015, 2020, 2023, 2024 and 2026, to receive Non-Cumulative cash or share dividends if, as and when declared by the Board. Holders of Class B Shares, Series 2013 may, however, consent, by majority vote at a special meeting, to the prior payment of dividends to holders of a junior class of shares. Dividends are taxed as interest income and not as dividends.
Return of Capital on Dissolution	The holders of Class B Shares, Series 2013 are entitled, in preference to the holders of the Class A Patronage Shares, Series 1, and the Membership Shares, but rateably with the holders of the Class B Shares, Series 1, 2, 2010, 2015, 2020, 2023, 2024 and 2026, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of its other debts and obligations.
Redeemability at the Holder's Initiative (Retraction)	Holders may request that the Credit Union redeem the Class B Shares, Series 2013 they hold, at any time five years or more after the issuance of these shares, or at any time after the death or expulsion from membership of the holder of the Class B Shares, Series 2013. Redemption requests are processed on a first-come, first-served basis, and any shares not redeemed in a particular fiscal year are the first shares redeemed in the next fiscal year. All redemptions are at the discretion of the Credit Union. In no case shall the total number of Class B Shares, Series 2013 redeemed in any fiscal year exceed 10% of the issued and outstanding Class B Shares, Series 2013 reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a redemption occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements. Requests for redemption at the option of the holder, may be approved by the Credit Union at the Board's discretion on a first-come, first-served basis. The total redemptions for the fiscal year is an aggregate annual limit of 10%. Note that all redemptions and retractions are subject to certain regulatory requirements.
Redeemability at the Credit Union's Initiative	The Credit Union may at its initiative purchase for cancellation, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Class B Shares, Series 2013 outstanding at any time five years or more after the shares were issued. Note that all redemptions and retractions are subject to certain regulatory requirements.
Voting	Class B Shares, Series 2013 do not carry any voting rights, except when the Act requires that those shares carry voting rights. When the Class B Shares, Series 2013 carry voting rights, each Class B Share, Series 2013 carries one vote.
Treatment as Regulatory Capital	The Credit Union includes 90% of the Class B Shares, Series 2013 as Tier I Regulatory Capital, and includes the remaining 10% of the Class B Shares, Series 2013 as Tier II Regulatory Capital.

Right	Class B Investment Shares, Series 2015
Dividends	The holders of Class B Shares, Series 2015 are entitled, in preference to holders of the Class A Patronage Shares, Series 1, and of the Membership Shares, but equally with the holders of the Class B Shares, Series 1, 2, 2010, 2013, 2020, 2023, 2024 and 2026, to receive Non-Cumulative cash or share dividends if, as and when declared by the Board. Holders of Class B Shares, Series 2015 may, however, consent, by majority vote at a special meeting, to the prior payment of dividends to holders of a junior class of shares. Dividends are taxed as interest income and not as dividends.
Return of Capital on Dissolution	The holders of Class B Shares, Series 2015 are entitled, in preference to the holders of the Class A Patronage Shares, Series 1, and the Membership Shares, but rateably with the holders of the Class B Shares, Series 1, 2, 2010, 2013, 2020, 2023, 2024 and 2026, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of its other debts and obligations.
Redeemability at the Holder's Initiative (Retraction)	Holders may request that the Credit Union redeem the Class B Shares, Series 2015 they hold, at any time five years or more after the issuance of these shares, or at any time after the death or expulsion from membership of the holder of the Class B Shares, Series 2015. Redemption requests are processed on a first-come, first-served basis twice annually, and any shares not redeemed in a particular fiscal year are the first shares redeemed in the next fiscal year. All redemptions are at the discretion of the Credit Union. In no case shall the total number of Class B Shares, Series 2015 redeemed in any fiscal year exceed 10% of the issued and outstanding Class B Shares, Series 2015 reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a redemption occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements. Requests for redemption at the option of the holder, may be approved by the Credit Union at the Board's discretion on a first-come, first-served basis. The total redemptions for the fiscal year is an aggregate annual limit of 10%. Note that all redemptions and retractions are subject to certain regulatory requirements.
Redeemability at the Credit Union's Initiative	The Credit Union may at its initiative purchase for cancellation, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Class B Shares, Series 2015 outstanding at any time five years or more after the shares were issued. Note that all redemptions and retractions are subject to certain regulatory requirements.
Voting	Class B Shares, Series 2015 do not carry any voting rights, except when the Act requires that those shares carry voting rights. When the Class B Shares, Series 2015 carry voting rights, each Class B Share, Series 2015 carries one vote.
Treatment as Regulatory Capital	The Credit Union includes 90% of the Class B Shares, Series 2015 as Tier I Regulatory Capital, and includes the remaining 10% of the Class B Shares, Series 2015 as Tier II Regulatory Capital.

Right	Class B Investment Shares, Series 2020
Dividends	The holders of Class B Shares, Series 2020 are entitled, in preference to holders of the Class A Patronage Shares, Series 1, and of the Membership Shares, but equally with the holders of the Class B Shares, Series 1, 2, 2010, 2013, 2015, 2023, 2024 and 2026, to receive Non-Cumulative cash or share dividends if, as and when declared by the Board. Holders of Class B Shares, Series 2020 may, however,

	consent, by majority vote at a special meeting, to the prior payment of dividends to holders of a junior class of shares. Dividends are taxed as interest income and not as dividends.
Return of Capital on Dissolution	The holders of Class B Shares, Series 2020 are entitled, in preference to the holders of the Class A Patronage Shares, Series 1, and the Membership Shares, but rateably with the holders of the Class B Shares, Series 1, 2, 2010, 2013, 2015, 2023, 2024 and 2026, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of its other debts and obligations.
Redeemability at the Holder's Initiative (Retraction)	Holders may request that the Credit Union redeem the Class B Shares, Series 2020 they hold, at any time five years or more after the issuance of these shares, or at any time after the death or expulsion from membership of the holder of the Class B Shares, Series 2020. Redemption requests are processed on a first-come, first-served basis, and any shares not redeemed in a particular fiscal year are the first shares redeemed in the next fiscal year. All redemptions are at the discretion of the Credit Union. In no case shall the total number of Class B Shares, Series 2020 redeemed in any fiscal year exceed 10% of the issued and outstanding Class B Shares, Series 2020 reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a redemption occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements. Requests for redemption at the option of the holder, may be approved by the Credit Union at the Board's discretion on a first-come, first-served basis. The total redemptions for the fiscal year is an aggregate annual limit of 10%. Note that all redemptions and retractions are subject to certain regulatory requirements.
Redeemability at the Credit Union's Initiative	The Credit Union may at its initiative purchase for cancellation, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Class B Shares, Series 2020 outstanding at any time five years or more after the shares were issued. Note that all redemptions and retractions are subject to certain regulatory requirements.
Voting	Class B Shares, Series 2020 do not carry any voting rights, except when the Act requires that those shares carry voting rights. When the Class B Shares, Series 2020 carry voting rights, each Class B Share, Series 2020 carries one vote.
Treatment as Regulatory Capital	The Credit Union includes 90% of the Class B Special Shares, Series 2020 as Tier I Regulatory Capital, and includes the remaining 10% of the Class B Special Shares, Series 2020 as Tier II Regulatory Capital.

Right	Class B Investment Shares, Series 2023
Dividends	The holders of Class B Shares, Series 2023 are entitled, in preference to holders of the Class A Patronage Shares, Series 1, and of the Membership Shares, but equally with the holders of the Class B Shares, Series 1, 2, 2010, 2013, 2015, 2020, 2024 and 2026, to receive Non-Cumulative cash or share dividends if, as and when declared by the Board. Holders of Class B Shares, Series 2023 may, however, consent, by majority vote at a special meeting, to the prior payment of dividends to holders of a junior class of shares. Dividends are taxed as interest income and not as dividends.
Return of Capital on Dissolution	The holders of Class B Shares, Series 2023 are entitled, in preference to the holders of the Class A Patronage Shares, Series 1, and the Membership Shares, but rateably with the holders of the Class B Shares, Series 1, 2, 2010, 2013, 2015, 2020, 2024 and 2026, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment

	of all of its other debts and obligations.
Redeemability at the Holder's Initiative (Retraction)	Holders may request that the Credit Union redeem the Class B Shares, Series 2023 they hold, at any time five years or more after the issuance of these shares, or at any time after the death or expulsion from membership of the holder of the Class B Shares, Series 2023. Redemption requests are processed on a first-come, first-served basis twice annually, and any shares not redeemed in a particular fiscal year are the first shares redeemed in the next fiscal year. All redemptions are at the discretion of the Credit Union and may be subject to Authority approval. In no case shall the total number of Class B Shares, Series 2023 redeemed in any fiscal year exceed 10% of the issued and outstanding Class B Shares, Series 2023 reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a redemption occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements. Requests for redemption at the option of the holder, may be approved by the Credit Union at the Board's discretion on a first-come, first-served basis. The total redemptions for the fiscal year is an aggregate annual limit of 10%. Note that all redemptions and retractions are subject to certain regulatory requirements.
Redeemability at the Credit Union's Initiative	The Credit Union may at its initiative, subject to Authority approval if such approval is required, purchase for cancellation, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Class B Shares, Series 2023 outstanding at any time five years or more after the shares were issued. Note that all redemptions and retractions are subject to certain regulatory requirements.
Voting	Class B Shares, Series 2023 do not carry any voting rights, except when the Act requires that those shares carry voting rights. When the Class B Shares, Series 2023 carry voting rights, each Class B Share, Series 2023 carries one vote.
Treatment as Regulatory Capital	The Credit Union includes 100% of the Class B Shares, Series 2023 as Tier I Regulatory Capital.

Right	Class B Investment Shares, Series 2024
Dividends	The holders of Class B Shares, Series 2024 are entitled, in preference to holders of the Class A Patronage Shares, Series 1, and of the Membership Shares, but equally with the holders of the Class B Shares, Series 1, 2, 2010, 2013, 2015, 2020, 2023 and 2026, to receive Non-Cumulative cash or share dividends if, as and when declared by the Board. Holders of Class B Shares, Series 2024 may, however, consent, by majority vote at a special meeting, to the prior payment of dividends to holders of a junior class of shares. Dividends are taxed as interest income and not as dividends.
Return of Capital on Dissolution	The holders of Class B Shares, Series 2024 are entitled, in preference to the holders of the Class A Patronage Shares, Series 1, and the Membership Shares, but rateably with the holders of the Class B Shares, Series 1, 2, 2010, 2013, 2015, 2020, 2023 and 2026, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of its other debts and obligations.
Redeemability at the Holder's Initiative (Retraction)	Holders may request that the Credit Union redeem the Class B Shares, Series 2024 they hold, at any time five years or more after the date on which such shares, were initially issued by the predecessor credit union, Momentum Credit Union Limited, pursuant to an offering statement, or at any time after the death or expulsion from membership of the holder of the Class B Shares, Series 2024. Redemption

	requests are processed on a first-come, first served basis twice annually, and any shares not redeemed in a particular fiscal year are the first shares redeemed in the next fiscal year. All redemptions are at the discretion of the Credit Union and may be subject to Authority approval. In no case shall the total number of Class B Shares, Series 2024 redeemed in any fiscal year exceed 10% of the issued and outstanding Class B Shares, Series 2024 reported on the Credit Union’s audited financial statements for the preceding fiscal year, and in no case shall a redemption occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements. Requests for redemption at the option of the holder, may be approved by the Credit Union at the Board’s discretion on a first-come, first-served basis. The total redemptions for the fiscal year is an aggregate annual limit of 10%. Note that all redemptions and retractions are subject to certain regulatory requirements
Redeemability at the Credit Union’s Initiative	The Credit Union may at its initiative, subject to Authority approval if such approval is required, purchase for cancellation, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Class B Shares, Series 2024 outstanding at any time five years or more after the shares were issued. Note that all redemptions and retractions are subject to certain regulatory requirements.
Voting	Class B Shares, Series 2024 do not carry any voting rights, except when the Act requires that those shares carry voting rights. When the Class B Shares, Series 2024 carry voting rights, each Class B Share, Series 2024 carries one vote.
Treatment as Regulatory Capital	The Credit Union includes 90% of the Class B Shares, Series 2024 as Tier I Regulatory Capital and includes the remaining 10% of the Class B Shares, Series 2024 as Tier II Regulatory Capital.

Right	Class B Investment Shares, Series 2026
Dividends	The holders of Class B Shares, Series 2026 are entitled, in preference to holders of the Class A Patronage Shares, Series 1, and of the Membership Shares, but equally with the holders of the Class B Shares, Series 1, 2, 2010, 2013, 2015, 2020, 2023 and 2024, to receive Non-Cumulative cash or share dividends if, as and when declared by the Board. Holders of Class B Shares, Series 2026 may, however, consent, by majority vote at a special meeting, to the prior payment of dividends to holders of a junior class of shares. Dividends are taxed as interest income and not as dividends.
Return of Capital on Dissolution	The holders of Class B Shares, Series 2026 are entitled, in preference to the holders of the Class A Patronage Shares, Series 1, and the Membership Shares, but rateably with the holders of the Class B Shares, Series 1, 2, 2010, 2013, 2015, 2020, 2023 and 2024, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of its other debts and obligations.
Redeemability at the Holder’s Initiative (Retraction)	Holders may request that the Credit Union redeem the Class B Shares, Series 2026 they hold, at any time five years or more after the issuance of these shares, or at any time after the death or expulsion from membership of the holder of the Class B Shares, Series 2026. Redemption requests are processed on a first-come, first served basis twice annually, and any shares not redeemed in a particular fiscal year are the first shares redeemed in the next fiscal year. All redemptions are at the discretion of the Credit Union and may be subject to Authority approval. In no case shall the total number of Class B Shares, Series 2026 redeemed in any fiscal year exceed 10% of the issued and

	outstanding Class B Shares, Series 2026 reported on the Credit Union’s audited financial statements for the preceding fiscal year, and in no case shall a redemption occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements. Requests for redemption at the option of the holder, may be approved by the Credit Union at the Board’s discretion on a first-come, first-served basis. The total redemptions for the fiscal year is an aggregate annual limit of 10%. Note that all redemptions and retractions are subject to certain regulatory requirements.
Redeemability at the Credit Union’s Initiative	The Credit Union may at its initiative, subject to Authority approval if such approval is required, purchase for cancellation, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Class B Shares, Series 2026 outstanding at any time five years or more after the shares were issued. Note that all redemptions and retractions are subject to certain regulatory requirements.
Voting	Class B Shares, Series 2026 do not carry any voting rights, except when the Act requires that those shares carry voting rights. When the Class B Shares, Series 2026 carry voting rights, each Class B Share, Series 2026 carries one vote.
Treatment as Regulatory Capital	The Credit Union includes 100% of the Class B Shares, Series 2026 as Tier I Regulatory Capital.

Capital is defined by its relative permanence (i.e., inability to be redeemed quickly), freedom from mandatory fixed charges against the earnings of the Credit Union (e.g., cumulative dividends), and subordinate position to the rights of depositors and other creditors of the Credit Union, who are paid the sums they are due before the holders of capital receive any funds. Tier 1 capital qualifies as capital under all three definitions. Tier 2 capital, in general, meets only two of the three definitions. A Credit Union’s Membership Shares and retained earnings qualify as Tier 1 capital.

DESCRIPTION OF SECURITIES BEING OFFERED

Class B Shares, Series 2026

Issue

Class B Shares, Series 2026 issuable at \$1.00 each, will only be issued to members of the Credit Union. If the purchaser is a natural person (i.e., an individual), they must be at least 18 years of age to purchase Class B Shares, Series 2026. Legal persons (e.g., corporations, partnerships, trusts and unincorporated associations) may purchase Class B Shares, Series 2026. The subscription price for each Class B Share, Series 2026 will be \$1.00 per share, to a maximum of 75,000,000 shares for \$75,000,000.

Dividends

The holders of Class B Shares, Series 2026 are entitled, in preference to holders of any Class A Shares issued and outstanding, and of the Membership Shares, and equally with the Class B Shares, Series 1, 2, 2010, 2013, 2015, 2020, 2023 and 2024, to receive dividends if, as and when declared by the Board. Holders of the Class B Shares, Series 2026 may, however, by majority vote at a special meeting, consent to the prior payment of dividends to holders of a junior class of shares (e.g., Class A Shares, or membership shares).

The payment of such dividends will be in cash, in additional Class B Shares, Series 2026 or in a combination of both, and on such terms as may be determined from time to time by the Board.

For a discussion of the Credit Union’s dividend policy regarding Class B Shares, Series 2026 see pages 8, 35, 36, 50 and 51.

Canadian Federal Income Tax Considerations

The following summary, which has been prepared by management, sets out the principal Canadian federal income tax consequences applicable to a holder of a Class B Share, Series 2026 who acquires the share pursuant to this offering and who, for the purposes of the *Income Tax Act* (Canada) (the "ITA"), is resident in Canada and holds the share as capital property.

This summary is based on the facts contained in this offering statement and based upon managements' understanding of the provisions of the ITA and the regulations thereunder as they currently exist and current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"). This summary takes into account specific proposals to amend the ITA and the regulations thereunder that have been publicly announced by the Minister of Finance (Canada) prior to the date hereof. There can be no assurance that these proposals will be enacted in their current form or at all, or that the CRA will not change its administrative and assessing practices.

This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action. This summary does not also take into account provincial, territorial or foreign tax legislation or considerations. No advance income tax ruling has been requested or obtained in connection with this offering statement, and there is a risk that the CRA may have a different view of the income tax consequences to holders from that described herein. **INVESTORS ARE CAUTIONED THAT THIS COMMENTARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO CONSTITUTE ADVICE TO ANY PARTICULAR INVESTOR. INVESTORS SHOULD SEEK INDEPENDENT ADVICE FROM THEIR OWN TAX ADVISORS.**

Dividend Tax Considerations

A holder of a Class B Share, Series 2026 will be required to include in computing income the dividends paid on the shares, whether paid in cash or in the form of additional shares. Dividends paid to a holder of a Class B Share, Series 2026 are deemed to be interest for Canadian income tax purposes. This income will be subject to income tax in the same manner as other interest income.

Redemption Tax Considerations

On a redemption of a Class B Share, Series 2026 to the extent that the redemption proceeds exceed the paid-up capital of the share, the excess is deemed to be interest received by the holder of the Class B Share, Series 2026. This interest must be included in computing the income of the holder in the year of redemption. The proceeds of disposition under these circumstances are reduced by the amount of deemed interest. To the extent that the proceeds of disposition exceed (or are exceeded by) the adjusted cost base and reasonable disposition costs, a capital gain (or capital loss) may be realized and taxed as described below.

Other Dispositions

The disposition of a Class B Share, Series 2026 to another member, may give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base of the Class B Share, Series 2026 and reasonable disposition costs. One-half of the capital gain is included in computing the income of the holder of the Class B Share, Series 2026 and one-half of any capital loss may be deducted but only against capital gains of the holder. Unused capital losses may be carried back to the three preceding taxation years to offset capital gains in those years, and they may be carried forward indefinitely. Under certain specific circumstances, the capital loss may be denied and therefore not available to offset capital gains of the holder. In addition, if certain criteria are met, an allowable capital loss may be considered a business investment loss and may be applied to reduce other income of the holder. This loss or a portion thereof may be carried back to the three

preceding taxation years to reduce income in those years and may be carried forward for ten taxation years before reverting to the net capital loss.

The Class B Shares, Series 2026 will be a qualified investment for registered plans (i.e., RRSP, RRIF, TFSA). The transfer of any shares by a holder to a registered plan constitutes a disposition of the shares by the holder for income tax purposes. In such circumstances, the holder is deemed to receive the proceeds of disposition for the shares equal to their fair market value at that time of such transfer, and this amount is included in computing the capital gain or loss from the disposition. Any capital loss arising on such disposition is denied to the shareholder. Interest expense related to shares transferred to registered plans such as an RRSP, RRIF or TFSA is not deductible for income tax purposes.

Other than as mentioned herein, the Class B Shares, Series 2026, carry no conversion rights.

RRSP, RRIF and TFSA Eligible

Concentra Trust will accept Class B Shares, Series 2026 purchased in this offering to be contributed to a member's RRSP, RRIF or TFSA. The proceeds of redemption or transfer of Class B Shares, Series 2026 held in an RRSP, RRIF or TFSA will remain inside that RRSP, RRIF or TFSA as applicable, unless the annuitant or holder specifically requests otherwise in writing.

Rights on Distributions of Capital

On liquidation or dissolution, holders of Class B Shares, Series 2026 will be paid the Redemption Amount for each such share held, in priority to holders of the Class A Shares, if any, and of the Membership Shares, but rateably with Class B Shares, Series 1, 2, 2010, 2013, 2015, 2020, 2023 and 2024, and after provision for payment of all the Credit Union's other debts and obligations. Holders of Class B Shares, Series 2026 shall not thereafter be entitled, as holders of Class B Shares, Series 2026 to participate in the distribution of the Credit Union's assets then remaining but will retain any rights they may have to such a distribution as holders of Class A Shares or of Membership Shares. Distributions regarding Class B Shares, Series 2026 held in an RRSP, RRIF or TFSA will remain in that RRSP, RRIF or TFSA unless the annuitant or holder specifically requests otherwise in writing.

Voting Rights

The Class B Shares, Series 2026 are non-voting for the purposes of annual or special meetings of the members of the Credit Union. In the event of a proposed dissolution, amalgamation, continuance, purchase of assets representing a Substantial Portion of the Credit Union's assets, the sale, lease or transfer of a Substantial Portion of its assets, or a proposed resolution which affects the rights attaching to the Class B Shares, Series 2026 it shall hold a special meeting of the holders of Class B Shares, Series 2026 which may be held separately from the special meeting of the holders of any other series of Class B Shares, if any, including the Class B Shares, Series 1, 2, 2010, 2013, 2015, 2020, 2023 and 2024, if their rights are affected differently from those of the holders of any other series of Class B Shares. The holders of Class B Shares, Series 2026 shall have 1 vote per Class B Share, Series 2026 held at such meetings to consider such an event or resolution, which requires approval by Special Resolution. Approval at a meeting of the members of the Credit Union, and at meetings of the holders of all other classes of shares in its capital structure, including the Class A Shares, if any, will also be required.

Redemption Provisions and Restrictions

Holders of Class B Shares, Series 2026 may not request that the Credit Union redeem the shares they hold until five (5) years after the issuance of those shares, except where the holder dies or is expelled from membership in the Credit Union. Redemptions for any reason are subject to the aggregate limits and conditions detailed below, and, if the approval of the Authority of that redemption is required by any applicable law, are subject to obtaining the

Authority's approval.

Approval of any redemption request is in the sole and absolute discretion of the Credit Union and the Board. The Board may not approve a request if, in the opinion of the Board, honouring such redemption request will cause the Credit Union to be unable to comply with the Regulatory Capital and liquidity requirements of section 77 of the Act. Requests for redemption at the option of the holder, may be approved by the Credit Union at the Board's discretion on a first-come, first-served basis. The total redemptions for the fiscal year is an aggregate annual limit of 10%.

In no case shall total redemptions approved for holders of Class B Shares, Series 2026 in any fiscal year exceed an amount equal to 10% of the total Class B Shares, Series 2026 outstanding at the end of the previous fiscal year.

The Board will consider redemption requests at its first Board meetings following December 31 and June 30 in any fiscal year, on a first come, first served basis, as evidenced by the time and date to be marked on each request when received by the Credit Union. Redemption requests not fulfilled during one fiscal year will be carried forward and considered at the next possible redemption date or withdrawn, at the option of the shareholder.

The Credit Union has the option of redeeming, at the Redemption Amount, all or any portion of the Class B Shares, Series 2026 then outstanding, subject to restrictions in the Act and to the approval of the Authority if any applicable law requires the obtaining of such approval, after giving at least 21 days' notice of its intent to redeem, at any time after the fifth anniversary of the Issue Date. If the Credit Union redeems only a portion of the Class B Shares, Series 2026 then outstanding, the Credit Union must redeem such Class B Shares, Series 2026 *pro rata* from all holders of such shares at that time. The proceeds of any redemption of Class B Shares, Series 2026 held inside an RRSP, RRIF, TFSA will remain inside the registered plan (RRSP, RRIF, TFSA) unless the annuitant or holder specifically requests otherwise in writing.

Note that an Authority rule permits redemption or purchase of shares for cancellation only if the shares are replaced with capital of at least the same quality as the shares being replaced without using a significant amount of the Credit Union's retained earnings, or the Credit Union can demonstrate to the Authority that its Regulatory Capital will remain substantially above regulatory minimum requirements.

Purchasers of Class B Shares, Series 2026 who are intending to include such shares in a TFSA, RRSP or RRIF contract should carefully review the above redemption provisions and restrictions before proceeding. A member holding Class B Shares, Series 2026 in a RRIF will be responsible for ensuring there are sufficient other assets in the RRIF to satisfy the minimum statutory withdrawal requirements for the RRIF annually.

Restrictions on Transfer

Class B Shares, Series 2026 may generally be transferred only to another member; all other transfers are prohibited. Transfers will be subject to the approval of the Board. Transfer requests must be in writing, using a form approved by the Board. Transfer requests will be tendered to the registered office of the Credit Union. Class B Shares, Series 2026 will be transferred to other members at a price equal to the current Redemption Amount. The proceeds of disposition of Class B Shares, Series 2026 held inside an RRSP, RRIF or TFSA will remain inside that RRSP, RRIF or TFSA unless the annuitant or holder specifically requests otherwise in writing.

No member, through transfers of Class B Shares, Series 2026 from other members, will be allowed to hold more Class B Shares, Series 2026 than the member would otherwise have been able to subscribe for in this initial offering (1,000,000 Class B Shares, Series 2026). **There is no market for the Class B Shares, Series 2026 issued by the Credit Union.** The Credit Union may, however, choose to maintain a list of willing buyers, and attempt to facilitate a transfer to a willing buyer rather than process a redemption when a holder of Class B Shares, Series 2026 requests redemption.

This procedure will not apply when a holder of Class B Shares, Series 2026 or his or her estate, is required by law to transfer the shares to another member of the Credit Union (e.g., by the Will of a deceased shareholder) or has already located a purchaser for his or her Class B Shares, Series 2026.

Articles of Amalgamation, Articles of Amendment

Prospective purchasers of Class B Shares, Series 2026 may obtain, on request at the registered office of the Credit Union, a copy of the articles of amalgamation creating the Credit Union, the articles of amendment changing the name of the amalgamated corporation and the articles of amendment creating all of the classes and series of shares in its capital structure which were created after the Credit Union's creation by amalgamation, including the Class B Shares, Series 2026. These documents define the Credit Union's share capital structure, including the full terms and conditions of the Class B Shares, Series 2026.

RISK FACTORS

The following risk factors should be considered when deciding to purchase Class B Shares, Series 2026:

Enterprise Risk Management

The Credit Union recognizes there are risks inherent in its business activities. It is the policy of the Credit Union to manage such risks consistently and actively, from the governance level of the Board to the day-to-day operations of all employees, with the intent of delivering on its mission, vision, values and business strategy. The Credit Union's Enterprise Risk Management ("ERM") framework ensures that the Credit Union will identify, monitor, and manage the significant risks it faces, assess the potential impact of those risks, and have policies and procedures in place to manage those risks effectively. The Credit Union's ERM program also ensures that a robust framework is in place to identify and assess emerging risks that have the potential to disrupt the Credit Union's strategic plan and ensure that appropriate controls are in place to mitigate or avoid this risk. The Credit Union's ERM program assesses the probability and severity of identified emerging risks to assess whether they should be avoided, monitored, or mitigated through the development of an appropriate action plan to address the emerging risks. The ERM framework provides an overall enterprise perspective of the financial, credit, operational, regulatory, strategic, and emerging risks facing the Credit Union. The ERM policy defines the responsibilities of the Board, the Risk Committee and management in this process.

The Credit Union has identified an overall residual risk appetite of moderate. This is directed by the strategy of enhancing and building channels that make the Credit Union more relevant and competitive, developing core profitability, and developing operational efficiencies while supporting communities and building the Credit Union's brand. The Credit Union has identified risk tolerances in its various areas of risk as moderate or modest.

Transfer and Redemption Restrictions

There is no market through which the Class B Shares, Series 2026 may be sold. Further, it is not expected that any market will develop. These securities may only be transferred to another member of the Credit Union. Note that such a transfer is not treated as redemption and is therefore not limited as outlined below. See "Restrictions on Transfer", on pages 38 to 39, for a further discussion of transfers of Class B Shares, Series 2026.

The Act prohibits redemption of shares if the Board has reasonable grounds to believe that the Credit Union is, or the payment would cause it to be, in contravention of prescribed liquidity and Regulatory Capital adequacy tests for credit unions.

Redemptions of Class B Shares, Series 2026 are permitted at the sole and absolute discretion of the Credit Union and

are not permitted during the five years following their issuance except when a shareholder dies or is expelled from membership in the Credit Union. Redemptions are limited in any fiscal year to 10% of the Class B Shares, Series 2026 outstanding at the end of the previous fiscal year. Requests for redemption at the option of the holder, may be approved by the Credit Union at the Board's discretion on a first-come, first-served basis. The total redemptions for the fiscal year is an aggregate annual limit of 10%.

If the approval of any redemption by the Authority is required by applicable law, redemption will be subject to that approval having been obtained. Consequently, holders of Class B Shares, Series 2026 may not be able to sell or redeem their securities when they wish to do so.

Note that an Authority rule permits redemption or purchase for cancellation only if the shares are replaced with capital of at least the same quality as the shares being replaced without using a significant amount of the Credit Union's retained earnings, or the Credit Union can demonstrate to the Authority that its Regulatory Capital will remain substantially above regulatory minimum requirements.

Members who intend to hold Class B Shares, Series 2026 within an RRSP or RRIF contract should carefully review this risk factor before proceeding.

Capital Adequacy

The Act requires the Credit Union to maintain a Leverage Ratio, Total Capital Ratio, Tier 1 Capital Ratio, Capital Conservation Buffer Ratio, Retained Earnings to Risk Weighted Assets Ratio and Total Supervisory Capital Ratio above certain minimums set out in the Authority rule regarding capital adequacy. As at December 31, 2025, the Credit Union was in full compliance with these regulatory requirements, and also in compliance with Board policy which imposes limits on these ratios that exceed these minimum regulatory requirements.

For further information regarding the Credit Union's Regulatory Capital adequacy, see "Capital Adequacy" beginning on page 24.

Payment of Dividends

The Credit Union has no dividend record for the Class B Shares, Series 2026 because none of these shares are issued and outstanding. The Credit Union has, however, a dividend record for its Class B Shares, Series 1, 2, 2010, 2013, 2015, 2020, 2023 and 2024, outlined at page 50.

Past payment of dividends or other distributions in no way indicates the likelihood of future payments of dividends. The payment of dividends to the holders of Class B Shares, Series 2026 is dependent on the ability of the Credit Union to meet the Regulatory Capital requirements of the Act, and on the availability of earnings.

Dividends on Class B Shares, Series 2026 are taxed as interest and not as dividends and are therefore not eligible for the tax treatment given to dividends from taxable Canadian corporations, commonly referred to as the "dividend tax credit".

The Board has stated a dividend policy for Class B Shares, Series 2026 as outlined on pages 50 and 51 hereof; this policy may be changed at any time, at the discretion of the Credit Union and the Board, and the Board may at any time approve exceptions to this policy. Dividends paid may therefore not be in accordance with this policy.

Credit Risk

The major activity of the Credit Union is the lending of money to members and, as a result, there exists the risk of loss from uncollectible loans. The lending policies of the Credit Union, the care and attention of staff and management in applying such policies to loan applications and loans granted, and the security taken in connection with such

applications, could affect the future profitability of the Credit Union and impact on its ability to pay dividends and redeem Class B Investment Shares, Series 2026 when the members wish it to do so. As at December 31, 2025, the Credit Union is in compliance with its credit policies.

A discussion of the Credit Union's accounting policies regarding its loans to its members is found in Note 3 to the audited financial statements included in this offering statement, under the heading "Financial instruments – recognition and measurement", beginning at page 15 of Schedule A hereto.

Further discussion of the composition of the Credit Union's loan portfolio, and its allowance and provision for performing and impaired loans, appears in Note 8 to the audited financial statements beginning at page 36 of Schedule A hereto, and in the table of financial performance indicators on page 70. The Credit Union's credit risk management policy is detailed in Note 19 (a) of the audited financial statements, beginning at page 65 of Schedule A hereto.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors, such as changes in equity values, interest rates and foreign exchange rates. The risk of loss due to interest rate, foreign exchange, equity or liquidity risks are addressed within the "Liquidity Risk" section hereof beginning at page 41, and the "Structural Risk" section hereof beginning at page 44. The Credit Union is exposed to this risk with respect to its investing and asset/liability matching activities. The market risk management policy of the Credit Union, approved by its Board, requires the Credit Union's investments reflect, in order of priority, safety of principal, appropriate levels of risk-adjusted returns, diversification across various revenue generating platforms, liquidity, and the social, economic, and ethical well-being of the community. Eligible investments which may be purchased as part of the Credit Union's investment portfolio are as follows:

1. Financial assets as referred to in the Liquidity Risk section at page 41;
2. Bankers' acceptances, discounted notes, bonds, debentures, and other debt obligations issued by a bank listed in Schedule I or II of the Bank of Canada. These must be investment grade securities, meaning not less than BBB- rating as classified by the Standard & Poor's (S&P), BBB (low) by DBRS Morningstar (DBRS) and Baa3 by Moody's;
3. Commercial paper, corporate bonds, debentures, and other debt obligations issued by corporations that are widely distributed. These must also be investment grade securities, meaning not less than BBB- rating as classified by the S&P, BBB (low) by DBRS and Baa3 by Moody's; and
4. Derivative investments for hedging purposes only, as discussed under the Structural Risk section at page 44.
5. Strategic investments, which can be in the form of alternative investments and loans originated by other originators. Alternative investments can be, but are not limited to real estate, private equity, infrastructure, private credit, and insurance. They can be held in the form of subsidiaries, joint ventures (JV's) or co-ownership, widely held shares, limited partnership units or units in a managed portfolio of public securities.

The Credit Union is also permitted to hold shares in Central 1 and in certain other system partners.

The policy also imposes limits on the amount which can be invested in any one type of investment or in any one issuer.

Liquidity Risk

Liquidity risk is the risk that a financial institution will have to sell assets at a loss to meet cash demands. The Credit

Union is required to establish and maintain prudent levels and forms of liquidity that are sufficient to meet its cash flow needs. The Credit Union uses various key ratios and metrics to measure and monitor its liquidity risk as described herein.

Liquidity Coverage Ratio (“LCR”) is a measure that aims to ensure that a credit union has an adequate stock of unencumbered high-quality liquid assets (“HQLA”) that can be converted into cash at little or no loss of value, to meet its liquidity needs for a 30-calendar day liquidity stress scenario. The standard LCR calculation is based on a 30-day horizon.

The Net Cumulative Cash Flow (“NCCF”) is a liquidity metric that measures a credit union’s survival horizon based on its net cumulative cash flows. It identifies potential future funding mismatches between contractual inflows and outflows for various time bands up to a 12-month time horizon. It measures a credit union’s detailed cash flows, to capture the risk posed by funding mismatches between assets and liabilities, after the application of assumptions around the functioning of assets and modified liabilities. NCCF definitions mirror those outlined in the definition of LCR above, unless otherwise specified.

The Net Stable Funding Ratio (“NSFR”) is a standard that requires credit unions to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a credit union’s regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR aims to limit over-reliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability. In addition, the NSFR approach offsets incentives for institutions to fund their stock of liquid assets with short-term funds that mature just outside the LCR’s 30-day horizon.

The Credit Union manages liquidity risk within Board policy limits to ensure the Credit Union has sufficient liquidity to meet its obligations. This is managed by monitoring cash flows and cash forecasts, maintaining a portfolio of HQLA, monitoring, and managing the remaining contractual term to maturity of its loan and deposit portfolios, and maintaining access to credit facilities. The Credit Union’s liquidity risk management policy requires it to establish criteria for a pool of HQLA, which shall not be encumbered. The Credit Union achieves adequate liquidity levels through a combination of active management and maintaining adequate amounts of HQLA, organic balance sheet growth, borrowing, whole loan sales, and loan securitization. Liquidity policies and funding strategies are developed to regularly monitor the Credit Union’s ability to raise funds from a variety of reliable, diverse and stable sources with a focus on the quality and tenor of funding. The Credit Union develops formal contingency funding plans to support and manage its liquidity risks. HQLA will be invested in accordance with the Credit Union’s liquidity risk management policy.

The policy then requires:

- Stress testing of the Credit Union’s cash flow projections and comparing those stress-tested projections (the “stressed outflow” or “SOF”) to projections of HQLA to calculate a liquidity coverage ratio (“LCR”).
- Calculating a net stable funding ratio (“NSFR”) by comparing prescribed factors to all the Credit Union’s asset, liability, and equity accounts.
- Calculating net cumulative cash flow (“NCCF”) to analyse cash flows beyond a 30-day time horizon to capture the risk posed by funding mismatches between assets and liabilities.
- Maintaining LCR over 120%, and NSFR over 110%.

- Monitoring large deposits (defined as 0.5% of total assets or more from a single person and their connected persons, or \$35.9 million as at December 31, 2025). No single deposit across all funding channels shall exceed 5% of total deposits or \$309.1 million.

The Credit Union’s liquidity risk management policy is described in Note 19 (c) of the audited financial statements, beginning at page 76 of Schedule A hereto.

The Credit Union’s liquidity policy complies with Rule 2021-003, Liquidity Adequacy requirements for credit unions and caisses populaires.

The following table outlines the Credit Union’s actual LCR, NSFR, and NCCF compared to each one’s regulatory minimum limit as of the end of its last three fiscal years:

Liquidity Metrics			
	As at, December 31, 2025	As at, December 31, 2024	As at, December 31, 2023
LCR	283.00%	341.00%	264.00%
Regulatory Minimum	100.00%	100.00%	100.00%
NSFR	140.00%	141.00%	137.00%
Regulatory Minimum	100.00%	100.00%	100.00%
NCCF	>12	>12	>12
Regulatory Minimum - months	3	3	3

The Credit Union maintained a liquidity position of 14.87% at its fiscal year ended December 31, 2025.

The Credit Union establishes and maintains prudent levels of liquidity that are sufficient to meet its cash flow needs, including depositor withdrawals and payment of all of its obligations as they become due. The Credit Union’s target for its operating liquidity is between 8% and 16% of member deposits and the Credit Union’s own borrowings. The Credit Union monitors its liquidity on a regular basis, with weekly reviews of the basic liquidity needs and detailed forecasts to support the next 30-day requirement and monthly projections of cash needs over the next three-month period.

The Credit Union has access to a \$243 million credit facility from Central 1, and \$100 million credit facility from Caisse centrale Desjardins du Québec, which are available to cover shortfalls in cash resources and for liquidity purposes if warranted. For further information, see “Senior Debt” at pages 53 and 54.

As part of its liquidity management practices, the Credit Union regularly securitizes Mortgage Loans and Commercial Loans through a securitization program, the details of which are provided in Note 9 to the audited financial statements at page 42 of Schedule A hereto. Total outstanding securitizations as at December 31, 2025 are \$3,898,475,000. The Credit Union is a direct issuer of mortgage-backed securities pursuant to the program outlined at page 58. In addition to securitizing member Mortgage Loans, the Credit Union enters arrangements to invest in Mortgage Loans originated by third parties and securitizes the assets under this program. The Credit Union has a securitization risk management policy as required by the Authority and is in full compliance with that policy.

As at December 31, 2025, the Credit Union is in compliance with all liquidity risk management policies.

Structural Risk

Structural Risk comprises exposure to interest rate movements (Basis Risk, Mismatch Risk, Yield Curve Risk and Option Risk), and exposure to foreign exchange rate movements.

- Basis Risk is the risk to income arising when variable rate assets and variable rate liabilities reprice based on different indices (e.g., Prime lending rate vs. Government of Canada bonds) that are imperfectly correlated, causing the spread between them to fluctuate.
- Mismatch Risk is the risk to income arising from timing differences in the maturity or repricing of assets and liabilities (e.g., variable-rate deposits funding fixed-rate loans).
- Yield Curve Risk is the risk to income or economic value arising from changes in the slope or shape of the yield curve (e.g., short-term rates rising faster than long-term rates).
- Option Risk is the risk to income arising from options embedded in products, such as early redemption of deposits or prepayment of loans.
- Foreign Exchange Risk is the risk to income resulting from fluctuations in foreign exchange rates.

Regarding sources and uses of funds, it is the Credit Union's policy to price all loans and deposits so that, overall, a net contribution to earnings is provided and will be in line with member expectations. The Credit Union will maintain an appropriate asset mix of loans and investments consistent with the Credit Union's annual business plan; maximum terms to maturity for various products will be established by operational policy. The Credit Union will maintain an appropriate mix of deposits reflecting member expectations and relating appropriately to the asset mix maintained by the Credit Union; maximum term to maturity for various deposits will be established by operational policy.

The Credit Union uses two types of models to assess long term structural risk. The Credit Union uses market valuation model, known as "economic value at risk" and "duration of capital", to evaluate exposure to yield curve risk over the long term. The permitted exposure of equity at risk to a 100 Basis Point upward or downward shock to interest rates should not exceed 3.0% of regulatory capital.

The Credit Union also uses an income simulation model to evaluate short-term repricing (i.e., mismatch) risk and basis risk. The allowable exposure to 12 months' earnings at risk for a shock to interest rates determined by the asset liability committee of senior management (currently a 100 Basis Point increase and a 100 Basis Point decrease) is 4.00% of 12-month rolling forecasted Net Interest Income for the next year.

The Credit Union can respond to market interest rate changes with immediate pricing adjustments to deposit and loan products, if necessary, to correct a potential mismatch, although such adjustments may not succeed in fully eliminating the mismatch; the Credit Union may also use derivatives purchased from permitted counterparties to reduce interest rate risk to an acceptable level.

As at December 31, 2025, the Credit Union's earnings risk was +\$834,000 for a 100 Basis Points downward shock in interest rates, and -\$500,000 for a 100 Basis Points upward shock in interest rates. As at December 31, 2025, the economic value of equity was (0.97%), and the duration of capital was 0.73 years. These exposures are in compliance with the Board's policy.

If exposure to interest rate risk exceeds policy limits and interest rates move unfavorably, future profitability could be eroded, potentially impacting the Credit Union's ability to pay dividends or redeem shares. In such an event,

management would employ mitigation techniques, including the use of derivatives, to realign risk with policy limits. As at December 31, 2025, the Credit Union is in compliance with its Structural Risk Management Policy.

Operational Risk

Operational risk is the risk that, in any operational area of the Credit Union (*i.e.*, capital, credit, market, structural, and liquidity management), a financial loss will result from fraud, human error, or bad judgement. Exposure to this risk can result from deficiencies or breakdowns in internal controls or processes, or human errors or dishonesty. All the Credit Union's business activities are susceptible to operational risk, including the practices for managing other risks such as credit, structural, market and liquidity.

Although operational risk can never be fully eliminated, it can be managed to create and enhance member value, successfully execute business strategies, operate efficiently, and provide reliable, secure, and convenient access to financial services. The Credit Union's Operational Risk Management Policy requires appropriate and effective internal control policies, segregation of duties, information systems, accounting and record-keeping, safeguarding of physical assets from loss or misappropriation, a list of designated counterparties for material transactions, insurance, duplicates or back-ups of records, and business continuity and disaster recovery plans, (reviewed by the Risk Committee and annually tested, with the most recent test not raising any concerns). The policy also sets out a framework under which the Credit Union can "outsource" business activities to outside service providers.

The Credit Union takes what it believes to be all necessary and reasonable steps to guard against cybersecurity threats. Employees of the Credit Union, together with an external service provider, continuously monitor all access points to the Credit Union's network from outside, and the external service provider advises the Credit Union on external threats.

To mitigate these operational risks, the Credit Union has implemented a number of programs as follows:

- Information technology business continuity programs, information security frameworks and governance oversight programs
- Cyber security steering committee
- Business continuity management and disaster recovery plans
- Fraud employee training programs and oversight
- Employee code of conduct policy
- Ethical business policies and market code of conduct policy
- Business contract management processes

The Credit Union operates with unionized staff who are covered by three collective agreements and represented by three unions. The first of these agreements expires on March 31, 2026, the second on March 31, 2027, and the final on March 31, 2030. Although Board and management both believe the likelihood of a strike is low, a strike of some or all the employees covered by these collective agreements is a possibility.

The Credit Union has also adopted a market code of conduct as required by the Act.

Alternative Investments

Alternative investments are held by the Credit Union in support of its strategic plan and are managed through a separate division of the Credit Union named the Corporate Investment Division ("CID"). The CID is comprised of a

management team that actively oversees the investment direction and portfolio of the Credit Union’s alternative investments. Investments managed and included in this division consist of alternative non-publicly traded investments (managed funds) across three asset classes: private equity, private debt, and infrastructure. The portfolio also includes separately held real estate investment properties. The Credit Union created the division to improve risk adjusted returns of the Credit Union’s capital.

Unlike the investments set out in items 1 to 3 of the “Market Risk” section, the Credit Union’s alternative investments are not rated by any credit rating agency because of the risks outlined below.

Risks related to new investments are documented through detailed analysis and assessment. For new investments, the Credit Union undertakes an approval process that involves third party consultants. The investment is first recommended at the executive level and then referred to the Audit Committee of the Board. If approved at the committee level, it is then presented to the Board for approval.

At each stage of the approval process, the relevant approver receives an information package outlining the risks inherent within the investment, including a legal review and financial analysis of the investments. The due diligence process includes identifying risks and ensuring there are mitigating processes in place to minimize those risks. The diversification of the portfolio amongst the asset classes aids in risk mitigation. The investments in the managed funds can be selected from recommendations made by third party consultants. These consultants are utilized by pension plans nationally and undergo due diligence regarding the experience of the managers, their historical performance, and the risk tolerance of the Credit Union.

The real estate investment properties are managed by the Credit Union’s joint venture partners that have experience and a track record in the development and management of real estate. The joint venture partners provide the required quarterly reporting on the activities of the holdings.

On a quarterly basis the Audit Committee reports to the Board on the performance of the CID portfolio. The investment managers for the alternative investments provide quarterly reporting on the performance of the funds.

The chart below presents the breakdown of the investments held and managed by the CID division:

CID Managed Investments	December 31, 2025	December 31, 2024	December 31, 2023
(in thousands of dollars)			
Alternative non publically traded investments			
Private equity	\$ 72,092	\$ 90,041	\$ 83,832
Private debt	60,822	61,371	48,319
Infrastructure	49,889	45,511	29,580
Real estate investment properties	148,638	146,187	146,582
Total CID Managed Investments	\$ 331,441	\$ 343,110	\$ 308,313
CID Investments as % of Credit Union’s total assets	4.62%	5.21%	5.09%
CID Investments as % of Credit Union’s Regulatory Capital	71.81%	78.09%	74.69%

In 2022, the Credit Union transferred real estate investment properties to FirstOntario Realty. The purpose of this subsidiary is to hold the real estate investments of the Credit Union, whether through common shares (including shares of a corporate general partner) or limited partnership units. The investment properties include various properties, including rental income properties for both residential and commercial customers, land held for redevelopment and rezoning purposes, affordable housing, and student rentals. The real estate properties are located throughout Southern Ontario and are jointly owned and operated in conjunction with various third-party

partners. The daily operations of the joint ventures are managed by the Credit Union's third-party investment partners through various management agreements. The joint ventures may require external funding sources, including debt facilities, to support the operation of the joint venture and purchases of the real estate properties.

The Credit Union and its subsidiaries incorporated under the *Business Corporations Act* (Ontario) are subject to differing tax treatment. While the Credit Union may benefit from certain preferential tax rates or deductions available specifically to credit unions under the *Income Tax Act* (Canada) and applicable provincial legislation, its subsidiaries and third-party investment partners are generally taxed as standard business corporations and do not automatically benefit from the same preferential treatment.

The Credit Union has generally structured its investments in a tax efficient manner; however, there remains a risk that tax authorities may, in the future, challenge the tax treatment or characterization of income derived from investments held by the Credit Union through its subsidiaries, or the methods used to transfer such income back to the Credit Union. Furthermore, the governments of Canada or Ontario may enact changes to tax laws, regulations, or administrative policies that could alter the tax treatment of the income earned by the investments or the tax efficiency of the overall corporate structure, adversely impacting the profitability of the investments.

In 2024, FirstOntario Realty Investment was established as a subsidiary of FirstOntario Realty. FirstOntario Realty Investment was created in 2024 to manage certain investments and allow for additional tax structuring opportunities. During 2024 certain investments held by FirstOntario Realty were transferred to FirstOntario Realty Investment.

The Credit Union's subsidiary, FirstOntario GP, acts as the general partner in the real estate joint ventures carried on through limited partnerships, since the Act prevents credit unions from acting as a general partner in limited partnerships. FirstOntario Realty and FirstOntario Realty Investment own limited partnership units in those limited partnerships.

All the Credit Union's investments managed by CID are recorded at fair value and are presented in Note 6 within managed funds and investments (other) and within Note 10 as investments in joint ventures of the audited financial statements found within pages 31 to 34 and 44 to 45 respectively of Schedule A hereto. The Credit Union's reported historical returns are not indicative of future results and investment returns/losses.

To value the Credit Union's assets, its valuation hierarchy groups financial assets into three levels based on the significance of the inputs used in measuring the fair value of the financial assets. The fair value hierarchy has the following levels:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 – Inputs for assets and liabilities that are not based on observable market data.

The majority of the investments managed by the CID are categorized as Level 3. Level 3 investments are subject to increased valuation risks, as the valuation techniques include inputs not based on observable data, and the unobservable inputs have a significant effect on the investment's valuation. The fund managers use internal valuation models to value the non-publicly traded investments. Due to the complexity of the valuations involved, firm valuations are often received within three to six months after the reporting date. Given the reporting delay, the Credit Union undertakes alternative procedures to determine the change in valuation over this time horizon. The real estate holdings are valued by third party qualified commercial appraisers utilizing universally accepted valuation techniques. These external valuations are internally assessed by management to confirm applied assumptions used in the valuation models are reasonable.

The investments contain market pricing risk, as noted in Note 19(e) of the audited financial statements beginning at page 78 of Schedule A hereto. The fair value of investments may fluctuate in response to changes in the values of investments, foreign currency exchange rates, and interest rates. The Credit Union's exposure to market risks relates to movements in the fair value of investments, whether caused by factors specific to an individual investment, or its issuer, or factors affecting instruments traded in the market. Various economic conditions and events outside the Credit Union's control may occur in the global markets and impact reported fair values of the investments which may, in turn, affect the Credit Union's reported income.

The Credit Union holds a number of investments that are denominated in currencies other than the Canadian dollar. The Credit Union's market risk management policy permits investments outside Canada and outside the countries that are members of the Organization for Economic Cooperation and Development, subject to limits specified in that policy. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. The Credit Union holds investments of US\$123,613,000 in US dollar denominated investments and, as such, the Credit Union is exposed to currency risk as these investments will fluctuate due to changes in foreign exchange rates. The Credit Union uses hedging instruments to reduce currency risk exposure.

The Credit Union's alternative investments are not liquid. Many of these investments are long term in nature and cannot be easily converted into cash on short notice. Closed and/or private funds are not actively traded, and divestiture of the assets would be subject to pricing in secondary markets. Divestiture of real estate investment properties would require extended marketing and sales exposure periods to facilitate sales transactions. As a result of the illiquidity of these investments, a sale of the investments may result in discounts (lower values) relative to currently recorded fair values. The Credit Union holds these investments for both income and capital appreciation and does not intend to force sales of these investments.

The Credit Union's portfolio of managed funds includes funds with extended commitment and lock-in periods agreed to when the Credit Union enters the investment. At the fund manager's request, the Credit Union is then required to invest an amount up to the amount it committed to invest. Once invested, the Credit Union cannot generally withdraw the funds, due to extended lock-in periods and the close-ended nature of these funds. Secondary markets may exist for sale of funds at values different from current reported net asset values. Certain funds do have redemption options available to the Credit Union.

Fair value determination of real estate investment properties utilizes professional appraisers, and valuation approaches rely on the net income approach and/or direct property comparisons. The appraisers utilize capitalization rates for discounting the future cash flows in their calculations where required. These capitalization rates are subjective to the property and site location, including business income and rental income type. Capitalization rates on properties can change over time, resulting in changes in fair value of the appraised real estate. Fair value decreases would impact the net income and other comprehensive income operating results, along with the regulatory capital of the Credit Union in the year.

Certain real estate joint ventures as discussed above are subject to mortgages to third parties with an aggregate loan-to-value ratio of 36.8%.

The credit risk, interest rate risk, liquidity risk and equity and other price risk of the Credit Union's investment portfolio including CID-managed investments is disclosed in the audited financial statements, Note 19, Financial Risk Management, beginning at page 65 of Schedule A hereto.

During the previous three fiscal years, the Credit Union earned the following operating income from its alternative investments, providing investment returns as follows:

CID Managed Investment Income	Year ended, December 31, 2025	Year ended, December 31, 2024	Year ended, December 31, 2023
(in thousands of dollars)			
Alternative non publically traded investments			
Private equity	\$ 150	\$ 2,747	\$ 2,076
Private debt	3,930	5,004	5,046
Infrastructure	4,316	2,620	3,389
Real estate investment properties	10,896	13,182	7,909
Total CID Managed Investments Income	\$ 19,292	\$ 23,553	\$ 18,420
CID Investments Income as % of Credit Union's Net Interest and Other Income	13.17%	19.08%	17.07%

Regulatory Action

Under the Act, the Authority has the authority to place a credit union under Supervision or Administration should it believe that there is a potential for that credit union or caisse populaire to encounter financial or management problems which could affect its financial well-being or which could tend to increase the risk of claims by that credit union or caisse populaire against the deposit insurance fund.

The Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC") regularly audits the Credit Union's compliance with Canadian requirements to combat money-laundering and terrorist financing. In the event the Credit Union was found not to be in compliance with these requirements, the Credit Union could be fined amounts ranging from \$1 to \$500,000 per violation depending on the seriousness of the violation. In the event of extensive non-compliance or little expectation of immediate or future compliance, the Credit Union could be subject to criminal penalties. FINTRAC has never imposed a fine on the Credit Union in this regard.

The Credit Union is focused on continued compliance with current and emerging regulatory requirements.

Reliance on Key Management

The success of the Credit Union's business strategy is dependent on the ability of the Credit Union to retain its senior management personnel. The inability to retain such persons, or replace them with individuals of equal competence, could adversely affect the Credit Union's financial performance.

The Credit Union does not have employment contracts with any of its senior managers that require such persons to provide the Credit Union with notice, longer than that which would be ordinarily required by law, of the termination of his or her employment relationship with the Credit Union.

The Credit Union completes succession planning to ensure that effective leadership is in place at the executive and management levels. Employee staffing risk includes the risk of the Credit Union being unable to recruit and retain the necessary talent and cultural fit, including the risk of key talent leaving the Credit Union due to disengagement or changes to the organization structure.

The Credit Union carries "key person" life insurance on its Chief Executive Officer, Chief Risk Officer, Chief Investment Officer, Chief Retail Banking Officer, Chief Financial Officer, Senior Vice Presidents, and Vice Presidents.

The Credit Union has succession plans in place for all key management positions to address short-, medium-, and long-term absences of the incumbents in those positions.

Geographic, Economic and Competitive Risk

Like all financial institutions, the Credit Union is affected by periods of economic downturn which can result in a lack of consumer confidence, a decreased demand for loans and mortgages and a reduction in the level of savings. In 2026, these risks are particularly acute due to the implementation of broad US tariffs on key Ontario exports, including automotive parts, steel, and aluminum. These trade measures have led to a marked slowdown in provincial GDP growth and rising unemployment in manufacturing-heavy regions. This directly impacts our members' debt-servicing capacity and creates a more cautious lending environment. Furthermore, the commencement of the war in Iran by Israel and the US has introduced significant volatility into global energy markets. The resulting spike in oil prices and disruptions to trade have placed upward pressure on domestic inflation increasing the cost of living for our members.

Adverse trade and geopolitical developments may result in slower economic growth, elevated inflation, and changes to interest rates, increasing input costs and consumer prices. Central bank actions in response may affect borrowing costs, asset values, and demand for credit products. These conditions could negatively impact our members, particularly in trade exposed sectors, leading to higher credit risk and increased expected credit losses. Collateral values and loan repayment capacity may also be affected. The ultimate impact, including magnitude and duration, remains uncertain; sustained trade and geopolitical tensions may have a material adverse effect on operating results.

The financial services industry remains highly competitive, with major banks expanding their offerings and dominating core financial sectors. As such, credit unions must continue to differentiate themselves through personal service and innovative products to meet member needs and ensure sustainable growth.

The Credit Union actively monitors macroeconomic and trade policy risks, incorporating forecasts, stress-testing and scenario analysis into its risk management processes. Also, as part of the annual budgeting and planning process, the Credit Union undertakes a robust analysis of the internal and external environmental factors to identify the market opportunities, issues and risks facing the Credit Union in the upcoming year. As part of this process, the Credit Union determines necessary actions to mitigate potential risks or issues and also outlines strategies to take advantage of opportunities identified.

Potential purchasers of Class B Shares, Series 2026 should note that forecasts can vary widely and are therefore encouraged to consult additional sources as they deem necessary or prudent.

DIVIDEND RECORD AND POLICY

The Credit Union has paid the following dividends regarding its five most recent fiscal years, in the form of additional shares of the same class and series or cash:

Dividends paid	2021		2022		2023		2024		2025	
	\$ (000)'s	Rate	\$ (000)'s	Rate	\$ (000)'s	Rate	\$ (000)'s	Rate	\$ (000)'s	Rate
Class B Investment Shares, Series 1	190	3.90%	165	3.60%	175	4.055%	239	6.00%	245	6.00%
Class B Investment Shares, Series 2	233	3.90%	216	3.60%	234	4.055%	331	6.00%	322	6.00%
Class B Investment Shares, Series 2010	1,867	3.90%	1,671	3.60%	1,859	4.055%	2,655	6.00%	2,690	6.00%
Class B Investment Shares, Series 2013	35	3.90%	32	3.60%	33	4.055%	50	6.00%	51	6.00%
Class B Investment Shares, Series 2015	2,501	3.90%	2,284	3.60%	2,523	4.055%	3,631	6.00%	3,722	6.00%
Class B Investment Shares, Series 2020	7	3.60%	41	3.60%	47	4.055%	71	6.00%	71	6.00%
Class B Investment Shares, Series 2023					428	6.00%	430	6.00%	3,272	6.00%
Class B Investment Shares, Series 2024									23	6.00%
Class A, Patronage									21	3.40%

Included in Note 15 of the audited financial statements, beginning at page 51 of Schedule A hereto, are details of the yearly dividend expense recorded on an accrual basis.

The Credit Union also paid a dividend, in each of the fiscal years noted above, of \$5.00 per member, which was then used to pay for the Membership Share, if any, which that member was required by the by-laws of the Credit Union to purchase.

The Credit Union, or a predecessor, has declared and paid a dividend equal to or greater than the dividend policy established for the relevant series of Class B Shares in each year since the shares of that series were issued by the Credit Union or the appropriate predecessor.

Past payment of dividends is in no way an indicator of the likelihood of payment of future dividends.

As of the date hereof, there are no dividends accumulated or declared but not paid.

For a discussion of the priority of the various classes of shares in the payment of dividends, and the restrictions placed on the Board in the declaration of dividends, see also pages 8, 35, 36, 50 and 51.

The dividend policy of the Credit Union for Class B Shares, Series 2026 shall be to pay a dividend or dividends in every year in which there are sufficient profits to do so while still fulfilling all Regulatory Capital, liquidity, and operational requirements. The dividend rate shall be established by the Board, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations. The Board shall consider whether a dividend shall be declared or not, and at what rate and in which manner, including whether in the form of additional Class B Shares, Series 2026 shares or in cash. Fractional shares will not be issued; dividends paid in the form of shares will be rounded down to the closest whole dollar amount before payment. The Board shall consider this at least annually, and any declared dividend will be paid following each fiscal year end and before each annual general meeting of members. There can be no guarantee that a dividend will be paid each year. The Board has defined an appropriate rate to be the greater of 6.0% or a rate which exceeds by 125 Basis Points the simple average of the yields on the monthly series of the Government of Canada 5-year bonds (CANSIM Identifier VI22540) as published by the Bank of Canada on its website, www.bank-banque-canada.ca during the Credit Union's fiscal year, for fiscal years ending on or before December 31, 2031. For fiscal years ending after that date, the Board has defined an appropriate rate to be a rate equal to the rate which exceeds by 125 Basis Points the simple average of the yields on the monthly series of the Government of Canada 5-year bonds (CANSIM Identifier VI22540) as published by the Bank of Canada on its website, www.bank-banque-canada.ca during the Credit Union's fiscal year or such greater rate as the Board may determine having regard to market conditions, competitive offerings and available term deposit rates. The Credit Union will pro-rate the dividend in the year the shares are issued. This dividend policy is subject to change or exception at any time, at the Board's discretion.

Dividends paid on Class B Shares, Series 2026 will be taxed as interest and not as dividends and are therefore not eligible for the tax treatment given to dividends received from taxable Canadian corporations, commonly referred to as the "dividend tax credit".

The dividend policy followed by the Credit Union is at the discretion of the Board and is subject to change or exception at any time. Dividends paid may therefore not be in accordance with the policy outlined above.

USE OF PROCEEDS FROM SALE OF SECURITIES

If fully subscribed, the gross proceeds of this issue will be \$75,000,000. If the minimum is subscribed for, the gross proceeds of this issue will be \$10,000,000. The costs of issuing these securities are not expected to exceed \$360,000 and these costs, approximating \$290,000 after applicable tax savings, will be deducted from the gross proceeds in

arriving at the amount to be reported as share capital outstanding. The estimated maximum net proceeds of this offering are \$74,710,000. The principal uses of the net proceeds and purpose of this offering will be to enable the Credit Union to add to its Regulatory Capital to fully support the achievement of the Credit Union’s strategic plan – Imagine 2026, anchored on the six pillars set out on page 20. The net proceeds will provide for the Credit Union’s future growth, and development, while maintaining a prudent cushion in the amount of Regulatory Capital above regulatory requirements.

PLAN OF DISTRIBUTION

1. The price to members for each Class B Share, Series 2026 will be \$1.00.
2. There will be no discounts or commissions paid to anyone for the sale of these securities.
3. One hundred percent (100%) of the proceeds of the sale of these securities will go to the Credit Union, which will then be responsible for the payment of the costs associated with this offering statement.

It is intended that the Class B Shares, Series 2026 will be issued on one closing date. Subscriptions for each closing of Class B Shares, Series 2026 shall be accepted from the offer date for that offer noted in the table below (the “Offer Date”) until the earlier of the:

1. Corresponding closing date noted in the table below, or upon such earlier time at which the Credit Union, in its sole discretion, determines to close the Offering (the “Closing Date”);
2. Time that the aggregate amount of subscriptions received for Class B Shares, Series 2026 is equal to the maximum amount of \$75,000,000; or
3. Date on which the Board, having not received subscriptions for the maximum \$75,000,000 Class B Shares, Series 2026 and noting that six months has not yet passed since the date of this offering statement, resolves to close the offering. The shares subscribed shall be actually issued on the issuance date noted in the table below, notwithstanding the fact that, for purposes of calculating the periods of non-redeemability outlined above, but not for the purpose of pro-rating any dividend paid in the year the Class B Shares, Series 2026 are issued (for which the actual issuance date set out below will be used), the Issue Date shall be defined as the latest date on which Class B Shares, Series 2026 are actually issued pursuant to this offering statement. Notwithstanding the above, the Board may consider and, if thought appropriate, declare a dividend between each Issuance Date outlined below and the immediately following Closing Date, to provide an appropriate return to those purchasing shares in that closing and any preceding closing:

Offer Date	Closing Date	Issuance Date
March 31, 2026	September 30, 2026 or such earlier date which the Credit Union may determine in its sole discretion. The Credit Union may, at its option, extend the closing date, subject to approval by FSRA.	October 19, 2026 or such earlier date which the Credit Union may determine in its sole discretion.

No Class B Shares, Series 2026 will be issued until the minimum aggregate subscription amount received in respect of such shares is equal to at least \$10,000,000. The Credit Union may, in its sole discretion, opt to move the Closing Date earlier so long as the minimum aggregate subscription amount is met. If the aggregate subscription amount

received by the targeted Closing Date of September 30, 2026 is less than \$10,000,000, then this offering for Class B Shares, Series 2026 will be cancelled and withdrawn without shares being issued (in which case all funds “frozen” or held in Escrow to support subscriptions will be returned to the applicable members within 30 days thereof, with applicable interest) unless this offering has been renewed with the approval of the Chief Executive Officer of the Authority. If sales then amount to at least \$10,000,000, but do not amount to \$75,000,000, the Credit Union may proceed to close the offering or apply to the Authority for a renewal of the offering for a period not exceeding six months.

Subscriptions will be accepted on a first come, first served basis, and subscription forms will be marked with the time and date accepted. The Credit Union will closely monitor subscriptions being received as total subscriptions approach the maximum. Potential purchasers making subscription requests at that time may not be allowed to subscribe for the full number or amount of shares they desire, or their subscription request may be refused. This offering may not be over-subscribed, and subscriptions will not be pro-rated.

If the funds to be used by a subscriber to pay for shares subscribed are on deposit at the Credit Union, the subscriber will authorize the Credit Union to place these funds “on hold” to guarantee payment of these shares. If the offering is completed, such hold will be released, and the authorized amount will be used to pay for the shares for which the member subscribed. If the offering is withdrawn, or if the decision to buy is reversed by the subscriber (as described on the cover of this offering statement), the hold on the funds will be released immediately thereafter.

If the funds to be used by a subscriber to pay for shares subscribed are coming from outside the Credit Union, such funds will be held in Escrow, in accounts to be trusted by Concentra Trust, until the offering is completed or withdrawn, or until the subscriber exercises the right to reverse the decision to purchase the securities (as described on the cover of this offering statement). If the offering is completed, the proceeds will be released from Escrow and used to pay for the shares for which the member subscribed. If the offering is withdrawn, or if the subscriber reverses the decision to buy, the proceeds will be refunded in full, plus interest calculated at a rate equal to the Credit Union’s 30-day term deposit rate, pro-rated for the number of days the funds were in Escrow, to those who subscribed.

The above-noted terms and conditions regarding holds on subscribers’ deposit accounts and regarding Escrow accounts are detailed on the Credit Union’s subscription form for Class B Shares, Series 2026 and on separate agreements, to be signed by subscribers, authorizing transfers and holds on deposit accounts and/or placement of proceeds in Escrow accounts. Copies of the subscription form and the forms for authorization of a hold on funds in deposit accounts and/or placement of funds in Escrow accounts are printed on pages 76, 77, 78, and 79.

The Class B Shares, Series 2026 will not be sold by underwriters or other dealers in securities. The minimum subscription per member shall be \$1,000 for 1,000 Class B Shares, Series 2026. The maximum subscription per member shall be \$1,000,000 for 1,000,000 Class B Shares, Series 2026.

MARKET FOR THE SECURITIES

There is no market for the Class B Shares, Series 2026. These securities may generally only be transferred to another member of the Credit Union. All other transfers are prohibited.

SENIOR DEBT (RANKING AHEAD OF CLASS B SHARES, SERIES 2026)

The Credit Union has arranged a credit facility, totalling \$243 million and a \$10,000 US dollar credit facility at Central 1. That credit facility is available to cover fluctuations in daily clearing volume on the Canadian-dollar chequing

accounts of the members of the Credit Union, and to provide liquidity if warranted. In addition, Central 1 provides certain guarantees of the Credit Union's Municipal, University, School Board and Hospital (MUSH) deposits as some of these entities are only permitted to place their deposits with rated lenders/issuers. As security for the credit, clearing, and financial guarantee, the Credit Union has given Central 1 a general security agreement. The credit, clearing and financial guarantee facility will next be reviewed as of July 31, 2026.

The Credit Union has also arranged a credit facility, totalling \$100 million, with Caisse centrale Desjardins du Québec. That amount is available for general corporate purposes. As security for this credit facility, the Credit Union has given Caisse centrale Desjardins du Québec a security interest in certain Mortgage Loans. The line of credit will next be reviewed as of October 30, 2027.

The balance, outstanding on the credit facilities of the Credit Union during its fiscal years ended December 31, 2025, 2024 and 2023 is outlined below.

Fiscal Period Ended	Canadian Dollar Operating Line			Term Loan		
	Period Ending Balance (\$000's)	Month End High Balance (\$000's)	Month End Low Balance (\$000's)	Period Ending Balance (\$000's)	Month End High Balance (\$000's)	Month End Low Balance (\$000's)
December 31, 2025	\$-	\$150,000	\$-	\$-	\$-	\$-
December 31, 2024	\$155,000	\$207,000	\$-	\$-	\$-	\$-
December 31, 2023	\$120,000	\$180,000	\$100,000	\$-	\$-	\$-

The Credit Union did not utilize its US dollar operating line during these fiscal years.

Members' deposits in the Credit Union, as well as its other liabilities, including the derivative financial instruments liability disclosed in Schedule A hereto, secured borrowings discussed in Note 14 on page 50 of Schedule A hereto, and the mortgage securitization liabilities discussed in Note 14 on page 50 of Schedule A hereto, rank prior to the Credit Union's obligations to the holders of any class or series of its shares, including the Class B Shares, Series 2026.

AUDITORS, REGISTRAR AND TRANSFER AGENT, ESCROW AGENT

The auditors of the Credit Union are KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, Box 976, Suite 700, 21 King Street West, Hamilton, Ontario L8P 4W7 (phone: 905-523-8200, fax: 905-523-2222, website www.kpmg.ca). KPMG LLP is independent of the Credit Union in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

The registrars and transfer agents for the Class B Shares, Series 2026 are designated staff of the Credit Union and Class B Shares, Series 2026 can be purchased at any Credit Union branch.

The escrow agent for the Class B Shares is Concentra Trust, 333- 3rd Avenue North, Saskatoon, Saskatchewan S7K 2M2 (email: corporatetrust@eqbank.ca, fax 306-956-3003).

DIRECTORS AND CHIEF LEADERSHIP TEAM

Board of Directors

The following table sets forth the members of the Credit Union's Board:

Name/Municipality of Residence	Principal Occupation	Position/Office
Steve Boucouvalas Oakville, Ontario	Retired (Former Managing Director, Foreign Exchange & Precious Metals)	Board Chair
Carrie Beltzner Hamilton, Ontario	Consultant	Board Vice Chair Member, Audit Committee Chair, Governance Committee
Lorri Meulendyks Stoney Creek, Ontario	Retired (Former Director, Enterprise Business Process Management)	Chair, Audit Committee Member, Governance Committee
Dianne MacLean Stoney Creek, Ontario	Retired (Former Credit Union Manager)	Member, Risk Committee Member, Strategic Oversight Committee
Julie Fleet Fisherville, Ontario	Retired (Former Financial Advisor/CFP)	Vice Chair, Audit Committee Member, Governance Committee
Carey Smith Port Stanley, Ontario	Manager, Gaming Compliance	Chair, Risk Committee Member, Strategic Oversight Committee
Stuart Walker Burlington, Ontario	Retired (Former Credit Manager)	Chair, Strategic Oversight Committee Member, Audit Committee
Peter Scott Fonthill, Ontario	Retired (Former Tool & Die Maker)	Member, Governance Committee Member, Risk Committee
Ophelia Chang Etobicoke, Ontario	Risk Management	Member, Audit Committee Member, Strategic Oversight Committee
Audrey Wubbenhorst Oakville, Ontario	Professor	Member, Audit Committee Member, Governance Committee
Otto Penner Niagara Falls, Ontario	Retired (Former Supervisor, Automotive Manufacturing)	Member, Risk Committee Member, Strategic Oversight Committee
Sami Sapping Waterdown, Ontario	Consultant	Member, Risk Committee Member, Strategic Oversight Committee

Chief Leadership Team

The following table sets forth the Chief Leadership Team of the Credit Union:

Name/Municipality of Residence	Position/Title
Lloyd Smith, St. Catharines, Ontario	Chief Executive Officer
John Doran, St. Catharines, Ontario	Chief Financial Officer
Mark Perkins, Milton, Ontario	Chief Risk Officer

Kevin Tom, Hamilton, Ontario	Chief Investment Officer
David Moore, Stoney Creek, Ontario	Chief Retail Banking Officer

All of the Chief Leadership Team members have been employed by the Credit Union for at least the five years preceding the date hereof, except for David Moore. Mr. Moore has an MBA with over 22 years experience in various management and executive roles within the Credit Union and banking sector.

LAWSUITS AND OTHER MATERIAL OR REGULATORY ACTIONS

As at February 28, 2026, excluding actions that may be used to recover delinquent loans where the Credit Union is the plaintiff, the Credit Union is not aware of any material pending or contemplated legal proceedings to which it is a party.

The Credit Union is not aware of any regulatory actions pending or contemplated against the Credit Union.

MATERIAL INTERESTS OF DIRECTORS, OFFICERS, AND EMPLOYEES

All loans to the Directors, Officers and employees of the Credit Union and their spouses and immediate dependent family members are made in the normal course of business, using standard credit granting criteria. The loans are made to these individuals on the same terms and conditions as loans are made to the general membership, except as to interest rate.

The aggregate value of loans in all categories to restricted parties of the Credit Union, as at December 31, 2025, amounted to \$1,914,000. No allowance was required in respect of these loans.

As members of the Credit Union, Directors, Officers, and employees of the Credit Union each hold Membership Shares in the number required to maintain membership in the Credit Union. Accordingly, each Director, Officer and employee may subscribe for the Class B Shares, Series 2026 should any of such persons wish to do so.

MATERIAL CONTRACTS

The following material contracts have been entered into by, or have bound, the Credit Union during the last two years:

Collective Agreements

The Credit Union has the following collective agreements: (i) Agreement with UNIFOR Local 199, effective April 1, 2023, and expiring March 31, 2026; (ii) Agreement with COPE Local 343 effective April 1, 2024, and expiring March 31, 2027; and (iii) Agreement with United Steelworkers District 6, effective April 1, 2025, and expiring March 31, 2030. These agreements regulate the Credit Union’s relationship with its unionized employees. The Credit Union is currently in negotiations with UNIFOR Local 199 to renew the collective agreement expiring March 31, 2026. UNIFOR Local 199 has requested a “No Board” report, and it was issued on March 28, 2026 by the Minister of Labour, Immigration, Training and Skills Development.

Master Operating Agreement with Credential Securities Inc. and Credential Asset Management Inc. (now Aviso Financial Inc.), effective March 15, 2018

Aviso Financial Inc., operating as Aviso Wealth, provides staffing, operational processes, and infrastructure necessary to provide services at an industry-competitive standard that meets or exceeds the service level requirements agreed to by the parties. This agreement, which is exclusive, enables the Credit Union to provide on-line and full-service brokerage and mutual fund dealer services to its members. The agreement continues for an initial term of four years

and then continues perpetually, unless terminated in accordance with its terms.

Covaleyo Inc.

Covaleyo Inc. provides the Credit Union with a license to use Prolender loans origination software, with services to have that software and the forms it produces customized for the Credit Union's needs. The contract is for a 5-year term; at the conclusion of the initial term or any renewal term, the contract will automatically renew for one-year renewal terms unless either party provides written notice 180 days prior to conclusion of the initial or renewal term.

Co-operators Life Insurance Company

Co-operators Life Insurance Company provides the ability to offer creditor life and disability insurance to its borrowing members. This agreement is exclusive. The agreement has a term of three years. Either party can terminate the agreement for cause or require the other party to enter into negotiations regarding the early termination of the agreement on a date not less than 180 days in the future.

Everlink Payment Services Inc.

Everlink Payment Services Inc. is a payments solutions provider to the credit union system. This agreement governs management of debit card & ATM transaction switching and point-of-sale services. The agreement contains all necessary protections for The Credit Union as customary in similar commercial agreements and expires on May 1, 2031.

Central 1 Credit Union

Central 1 Credit Union is a wholesale banking and trade association for credit unions in Ontario and British Columbia providing access to a number of important services. The Credit Union's agreements with Central 1 Credit Union govern online banking services, credit facilities, access to modern payment rails, banking & clearing services and telephone banking services. The agreements contain customary terms and conditions as exist in similar commercial agreements.

Temenos Headquarters SA

The contracts provide the Credit Union with a limited non-exclusive, non-transferable license to use the Temenos Software for digital retail and business servicing and digital foundation capabilities, API interaction frameworks and other tools to manage. The contracts are for five-year terms.

Callsign Limited

The agreement provides the Credit Union with Callsign software for member authentication solution. The agreement continues until terminated.

International Swap and Derivatives Association, Inc. (ISDA) Master Agreements

The Credit Union enters a series of standardized ISDA Master Agreements with certain financial institutions which enable the Credit Union to enter derivative contracts to facilitate the management of interest rate fluctuations which may have significant impact to the net earnings of the Credit Union.

Treasury and Balance Sheet Management Inc.

Treasury and Balance Sheet Management Inc. provides support to address key areas in measuring and managing interest rate risk, funding risk, liquidity risk, regulatory reporting, accounting inputs, margin management and fund transfer pricing. The agreement provides the Credit Union with solutions using software tools for treasury, finance and reporting reports as set out specifically in statements of work and contains customary terms as found in similar

commercial agreements. The term commenced on October 1, 2024, and continues until termination by mutual agreement in writing signed by both parties, or termination by either party at any time without cause by providing the other party with 90 days' prior written notice.

ESC Corporate Services Ltd. and Credit Risk Management Canada Ltd. o/a UpLevel

This agreement provides the Credit Union with collection, recovery, search, filing and related support services using the Service Provider's proprietary technology. The initial term is three years and may be renewed for successive one-year terms if the Credit Union gives notice at least 90 days before the end of the then-current term.

Equifax Canada Inc.

Equifax Canada Inc. provides the Credit Union with registered Canadian credit bureau consumer and commercial credit information solutions, as well as analytic, risk management, marketing, fraud and authentication products and services. The Credit Union has entered into a master services agreement and a FICO score subscriber agreement with Equifax Canada. The master services agreement continues until terminated, while the FICO score subscriber agreement is for an initial 1 year term, expiring December 1, 2026, however it automatically renews for successive one-year renewal periods.

TransUnion of Canada Inc.

This agreement provides the Credit Union with credit reports from the Trans Union credit reporting database. The agreement continues until terminated by either party in accordance with the terms of the agreement.

Mortgage Underwriting and Servicing Agreements

The agreements permit the Credit Union to engage counter-party financial institutions to originate, underwrite and service, on the Credit Union's behalf, certain Mortgage Loans which are funded by the Credit Union. These third party underwritten loans are subject to re-adjudication and/or audit by the Credit Union's credit department for adherence to Credit Union's credit policies. The agreements contain certain criteria and maximum limits relating to the Mortgage Loans which are eligible to be funded by the Credit Union. The Credit Union is not under any obligation to fund any minimum amount of Mortgage Loans under the agreements and may fund at its discretion. The agreements automatically renew annually for successive 1-year terms unless either party gives notice to the other of its intention not to renew the agreements.

Mortgage Transfer and Servicing Agreements

These agreements allow the Credit Union to purchase certain funded Mortgage Loans from the counterparty financial institution, which will continue to service those loans and receive a fee for doing so. The agreements contain certain criteria and maximum limits relating to the Mortgage Loans which are eligible to be purchased by the Credit Union. The Credit Union is permitted to sell acquired Mortgage Loans to other investors, including for the purposes of creating mortgage-backed securities. The Credit Union is not under any obligation to acquire any Mortgage Loans under the agreements and may complete purchases at its discretion. The agreement can be terminated for cause in accordance with its terms.

Fundserv Inc.

This agreement provides the Credit Union with the platform to perform various trading, cash settlement and reconciliation activities. The term commenced October 24, 2024, and continues until terminated by either party.

International Financial Data Services (Canada) Ltd.

International Financial Data Services (Canada) Ltd. provides investor record keeping, transfer agency, and business

process outsourcing services to financial institutions through its proprietary iFast™ platform. The iFast™ system is designed to support automated, straight through processing and integrates directly with Fundserv's transaction infrastructure, enabling seamless connectivity for trade initiation and processing. The initial term of the agreement is five years which automatically renews for further three-year terms.

Canadian Investment Regulatory Organization (CIRO)

This agreement enables the Credit Union to protect client assets by legally requiring custodians to segregate and safeguard securities held for Investment Dealer Members (IDMs) and their customers, preventing misuse, ensuring prompt delivery and establishing clear record-keeping, thus fulfilling core regulatory requirements for investor protection and capital adequacy for dealers.

Bell Canada Inc.

Bell Canada provides the Credit Union with all its required telecommunication services. The agreement continues until the term of the last remaining schedule expires or terminates.

A Numbered Consulting Corporation o/a AML Shop

Numbered Consulting Corporation o/a AML Shop provides the Credit Union with support for ongoing monitoring of members and filing of regulatory reports with respect to its anti-money laundering obligations set out in the *Proceeds of Crime (Money Laundering) and Terrorist Finance Act* and its regulations, as well as regulations by the Financial Services Regulatory Authority, provincial authority and the Financial Transactions and Reports Analysis Centre of Canada. The initial term is three years.

Nasdaq Verafin LLC

Nasdaq Verafin LLC provides the Credit Union with a non-exclusive, nontransferable license to use the company's consolidated Financial Crime Management software, which provides complete solutions to facilitate the detection, investigation and reporting of financial crime and/to perform regulatory compliance. The initial term is for five years with automatic renewal for further one-year terms.

Cisco Systems Inc.

Cisco and Cisco Direct provide the Credit Union with Appdynamics system monitoring toolset for Banking and Temenos Ditigal, as well as software of the Cisco Firewalls and Umbrella security management systems. Initial term is for five years with automatic renewal for further 1 year terms.

Palo Alto Networks

This subscription provides the Credit Union with software for next-generation firewalls and security platforms. The subscription is for a term of five years and can only be terminated early for cause.

Cohesity, Inc. DataProtect

This subscription provides the Credit Union with back-up and recovery solutions designed to protect data across on-premises, cloud and SaaS environments and improves cyber resilience. The subscriptions are for two- and five-year terms. The subscriptions may be terminated early by either party giving the other 60 days' notice or immediately upon insolvency of either party.

F5 Networks, Inc.

This subscription allows the Credit Union to utilize the F5 Silverline Web Application firewall which is a cloud-based, managed security service designed to protect web applications and from advanced cyber threats. The initial term is

for one year which automatically renews for one-year terms unless 30 days' notice prior to expiration is provided. Either party may terminate early for cause.

Equinix Canada, Ltd.

The agreement provides the Credit Union licensed space and services from Equinix for data centre, co-location services and networking services located in Saint Laurent, QC. The agreement can be terminated by either party by giving notice to the defaulting party pursuant to the terms of the agreement.

GardaWorld Cash Services Canada Corporation

This agreement provides the Credit Union with services relating to transportation of valuables and ABM services, including currency replenishment and deposit extraction services. The initial term is three years which automatically renews for further one-year terms.

Various Leases for Branch Premises

The Credit Union has entered leases with its various landlords to obtain use of the space from which it operates its branches and its corporate office. These leases commit the Credit Union to annual base rental payments for its next five fiscal years as follows: for its fiscal year ending December 31, 2026, \$2,686,000; December 31, 2027, \$2,500,000; December 31, 2028 \$2,145,000; December 31, 2029; \$1,728,000; and December 31, 2030 \$1,050,000. The Credit Union is also required to pay its *pro rata* share of certain operating costs of the building in which it leases its branches, as additional rent.

Various Sponsorship Agreements

The Credit Union has entered into three sponsorship agreements, sponsoring various performing arts and sporting venues in the Hamilton, Niagara, and Halton regions in Southwestern Ontario for marketing and promotional purposes. These agreements obligate the Credit Union to make annual payments ranging from \$40,000 to \$700,000, totaling \$1,273,000 annually. These agreements are currently in force until dates ranging from January 2026 to January 2042. These agreements contain options to renew for terms mutually agreed upon by the parties.

Various Joint Venture and Partnership Agreements

The Credit Union has various co-ownership and General Partner/Limited Partner (GP/LP) agreements for the construction and development of multi-unit residential housing, condominiums, student rentals, affordable housing rentals and a senior's living community. It also owns land for future development, a retail plaza, and an industrial building. These projects are located in the Brantford, Hamilton, Kitchener-Waterloo, and St. Catharines, Ontario regions. The Credit Union's beneficial ownership of each project ranges from minimal in a widely held GP/LP structure to 50% in a joint venture (JV) structure, each held by the Credit Union's subsidiary, FirstOntario Realty as follows:

1. Six investments are held through limited partnership (LP) structures, where:
 - i. FirstOntario Realty is the sole limited partner, and
 - ii. FirstOntario GP acts as the general partner;
2. One investment is held directly by FirstOntario Realty through common share ownership;
3. One investment is held by FirstOntario Realty through widely held LP units; and
4. One investment is indirectly held by FirstOntario Realty through widely held LP units via its wholly-owned subsidiary, FirstOntario Realty Investment.

In aggregate, the Credit Union's beneficial ownership of all the projects outlined had a fair market value of \$159,405,000 as at December 31, 2025.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of this report is to provide the readers of this offering statement with Management's insights of the Credit Union's financial results for the fiscal years ended December 31, 2023, December 31, 2024, and December 31, 2025. The audited financial statements for the fiscal year ended December 31, 2025 are attached. This report will provide an overview of growth and profitability, along with an overview of key inherent risks that financial institutions like the Credit Union face and how those risks are managed.

Overview

With over \$7.1 billion in assets and over \$13.5 billion in member's funds under management, the Credit Union is the fifth largest credit union in Ontario and the sixteenth largest in Canada. The Credit Union is a full-service credit union providing a wide range of credit, investment, and financial advice.

The Credit Union continues to expand our operations with one acquisition in the last three years. In 2024, the Credit Union acquired Momentum, a credit union with branches in Hamilton and Oakville. The Credit Union's full-service offerings were expanded and made available to these new members.

Additionally, we continue to partner with various third parties through various securitization programs and arrangements. These arrangements benefit our members through enhanced operating profits and resulting growth in our Regulatory Capital. These programs are key areas of success that we continue to focus on and include in our business plans.

The Credit Union's real estate investments are held through FirstOntario Credit Union Realty Corporation and FirstOntario Credit Union Realty Investment Corporation and have seen continued growth over the past three years. These investments continue to be an important and key program to support our business growth and objectives.

We continue to be a strong community partner with pillars in our strategic plans focusing on community impact and community partnerships. Donations and community sponsorships are key to these pillars, along with volunteer time from our employees through our Blue Wave program. Financial contributions include donations to student nutrition and food supports, affordable housing and homelessness awareness, and financial literacy, and community partnerships with local sports teams and community venues for sports and the arts. Blue Wave is a group of the Credit Union's employees who volunteer in support of local community initiatives that are important to our members, together with a common goal, to promote volunteerism and make a difference. We are also proud to be a Living Wage Champion that affirms our commitment to investing in a skilled, healthy, and vibrant workforce that values the contributions of all employees and supports the growth of our communities.

Year ended December 31, 2025

In 2025, the Credit Union concentrated on delivering operational excellence, enhancing member value, and achieving profitability despite economic shifts. Continuing previous approaches, it safeguarded margins, expanded relationships with various counterparties, and effectively handled interest rate risks. As a result, earnings improved, mainly driven by core operations and contributions from Momentum. Below is an overview of the financial results for the year:

Financial Performance Recap

The Credit Union reported pre-tax income of \$31.5 million, reflecting a \$15.2 million increase over 2024. This year-over-year improvement was largely attributable to elevated net interest income coupled with growth in other income streams. However, these positive results were partially offset by a 107% rise in the provision for impaired loans in

2025, which is indicative of both the expanding loan portfolio and the corresponding increase in credit exposure.

FINANCIAL PERFORMANCE 2025 VS 2024							
	Fiscal year ended		Fiscal year ended		Increase	Increase	
(thousands of dollars)	December 31, 2025		December 31, 2024		(Decrease)	(Decrease)	
Interest and investment income	\$	309,878	\$	305,507	\$	4,371	1.43%
Interest expense		208,079		227,046		(18,967)	(8.35%)
Net interest income		101,799		78,461		23,338	29.74%
Provision for impaired loans		(4,480)		(2,167)		(2,313)	106.74%
Other income		49,170		47,166		2,004	4.25%
Net interest and other income		146,489		123,460		23,029	18.65%
Non-interest expenses		114,972		107,107		7,865	7.34%
Income before income taxes		31,517		16,353		15,164	92.73%
Income taxes (recovery)		5,330		(2,325)		7,655	(329.25%)
Net income for the year	\$	26,187	\$	18,678	\$	7,509	40.20%

Net interest income is primarily influenced by growth in loan and deposit products, as well as changes in lending and deposit interest rates. During the year, net interest income increased by \$23.3 million, impacted by declining central bank interest rates and the Credit Union's continued hedging programs. Net interest income as a percentage of average assets improved to 1.48%, compared to 1.24% in 2024.

Other income increased by \$2.0 million, or 4.3%, to \$49.2 million compared to 2024. Banking-related other income, comprised of service charges, commissions, mortgage and loan fees, and other operating income, increased from \$14.7 million to \$16.1 million, representing a 9.5% year-over-year increase. This growth was driven by modest increases in mortgage and loan fees and service charges, partially offset by lower other operating income. The Credit Union's business model places a strategic emphasis on non-margin income streams, including wealth management, securitization programs, and managed investments. These activities leverage wholesale funding markets, including mortgage-backed securities issued under Canada Mortgage and Housing Corporation ("CMHC")-sponsored programs, as well as investments in real estate, such as property development, multi-residential, and retail commercial assets and equity investments in both public and private markets. Income from these sources, which includes wealth management, securitization, real estate, and other investment income, increased by \$0.6 million to \$33.1 million (2024: \$32.5 million), largely due to higher contributions from wealth management and securitization activities. The increase was mitigated in part by reduced income from real estate investments affecting investment properties recorded at fair value. The fair value of real estate reflects prevailing softness in both global and Canadian economic conditions, as well as the influence of U.S. tariffs and wider international uncertainty.

In 2025, non-interest expenses totaled \$115.0 million, representing an increase of \$7.9 million, or 7.3%, compared to \$107.1 million in 2024. Non-interest expenses primarily consist of salaries and benefits, administration costs, technology expenses, occupancy costs, and donations and community sponsorships. Salaries and benefits amounted to \$64.2 million, up from \$59.2 million in 2024, and remain the Credit Union's largest operating expense. The 8.4% increase reflects salary inflation and higher staffing levels to support ongoing operational growth. Other non-interest expenses, excluding salaries and benefits, increased to \$50.8 million from \$47.9 million in 2024, representing a 6.0% year-over-year increase. This growth was primarily driven by higher technology and administration costs, as well as increased investments in donations and community sponsorships.

The Credit Union uses an advanced data analytics system that brings together detailed historical loan data, industry patterns, and broader economic indicators to assess expected credit losses. The total allowance increased to \$13.8 million compared to \$10.6 million in 2024. The higher provision reflects continued growth in the loan portfolio, elevated net write-offs, an increase in impaired loans requiring stage 3 provisioning, and ongoing macroeconomic

uncertainty including impacts of US tariffs onto the Canadian economy. Economic assumptions incorporated the persistent cost-of-living pressures, and a moderating but uneven economic slowdown. Projections also considered continued global trade and geopolitical uncertainties including proposed tariff concerns, supply chain realignments, and the potential for softer labour market conditions, all of which could adversely affect the economic growth in Ontario and contribute to rising unemployment risks.

Statement of Financial Position Overview

In 2025, the Credit Union experienced continued balance sheet growth. On-balance sheet assets grew by 8.9% to over \$7.1 billion mainly attributed to an overall increase in the loan portfolio driven by residential mortgages. The Credit Union's total assets under management (AUM) increased by 9.7% to \$7.9 billion.

<i>(thousands of dollars)</i>	December 31, 2025		December 31, 2024		Increase (Decrease)	Increase (Decrease)	
Total Assets (on balance sheet)	\$	7,173,694	\$	6,588,977	\$	584,717	8.87%
Total Assets under Management (AUM)	\$	7,931,214	\$	7,228,934	\$	702,280	9.71%
Loans and advances	\$	6,424,251	\$	5,906,434	\$	517,817	8.77%
Deposits, accrued interest payable, membership and investment shares	\$	6,271,312	\$	5,624,182	\$	647,130	11.51%
Members' Equity, patronage shares and investment shares	\$	450,979	\$	428,678	\$	22,301	5.20%

On balance sheet loans and advances grew primarily due to a \$475.4 million (11.2%) increase in mortgage loans, and an increase of \$59.8 millions (31.3%) in personal loan portfolio. This growth was partially offset by a slight decrease in commercial loans, which decreased by \$20.0 million (1.4%). Commercial loans decreased due to the planned securitizations of certain loans completed in the period.

The Credit Union's total assets increased by 8.9%, driven by the full year contribution of Momentum assets compared to a five-month period contribution in the prior period, continued organic loan growth, and an expanded investment portfolio. Investment increases were noted in marketable securities held to meet high-quality liquid assets requirements.

Deposits increased by \$659.2 million or 11.9% and were the primary factor contributing to the overall increase in the Credit Union's total liabilities. Term deposit accounts rose by \$375.5 million (11.9%), chequing accounts increased by \$29.0 million (4.6%), registered plans increased by \$70.4 million (7.5%), and saving accounts expanded by \$184.3 million (23.6%). The rise in deposits and continued use of broker deposits supports the Credit Union's loan growth. More consumers are turning to deposits brokers to place funds with financial institutions, and 28.7% of the Credit Union's deposits come from brokers.

Members' equity grew by \$22.3 million (5.2%). This increase was a result of continued positive operating results and net income realized in the year. Retained earnings, contributed surplus, and accumulated other comprehensive income account for 62.0% of the Credit Union's members' equity.

Year ended December 31, 2024

In 2024, the Credit Union continued to strategically navigate the evolving and uncertain global economic landscape, actively implementing measures to safeguard its members and sustain profitability. Through targeted initiatives, the Credit Union engaged in programs designed to protect margins, expand counterparty relationships, and manage interest rate risk continuously and effectively. As a result, pre-tax income increased to \$16.4 million, representing a rise of \$10.8 million compared to the 2023 pre-tax income of \$5.5 million. Additionally, Momentum joined the Credit Union on July 31, 2024, and completed its branch integration and member banking system conversion on October 21, 2024. Prior to the acquisition, Momentum served members through branches in Hamilton and Oakville. The Credit

Union assumed liabilities totaling \$134.7 million and received assets of \$140.2 million. The merger provided an additional \$8 million of Member's equity to the Credit Union.

Below is a summary of the financial performance for the year:

Financial Performance Recap

The Credit Union earned \$16.4 million in pre-tax income, showing growth from the previous year mainly due to higher net interest income and a rise in alternative non-margin income throughout the year.

FINANCIAL PERFORMANCE 2024 VS 2023 <i>(thousands of dollars)</i>	Year ended		Year ended		Increase	Increase	
	December 31, 2024		December 31, 2023		(Decrease)	(Decrease)	
Interest and investment income	\$	305,507	\$	258,736	\$	46,771	18.08%
Interest expense		227,046		189,341		37,705	19.91%
Net interest income		78,461		69,395		9,066	13.06%
(Provision) recovery for impaired loans		(2,167)		2,138		(4,305)	(201.36%)
Other income		47,166		36,379		10,787	29.65%
Net interest and other income		123,460		107,912		15,548	14.41%
Non-interest expenses		107,107		102,405		4,702	4.59%
Income before income taxes		16,353		5,507		10,846	196.95%
Income taxes (recovery)		(2,325)		(1,389)		(936)	67.39%
Net income for the year	\$	18,678	\$	6,896	\$	11,782	170.85%

Net interest income increased by \$9.1 million (or 13%), primarily due to nearly 8% growth in member loans, supported by the addition of Momentum and sustained hedging strategies. Expanding loan and deposit products continues to be essential for further enhancing net interest income. Net interest income as a percentage of average assets rose to 1.24%, up from 1.17% in 2023.

Other income saw a substantial growth of more than \$10.8 million, reaching \$47.2 million, a significant increase compared to the previous year. Delving deeper, operational income rose by \$0.8 million, driven by greater earnings from mortgage and loan fees, commissions, and service charges. The bulk of the increase in other income came from alternative sources of income within the Credit Union, which expanded by \$10.0 million. This was largely attributed to stronger results from joint ventures, improved market value of real estate and investment fund assets, and increased securitization activity.

In 2024, non-interest expenses totaled \$107.1 million, representing an increase of \$4.7 million over the 2023 figure of \$102.4 million. These expenses comprise salaries and benefits, administrative costs, technology expenses, occupancy costs, as well as donations and community sponsorships. Salaries and benefits amounted to \$59.2 million, up from \$56.0 million in 2023, marking a 5.9% rise primarily attributable to inflationary salary adjustments and internal restructuring costs. Other non-interest expenses, excluding salaries and benefits, reached \$47.9 million compared to \$46.4 million in 2023, reflecting a 3.1% increase. This growth was mainly driven by higher technology and administrative expenditures.

The Credit Union uses an advanced data analytics system that brings together detailed historical loan data, industry patterns, and broader economic indicators to assess expected credit losses. The total allowance rose from \$9.3 million in 2023 to \$10.6 million in 2024. In Fiscal 2024, the Credit Union maintained a careful strategy for budgeting expected credit losses, reflecting possible economic challenges facing borrowers. The main reasons for the higher provision are growth in the loan portfolio, increased net write-offs, a rise in impaired loans and anticipated economic challenges. Economic projections included uncertainties caused by ongoing U.S. trade policy talks, especially regarding tariffs, which could pose risks to economic growth. The estimates also considered both U.S.-imposed and Canadian retaliatory tariffs, which might lead to slower economic growth in Ontario and higher unemployment rates.

Statement of Financial Position Overview

In 2024, the Credit Union experienced continued on-balance sheet growth. On-balance sheet assets grew by 8.7% to \$6.6 billion partly attributed to the acquisition of Momentum. The Credit Union's total AUM increased by 9.2% to \$7.2 billion.

<i>(thousands of dollars)</i>	December 31, 2024		December 31, 2023		Increase (Decrease)	Increase (Decrease)	
Total Assets (on balance sheet)	\$	6,588,977	\$	6,057,525	\$	531,452	8.77%
Total Assets under Management (AUM)	\$	7,228,934	\$	6,621,682	\$	607,252	9.17%
Loans and advances	\$	5,906,434	\$	5,481,255	\$	425,179	7.76%
Deposits, accrued interest payable, membership and investment shares	\$	5,624,182	\$	5,066,759	\$	557,423	11.00%
Members' Equity, patronage shares and investment shares	\$	428,678	\$	402,747	\$	25,931	6.44%

The Credit Union's total assets increased by 8.8%, driven by the addition of Momentum assets, organic loan growth, and an expanded investment portfolio. Notable growth was observed in managed funds, which consist of diversified investments actively overseen by external advisors. The rise in managed funds resulted from both additional investments, including reinvested distributions, as well as positive changes in the fair value of underlying assets and fluctuations in foreign exchange rates.

On balance sheet loans receivable grew primarily due to a \$137.2 million (3.3%) increase in mortgage loans, \$105.5 million attributed to the Momentum acquisition and an increase \$259.1 million (21.7%) in commercial loan portfolio, mainly from CHMC securitization programs, including \$174.5 million in commercial loans held at fair value for pending sales after year-end (up from \$45.5 million in 2023).

Deposits grew by \$549.1 million, or 11.0%, and were the primary factor contributing to the overall increase in the Credit Union's total liabilities. Term deposit accounts rose by \$462.1 million (17.1%), chequing accounts increased by \$45.5 million (7.7%), and registered plans went up by \$132.7 million (16.5%). These gains were partially offset by a decline in savings accounts, which fell by \$91.2 million (10.4%). The rise in deposits continues to support the Credit Union's loan growth. More consumers are turning to deposit brokers to place funds with financial institutions, and 25.6% of the Credit Union's deposits come from such brokers.

Members' equity increased by \$25.9 million (6.4%). This growth was driven by consistently strong operating results and the net income earned during the year. Retained earnings, contributed surplus, and accumulated other comprehensive income account for 62% of the Credit Union's members' equity.

Year-ended December 31, 2023

In fiscal 2023, the Credit Union protected member interests and maintained profitability despite the economic downturn. It preserved margins with new programs, issued investment shares to boost capital, expanded counterparty relationships, and improved interest rate risk management.

Below is a summary of the financial performance for the year:

Financial Performance Recap

The Credit Union reported pre-tax income of \$5.5 million, representing a decrease of \$34.9 million compared to 2022. This year-over-year decline was primarily attributable to reduced net interest income and lower alternative non-margin income. Specifically, the reduction in net interest income amounted to \$15.6 million, while alternative income declined by \$17.3 million. Additionally, operating expenses increased by \$7.0 million. These factors were partially mitigated by a \$1.3 million increase in operational income and a \$3.7 million improvement in loan loss recovery on a

year-over-year basis.

FINANCIAL PERFORMANCE 2023 VS 2022 <i>(thousands of dollars)</i>	Year ended		Fiscal year ended		Increase	Increase	
	December 31, 2023		December 31, 2022		(Decrease)	(Decrease)	
Interest and investment income	\$	258,736	\$	177,026	\$	81,710	46.16%
Interest expense		189,341		92,060		97,281	105.67%
Net interest income		69,395		84,966		(15,571)	(18.33%)
(Provision) recovery for impaired loans		2,138		(1,538)		3,676	(239.01%)
Other income		36,379		52,314		(15,935)	(30.46%)
Net interest and other income		107,912		135,742		(27,830)	(20.50%)
Non-interest expenses		102,405		95,376		7,029	7.37%
Income before income taxes		5,507		40,366		(34,859)	(86.36%)
Income taxes (recovery)		(1,389)		10,108		(11,497)	(113.74%)
Net income for the year	\$	6,896	\$	30,258	\$	(23,362)	(77.21%)

The ability to grow net interest income is primarily dependent upon growth in loans and deposits products. Net interest income decreased by \$15.6 million. Net interest income was impacted by continued changes in interest rates as the Bank of Canada increased their benchmark overnight interest rate by 75 basis points (2022 – increase of 400 bps). The Credit Union strives to minimize interest rate risk, sustaining a positive net interest income over several years. Net interest income as a percentage of average assets declined to 1.17%, down from 1.55% in 2022.

Other income declined by more than \$15.9 million, reaching \$36.4 million. The Credit Union’s alternative income streams, which are included in other income, fell by \$17.3 million during the year. This reduction primarily reflected lower returns from real estate and other investments, attributable to the subdued performance of the global and Canadian economies. These economic challenges resulted from central governments’ anti-inflation measures, and the Bank of Canada’s rapid interest rate increases throughout 2022 and 2023. Within other income, operational income rose by \$1.3 million during the year, driven by higher mortgage and loan fees, as well as increased commissions and service charges.

In 2023, non-interest expenses were \$102.4 million, an increase of nearly \$7 million over 2022 expenses of \$95.4 million. Non-interest expenses include salaries and benefits, administration costs, technology costs, occupancy costs and donations and community sponsorships. Salaries and benefits were \$56.0 million, compared to \$52.9 million in 2022. Salaries and benefits represent the Credit Union’s largest operating expense, rising by 5.8%, primarily because of annual inflationary adjustments and costs associated with internal restructuring. Other non-interest expenses excluding salaries and benefits were \$46.4 million, compared to \$42.5 million in 2022, an increase of 9.3%. This increase was mainly due to increases in technology expenses, administrative costs, as well as donations and community sponsorships.

The Credit Union uses an advanced data analytics model that draws on detailed historical loan data, industry trends, and macroeconomic factors to estimate expected credit losses. The total ECL allowance decreased from \$11.8 million in 2022 to \$9.3 million. This reduction was mainly due to a \$3.2 million drop in net provisions for commercial loan losses, which largely resulted from one commercial stage 3 loan being removed after the full repayment of the term loan by the member.

Statement of Financial Position Overview

In 2023, the Credit Union’s on-balance sheet assets rose by more than 5% to \$6.1 billion, while total AUM increased over 5% to \$6.6 billion, reflecting ongoing growth in managed assets and membership.

<i>(thousands of dollars)</i>	December 31, 2023	December 31, 2022	Increase (Decrease)	Increase (Decrease)
Total Assets (on balance sheet)	\$ 6,057,525	\$ 5,763,463	\$ 294,062	5.10%
Total Assets under Management (AUM)	\$ 6,621,682	\$ 6,292,704	\$ 328,978	5.23%
Loans and advances	\$ 5,481,255	\$ 5,144,955	\$ 336,300	6.54%
Deposits, accrued interest payable, membership and investment shares	\$ 5,066,759	\$ 4,765,709	\$ 301,050	6.32%
Members' Equity and investment shares	\$ 402,747	\$ 347,294	\$ 55,453	15.97%

The Credit Union reported an increase in deposits of \$262 million, or 5.6%, as members reallocated funds to term products. Term deposit accounts and registered accounts grew by \$497 million (22.5%) and \$33.1 million (4.3%), respectively. In contrast, savings accounts and chequing accounts declined by \$244 million (21.8%) and \$23.5 million (3.8%), respectively. The growth in overall deposits supported loan expansion at the Credit Union. There is a trend of consumers increasingly utilizing deposit brokers to place funds with financial institutions; as at December 31, 2023, 27.2% of the Credit Union's deposits were sourced through deposit brokers.

The increase in loans receivable was primarily driven by Commercial Loans, which expanded by \$253 million, representing a 27% growth in the commercial portfolio. This includes \$45.5 million in commercial loans held at fair value due to pending sales through the CMHC securitization program after the fiscal year-end.

Additionally, the Credit Union's investment portfolio decreased in value by \$33.2 million, or 6.8%, primarily due to balances mandated to be maintained as high-quality liquid assets.

Members' equity, including investment shares, increased by more than \$55 million. This growth resulted from fiscal 2023 net income as well as the 2023 investment share offering. During 2023, the Credit Union successfully completed a share offering, raising net proceeds of \$54.6 million to support its strategic growth initiatives. Retained earnings, contributed surplus, and accumulated other comprehensive income collectively represent 60% of the Credit Union's members' equity.

Allowance for Expected Credit Losses

The allowance for expected credit losses is governed by Board policy and reviewed on an annual basis and approved by the Audit Committee of the Board. The Credit Union applies the three-stage approach to measure the allowance for credit losses, using the expected credit losses (ECL) approach as required under IFRS 9. The allowance is calculated based on the stage in which the financial asset is determined to be at the reporting date. The financial assets migrate through the three stages based on the change in their risk of default since initial recognition. The allowance is monitored by management monthly. Watch list accounts, delinquencies, credit quality, bankruptcy trends and economic trends are considered as part of the credit provisioning process. The allowance for expected credit losses is monitored to ensure compliance with Board policy and regulatory requirements.

The following is a chart that provides a summary of our allowance for expected losses, loan write-offs and recoveries, and annual provision for credit losses. The Credit Union's loan portfolio continues its strong performance due to adherence to conservative lending practices, outperforming industry norms.

Allowance for Expected Credit Losses					
	As at		As at		As at
	December 31		December 31		December 31
<i>(thousands of dollars)</i>	2025		2024		2023
On Balance Sheet Loan Portfolio	\$	6,407,503	\$	5,892,243	\$ 5,466,113
Allowance for expected credit losses					
Stage 1 (12 month ECL)	\$	4,887	\$	5,459	\$ 5,290
Stage 2 (lifetime ECL non credit impaired)		2,024		2,151	2,141
Stage 3 (lifetime ECL credit impaired)		6,921		2,956	1,897
Allowance for expected credit losses	\$	13,832	\$	10,566	\$ 9,328
Allowance for expected credit losses (Reconciliation)					
Opening Balance	\$	10,566	\$	9,328	\$ 11,776
Write-offs		(1,268)		(985)	(399)
Recoveries		54		56	89
Annual Provision (recovery) for impaired Loans		4,480		2,167	(2,138)
End of Year Balance	\$	13,832	\$	10,566	\$ 9,328
Summary of impaired loans					
Gross amount of loans identified as impaired	\$	93,929	\$	58,056	\$ 32,194
Related security less expected costs		87,008		55,100	30,297
Stage 3 (ECL credit impaired)	\$	6,921	\$	2,956	\$ 1,897
% of on balance sheet loan portfolio					
Write-offs		0.02%		0.02%	0.01%
Recoveries		0.00%		0.00%	0.00%
Annual provision (recovery) for impaired loans		0.07%		0.04%	(0.04%)
Total Allowance (%) of On Balance Sheet Loans		0.22%		0.18%	0.17%
Stage 3 (ECL credit impaired) (%) of On Balance Sheet Loans		0.11%		0.05%	0.03%

The Credit Union's stage 3 allowance for impaired loans is determined by taking the gross amount of our impaired loans less the value of related security, after estimated costs. Our gross impaired loans increased to \$93.9 million as at December 31, 2025 (2024 - \$58.1 million; 2023 - \$32.2 million). The Credit Union holds security related to these loans of \$87.0 million (2024 - \$55.1 million; 2023 - \$30.3 million).

The Credit Union uses an internal risk rating grid to assess and monitor new loans and its loan portfolio, both retail and commercial. The majority of the retail loan portfolio, 88.9%, has risk ratings of B or better as at December 31, 2025 (2024 – 90.2%; 2023 – 90.5%). The commercial portfolio has 97.2% of loans rated as Satisfactory or better as at December 31, 2025 (2024 – 97.9%; 2023 – 99.3%).

These measures and the performance of the loan portfolio indicate the Credit Union has a very strong lending operation.

Capital Risk Management

Capital is monitored monthly on both a capital leverage and a risk weighted basis. Capital adequacy is assessed during

the annual planning process. Future capital requirements are based on planned asset growth and investments in fixed assets.

The following chart summarizes the Credit Union's capital position:

Compliance with Capital Requirements			
<i>(thousands of dollars)</i>	As at December 31, 2025	As at December 31, 2024	As at December 31, 2023
Capital	\$ 450,979	\$ 428,678	\$ 402,747
Regulatory Capital	\$ 461,551	\$ 439,373	\$ 412,790
Total Supervisory Capital	\$ 461,551	\$ 439,373	\$ 412,790
Leverage Ratio	6.28%	6.52%	6.63%
Regulatory Minimum (limit)	3.00%	3.00%	3.00%
Tier 1 Capital Ratio	11.68%	11.95%	12.13%
Regulatory Minimum (limit)	6.50%	6.50%	6.50%
Retained Earnings to Risk Weighted Assets Ratio	7.23%	7.33%	7.39%
Regulatory Minimum (limit)	3.00%	3.00%	3.00%
Capital Conservation Buffer	4.19%	4.50%	4.71%
Regulatory Minimum (limit)	2.50%	2.50%	2.50%
Total Capital Ratio	12.19%	12.50%	12.71%
Regulatory Minimum (limit)	8.00%	8.00%	8.00%
Total Supervisory Capital Ratio	12.19%	12.50%	12.71%
Regulatory Minimum (limit)	10.50%	10.50%	10.50%

On both the leverage and risk weighted ratio basis, capital is well in excess of regulatory minimums. In addition, our Tier 1 capital was 11.68% as at December 31, 2025, is well in excess of the regulatory minimum of 6.5%. For all above noted capital metrics and ratios, the Credit Union is within compliance of regulatory minimums.

The following table presents financial performance indicators for the fiscal years ended December 31, 2025, 2024 and 2023. These figures are based on the audited financial statements as at each fiscal year-end. (Figures provided as Basis Points ("bps") are calculated based on average assets held during the fiscal year calculated using a simple average of the opening and closing total asset balance.)

Financial Performance Indicators	Year Ended December 31, 2025	Year Ended December 31, 2024	Year Ended December 31, 2023
Profitability			
Total assets (\$000s)	\$7,173,694	\$6,588,977	\$6,057,525
Consolidated net income for the year (\$000s)	\$26,187	\$18,678	\$6,896
Comprehensive income for the year (bps)	36	36	16
Operating margin before provision for impaired loans and other income (bps)	148	124	117
Provision (recovery) for impaired loans (bps)	7	3	(4)
Other income (bps)	71	75	62
Donations and community sponsorships (bps)	3	3	4
Operating expenses excluding donations and community sponsorships (bps)	164	166	169
Provision (recovery) for income taxes (bps)	8	(4)	(2)
Other comprehensive income (loss) (bps)	(2)	6	4
Compliance with Capital Requirements			
Leverage Ratio	6.28%	6.52%	6.63%
Total Capital Ratio	12.19%	12.50%	12.71%
Loan Composition			
Total gross loans outstanding (\$000s)	\$6,407,503	\$5,892,243	\$5,466,113
Mortgage Loans (% of gross loans outstanding)	73.71%	72.09%	75.20%
Personal Loans (% of gross loans outstanding)	3.91%	3.24%	2.94%
Commercial Loans (% of gross loans outstanding)	22.38%	24.67%	21.86%
Agricultural Loans (% of gross loans outstanding)	0.00%	0.00%	0.00%
Institutional Loans (% of gross loans outstanding)	0.00%	0.00%	0.00%
Unincorporated Association Loans (% of gross loans outstanding)	0.00%	0.00%	0.00%
Loan Quality			
Allowance for impaired loans (% of gross loans outstanding)	0.22%	0.18%	0.17%
Allowance for Mortgage Loans as % of Mortgage Loans	0.10%	0.07%	0.06%
Allowance for Personal Loans as % of Personal Loans	1.64%	1.33%	1.38%
Allowance for Commercial Loans as % of Commercial Loans	0.36%	0.40%	0.39%
Allowance for Agricultural Loans a % of Agricultural Loans	0.00%	0.00%	0.00%
Allowance for Institutional Loans a % of Institutional Loans	0.00%	0.00%	0.00%
Allowance for Unincorporated Association Loans a % of Unincorporated Association	0.00%	0.00%	0.00%
Provision (recovery) for Impaired Loans as % of Total Assets	0.06%	0.03%	(0.04%)
Bad debt expense (recovery) to average assets	0.07%	0.03%	(0.04%)
Other Factors			
Total members' deposits (\$000s)	\$6,181,430	\$5,522,197	\$4,973,120
Average liquidity (% of member deposits + borrowing)	15.23%	11.49%	10.70%
Asset growth (% change)	8.87%	8.77%	5.10%
Return (net income before taxes) on average assets	0.46%	0.26%	0.09%
Financial margin (net interest income) to average assets	1.48%	1.24%	1.17%
Total Regulatory Capital (\$000s)	\$461,551	\$439,373	\$412,790
Regulatory Capital growth (% change)	5.05%	6.44%	15.02%

Further analysis is presented in the audited financial statements at December 31, 2025, for the year then ended that are attached hereto as Schedule A.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The accompanying Consolidated Financial Statements are the responsibility of the Management of FirstOntario Credit Union Limited, which is responsible for the integrity and fairness of the information presented. The Consolidated Financial Statements, in the opinion of Management, have been prepared using appropriate accounting policies that are in accordance with International Financial Reporting Standards and the *Credit Unions and Caisses Populaires Act, 2020* (Ontario), and are based on informed judgments and estimates of the expected effects of current events and transactions.

To meet its responsibility for the integrity and objectivity of data in the Consolidated Financial Statements, Management has developed and maintains a system of internal accounting controls. Management believes that this system of internal controls provides reasonable assurance that the financial records are reliable and form a proper basis for preparation of Consolidated Financial Statements and that assets are properly accounted for and are safeguarded.

The Board of Directors is responsible for reviewing and approving the Consolidated Financial Statements and for overseeing Management's performance of its financial reporting responsibilities. The Board of Directors carried out its responsibility for the Consolidated Financial Statements through its regular review of financial results and operations and through its Audit Committee. The Member-appointed auditors have full and free access to, and meet periodically with, the Audit Committee and may meet with the Board of Directors, with or without Management present, to discuss their audit and matters relating to financial statement presentation, internal controls and audit procedures.

The Financial Services Regulatory Authority of Ontario conducts periodic examinations of the financial conditions and affairs of FirstOntario. The examination includes review of FirstOntario's compliance with the provisions of the Act.

KPMG LLP, Member-appointed external auditors, has examined the Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards and their independent auditor's report is included as part of the Consolidated Financial Statements.



Lloyd Smith, CPA, CGA, CCE
Chief Executive Officer



John Doran, CPA, CA, CFA
Chief Financial Officer



KPMG LLP

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21 King Street West, Suite 700
Hamilton, ON L8P 4W7
Canada
Telephone 905 523 8200
Fax 905 523 2222

AUDITOR'S CONSENT

We, KPMG LLP, consent to the use of our report to the Members of FirstOntario Credit Union Limited (the "Credit Union") on the consolidated financial statements of the Credit Union, which comprise the consolidated statement of financial position as at December 31, 2025, the consolidated statements of income, comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information in the Offering Statement dated March 31, 2026 relating to the sale and issue of Class B Special Shares, Series 2026 of the Credit Union. Our report is dated March 5, 2026.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

April 8, 2026

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

STATEMENT OF OTHER MATERIAL FACTS

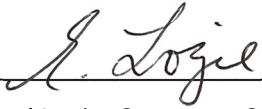
There are no other material facts relating to this issue of securities.

Board Resolution

March 5, 2026

"The Board of Directors of FirstOntario Credit Union Limited approves the issue of Series 2026 Class B Special Shares (Class B Shares, Series 2026), subject to the Articles of Amalgamation and Articles of Amendment of FirstOntario Credit Union Limited, and upon receipt of subscription and payment in full for such shares, all on the terms and otherwise as described in the Offering Statement to be dated March 31, 2026."

I certify the above to be a true copy of a resolution adopted by the Board of Directors of FirstOntario Credit Union Limited at their meeting on March 5, 2026.



Edward Logie, Corporate Secretary

Certificate of Disclosure

The foregoing, constitutes full, true, and plain disclosure of all material facts relating to the securities offered by this Offering Statement as required by Part IV of the *Credit Unions and Caisses Populaires Act, 2020*, and the regulations and rules thereunder.

Dated at Stoney Creek, Ontario, March 31, 2026



Lloyd Smith, CPA, CGA, CCE, Chief Executive Officer



Steve Boucouvalas, Board Chair

Subscription Form — Retail Members

Please accept my subscription for (_____) (number of shares)

Class B Shares, Series 2026 (at \$ 1.00 per share) of FirstOntario Credit Union Limited

Member's Name (as it appears on file) Social Insurance Number

Joint Member's Name Social Insurance Number

Account # Address

City Province Postal Code

Source of Funds (Please complete all that apply)

1. \$ _____ already on deposit at the Credit Union. I have signed a separate authorization form to place these funds on hold until this offering is completed or withdrawn.
2. \$ _____ coming from outside the Credit Union. I have signed a separate authorization form to place these funds in Escrow until this offering is completed or withdrawn.

Type of Share Ownership (Please complete all that apply)

1. \$ _____ of the shares being subscribed are to be put into my RRSP at the Credit Union.
2. \$ _____ of the shares being subscribed are to be put into my RRIF at the Credit Union.
3. \$ _____ of the shares being subscribed are to be put into my TFSA at the Credit Union.
4. \$ _____ of the shares are to be held by me outside any RRSP(s), RRIF(s), or TFSA(s) I may have.

By signing this form, I/we hereby acknowledge that I /we are members of the Credit Union, I/we have received and read in its entirety a copy of the offering statement dated March 31, 2026 for the Credit Union's Class B Shares, Series 2026, **Serial Number** _____, including the audited financial statements attached thereto as Schedule A, and that I/we have noted in particular the Description of Securities Being Offered as set out on pages 35 to 39 and the Risk Factors starting on page 39. I/we also understand that the securities being purchased are NOT deposits and are NOT insured through the Financial Services Regulatory Authority of Ontario, and that dividends on these securities are NOT guaranteed. I/we have considered whether or not I/we should obtain independent advice on the suitability of this investment to my/our particular financial situation and have either obtained such advice or determined that I/we do not require such advice.

Member's Name Signature Date Time (a.m./p.m.)

Joint Member's Name Signature Date Time (a.m./p.m.)

For Office Use Only

Date and Time (a.m./p.m.)

Accepted by: Employee's Name Signature Branch #

Subscription Form — Business Members

Please accept my subscription for (_____) (number of shares)

Class B Shares, Series 2026 (at \$ 1.00 per share) of FirstOntario Credit Union Limited

_____ Corporation/Partnership/Association
 Legal Business Name (As it appears on file)

_____ Address

_____ City Province Postal Code

Source of Funds (Please complete all that apply)

\$ _____ already on deposit at the Credit Union. I have signed a separate authorization form to place these funds on hold until this offering is completed or withdrawn.

\$ _____ of the shares are to be held.

By signing this form, I/we hereby acknowledge that I /we are members of the Credit Union, I/we have received and read in its entirety a copy of the offering statement dated March 31, 2026 for the Credit Union’s Class B Shares, Series 2026, **Serial Number** _____, including the audited financial statements attached thereto as Schedule A, and that I/we have noted in particular the Description of Securities Being Offered as set out on pages 35 to 39 and the Risk Factors starting on page 39. I/we also understand that the securities being purchased are NOT deposits and are NOT insured through the Financial Services Regulatory Authority of Ontario, and that dividends on these securities are NOT guaranteed. I/we have considered whether or not I/we should obtain independent advice on the suitability of this investment to my/our particular financial situation and have either obtained such advice or determined that I/we do not require such advice.

_____ Signature Date Time (a.m./p.m.)
 Authorized Signatory
 Authorized Signing Officer, I/we have the authority to bind the Corporation/Partnership/Association

_____ Signature Date Time (a.m./p.m.)
 Authorized Signatory
 Authorized Signing Officer, I/we have the authority to bind the Corporation/Partnership/Association

_____ Name of Corporation/Partnership/Association

For Office Use Only

_____ Date and Time (a.m./p.m.)

_____ Signature Branch #
 Accepted by: Employee’s Name

Authorization to Place Funds in Escrow

Member's Name

Signature

Date

I have subscribed today to buy a total of \$_____ Class B Shares, Series 2026 of FirstOntario Credit Union Limited (the "Credit Union"). By signing this form below, I hereby authorize the Credit Union to place the funds specified below, as soon as such funds are made payable to the Credit Union, into an Escrow account, to be trustee'd by Concentra Trust, to guarantee payment for these shares.

This hold will be released only in one of the following four manners:

1. Upon the offering being closed, Concentra Trust will release the funds from Escrow to the Credit Union to pay for the shares on the Issue Date.
2. If the offering is withdrawn or cancelled for any reason, Concentra Trust will immediately release the non-registered funds from Escrow and pay them to me, together with interest calculated at a minimum rate of 3.5% per annum, subject to the Credit Union's discretion, prorated for the number of days such funds were in Escrow.
3. If I exercise my right to reverse my decision to purchase these shares within two days, excluding weekends and holidays, following receipt of a copy of the offering statement, dated March 31, 2026, for the Class B Shares, Series 2026 Concentra Trust will immediately release the non-registered funds from Escrow and pay them to me, together with interest calculated at a minimum rate of 3.5% per annum, subject to the Credit Union's discretion, prorated for the number of days such funds were in Escrow.
4. If all or part of such funds which are used to purchase shares are identified as being part of a registered plan contract, the registered funds will be transferred directly into a registered plan contract of the same type held in Escrow at the Credit Union under the control of Concentra Trust. If not used to pay for shares under the terms outlined above, the registered funds will stay in such registered plan contract until I have given Concentra Trust direction as to their disposition.

The source of fund(s) and dollar amounts(s) to be placed in Escrow under this agreement is (are):

Source

Credit Union Witness Name

Signature

Member's Name/Subscriber

Signature

Credit Union Witness Name

Signature

Joint Member's Name/Subscriber

Signature

Authorization to Place Funds on Hold

Member's Name

Signature

Date

I have subscribed today to buy a total of \$_____ Class B Shares, Series 2026 of FirstOntario Credit Union Limited (the "Credit Union"). By signing this form below, I hereby authorize the Credit Union to place these funds on hold to guarantee payment for these shares.

This hold will be released only in one of the following three manners:

1. Upon the offering being closed, the Credit Union will release the hold and then debit the accounts to pay for the shares on the Issue Date.
2. If the offering is withdrawn or cancelled for any reason, the Credit Union will release the hold immediately.
3. If I exercise my right to reverse my decision to purchase these shares within two days, excluding weekends and holidays, following receipt of a copy of the offering statement, dated March 31, 2026, for the Class B Shares, Series 2026 the Credit Union will release the hold on funds immediately upon being informed of such reversal.

The Credit Union account(s) and dollar amounts(s) to be placed on hold under this agreement is (are):

Branch #

Account #

Type

Sub #

\$

Credit Union Witness Name

Signature

Member's Name/Subscriber

Signature

Schedule A — Audited Financial Statements for the year ended December 31, 2025



**2025 CONSOLIDATED
FINANCIAL STATEMENTS OF
FIRSTONTARIO CREDIT UNION LIMITED**

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REPORT ON MANAGEMENT RESPONSIBILITY

The accompanying Consolidated Financial Statements are the responsibility of the Management of FirstOntario Credit Union Limited, which is responsible for the integrity and fairness of the information presented. The Consolidated Financial Statements, in the opinion of Management, have been prepared using appropriate accounting policies that are in accordance with IFRS Accounting Standards and the Credit Unions and Caisses Populaires Act, 2020 (Ontario), and are based on informed judgments and estimates of the expected effects of current events and transactions.

To meet its responsibility for the integrity and objectivity of data in the Consolidated Financial Statements, Management has developed and maintains a system of internal accounting controls. Management believes that this system of internal controls provides reasonable assurance that the financial records are reliable and form a proper basis for preparation of Consolidated Financial Statements and that assets are properly accounted for and are safeguarded.

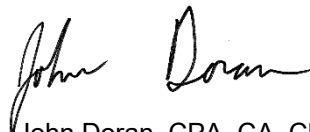
The Board of Directors is responsible for reviewing and approving the Consolidated Financial Statements and for overseeing Management's performance of its financial reporting responsibilities. The Board of Directors carried out its responsibility for the Consolidated Financial Statements through its regular review of financial results and operations and through its Audit Committee. The Member-appointed auditors have full and free access to, and meet periodically with, the Audit Committee and may meet with the Board of Directors, with or without Management present, to discuss their audit and matters relating to financial statement presentation, internal controls and audit procedures.

The Financial Services Regulatory Authority of Ontario conducts periodic examinations of the financial condition and affairs of FirstOntario. The examination includes review of FirstOntario's compliance with the provisions of the Act.

KPMG LLP, Member-appointed external auditor, has examined the Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards and their independent auditor's report is included as part of the Consolidated Financial Statements.



Lloyd Smith, CPA, CGA, CCE
Chief Executive Officer



John Doran, CPA, CA, CFA
Chief Financial Officer

March 5, 2026

REPORT OF THE AUDIT COMMITTEE

FirstOntario Credit Union Limited's Audit Committee is a committee of the Board of Directors pursuant to Section 125 of the Credit Unions and Caisses Populaires Act, 2020 (Ontario) and Section 36 of Ontario Regulation 105/22. The Committee, which consists of six directors, has a mandate to cover all of the duties, which are specified to be performed by audit committees in the Regulations of the Act.

The Audit Committee is pleased to report to the Members of FirstOntario that it has fulfilled its annual mandate. During the year the Committee held 7 meetings and completed the following significant activities:

- (a) Served as the principal communication link between the external auditors and the Board of Directors and, in particular, reviewed the terms of engagement and scope of the audit and reviewed FirstOntario's annual financial statements prior to Board approval for issuance to the Members.
- (b) Obtained a reasonable understanding of the important elements of internal controls that are important to safeguarding the assets of FirstOntario, ensuring the accuracy of financial reports and ensuring compliance with policies and procedures.
- (c) Served as the Board's liaison with the internal auditor and reviewed the internal audit mandate, work plan and reports.
- (d) Reviewed the policies, procedures and controls, which relate to legislative compliance, with a particular focus on requirements for liquidity, capital adequacy and interest rate management.

There are no significant recommendations made by the Audit Committee that have not been either implemented or are in the process of being implemented. In addition, there are no matters which the Audit Committee believes should be reported to the Members, other than as described above, nor are there any further matters that are required to be disclosed pursuant to the Act or the Regulations thereto.

Based on its findings, the Audit Committee issues reports and makes recommendations to the Board of Directors or senior management, as appropriate, with respect to the matters outlined above and follows up to ensure that the recommendations are considered and implemented. During the year, the Committee received full co-operation and support from management to enable it to play an effective role in maintaining the quality of financial reporting to the Members and enhancing the overall control structure of FirstOntario.



Lorri Meulendyks
Chair, Audit Committee

March 5, 2026



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton, ON L8P 4W7
Canada
Tel 905 523 8200
Fax 905 523 2222

INDEPENDENT AUDITOR'S REPORT

To the Members of FirstOntario Credit Union Limited

Opinion

We have audited the consolidated financial statements of FirstOntario Credit Union Limited (the "Credit Union"), which comprise:

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

(Hereinafter referred to as the "financial statements").

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

Basis for Opinion

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

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

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



Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report".

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Credit Union'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 Credit Union or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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



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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union'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 Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

March 5, 2026

FIRSTONTARIO CREDIT UNION LIMITED

Consolidated Statement of Financial Position

As at December 31, 2025, with comparative information for 2024

(In thousands of dollars)	2025	2024
Assets		
Cash and cash equivalents (note 5)	\$ 46,600	\$ 25,977
Investments in debt securities (note 6)	209,548	158,824
Investments in equity instruments (note 6)	189,314	203,319
Derivative financial instruments (note 18)	10,338	13,598
Loans and advances (note 7)	6,424,251	5,906,434
Retained rights in loan securitizations (note 9)	74,071	59,474
Current tax assets	6,902	7,031
Investments in joint ventures (note 10)	148,638	146,187
Fixed assets (note 11)	25,908	25,072
Intangible assets (note 12)	15,120	16,373
Pension assets (note 22)	3,186	2,298
Other assets (note 18)	19,818	24,390
	\$ 7,173,694	\$ 6,588,977
Liabilities		
Deposits (note 13)	\$ 6,181,430	\$ 5,522,197
Accounts payable and accrued liabilities (note 18)	32,362	36,302
Accrued interest payable	70,480	82,774
Current tax payable	1,433	3,445
Derivative financial instruments (note 18)	14,045	22,333
Secured borrowings (note 14)	-	155,000
Securitization liabilities (note 14)	373,603	293,170
Membership shares (note 15)	8,859	8,976
Investment shares (note 15)	10,543	10,235
Lease liabilities (note 17)	10,903	7,888
Deferred tax liabilities (note 21)	14,444	13,301
Other employee benefit obligations (note 22)	4,613	4,678
	6,722,715	6,160,299
Members' Equity		
Investment shares (note 15)	170,122	162,749
Patronage shares (note 15)	1,519	1,518
Contributed surplus	-	13,715
Retained earnings	273,849	243,742
Non-controlling interest	(132)	(127)
Accumulated other comprehensive income	5,621	7,081
	450,979	428,678
	\$ 7,173,694	\$ 6,588,977

See accompanying notes to Consolidated Financial Statements.

On behalf of the Board:



Steve Boucouvalas
Board Chair



Lorri Meulendyks
Chair, Audit Committee

FIRSTONTARIO CREDIT UNION LIMITED

Consolidated Statement of Income

For the year ended December 31, 2025, with comparative information for 2024

(In thousands of dollars)	2025	2024
Interest Income		
Loans and advances (note 7)	\$ 298,106	\$ 287,794
Investment income	11,236	12,585
Swap agreements	536	5,128
	309,878	305,507
Interest Expense		
Members' deposits (note 13)	189,136	204,110
Secured borrowings and securitization liabilities (note 14)	17,677	21,702
Dividends on membership, investment and patronage shares (note 15)	1,266	1,234
	208,079	227,046
Net Interest Income		
	101,799	78,461
Provision for expected credit losses (note 8)	(4,480)	(2,167)
Other income (note 23)	49,170	47,166
Net Interest and Other Income	146,489	123,460
Non-interest Expenses		
Salaries and employee benefits	64,215	59,242
Administrative	19,242	18,237
Technology	21,378	19,785
Occupancy	7,992	8,004
Donations and community sponsorship	2,145	1,839
	114,972	107,107
Income Before Income Taxes		
	31,517	16,353
Income tax expense (recovery) (note 21)	5,330	(2,325)
Net Income	\$ 26,187	\$ 18,678
Net income attributable to FirstOntario Credit Union Limited		
	26,192	18,671
Net (loss) income attributable to non-controlling interest		
	(5)	7
Net Income	\$ 26,187	\$ 18,678

See accompanying notes to Consolidated Financial Statements.

FIRSTONTARIO CREDIT UNION LIMITED

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2025, with comparative information for 2024

(In thousands of dollars)	2025	2024
Net Income	\$ 26,187	\$ 18,678
Other Comprehensive Income (Loss)		
Items that are or may be reclassified subsequently to net income:		
Debt securities measured at fair value through other comprehensive income:		
Net unrealized (loss) gain from change in fair value	(266)	2,074
Net amount transferred to earnings	221	(196)
Related income tax expense (recovery) (note 21)	8	(341)
Cash flow hedges:		
Net unrealized gain on cash flow hedges	495	4,061
Net amount transferred to earnings	(3,046)	(1,904)
Related income tax expense (note 21)	464	(390)
Items that are not recycled or reclassified to net income:		
Actuarial gain on employee benefits, net of tax (notes 21, 22)	664	594
	(1,460)	3,898
Total Comprehensive Income	\$ 24,727	\$ 22,576

See accompanying notes to Consolidated Financial Statements.

FIRSTONTARIO CREDIT UNION LIMITED

Consolidated Statement of Changes in Members' Equity

For the year ended December 31, 2025, with comparative information for 2024

(In thousands of dollars)

	Investment shares	Patronage shares	Contributed surplus	Retained earnings	Non-controlling interest	Accumulated Other Comprehensive Income (Loss)			Total
						Fair value reserve	Cash flow hedging reserve	Employee benefits	
Balance, January 1, 2025	\$ 162,749	\$ 1,518	\$ 13,715	\$ 243,742	\$ (127)	\$ 493	\$ 4,105	\$ 2,483	\$ 428,678
Shares:									
Issued	9,550	21	-	-	-	-	-	-	9,571
Redeemed	(2,177)	(20)	-	-	-	-	-	-	(2,197)
Net income	-	-	-	26,192	(5)	-	-	-	26,187
Dividends paid	-	-	-	(9,800)	-	-	-	-	(9,800)
Other									
Comprehensive Income (loss)	-	-	-	-	-	(37)	(2,087)	664	(1,460)
Reclassify contributed surplus (i)	-	-	(13,715)	13,715	-	-	-	-	-
Balance, December 31, 2025	\$ 170,122	\$ 1,519	\$ -	\$ 273,849	\$ (132)	\$ 456	\$ 2,018	\$ 3,147	\$ 450,979

(i) Contributed surplus is a result of previous business combinations. The Credit Union in the year has transferred the amounts previously classified as contributed surplus to retained earnings.

(In thousands of dollars)

	Investment shares	Patronage shares	Contributed surplus	Retained earnings	Non-controlling interest	Accumulated Other Comprehensive Income (Loss)			Total
						Fair value reserve	Cash flow hedging reserve	Employee benefits	
Balance, January 1, 2024	\$ 159,663	\$ -	\$ 8,178	\$ 231,857	\$ (134)	\$ (1,044)	\$ 2,338	\$ 1,889	\$ 402,747
Shares:									
Issued	6,786	-	-	-	-	-	-	-	6,786
Redeemed	(4,596)	(19)	-	-	-	-	-	-	(4,615)
Net income	-	-	-	18,671	7	-	-	-	18,678
Dividends paid	-	-	-	(6,786)	-	-	-	-	(6,786)
Merger with Momentum Credit Union (note 25)	896	1,537	5,537	-	-	-	-	-	7,970
Other									
Comprehensive Income	-	-	-	-	-	1,537	1,767	594	3,898
Balance, December 31, 2024	\$ 162,749	\$ 1,518	\$ 13,715	\$ 243,742	\$ (127)	\$ 493	\$ 4,105	\$ 2,483	\$ 428,678

See accompanying notes to Consolidated Financial Statements.

FIRSTONTARIO CREDIT UNION LIMITED

Consolidated Statement of Cash Flows

For the year ended December 31, 2025, with comparative information for 2024

(In thousands of dollars)	2025	2024
Operating Activities		
Net income	\$ 26,187	\$ 18,678
Adjustments for items not involving cash:		
Amortization of fixed assets	5,947	6,550
Amortization of intangible assets	3,529	3,726
Net change in fair value of assets recorded at fair value through profit or loss	(11,012)	(33,913)
Provision for expected credit losses	4,480	2,167
Loss on sale of fixed assets	181	128
Gain on sale of investments	(118)	–
Change in retained rights in loan securitizations	(14,597)	(28,561)
Net changes in accrued employee retirement benefits	(953)	(109)
Other non-cash items, net	(12,584)	(6,289)
Net interest income	(101,799)	(78,461)
Income tax expense (recovery)	5,330	(2,325)
Changes in operating assets and liabilities:		
Net change in loans receivable	(516,474)	(321,577)
Net change in derivatives held for risk management	(7,579)	13,991
Net change in deposits	659,233	419,827
Net change in accounts payables and accrued liabilities	(3,940)	3,338
Interest received	301,910	298,669
Interest paid	(219,107)	(217,140)
Income tax paid	12,776	(517)
Cash flows from operating activities	131,410	78,182
Financing Activities		
Net redemptions in membership shares	(730)	(891)
Net redemptions in investment shares	(2,751)	(5,298)
Redemptions of patronage shares	(20)	(19)
Principal payments on leases	(2,494)	(2,670)
Net change in secured borrowings and securitization liabilities	(74,567)	(69,273)
Cash flows used in financing activities	(80,562)	(78,151)
Investing Activities		
Net investment (purchases) redemptions	(38,479)	17,911
Net investment income	(8,507)	(6,896)
Proceeds on disposition of investment	20,492	3,000
Proceeds on sale of fixed assets	1,585	–
Purchase of fixed assets, net of disposals	(3,040)	(3,559)
Acquisition of intangible assets, net of disposals	(2,276)	(1,273)
Cash on merger with Momentum Credit Union Limited	–	2,027
Cash flows (used in) from investing activities	(30,225)	11,210
Cash and cash equivalents		
Net increase during year	20,623	11,241
Balance at beginning of year	25,977	14,736
Balance at end of year	\$ 46,600	\$ 25,977

See accompanying notes to Consolidated Financial Statements.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

1. Corporate Information:

FirstOntario Credit Union Limited ("FirstOntario" or "Credit Union") is a financial institution incorporated in Ontario which operates in compliance with the Credit Unions and Caisses Populaires Act of Ontario (the "Act") and is a member of Central 1 Credit Union ("Central 1"). The location of the head office and principal place of business of FirstOntario is 970 South Service Road, Stoney Creek, Ontario, L8E 6A2.

FirstOntario exists to help Members meet their financial needs in their local communities. FirstOntario's principal activities are the provision of deposit-taking, lending and other financial services.

FirstOntario's Member deposits are insured by the Financial Services Regulatory Authority of Ontario ("FSRA") under a mandatory program, the expense for which amounted to \$3,340,000 (2024 - \$3,207,000). At December 31, 2025, there were 130,576 Members (2024 - 132,219).

2. Basis of Preparation:

Statement of compliance

The Consolidated Financial Statements of FirstOntario have been prepared in accordance with IFRS Accounting Standards ("IFRS"). IFRS Accounting Standards are issued by the International Accounting Standards Board ("IASB") with interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The financial statements were approved by FirstOntario's Board of Directors on March 5, 2026.

Basis of measurement

These financial statements were prepared on a going concern basis under the historical cost method, except for certain assets and liabilities, as those described in Note 3. The material accounting policies used in the preparation of these Consolidated Financial Statements are summarized below and have been applied consistently to all periods presented in the financial statements.

Details of FirstOntario's material accounting policies, including changes during the year, are included in Note 3.

Use of estimates and judgments

The preparation of Consolidated Financial Statements in conformity with IFRS requires management to exercise judgment and develop estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts in revenue and expenses during the reporting year. Actual future results could differ from those estimates. Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are applied prospectively once they are known.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

2. Basis of Preparation (continued):

Use of estimates and judgments (continued)

Items which result in the most significant areas of application of judgment and estimates include the following:

(a) Fair value of financial instruments:

Where fair value of financial assets and liabilities cannot be derived from active markets, FirstOntario uses valuation techniques that include inputs derived from either observable market data or utilizing management judgment. Refer to Note 20 for information relating to these estimates.

(b) Allowance for expected credit losses:

FirstOntario assesses whether credit risk has increased significantly since loan origination, estimates probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"), and incorporates forward-looking information in the measurement of expected credit loss ("ECL") on its loan portfolio. FirstOntario's measurement of impairment losses requires management's judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. Refer to Note 8 for information relating to these estimates.

(c) Employee retirement benefits:

FirstOntario estimates the present value of employee retirement benefits, which depends on a number of assumptions including discount rates, expected salary and other cost increases, and mortality rates. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Refer to Note 22 for information relating to these estimates.

(d) Hedging and securitizations:

FirstOntario enters into hedging and securitization transactions which require management's best estimates of key assumptions that market participants would use in determining fair value. For more information relating to these estimates, refer to Note 9 for securitizations, Note 18 for hedging derivatives and Note 19 for hedges.

(e) Fair value of investment properties:

FirstOntario engages independent external valuation experts to estimate the fair value of investment properties. The valuations are based on two approaches: i) income approach; and ii) direct comparison approach. Refer to Note 10 for information relating to these estimates.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

3. Material Accounting Policies:

These consolidated financial statements have been prepared on a going concern basis. The material accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all of the years presented.

(a) Basis of consolidation:

The Consolidated Financial Statements include the assets, liabilities and results of the operations of FirstOntario, FirstOntario Insurance Holdings Inc. ("FOIH"), FirstOntario Insurance Brokers Inc. ("FOIB"), FirstOntario Credit Union Realty Corporation ("FORC"), FirstOntario Credit Union GP Corporation ("FOGC") and Momentum Credit Union Limited ("Momentum").

FOIH is a wholly owned subsidiary of FirstOntario. FOIH is a holding company which manages FirstOntario's holdings in FOIB. FOIH holds 51% of the ownership interests and voting rights of FOIB. Non-controlling interests are initially measured at the proportionate share of the acquirees identifiable net assets at the date of acquisition. Changes in the Credit Union's interest are accounted for as equity transfers.

FORC is a wholly owned subsidiary of FirstOntario. FORC holds ownership of the Credit Union's various interests in its real estate investment portfolio.

FOGC is a wholly owned subsidiary of FirstOntario. FOGC holds ownership of the Credit Union's various interests in its limited partnerships.

All intercompany transactions and balances have been eliminated.

Investments in which FirstOntario directly or through its subsidiaries exercises joint control are accounted for as a joint venture using the equity method of accounting. FirstOntario's net investment in the joint venture is recognized as investments in joint ventures on the Consolidated Statement of Financial Position. The carrying value of the joint ventures are subsequently increased (decreased) for FirstOntario's share of any income (loss) received from the joint ventures. FirstOntario's share of any income (loss) received from the joint ventures is included in real estate as part of Other Income (Note 23) on the Consolidated Statement of Income. Investments are considered to be jointly controlled if there is a contractual agreement to share authority over determining the investments' operating, investment and financing policies. The joint ventures in which FirstOntario participates include real estate development for the purpose of resale as well as retail and commercial complexes that generate rental and leasing income. Intra-group transactions arising with joint ventures are eliminated.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

3. Material Accounting Policies (continued):

(b) Financial instruments – recognition and measurement:

FirstOntario initially recognizes loans, deposits and mortgage securitization liabilities on the date on which they are originated. All other financial instruments are recognized on the date at which FirstOntario becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at fair value, plus transaction costs that are directly attributable to its acquisition or issue for an item not subsequently measured at fair value through profit and loss (“FVTPL”). Subsequent measurement is dependent upon the financial instrument’s classification.

Financial assets and liabilities comprise cash and cash equivalents, derivative financial instruments, investments in debt securities, investments in equity securities, loans and advances, deposits, membership and investment shares, accounts payable and accrued liabilities, secured borrowings, and securitization liabilities.

Classification and measurement of financial instruments

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit and loss (“FVTPL”).

The amortized cost of a financial instrument is the amount at which the instrument is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest rate method, and for financial assets, adjusted for any expected credit loss allowance.

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

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

3. Material Accounting Policies (continued):

(b) Financial instruments – recognition and measurement (continued):

Subsequent to initial recognition, FVOCI financial assets are measured at fair value whereby the unrealized gains and losses are recorded in other comprehensive income (“OCI”) and included in accumulated other comprehensive income (“AOCI”). Upon derecognition, the cumulative gains or losses of debt instruments are reclassified from OCI and recorded in the Consolidated Statement of Income.

On initial recognition of an equity investment that is not held for trading, FirstOntario may irrevocably elect to present subsequent changes in FVOCI. This election is made on an investment by investment basis. Upon derecognition, any cumulative gains or losses in OCI on equity investments so designated is not recognized in profit or loss.

All other financial assets are classified as measured at FVTPL. Financial instruments measured at FVTPL are subsequently measured at fair value at each reporting date. Gains and losses realized on disposal together with dividends and interest earned on these instruments are reported in interest and other income. Unrealized gains and losses from changes in fair value and other investment income are reported separately in Other Income (Note 23) in the Consolidated Statement of Income.

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

Business model assessment

Business model assessment involves determining whether financial assets are held and managed by FirstOntario for generating and collecting contractual cash flows, selling the financial assets or both. FirstOntario makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue or realizing cash flows through the sale of the assets;
- how the performance of the asset is evaluated and reported to FirstOntario’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed;
- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

3. Material Accounting Policies (continued):

(b) Financial instruments – recognition and measurement (continued):

If upon origination of a financial asset, based on established criteria, the financial asset is expected to be securitized as part of a portfolio that qualifies for derecognition, the business objective of holding the financial asset to collect contractual cash flows is not met. Such financial assets are measured at FVTPL. If the financial asset is expected to be securitized as part of a portfolio that does not qualify for derecognition, the held to collect business model is considered to be met, and the financial asset is measured at amortized cost.

Assessment whether contractual cash flows are solely payments of principal and interest

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement, that is, if they represent cash flows that are solely payments of principal and interest (“SPPI”).

Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding and other basic lending risks and costs (for example, liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, FirstOntario considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after FirstOntario changes its business model for managing financial assets. There were no changes to any of FirstOntario’s business models during the current year.

Financial Liabilities

FirstOntario classifies its financial liabilities as measured at amortized cost or FVTPL.

FirstOntario has designated certain financial liabilities as FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Classification:

Classification of investment instruments is outlined in Note 6. Classification of all financial instruments is outlined in Note 20.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

3. Material Accounting Policies (continued):

(b) Financial instruments – recognition and measurement (continued):

Effective interest rate method

Interest income and expense is recognized in the Consolidated Statement of Income for financial instruments classified at amortized cost using the effective interest method. The calculation of the effective interest rate includes transaction costs, fees and discounts or premiums that are an integral part of the effective yield on the financial asset or liability.

The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. When calculating the effective interest rate for financial instruments other than credit-impaired assets, FirstOntario estimates future cash flows considering all financial terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issuance or disposal of a financial asset or liability. Transaction costs related to FVTPL financial assets and liabilities are expensed as incurred. Transaction costs relating to amortized cost financial instruments are capitalized and amortized over the expected life of the instrument using the effective interest method.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, FirstOntario has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

3. Material Accounting Policies (continued):

(b) Financial instruments – recognition and measurement (continued):

Identification and measurement of impairment losses

FirstOntario recognizes loss allowances for expected credit loss on financial instruments that are not measured at FVTPL. Loss allowances are measured at an amount equal to lifetime ECL, except for financial instruments on which credit risk has not increased significantly since their initial recognition, for which they are measured at 12-month ECL. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

ECL is a probability-weighted estimate of credit losses, which considers multiple scenarios based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. Forward-looking information is explicitly incorporated into the estimation of ECL.

Measurement of expected credit losses

The determination of whether the ECL is calculated on a 12 month or lifetime basis is dependent on the stage the financial asset falls into at the reporting date. A financial instrument moves across stages based on an increase or decrease in its risk of default at the reporting date compared to its risk of default at initial recognition. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, FirstOntario considers reasonable and supportable information that is relevant and available without undue cost or effort. There is a rebuttable presumption that the risk of default of the financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days overdue.

In assessing whether a financial asset is credit-impaired, FirstOntario considers qualitative and quantitative factors. Evidence that a financial asset is credit-impaired includes significant financial difficulty of the borrower or issuer, a breach of contract such as a default or past due event, and/or it becoming probable that the borrower or issuer will enter bankruptcy or other financial reorganization. In addition, a loan that is overdue for 90 days or more is considered impaired.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

3. Material Accounting Policies (continued):

(b) Financial instruments – recognition and measurement (continued):

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized. If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. ECL is measured as follows:

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; or
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Presentation of allowance for expected credit losses

Loss allowances for ECL are presented in the Consolidated Statement of Financial Position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and undrawn component, and FirstOntario cannot identify the ECL on the loan commitment component separately from those on the drawn component: FirstOntario presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognized in the Consolidated Statement of Financial Position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in retained earnings.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

3. Material Accounting Policies (continued):

(b) Financial instruments – recognition and measurement (continued):

Write-offs

Impaired financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when FirstOntario determines the borrower cannot generate sufficient cash flows to repay the amounts subject to write-off. However, financial assets that are written off could still be subject to collection activities in compliance with FirstOntario's policies and procedures. In subsequent periods, recoveries against written off loans are credited to the provision for expected credit losses in the Consolidated Statement of Income. Refer to Note 8 for further details.

Derivative financial instruments

Derivative financial instruments are financial contracts whose value is derived from interest rates or other financial indices in the equity markets. In the ordinary course of business, FirstOntario enters into various derivative contracts, including interest rate swaps, equity-linked options, foreign exchange forwards and bond forwards. FirstOntario enters into such contracts to manage interest rate fluctuations and foreign exchange risk as part of FirstOntario's asset/liability management program.

Interest rate swaps involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based. Equity-linked options are purchased to hedge deposit products whose interest is linked to various equity indices or a specific bundle of equities. These contracts pay returns based on the change in value of equity indices or a specific bundle of equities.

Foreign exchange contracts are used to hedge FirstOntario's net US dollar liability position.

Derivatives are measured at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value. In both cases they are reported as derivative financial instruments in the financial statements.

Derivatives embedded in other financial instruments are separated from the host contract and accounted for separately if their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivatives would meet the definition of a derivative if it was a free standing instrument, the combined contract is not designated as FVTPL and recorded at fair value, and the host contract is not an asset in the scope of IFRS 9. These embedded derivatives are classified separate from the host instrument and measured at fair value with changes therein recognized as part of Other Income (Note 23) on the Consolidated Statement of Income.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

3. Material Accounting Policies (continued):

(b) Financial instruments – recognition and measurement (continued):

Hedge accounting

FirstOntario formally documents all relationships between hedging instruments and hedged items; as well as risk management objectives and strategies for undertaking various hedge transactions. This process includes linking derivatives to specific assets and liabilities recognized on the Consolidated Statement of Financial Position or specific firm commitments or forecasted transactions that are highly probable to occur and prevent exposure to variations in cash flows that could ultimately affect reported net income. FirstOntario also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. Under hedge accounting, FirstOntario designates its interest rate swap agreements as hedges of the underlying financial instrument.

IFRS specifies the criteria that must be satisfied in order for hedge accounting to be applied and prescribes the accounting treatment for those permitted hedging strategies applicable to FirstOntario – fair value hedges and cash flow hedges. FirstOntario applies hedge accounting for derivative financial instruments that meet the criteria specified in IAS 39.

In a fair value hedge, the change in fair value of the hedging derivative is offset on the Consolidated Statement of Income by the change in fair value of the hedged item relating to the hedged risk. FirstOntario utilizes fair value hedges primarily to convert fixed rate financial assets and liabilities to floating rate. The main financial instruments designated in fair value hedging relationships are loans and deposits. If the derivative expires or is sold, terminated or exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued prospectively. The fair value of the hedged item related to the hedged risk is reported against the hedged item within the Consolidated Statement of Financial Position. The fair value of the hedging instrument is recorded as a derivative asset or liability.

In a cash flow hedge, the effective portion of changes in fair value of the derivative is recognized in other comprehensive income and presented in the cash flow hedging reserve in equity. The amount recognized in OCI is reclassified and included on the Consolidated Statement of Income in the same period that the hedged cash flows affect income. This will be offset by net interest income on assets and liabilities that are hedged. FirstOntario utilizes cash flow hedges to convert floating rate assets and liabilities to fixed rate. Any hedge ineffectiveness is measured and is immediately recognized as part of either interest expense or interest income in the Consolidated Statement of Income.

When a cash flow hedge is discontinued, any cumulative adjustment in other comprehensive income (loss) is recognized in income over the remaining term as the hedged item impacts earnings or immediately if the forecast transaction is no longer expected to occur.

When a fair value hedge is discontinued, any cumulative adjustment to the hedged item is recognized in income over the remaining term of the original hedge or immediately if the forecast transaction is no longer expected to occur.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

3. Material Accounting Policies (continued):

(c) Loan securitizations:

FirstOntario securitizes residential mortgages and commercial loans by legally selling them to funding partners. Securitized assets are assessed for derecognition under IFRS 9. When the derecognition criteria are met, the assets are derecognized from the Consolidated Statement of Financial Position.

Securitized residential mortgages that are assessed under IFRS 9 generally do not meet derecognition requirements as substantially all of the risks and rewards of the loans are held with FirstOntario. As a result, these loans are reported on the Consolidated Statement of Financial Position. Securitized residential mortgages that subsequently meet the derecognition criteria through the transfer of certain risks and rewards to external parties are derecognized from the Consolidated Statement of Financial Position.

Commercial loans sold which meet the derecognition requirements are not reported on the Consolidated Statement of Financial Position as substantially all of the risks and rewards of the loan are transferred to the funding partner and FirstOntario has received consideration in exchange.

For loans derecognized under these loan securitization programs, the present value of the future residual cashflows is recorded as retained rights in loan securitizations in the Consolidated Statement of Financial Position, measured at amortized cost.

(d) Investments:

Investments include debt securities measured at amortized cost, FVOCI, or designated at FVTPL and equity securities measured at FVTPL or designated as at FVOCI. Managed funds held by FirstOntario are measured at FVTPL and are generally measured based on reporting received from the fund managers. Procedures are performed to validate this reporting and may be subject to adjustments to ensure the funds are recorded at fair value. Refer to Note 6 for further details.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

3. Material Accounting Policies (continued):

(e) Intangible assets:

Computer software that is not an integral part of other property is accounted for as intangible assets. Computer software is stated at cost less accumulated amortization and accumulated impairment losses. Customer relationships acquired through wealth activities are measured at cost less accumulated amortization.

Amortization on computer software and customer relationships is recognized in net income using the straight-line method at rates based on the estimated useful lives of the related assets and components as follows:

Asset	
Computer software	3 – 14 years
Customer relationships	4 years

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

(f) Fixed assets:

Fixed assets are stated at cost less accumulated amortization and accumulated impairment losses. When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of fixed assets. Amortization is based on the cost of an asset less its residual value. Major components are amortized separately. Land is not amortized. Amortization on buildings and equipment is recognized in net income using the straight-line method at rates based on the estimated useful lives of the related assets and components as follows:

Asset	
Buildings	20 – 40 years
Parking lots and site improvements	10 – 25 years
Equipment	3 – 10 years
Leasehold improvements	Shorter of useful life and term of lease

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

3. Material Accounting Policies (continued):

(g) Leases:

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

FirstOntario, as a lessee, recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the end of the lease term plus first renewal period. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, FirstOntario's incremental borrowing rate. Generally, FirstOntario uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in FirstOntario's estimate of the amount expected to be payable under a residual value guarantee, if FirstOntario changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in net income if the carrying amount of the right-of-use asset has been reduced to zero.

FirstOntario presents right-of-use assets in fixed assets and lease liabilities are presented separately on the Consolidated Statement of Financial Position.

FirstOntario has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. FirstOntario recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

3. Material Accounting Policies (continued):

(h) Investment properties:

Investment properties are properties held for rental, development and/or for capital appreciation. These investment properties held in investments in joint ventures are initially measured at cost and subsequently at fair value with any change therein recognized in the ventures' profit or loss. Investment properties primarily consist of land and buildings held under joint venture agreements. Unrealized gains and losses from changes in fair value related to real estate are reported separately in Other Income (Note 23) in the Consolidated Statement of Income.

(i) Shares:

Membership, investment and patronage shares are classified either as liabilities or Members' equity. Where shares are redeemable at the option of the Member, either on demand or on withdrawal from membership, the shares are classified as liabilities and are measured at amortized cost. Shares that are redeemable at the discretion of FirstOntario's Board of Directors are classified as equity. Refer to Note 15 for a detailed breakdown of share balances.

(j) Dividends:

Dividends on shares classified as liabilities are reported as interest expense. Dividends on shares classified as equity are charged to retained earnings on the date at which distributions are declared payable by the Board of Directors. All dividends on shares are deductible for income tax purposes.

(k) Revenue recognition:

Loan interest income is recognized in the Consolidated Statement of Income using the effective interest method. Refer to Note 3(b) for a detailed explanation of the effective interest rate method. Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the effective interest rate.

FirstOntario enters into contracts with Members to provide banking services and is under agency contracts to provide access to credit card and insurance products, and investment advisory services to its Members. These contracts outline the terms and conditions for the services provided and a corresponding schedule that details the fee and commission for each performance obligation and when it is to be received. These revenues are recognized as the related services are performed and included as part of Other Income (Note 23) on the Consolidated Statement of Income.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

3. Material Accounting Policies (continued):

(l) Foreign exchange:

The Consolidated Financial Statements are presented in Canadian dollars, which is FirstOntario's functional currency. Monetary assets and liabilities denominated in foreign currencies, primarily US dollars, are translated into Canadian dollars at exchange rates prevailing at the year-end. Fixed assets and intangible assets are carried at the historical Canadian dollar cost. Income and expenses are translated at the exchange rates in effect on the date of the transactions. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in Other Income.

(m) Employee retirement benefits:

FirstOntario provides retirement benefits to certain employees. These benefits include registered pension plans, medical benefits, dental care and life insurance.

A defined contribution plan is a pension plan under which FirstOntario pays contributions to a separate entity. FirstOntario has no legal or constructive obligation to pay further contributions after its payment of a contribution in accordance with the pension plan. Defined contribution pension plan contributions are expensed in the period during which services are rendered by employees.

A defined benefit plan is a pension plan that defines the amount of the pension benefit that an employee will receive upon retirement, usually dependent on one or more factors, such as age, years of service and compensation. Employment retirement benefits include both pension and other post-retirement benefits.

FirstOntario's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for FirstOntario, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

3. Material Accounting Policies (continued):

(m) Employee retirement benefits (continued):

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. FirstOntario determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in salaries and employee benefits on the Consolidated Statement of Income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in net income. FirstOntario recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(n) Income taxes:

FirstOntario follows the asset and liability method of accounting for income taxes, whereby FirstOntario recognizes both the current and future income tax consequences of all transactions that have been recorded in the financial statements.

Current income taxes are the expected taxes refundable or payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxes payable in respect of previous years. Current tax assets and liabilities are classified as measured at amortized cost under IFRS 9.

Deferred income taxes provide for temporary differences between the carrying values of assets and liabilities and the amounts used for taxation purposes. The amount of deferred income tax provided is based on the expected timing of realization or settlement of the carrying value of assets and liabilities, using tax rates enacted or substantively enacted at the reporting period date. A deferred income tax asset is recognized only to the extent that it is probable that future taxable income will be available to utilize taxable benefits associated with the temporary difference in carrying value.

Deferred tax assets and liabilities are included in the Consolidated Statement of Financial Position.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

3. Material Accounting Policies (continued):

(o) Business combinations:

Business combinations are accounted for using the acquisition method of accounting. For every business combination, an acquirer is identified, which is the entity that obtains control of the other entity. In determining whether a particular set of activities and assets is a business, the Credit Union assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Credit Union has an option to apply a concentration test that permits a simplified assessment of whether acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is contracted in a single identifiable asset or group of similar identifiable assets.

The effective date of the business combination is the date the acquirer gains control of the acquired entity. The identifiable assets (including previously unrecognized intangible assets) and identifiable liabilities (including contingent liabilities but excluding future restructuring costs) of the acquired entity are measured at fair value. The excess of the consideration transferred over the fair values of the identifiable net assets is recognized as contributed surplus.

Acquisition related costs are expensed as incurred and are included in non-interest expenses.

4. New Standards and Interpretations not yet effective:

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after January 1, 2026, and earlier application is permitted. However, FirstOntario has not early adopted the new and amended accounting standards in preparing these consolidated financial statements.

Classification and measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7):

In May 2024, International Accounting Standards Board issued *Amendments to the classification and Measurement of Financial Instruments* which amended IFRS 9 and IFRS 7. The requirements will be effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted, and are related to:

- Settling financial liabilities using electronic payments systems, and
- Assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

FirstOntario will implement the new amendments beginning January 1, 2026, primarily affecting how accounts are classified within the financial statement of financial position.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

4. New Standards and Interpretations not yet effective (continued):

IFRS 18 Presentation and Disclosures in Financial Statements:

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

- Entities are required to classify all income and expenses into five categories in the consolidated statement of income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

FirstOntario is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Credit Union's Consolidated Statement of Income, the Consolidated Statement of Cash Flows and the additional disclosures required for MPMs. The Credit Union is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

5. Cash and Cash Equivalents:

(In thousands of dollars)	2025	2024
Cash on hand	\$ 13,389	\$ 12,525
Cash held with financial institutions	29,740	12,021
Other cash and cash equivalents	3,471	1,431
Total cash and cash equivalents	\$ 46,600	\$ 25,977

Cash and cash equivalents are carried at amortized cost in the Consolidated Statement of Financial Position and includes deposits with original maturities of three months or less.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

6. Investments:

Investments in debt securities

(In thousands of dollars)	2025	2024
<i>Debt securities measured at FVOCI:</i>		
Marketable securities (a)	\$ 177,480	\$ 126,909
<i>Debt securities measured at amortized cost:</i>		
Other investments (b)	28,339	28,339
Loans (c)	3,729	3,576
	\$ 209,548	\$ 158,824

Investments in equity instruments

(In thousands of dollars)	2025	2024
<i>Equity securities measured at FVOCI:</i>		
Shares – Central 1 (d)	\$ 6,327	\$ 6,233
<i>Equity securities measured at FVTPL:</i>		
Managed funds (e)	169,423	183,805
Investments - other	13,380	13,118
Investments measured under IFRS 9	189,130	203,156
Other investments	184	163
	\$ 189,314	\$ 203,319

Included in the table above, FirstOntario has US dollar (“USD”) denominated investments of \$123,613,000 USD (2024 - \$119,743,000 USD).

The following summarizes FirstOntario’s investments by the contractual repricing or maturity date, whichever is earlier:

(In thousands of dollars)	2025	2024		
	Carrying Amount	Average Yield	Carrying Amount	Average Yield
Within 1 year	\$ 59,206	2.33%	\$ 12,711	0.63%
Over 1 year	148,673	2.93%	144,465	4.41%
	207,879	2.76%	157,176	4.11%
Non-rate sensitive	189,464		203,592	
Accrued interest	1,519		1,375	
	\$ 398,862		\$ 362,143	

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

6. Investments (continued):

(a) Marketable securities:

FirstOntario holds a portfolio of debt securities with a business model intended to include both collecting contractual cash flows and selling. These liquid assets are held for liquidity risk management purposes. The cash flow characteristics of these debt instruments are SPPI. As such the portfolio is measured at FVOCI.

The debt securities within the portfolio include federal and provincial government bonds, corporate bonds, and mortgage-backed securities.

The following table summarizes the investment in marketable securities:

(In thousands of dollars)	2025	2024
Bonds	\$ 162,756	\$ 126,678
Mortgage backed securities	14,724	231
Balance at the end of year	\$ 177,480	\$ 126,909

Income earned on debt securities measured at FVOCI is presented below and is included within Investment Income in the Consolidated Statement of Income:

(In thousands of dollars)	2025	2024
Interest and investment income	\$ 4,787	\$ 4,980

(b) Other Investments:

FirstOntario holds guaranteed investment certificates with another financial institution in the amount of \$27,000,000 (2024 – \$27,000,000) maturing February 9, 2029, at a fixed annual interest rate of 5.50%. As at December 31, 2025 the guaranteed investment has accumulated accrued interest of \$1,339,000 (2024 – \$1,339,000) paid on annual basis.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

6. Investments (continued):

(c) Loans:

Loans included within investments, are loans invested into by FirstOntario through third parties and loans made outside of the normal member lending facilities on a partnership basis. FirstOntario has investments of \$nil (2024 - \$41,000) in a portfolio of short-term, low value personal loans, originated by a third party. Additionally, as part of its community outreach, FirstOntario has investments of \$3,729,000 (2024 - \$3,535,000) for loans with a not-for-profit community organization to enable and sustain continuation of affordable tenant rents. Loans are assessed for credit risk on an annual basis and adjusted accordingly as required.

(d) Central 1 shares:

As a member of Central 1, FirstOntario is required to maintain an investment in Central 1 shares based on FirstOntario's asset size relative to other Class A members. Central 1 rebalances their shares annually. During 2025, as part of this share rebalancing, FirstOntario was required to purchase 93,435 (2024 - 12,738) in Class A shares. In 2024, as part of the merger with Momentum Credit Union, FirstOntario acquired 40,904 Class A shares and 5,346 Class E shares.

The following table summarizes the investment in Central 1 Shares as at December 31, 2025:

(In thousands of dollars)	2025	2024
1,729,736 Class A Shares (2024 - 1,636,301)	\$ 1,730	\$ 1,636
45,968 Class E Shares (2024 - 45,968)	4,597	4,597
	\$ 6,327	\$ 6,233

FirstOntario has designated the Central 1 shares as measured at FVOCI as FirstOntario intends to hold these shares for the long term.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

6. Investments (continued):

(e) Managed funds:

FirstOntario holds certain investments within actively managed investment funds issued by external investment providers. Given the investments are actively managed by investment advisors, these investments are held for trading and are measured at FVTPL.

The fair value of the managed funds is determined primarily based on the net asset value ("NAV") reported by the fund managers. Procedures are performed to assess and substantiate reported NAVs provided by the fund managers as fair value.

In determining NAV, FirstOntario relies on fund manager prepared financial statements using accounting standards that differ from IFRS. Procedures are performed to ensure the reported NAV aligns with fair value in accordance with IFRS.

Early liquidation of the funds can result in a net realizable value that differs from the recorded NAV. On this basis, FirstOntario may apply a liquidity discount to managed funds that are expected to be partially or wholly liquidated prior to the initially expected hold period. Consideration of discounts to NAV are incorporated into the assessment of fair value of the financial instrument.

(In thousands of dollars)	2025	2024
Fair value at the beginning of year	\$ 183,805	\$ 152,482
Additions to portfolio	11,445	30,289
Disposals from portfolio	(11,562)	-
Distributions	(18,219)	(21,622)
Change in fair value	11,877	11,491
Change due to foreign exchange	(7,923)	11,165
Fair value at the end of year	\$ 169,423	\$ 183,805

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

7. Loans and Advances:

(In thousands of dollars)	2025	2024
Loans and advances classified as amortized cost, are as follows:		
Residential mortgage loans	\$ 4,723,039	\$ 4,247,635
Allowance for expected credit losses	(4,784)	(2,941)
	4,718,255	4,244,694
Personal loans	250,598	190,801
Allowance for expected credit losses	(4,113)	(2,537)
	246,485	188,264
Commercial loans	1,379,624	1,279,258
Allowance for expected credit losses	(4,935)	(5,088)
	1,374,689	1,274,170
Accrued interest receivable	15,355	13,927
Deferred charges	15,225	10,830
	6,370,009	5,731,885

Loans and advances classified as FVTPL, are as follows:

Commercial loans and advances	54,242	174,549
	\$ 6,424,251	\$ 5,906,434

Certain residential mortgage loans are securitized and have been legally transferred to other entities for funding purposes. These loans are administered by FirstOntario and recognized on the Consolidated Statement of Financial Position to the extent of FirstOntario's continuing involvement.

A summary of the carrying values of residential mortgage loans is as follows:

(In thousands of dollars)	2025	2024
Loans held by FirstOntario	\$ 4,349,436	\$ 3,954,465
Loans held by Securitization Trusts	373,603	293,170
	\$ 4,723,039	\$ 4,247,635

Additional details are provided in Note 9 related to FirstOntario's securitization activity.

Interest income for the year is as follows:

(In thousands of dollars)	2025	2024
Residential mortgage loans	\$ 195,657	\$ 189,353
Personal loans	14,522	11,611
Commercial loans	87,927	86,830
	\$ 298,106	\$ 287,794

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

7. Loans and Advances (continued):

As at December 31, total unamortized fees paid to third parties associated with lending activities of \$15,225,000 (2024 - \$10,827,000) are included in loans and advances. Amounts amortized into interest income in respect of these fees were \$7,598,000 during the year ended December 31, 2025 (2024 - \$7,978,000).

The following summarizes FirstOntario's loan portfolio by the contractual repricing or maturity date, whichever is earlier:

(In thousands of dollars)	2025		2024	
	Principal Balance	Average Yield	Principal Balance	Average Yield
Floating	\$ 1,376,368	5.21%	\$ 1,128,481	6.49%
Within 1 year	1,613,369	4.53%	1,296,460	5.36%
Over 1 year	3,417,766	5.08%	3,467,302	4.66%
	6,407,503	4.97%	5,892,243	5.16%
Allowance for expected credit losses (Note 8)	(13,832)		(10,566)	
	\$ 6,393,671		\$ 5,881,677	

8. Allowance for Expected Credit Losses:

FirstOntario applies the three stage approach to measure the allowance for expected credit losses, using the ECL approach as required under IFRS 9. The allowance is calculated based on the stage in which the financial asset falls at the reporting date. The financial assets migrate through the three stages based on the change in their credit risk since initial recognition.

ECL calculations are outputs of an ECL model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The ECL impairment model reflects the present value of all expected cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of the financial instrument, depending on the credit deterioration since its inception. The model reflects an unbiased, probability-weighted credit loss which considers multiple scenarios based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. Forward looking information is explicitly incorporated into the estimation of ECL.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

8. Allowance for Expected Credit Losses (continued):

The three stages of the allowance for expected credit losses are:

Stage 1 – Where there has not been a significant increase in credit risk (“SICR”) since initial recognition of a financial asset, an amount equal to 12 months ECL is recorded. The ECL is computed using a probability of default (“PD”) occurring over the next 12 months.

Stage 2 – When a financial asset experiences a SICR subsequent to initial recognition but is not considered to be in default, it is included in Stage 2. This requires the computation of ECL based on the PD over the remaining estimated life of the financial asset.

Stage 3 – Financial assets that are considered to be in default are included in this stage. The allowance captures lifetime ECL, which considers the recoverable amount of impaired loans.

The PD, EAD, and LGD are inputs used to estimate the ECL, and are modelled based on macroeconomic factors that are closely related with credit losses in the relevant portfolios, and are probability weighted using three scenarios. The measurement of ECL is based primarily on the product of the three variables:

- PD is an estimate of the likelihood of default over a given time horizon
- EAD is the expected exposure (balance of the loan plus accrued interest) in the event of default at a future default date
- LGD is an estimate of the loss arising where a default occurs at a given time and is based on the difference between the contractual cash flows due and those that FirstOntario would expect to receive, including from the realization of any collateral.

Assessment of significant increase in credit risk

The measurement of ECL for each stage and the assessment of SICR considers information about past events and current conditions as well as supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information (“FLI”) requires significant judgement. FirstOntario relies on a broad range of FLI’s, such as expected real GDP, unemployment rates, house price indices, interest rates and debt ratios. The inputs used in the model for calculating ECL may not always capture all characteristics of the market at the reporting date. To capture portfolio characteristics and risks, adjustments are made using management judgement.

When determining whether the risk of default on a financial asset has increased significantly since initial recognition, FirstOntario considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on FirstOntario’s historical experience and expert credit assessment, delinquency and monitoring, and macroeconomic outlook including FLI.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

8. Allowance for Expected Credit Losses (continued):

A summary of the loan allowance for expected credit losses is as follows:

(In thousands of dollars)	12-month ECL (Stage 1)	Lifetime ECL- Non-credit Impaired (Stage 2)	Lifetime ECL- Credit Impaired (Stage 3)	2025 Total
Balance at beginning of year	\$ 5,459	\$ 2,151	\$ 2,956	\$ 10,566
Transfer to (from):				
Stage 1	457	(402)	(55)	-
Stage 2	(168)	174	(6)	-
Stage 3	(137)	(115)	252	-
Re-measurement	(388)	1,334	6,162	7,108
Originations	2,624	4	-	2,628
Loans derecognized	(2,960)	(1,122)	(1,174)	(5,256)
Loans written-off	-	-	(1,268)	(1,268)
Recoveries	-	-	54	54
Balance at end of year	\$ 4,887	\$ 2,024	\$ 6,921	\$ 13,832

Provision for expected credit losses amounting to \$4,480,000 (2024 - \$2,167,000) is comprised of ECL related to re-measurement changes of \$7,108,000 (2024 - \$3,032,000) loan originations of \$2,628,000 (2024 - \$2,426,000), less loans derecognized of \$5,256,000 (2024 - \$3,291,000).

(In thousands of dollars)	12-month ECL (Stage 1)	Lifetime ECL- Non-credit Impaired (Stage 2)	Lifetime ECL- Credit Impaired (Stage 3)	2024 Total
Balance at beginning of year	\$ 5,290	\$ 2,141	\$ 1,897	\$ 9,328
Transfer to (from):				
Stage 1	200	(281)	81	-
Stage 2	(157)	176	(19)	-
Stage 3	(35)	(64)	99	-
Re-measurement	(856)	1,451	2,437	3,032
Originations	2,426	-	-	2,426
Loans derecognized	(1,409)	(1,272)	(610)	(3,291)
Loans written-off	-	-	(985)	(985)
Recoveries	-	-	56	56
Balance at end of year	\$ 5,459	\$ 2,151	\$ 2,956	\$ 10,566

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

8. Allowance for Expected Credit Losses (continued):

(In thousands of dollars)	Residential Mortgage Loans	Personal Loans	Commercial Loans	2025 Total
Balance at beginning of year	\$ 2,941	\$ 2,537	\$ 5,088	\$ 10,566
Loans written off	(117)	(1,144)	(7)	(1,268)
Recoveries	9	45	–	54
Provision for expected credit losses	1,951	2,675	(146)	4,480
Balance at end of year	\$ 4,784	\$ 4,113	\$ 4,935	\$ 13,832

(In thousands of dollars)	Residential Mortgage Loans	Personal Loans	Commercial Loans	2024 Total
Balance at beginning of year	\$ 2,610	\$ 2,229	\$ 4,489	\$ 9,328
Loans written off	(37)	(817)	(131)	(985)
Recoveries	–	56	–	56
Provision for expected credit losses	368	1,069	730	2,167
Balance at end of year	\$ 2,941	\$ 2,537	\$ 5,088	\$ 10,566

A summary of impaired loans is as follows:

(In thousands of dollars)	Residential Mortgage Loans	Personal Loans	Commercial Loans	2025 Total	2024 Total
Gross amount of loans identified as impaired	\$ 61,782	\$ 2,868	\$ 29,279	\$ 93,929	\$ 58,056
Related security less expected costs	58,221	1,386	27,401	87,008	55,100
ECL	\$ 3,561	\$ 1,482	\$ 1,878	\$ 6,921	\$ 2,956

A summary of loans past due but not impaired is as follows:

(In thousands of dollars)	<30 days	30-59 days	60-89 days	2025 Total	2024 Total
Residential mortgage loans	\$ 78,274	\$ 21,202	\$ 8,723	\$ 108,199	\$ 131,748
Personal loans	4,642	788	468	5,898	5,016
Commercial loans	52,236	2,390	–	54,626	13,728
Balance at end of year	\$ 135,152	\$ 24,380	\$ 9,191	\$ 168,723	\$ 150,492

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

8. Allowance for Expected Credit Losses (continued):

Economic Scenarios

FirstOntario determines ECL using multiple probability-weighted forward-looking scenarios. FirstOntario considers both internal and external sources of information in order to achieve an unbiased, probability-weighted measure of the scenarios used.

The “base case” represents most likely outcome and is given a probability weighting of 80%. The other scenarios represent more optimistic “best case” or more pessimistic “worst case” outcomes and are given a weighting of 10%.

The following table presents the key macroeconomic inputs the Credit Union uses to estimate its allowance over performing loans during the forecast period. The values shown represent the end-of-period average values for the first 12 months and then the average value for the remaining forecast period of four years.

	Worst Case		Base Case		December 31, 2025	
	12-month	Thereafter	12-month	Thereafter	12-month	Best Case Thereafter
Housing Price Index (HPI)	(3.6)%	7.5%	3.6%	8.1%	7.4%	11.3%
3-month banker's acceptance rate	1.6%	1.7%	2.3%	2.9%	3.6%	4.2%
Unemployment rate:						
Canada	7.8%	7.3%	6.7%	6.2%	6.2%	5.6%
Ontario	8.6%	7.9%	7.4%	6.7%	6.7%	6.1%

	Worst Case		Base Case		December 31, 2024	
	12-month	Thereafter	12-month	Thereafter	12-month	Best Case Thereafter
Housing Price Index (HPI)	(2.0)%	8.8%	0.9%	11.2%	2.6%	15.5%
3-month banker's acceptance rate	2.6%	1.5%	3.2%	2.9%	4.4%	4.1%
Unemployment rate:						
Canada	7.3%	6.5%	6.6%	5.4%	6.0%	4.9%
Ontario	7.8%	7.0%	7.0%	5.8%	6.4%	5.2%

The following table presents a sensitivity analysis by adjusting the probably weighting applied to the worst-base-best case scenarios as part of the year end loan provision. The probability applied was based on the following split (best – 10%, base 80%, worst 10%). The following tables present the impact of adjusting the best-base-worst scenarios.

(In thousands of dollars)		2025	2024
ECL utilizing weighting (10% / 80% / 10%)	\$	13,832	\$ 10,566
ECL utilizing weighting (5% / 90% / 5%)		13,821	10,559
ECL utilizing weighting (20% / 60% / 20%)		13,854	10,580

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

8. Allowance for Expected Credit Losses (continued):

Loan concentration

FirstOntario's commercial loan portfolio contains Member concentration risk, whereby a large amount of the loans are connected to certain individuals. Collectively, the largest five commercial Members by loan dollar value are associated with approximately 16% (2024 - 17%) of the commercial loan portfolio.

FirstOntario's commercial loan portfolio consists of the following industry sectors:

	2025	2024
Hospitality	20%	21%
Retail & Commercial Buildings	41%	42%
Construction	31%	29%
Other	8%	8%

Collateral

There are documented policies and procedures in place for the valuation of financial and non-financial collateral. The fair value of non-financial collateral is updated if there has been a significant change in the terms and conditions of the loan and (or) the loan is considered impaired. For impaired loans, an assessment of the collateral is taken into consideration when estimating the expected future cash flows and net realizable amount of the loan.

The amount and type of collateral and other credit enhancements required depend upon FirstOntario's assessment of counterparty credit quality and repayment capacity. FirstOntario complies with industry standards for collateral valuation, frequency of recalculation of the collateral requirements, documentation, registration and perfection procedures, and monitoring. Non-financial assets accepted by FirstOntario as collateral include vehicles, residential real estate, real estate under development, commercial real estate and certain business assets (accounts receivable, inventory, and fixed assets). Financial collateral includes cash and negotiable securities issued by governments and investment grade issuers. Guarantees are also accepted to reduce credit risk.

The value of identifiable collateral held against impaired loans amounted to \$89,802,000 (2024 - \$55,764,000). For each loan, the value of disclosed collateral is capped to the nominal amount of the loan that it is held against. At December 31, 2025, the related security less expected costs of credit impaired loans amounted to \$87,008,000 (2024 - \$55,100,000).

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

8. Allowance for Expected Credit Losses (continued):

The following table illustrates the credit quality of loans:

(In thousands of dollars)	12-month ECL (Stage 1)	Lifetime ECL- Non-credit Impaired (Stage 2)	Lifetime ECL- Credit Impaired (Stage 3)	2025	2024
<i>Retail Mortgages and Personal Loans</i>					
Unscored	\$ 30,192	\$ 782	\$ 1,084	\$ 32,058	\$ 24,805
A+	2,063,779	-	798	2,064,577	1,738,275
A	2,097,893	2,966	8,154	2,109,013	2,051,488
B	240,446	4,615	2,877	247,938	214,292
C	238,598	34,520	10,396	283,514	213,068
D	75,568	39,147	5,960	120,675	99,877
E	27,527	52,954	35,381	115,862	96,631
<i>Commercial Loans</i>					
Undoubted	-	-	-	-	-
Superior	278,947	-	-	278,947	265,777
Satisfactory	1,048,080	13,895	-	1,061,975	986,844
Watch list	-	9,423	29,279	38,702	26,637
Gross loan balance	6,101,030	158,302	93,929	6,353,261	5,717,694
Allowance for expected credit losses	(4,887)	(2,024)	(6,921)	(13,832)	(10,566)
Carrying amount	\$ 6,096,143	\$ 156,278	\$ 87,008	\$ 6,339,429	\$ 5,707,128

Refer to Note 19 – Financial Risk Management for a detailed explanation of the credit risk rating process of both portfolios.

9. Loan Securitizations:

FirstOntario enters into transactions in the normal course of business by which it transfers recognized financial assets directly to third parties or Special Purpose Entities (“SPE’s”). FirstOntario securitizes mortgage-backed securities through programs sponsored by the Canada Mortgage and Housing Corporation and other third party programs.

Certain transactions allow FirstOntario to transfer its contractual right to receive cash flows from the financial assets or retain the right but assume an obligation to pass on the cash flows from the asset, and transfer substantially all the risks and rewards of ownership. The risks include credit, interest rate, prepayment and other price risks. Under these conditions, the residential or commercial mortgages included in the mortgage-backed security meet the qualifications required to be derecognized under IFRS.

Residential and commercial mortgages that have been derecognized are those that meet the qualifications required to be derecognized under IFRS.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

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9. Loan Securitizations (continued):

The following table summarizes FirstOntario's securitization activity during the years ended December 31, 2025 and December 31, 2024:

(In thousands of dollars)	2025		2024	
	Residential Mortgages	Commercial Mortgages	Residential Mortgages	Commercial Mortgages
Amount securitized/sold	\$ 153,385	\$ 937,353	\$ 26,919	\$ 740,754
Net cash proceeds received	152,220	918,011	26,645	727,492
Outstanding balances of securitized loans	386,885	3,511,590	318,611	3,440,066

The following table summarizes the balances for securitized loans including those that are not required to be recorded on the Consolidated Statement of Financial Position:

(In thousands of dollars)	2025		2024	
	Residential Mortgages	Commercial Mortgages	Residential Mortgages	Commercial Mortgages
Outstanding balances of off-balance sheet securitized loans	\$ 13,282	\$ 3,511,590	\$ 25,441	\$ 3,440,066

The following table summarizes the retained rights held from loan securitizations. The total retained rights amounted to \$74,071,000 (2024 – \$59,474,000) as at December 31, 2025.

(In thousands of dollars)	2025		2024	
	Residential Mortgages	Commercial Mortgages	Residential Mortgages	Commercial Mortgages
Retained rights	\$ 210	\$ 73,861	\$ 347	\$ 59,127

The following table summarizes the weighted average key assumptions of the off-balance sheet securitization for retained rights related to all residential and commercial mortgages sold and derecognized under IFRS 9 as at December 31, 2025.

	2025	2024
Average life	2.7 years	2.8 years
Prepayment rate	0.00%	0.00%
Discount rate	2.84%	2.42%
Expected credit losses	0.00%	0.00%

FIRSTONTARIO CREDIT UNION LIMITED

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10. Investments in Joint Ventures:

FirstOntario periodically enters into agreements with third parties to jointly control and manage investment properties. These investments in joint ventures are initially measured at cost. These investments include joint ventures which hold investment properties held at fair value with any changes therein recognized in the joint ventures' profit or loss. Costs include initial acquisition costs and other costs incurred prior to the real estate being ready for its intended use. FirstOntario is committed to providing additional capital as required to maintain the service level of the joint ventures.

(In thousands of dollars)	2025	2024
Balance at the beginning of year	\$ 146,187	\$ 146,582
Share of total income in joint ventures	11,634	12,258
Capital investment contributions	7,797	3,081
Distributions	(8,050)	(15,734)
Proceeds on disposal	(8,930)	–
Balance at the end of year	\$ 148,638	\$ 146,187

FirstOntario's portion of the revenue and expenses from participation in the ventures has been included as real estate income in Other Income (Note 23) as follows:

(In thousands of dollars)	2025	2024
Operating revenues	\$ 16,250	\$ 14,316
Operating expenditures	12,530	12,401
Operating net income	3,720	1,915
Change in fair value of investment properties	7,796	10,343
Gain on sale of joint venture investment property	118	–
Share of total income in joint ventures	\$ 11,634	\$ 12,258

Certain investments in joint ventures hold commercial mortgages with FirstOntario. These mortgages are treated as loans between FirstOntario and the various joint ventures partners holding the investment properties. As at, December 31, 2025, the total principal value of the mortgages outstanding is \$29,750,000 (2024 - \$29,750,000).

During the year ended December 31, 2025, FirstOntario received \$8,050,000 (2024 - \$15,734,000) in distributions from the ventures.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

10. Investments in Joint Ventures (continued):

The estimate of fair value of underlying real estate investment properties was determined by experienced registered independent appraisers having appropriate recognized professional qualifications. The fair value measurement of all the investment properties of the joint ventures has been categorized as a level 3 fair value based on the inputs of the valuation technique used (see Note 20).

Investment property values were based on the appraiser's opinion of value having undertaken the following approaches:

- The Income Approach method where the investment is expected to be acquired by an investor basing criteria on an expected income flow.
- The Direct Comparison Approach method which determines the market range of unit prices demonstrated by the sales or listings of comparable properties.

Below is a summary of the significant unobservable inputs used in the modeling process:

	2025	2024
Capitalization rate	3.5% - 6.5%	4.3% - 7.3%
Risk-adjusted discount rate	8.3%	7.9%
Occupancy rate	90.0% - 98.5%	92.5% - 98.5%

Other unobservable inputs are the expected market rental growth rate and the rent-free periods.

An increase or decrease in the significant unobservable inputs would have the following impact on the estimated fair value of the joint ventures:

	Impact of Increase in Input	Impact of Decrease in Input
Capitalization rate	Decrease	Increase
Risk-adjustment discount rate	Decrease	Increase
Occupancy rate	Increase	Decrease

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

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11. Fixed Assets:

(In thousands of dollars)	Cost	Accumulated amortization	2025 Net book value
Land	\$ 802	\$ –	\$ 802,
Parking lots/Site improvements	39	39	–
Buildings	23,337	10,748	12,589
Equipment	18,670	13,355	5,315
Leasehold improvements	24,139	16,937	7,202
Total fixed assets	\$ 66,987	\$ 41,079	\$ 25,908

(In thousands of dollars)	Cost	Accumulated amortization	2024 Net book value
Land	\$ 1,922	\$ –	\$ 1,922
Parking lots/Site improvements	39	38	1
Buildings	22,665	12,670	9,995
Equipment	18,123	12,289	5,834
Leasehold improvements	24,328	17,008	7,320
Total fixed assets	\$ 67,077	\$ 42,005	\$ 25,072

Amortization in respect of the above assets for the year ended December 31, 2025 amounts to \$5,947,000 (2024 - \$6,550,000).

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

11. Fixed Assets (continued):

Reconciliations of the net book value for each class of fixed asset are summarized below:

(In thousands of dollars)	2025	2024
<u>Land</u>		
Net book value at the beginning year	\$ 1,922	\$ 802
Merger with Momentum Credit Union Limited	–	1,120
Disposals	(1,120)	–
Net book value at the end of the year	802	1,922
<u>Parking lots/Site improvements</u>		
Net book value at the beginning of the year	1	4
Amortization	(1)	(3)
Net book value at the end of the year	–	1
<u>Buildings</u>		
Net book value at the beginning of the year	9,995	11,225
Additions	5,590	721
Merger with Momentum Credit Union Limited	–	726
Disposals	(521)	(253)
Amortization	(2,475)	(2,424)
Net book value at the end of the year	12,589	9,995
<u>Equipment</u>		
Net book value at the beginning of the year	5,834	6,412
Additions	1,766	1,772
Merger with Momentum Credit Union Limited	–	109
Disposals	(28)	(9)
Amortization	(2,257)	(2,450)
Net book value at the end of the year	5,315	5,834
<u>Leasehold improvements</u>		
Net book value at the beginning of the year	7,320	6,638
Additions	1,233	1,999
Merger with Momentum Credit Union Limited	–	438
Disposals	(137)	(82)
Amortization	(1,214)	(1,673)
Net book value at the end of the year	7,202	7,320
Total net book value	\$ 25,908	\$ 25,072

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

12. Intangible Assets:

(In thousands of dollars)	Cost	Accumulated amortization	2025 Net book value
Software	\$ 35,676	\$ 20,578	\$ 15,098
Customer relationships	41	19	22
Total intangible assets	\$ 35,717	\$ 20,597	\$ 15,120

(In thousands of dollars)	Cost	Accumulated amortization	2024 Net book value
Software	\$ 33,407	\$ 17,066	\$ 16,341
Customer relationships	41	9	32
Total intangible assets	\$ 33,448	\$ 17,075	\$ 16,373

Amortization in respect of the above assets for the year ended December 31, 2025 amounts to \$3,529,000 (2024 - \$3,726,000).

Reconciliations of the net book value for each class of intangible assets are summarized below:

(In thousands of dollars)	2025	2024
<u>Software</u>		
Net book value at the beginning year	\$ 16,341	\$ 18,672
Additions	2,277	1,377
Disposals	(1)	–
Amortization	(3,519)	(3,708)
Net book value at the end of the year	15,098	16,341
<u>Customer relationships</u>		
Net book value at the beginning of the year	32	154
Additions	–	41
Disposals	–	(145)
Amortization	(10)	(18)
Net book value at the end of the year	22	32
Total net book value	\$ 15,120	\$ 16,373

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

13. Deposits:

Members' deposits, which are classified as amortized cost, are as follows:

(In thousands of dollars)	2025	2024
Chequing	\$ 665,231	\$ 636,244
Savings	966,928	782,658
Term deposits	3,539,551	3,164,008
Registered plans	1,009,720	939,287
	\$ 6,181,430	\$ 5,522,197

As at December 31, total unamortized fees paid to third parties associated with deposit activities of \$3,966,000 (2024 - \$3,576,000) are included within deposits. Included in registered plans and term deposits are \$23,362,000 in Equity-Linked Deposits at December 31, 2025 (2024 - \$18,765,000). See Note 18 for the related derivatives used to hedge exposure to equity market risk. Included in the table above, FirstOntario has US dollar denominated deposits of \$28,906,000 USD (2024 - \$24,971,000 USD).

Concentra Trust acts as the trustee for the majority of FirstOntario's tax deferred savings plans (tax-free savings accounts, registered retirement savings plans and registered retirement income funds). FirstOntario accepts deposits on behalf of the trustee and retains the funds deposited.

Interest expense for the year is as follows:

(In thousands of dollars)	2025	2024
Savings	\$ 11,734	\$ 17,949
Term deposits	143,357	150,435
Registered plans	34,045	35,726
	\$ 189,136	\$ 204,110

The following summarizes FirstOntario's Members' deposits by the contractual repricing or maturity date, whichever is earlier:

(In thousands of dollars)	Principal Balance	2025 Average Yield	Principal Balance	2024 Average Yield
Floating	\$ 990,463	1.62%	\$ 810,572	1.67%
Within 1 year	2,978,278	3.87%	2,276,304	4.85%
Over 1 year	1,406,973	3.85%	1,662,455	4.49%
	5,375,714	3.45%	4,749,331	4.18%
Non-rate sensitive	805,716		772,866	
	\$ 6,181,430		\$ 5,522,197	

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

14. Secured Borrowings and Securitization Liabilities:

The following tables detail amounts payable to Central 1 and other funding partners. Security pledged is set out in Note 24(b). All securitized borrowings and securitization liabilities are measured at amortized cost.

Secured Borrowings:

(In thousands of dollars)	2025	2024
Central 1 Credit Facilities - Operating loan facilities, bearing a variable interest rate of 3.15% (2024 – 4.16%) due within one year	\$ -	\$ 155,000

Securitization Liabilities:

(In thousands of dollars)	2025	2024
Mortgage-Backed Securities secured by residential mortgage loans, bearing a weighted average fixed interest rate of 3.16% (2024 - 2.76%), expected weighted average maturity date of 2028 (2024 - 2026)	\$ 296,502	\$ 272,281
Mortgage-Backed Securities secured by residential mortgage loans, bearing a weighted average variable interest rate of 3.81% (2024 – 4.98%), expected weighted average maturity date of 2029 (2024 - 2026)	77,101	20,889
	\$ 373,603	\$ 293,170

As at December 31, 2025 and December 31, 2024, FirstOntario was in compliance with all financial and non-financial covenants.

Interest expense associated with secured borrowings and securitizations liabilities during the year consisted of the following:

(In thousands of dollars)	2025	2024
Secured borrowings	\$ 7,218	\$ 11,490
Securitization liabilities	10,459	10,212
	\$ 17,677	\$ 21,702

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

15. Membership, Investment and Patronage Shares:

Authorized Share Capital

FirstOntario has authorized an unlimited number of membership shares. Such shares are issued for \$5 each and Members under the age of 21 must hold one membership share while those 21 and over are required to hold at least five shares and increase their holdings of membership shares to 30 shares over a 25-year period. Membership shares are redeemable, on withdrawal from membership, at the amount paid thereon provided FirstOntario is meeting the “capital adequacy” requirements (see Note 16) and they rank junior to Class A and Class B special shares for priority in the payment of dividends.

FirstOntario has also authorized an unlimited number of Class A and Class B special shares. Such shares are generally non-voting and non-participating with non-cumulative dividend entitlements. In respect of dividends, both classes rank senior to the membership shares and the Class B special shares rank ahead of the Class A special shares.

The Board of Directors has authorized a Series 1, Series 2, Series 2013, Series 2010, Series 2015, Series 2020, Series 2023 and Series 2024 for Class B special shares (“investment shares”). The investment shares have an issue price of \$1 each and are entitled to receive dividends if, as and when declared by the Board of Directors. Series 1, Series 2 and Series 2013 investment shares are redeemable at the holder’s request. Series 2010, 2015, Series 2020 and Series 2024 investment shares are redeemable at the sole and absolute discretion of the Board of Directors. Series 2023 investment shares are redeemable at the sole and absolute discretion of the Board of Directors starting in 2028. In any year, redemptions are restricted to 10% of the respective series of the outstanding investment shares.

The Board of Directors has authorized a series of Class A special shares, titled Class A, patronage shares. The patronage shares have an issue price of \$1 each and are entitled to receive dividends if, as and when declared by the Board of Directors. Class A, patronage shares are redeemable at the sole and absolute discretion of the Board of Directors starting in August 2026. In any year, redemptions are restricted to 10% of the respective series of the outstanding patronage shares.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

15. Membership, Investment and Patronage Shares (continued):

Issued and Outstanding

Membership shares and Series 1, 2 and 2013 investment shares are classified as liabilities and are measured at amortized cost. Dividends are recorded using the effective interest rate method. Series 2010, 2015, 2020, 2023 and 2024 investment shares and Class A, patronage shares are classified as equity as these shares are redeemable at the sole and absolute discretion of the Board of Directors.

On July 15, 2023, 14,028,343 Series 2023 shares were issued and recorded on the Consolidated Balance Sheet. On September 15, 2023, 14,304,920 Series 2023 shares were issued and recorded on the Consolidated Balance Sheet. On November 15, 2023, 25,860,921 Series 2023 shares were issued and recorded on the Consolidated Balance Sheet. In total, these shares were issued, net of issuance costs, in the amount of \$53,977,283. Five years subsequent to the initial offering, requests for redemption are considered for approval by the Board of Directors for Series 2023 shares. In any fiscal year, redemptions are restricted to 10% of the respective series of the outstanding investment shares.

On July 31, 2024, 895,981 Series 2024 shares were issued and recorded on the Consolidated Balance Sheet in connection with the acquisition of Momentum Credit Union Limited. In total, these shares were issued in the amount of \$895,981. Requests for redemption are considered for approval by the Board of Directors for Series 2024 shares. In any fiscal year, redemptions are restricted to 10% of the respective series of the outstanding investment shares.

On July 31, 2024, 1,546,925 Class A, patronage shares were issued and recorded on the Consolidated Balance Sheet in connection with the acquisition of Momentum Credit Union Limited. In total, these shares were issued in the amount of \$1,536,589. Requests for redemption of the Class A, patronage shares are considered for approval by the Board of Directors beginning in 2026. In any fiscal year, redemptions are restricted to 10% of the respective series of the outstanding Class A, patronage shares.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

15. Membership, Investment and Patronage Shares (continued):

(In thousands of dollars)	2025	2024
Membership shares:		
1,771,883 (2024 — 1,795,138) membership shares	\$ 8,859	\$ 8,976
Investment shares:		
4,091,219 (2024 – 4,100,504)		
Class B, Series 1, Special Shares	\$ 4,091	\$ 4,101
5,560,973 (2024 – 5,286,908)		
Class B, Series 2, Special Shares	5,561	5,287
890,573 (2024 – 846,658)		
Class B, Series 2013, Special Shares	891	847
Investment shares classified as liabilities	10,543	10,235
46,772,852 (2024 - 44,952,366)		
Class B, Series 2010, Special Shares	46,527	44,706
64,882,435 (2024 – 61,913,002)		
Class B, Series 2015, Special Shares	64,629	61,659
1,257,030 (2024 – 1,174,582)		
Class B, Series 2020, Special Shares	1,257	1,175
57,051,455 (2024 – 54,536,883)		
Class B, Series 2023, Special Shares	56,835	54,320
873,694 (2024 – 888,840)		
Class B, Series 2024, Special Shares	874	889
Investment shares classified as equity	170,122	162,749
Total investment shares	\$ 180,665	\$ 172,984
Patronage shares:		
1,518,955 (2024 – 1,517,670)		
Class A, Patronage Shares	1,519	1,518
Total patronage shares	\$ 1,519	\$ 1,518

Dividends

Dividends earned by membership and investment shares classified as liabilities and expensed on the Consolidated Statement of Income were as follows:

(In thousands of dollars)	2025	2024
Membership shares	\$ 613	\$ 636
Series 1, 2 and 2013 investment shares	653	598
Dividends on membership and investment shares	\$ 1,266	\$ 1,234
Dividends on Series 2010, 2015, 2020, 2023 and 2024 investment shares and patronage shares (classified as equity)	\$ 9,800	\$ 6,786

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

15. Membership, Investment and Patronage Shares (continued):

On March 6, 2025, the Board of Directors approved the issue of 616,859 Series 1, 2, and 2013 investment shares, 2,690,201 Series 2010 investment shares, 3,722,261 Series 2015 investment shares, 82,448 Series 2020 investment shares, 3,031,981, Series 2023 investment shares and 22,651 Series 2024 investment shares in payment of a dividend for the 12 months from January 1, 2024 to December 31, 2024.

On May 7, 2025, the Board of Directors approved the issue of 21,475 Patronage shares in payment of a dividend for the 5 months from August 1, 2025 to December 31, 2025.

The tables that follow present a reconciliation of the change in shares during the year:

	2025	2024
Membership Shares		
Opening balance	1,795,138	1,839,504
Shares issued during the year	162,976	105,373
Merger with Momentum Credit Union Limited (Note 25)	—	6,522
Shares redeemed	(186,231)	(156,261)
Membership shares	1,771,883	1,795,138
Class B, Series 1, Special Shares		
Opening balance	4,100,504	3,990,487
Shares issued during the year	244,516	239,254
Shares redeemed	(253,801)	(129,237)
Class B, Series 1, Special Shares	4,091,219	4,100,504
Class B, Series 2, Special Shares		
Opening balance	5,286,908	5,516,725
Shares issued during the year	321,546	330,639
Shares redeemed	(47,481)	(560,456)
Class B, Series 2, Special Shares	5,560,973	5,286,908
Class B, Series 2013, Special Shares		
Opening balance	846,658	831,808
Shares issued during the year	50,797	49,907
Shares redeemed	(6,882)	(35,057)
Class B, Series 2013, Special Shares	890,573	846,658
Class B, Series 2010, Special Shares		
Opening balance	44,952,366	44,063,200
Shares issued during the year	2,690,201	2,654,909
Shares redeemed	(869,715)	(1,765,743)
Class B, Series 2010, Special Shares	46,772,852	44,952,366

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Notes to Consolidated Financial Statements

For the year ended December 31, 2025

15. Membership, Investment and Patronage Shares (continued):

	2025	2024
<u>Class B, Series 2015, Special Shares</u>		
Opening balance	61,913,002	60,554,622
Shares issued during the year	3,722,261	3,630,638
Shares redeemed	(752,828)	(2,272,258)
Class B, Series 2015, Special Shares	64,882,435	61,913,002
<u>Class B, Series 2020, Special Shares</u>		
Opening balance	1,174,582	1,175,832
Shares issued during the year	82,448	70,540
Shares redeemed	–	(71,790)
Class B, Series 2020, Special Shares	1,257,030	1,174,582
<u>Class B, Series 2023, Special Shares</u>		
Opening balance	54,536,883	54,585,585
Shares issued during the year	3,031,981	430,160
Shares redeemed	(517,409)	(478,862)
Class B, Series 2023, Special Shares	57,051,455	54,536,883
<u>Class B, Series 2024, Special Shares</u>		
Opening balance	888,840	–
Merger with Momentum Credit Union Limited (Note 25)	22,651	895,981
Shares redeemed	(37,797)	(7,141)
Class B, Series 2024, Special Shares	873,694	888,840
<u>Class A, Patronage, Special Shares</u>		
Opening balance	1,517,670	–
Merger with Momentum Credit Union Limited (Note 25)	–	1,536,589
Shares issued during the year	21,475	–
Shares redeemed	(20,190)	(18,919)
Class A, Patronage Shares	1,518,955	1,517,670

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

16. Regulatory Reporting and Disclosure:

(a) Capital management:

FirstOntario maintains policies and procedures relative to capital management so as to ensure that capital levels are sufficient to cover risks inherent in the business.

FirstOntario's objectives when managing capital are:

- (i) To ensure that the quantity, quality and composition of capital required reflects the inherent risks of FirstOntario and to support the current and planned operations and portfolio growth.
- (ii) To provide a basis for confidence among Members, depositors, creditors and regulatory agencies.
- (iii) To ensure that FirstOntario maintains a level of capital that sufficiently protects against unanticipated losses and to comply with the minimum regulatory capital requirements set out in the Act.

Regulatory capital is calculated as a percentage of total assets and of risk-weighted assets. Risk-weighted assets are calculated by applying risk weight percentages, as prescribed by the Act, to various asset categories, operational and interest rate risk criteria. The prescribed risk weights are dependent upon the degree of risk associated with the asset.

FirstOntario manages its Tier 1 and Tier 2 capital in accordance with internal policies and regulatory requirements. Tier 1 capital is the highest quality and consists of retained earnings, contributed surplus, accumulated other comprehensive losses, membership shares and the portion of the value of Class B investment shares and Class A patronage shares that are not redeemable within 12 months.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

16. Regulatory Reporting and Disclosure (continued):

(a) Capital management (continued):

Tier 2 capital is comprised of the value of Class B investment shares ineligible as Tier 1 capital and the eligible portion of the allowance for impaired loans. In 2022, FSRA implemented Rule 2021-02 which revised various regulatory capital ratios, impacting the calculations, inclusion of new metrics and revisions to regulatory minimums.

The amount and composition of Tier 1 and Tier 2 capital were as follows:

(In thousands of dollars)	2025	2024
Tier 1 Capital		
Retained earnings	\$ 273,849	\$ 243,742
Contributed surplus	-	13,715
Non-controlling interest	(132)	(127)
Membership shares	8,859	8,976
Class B Investment Shares, Series 1 (90%)	3,682	3,691
Class B Investment Shares, Series 2 (90%)	5,005	4,758
Class B Investment Shares, Series 2010 (90%)	41,874	40,235
Class B Investment Shares, Series 2013 (90%)	802	762
Class B Investment Shares, Series 2015 (90%)	58,166	55,493
Class B Investment Shares, Series 2020 (90%)	1,131	1,175
Class B Investment Shares, Series 2023	56,835	54,320
Class B Investment Shares, Series 2024 (90%)	787	800
Class A Patronage Shares	1,519	1,518
Accumulated other comprehensive income	3,603	2,976
Pension assets	(3,186)	-
Intangibles – software	(10,538)	(12,021)
Total Tier 1 Capital	442,256	420,013
Tier 2 Capital		
Class B Investment Shares, Series 1 (10%)	409	410
Class B Investment Shares, Series 2 (10%)	556	529
Class B Investment Shares, Series 2010 (10%)	4,653	4,471
Class B Investment Shares, Series 2013 (10%)	89	85
Class B Investment Shares, Series 2015 (10%)	6,463	6,166
Class B Investment Shares, Series 2020 (10%)	126	-
Class B Investment Shares, Series 2024 (10%)	87	89
Stage 1 and 2 ECL	6,912	7,610
Total Tier 2 Capital	19,295	19,360
Total Regulatory Capital	\$ 461,551	\$ 439,373
Total Net Assets	\$ 7,352,370	\$ 6,743,066
Total Risk Weighted Assets	\$ 3,786,574	\$ 3,514,125

Net Assets and Risk Weighted Assets are calculated based on requirements under the regulatory reporting framework.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

16. Regulatory Reporting and Disclosure (continued):

(a) Capital management (continued):

Under the Regulations of the Act, FirstOntario must maintain minimum levels of regulatory capital. The leverage ratio calculates regulatory capital as a percentage of assets. The risk-weighted capital ratio calculates regulatory capital as a percentage of risk-weighted assets. FirstOntario complied with these requirements as follows:

	Regulatory Capital	Leverage Ratio		Total Capital Ratio	
		Minimum	Actual	Minimum	Actual
2025	\$ 461,551,000	3.00%	6.28%	8.00%	12.19%
2024	\$ 439,373,000	3.00%	6.52%	8.00%	12.50%

During the year, FirstOntario complied with all external capital requirements.

(b) Remuneration of officers and employees:

The Act requires disclosure of the five highest paid officers and employees of FirstOntario where total remuneration exceeds \$175,000 during the year. The individuals and their respective remuneration (salary, bonuses and benefits including any applicable retirement and post-employment benefits) included Lloyd Smith, Chief Executive Officer (\$657,000; \$72,000; \$48,000); David Moore, Chief Retail Banking Officer (\$436,000; \$30,000; \$38,000); Kevin Tom, Chief Investment Officer (\$448,000; \$25,000; \$39,000); John Doran, Chief Financial Officer (\$448,000; \$35,000; \$39,000); and Mark Perkins, Chief Risk Officer (\$448,000; \$25,000; \$39,000).

FirstOntario participates in compensation surveys to ensure alignment with the market and employs third party compensation consultants to provide more independence to the process. Chief Executive Officer compensation is reviewed and approved by the Board on an annual basis. As part of this review, the Board considers market expectations and projections of changes for comparable positions using, where available, independent, competent and relevant sources.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

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16. Regulatory Reporting and Disclosure (continued):

(c) Related party transactions:

FirstOntario's related parties include:

- (i) All members of the Board, Officers and Executives of FirstOntario.
- (ii) FirstOntario's subsidiaries FOIH, FOIB, FORC and FOGC.

FirstOntario Insurance Holdings Inc. is a wholly owned subsidiary of FirstOntario. FOIH is a holding company which manages FirstOntario's holdings in FirstOntario Insurance Brokers Inc. FOIH holds 51% of the ownership interests and voting rights of FOIB. All intercompany transactions and balances have been eliminated.

FOIB is an insurance brokerage which commenced operations during 2018. The remaining 49% of ownership interests and voting rights not held by FOIH are held by non-controlling interests. During the year, net income of \$5,000 (2024 - \$7,000) was allocated to non-controlling interests, resulting in accumulated non-controlling interests of \$132,000 (2024 - \$127,000) at December 31, 2025.

FORC is a wholly owned subsidiary of FirstOntario. FORC commenced operations in 2022 and holds ownership of the Credit Union's various interests in its real estate portfolio which includes various joint ventures as noted in Note 10.

FOGC is a wholly owned subsidiary of FirstOntario. FOGC holds ownership of the Credit Union's various interests in its limited partnerships which includes various joint ventures as noted in Note 10.

All intercompany transactions and balances have been eliminated.

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Notes to Consolidated Financial Statements

For the year ended December 31, 2025

16. Regulatory Reporting and Disclosure (continued):

(c) Related party transactions (continued):

- (iii) Defined benefit plans that are referred to in Note 22. FirstOntario's transactions with the plans include contributions paid into the plans. FirstOntario also pays for the expenses of the employee defined contribution plan. FirstOntario has not entered into other transactions with the defined benefit plans.

The following table outlines remuneration of members of the Board, Officers and Executives:

(In thousands of dollars)	2025	2024
Salaries, bonuses, and other short-term employee benefits	\$ 2,875	\$ 3,342
Post-employment benefits	143	160
Directors' remuneration	437	477
Total compensation	\$ 3,455	\$ 3,979

Related party balances as at December 31 are outlined in the following table:

(In thousands of dollars)	2025	2024
<u>Loans</u>		
Residential mortgages	\$ 1,886	\$ 1,803
Personal loans	27	834
Accrued interest	1	3
<u>Deposits and Shares</u>		
Deposits	985	1,367
Membership shares	3	3
Investment shares	264	311
Accrued interest	11	16

Total interest revenue derived from lending activity relating to key management personnel was \$132,000 during the year ended December 31, 2025 (2024 - \$132,000). Total interest expense from deposit-taking activity from related parties was \$41,000 during the year ended December 31, 2025 (2024 - \$41,000). During 2025 and 2024, no loans held by related parties were impaired. Loans provided to officers and executives are offered at the same terms and rates offered to all FirstOntario employees. Loans provided to members of the board of directors are offered the same commercial terms and rates as those offered to FirstOntario members.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

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17. Leases:

FirstOntario leases space for most of its branches, administrative offices and some computer equipment. The leases have varying terms, escalation clauses and renewal rights.

When measuring lease liabilities for new leases, FirstOntario discounted lease payments using its average incremental borrowing rate at the start of the lease term. FirstOntario estimated its incremental borrowing rates for portfolios of leases with similar characteristics, such as similar risk profiles, same or similar types of security, and similar lease terms. For new leases entered into in 2025, FirstOntario applied an incremental borrowing rate of 3.46% (2024 - 4.65%).

Information about leases for which FirstOntario is a lessee is presented below.

(i) Right-of-use assets:

Right-of-use assets relate to leased branch and office premises and computer equipment that are presented within fixed assets (see Note 11).

(In thousands of dollars)	2025	2024
Opening balance	\$ 6,952	\$ 8,471
Additions	5,552	930
Merger with Momentum Credit Union Limited (Note 25)	-	246
Disposals and adjustments	(43)	(213)
Amortization	(2,376)	(2,482)
Balance at end of year	\$ 10,085	\$ 6,952

Included in disposals and adjustments are disposals of right of use assets and non-cash reductions in the right of use balances for changes in lease rates and base rent amounts.

(ii) Lease liabilities:

The expense relating to interest on lease liabilities was \$407,000 (2024 - \$293,000).

Maturity analysis for leased liabilities is detailed below. FirstOntario has included optional lease renewal periods where FirstOntario has assessed the likelihood of renewal as "reasonably certain".

(In thousands of dollars)	2025	2024
Within 1 year	\$ 2,686	\$ 2,270
1 to 5 years	7,423	5,554
Over 5 years	2,255	753
Total undiscounted lease liabilities	\$ 12,364	\$ 8,577
Current portion of lease liabilities	\$ 2,271	\$ 2,037
Non-current portion of lease liabilities	8,632	5,851
Total lease liabilities	\$ 10,903	\$ 7,888

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

17. Leases (continued):

- (iii) Total cash outflows for leases are presented below. Non-lease payments represent variable payments for FirstOntario's branches and payments relating to warranties on FirstOntario's equipment.

(In thousands of dollars)	2025	2024
Payments on lease liabilities	\$ 2,901	\$ 2,963
Payments on low-value leases	306	262
Non-lease payments	1,672	1,628
Total cash outflows	\$ 4,879	\$ 4,853

18. Derivative Financial Instruments:

- (a) Asset liability management:

In the ordinary course of business, FirstOntario purchases derivative instruments from multiple counterparties in order to hedge against exposure to interest rate fluctuations.

These derivative instruments have a fair value that varies based on the particular instrument and changes in interest rates. The purpose of these instruments is to provide a hedge against interest rate fluctuations by improving FirstOntario's matching of its asset and liability position.

- (b) Product related:

FirstOntario offers deposit products linked to changes in equity indexes or specific bundles of equities. FirstOntario hedges the underlying risk of these products by entering into equity-linked purchase option contracts. Under the terms of these contracts, FirstOntario will receive payments approximate to the future payments to Members.

- (c) Foreign exchange forward contracts:

FirstOntario offers US dollar denominated deposit products and holds investments denominated in US dollars. In order to meet liquidity requirements FirstOntario sells US dollars and purchases US dollar foreign exchange forward contracts to economically hedge the exchange risk.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

18. Derivative Financial Instruments (continued):

The following table summarizes the notional amounts, maturities and fair values of FirstOntario's derivative portfolio as at December 31, 2025 and December 31, 2024:

						2025	
(In thousands of dollars)	Within 1 year	1 to 5 years	Over 5 years	Total	Fair Value		
					Assets	Liabilities	
Interest rate swaps	\$ 1,804,000	\$ 1,124,000	\$ –	\$ 2,928,000	\$ 5,395	\$ 10,284	
Bond forwards	59,814	–	–	59,814	68	120	
Equity-linked options	6,767	14,039	–	20,806	3,052	3,004	
Foreign exchange forward contracts	192,653	–	–	192,653	1,823	637	
2025 Total	\$ 2,063,234	\$ 1,138,039	\$ –	\$ 3,201,273	\$ 10,338	\$ 14,045	

						2024	
(In thousands of dollars)	Within 1 year	1 to 5 years	Over 5 years	Total	Fair Value		
					Assets	Liabilities	
Interest rate swaps	\$ 1,149,000	\$ 1,448,000	\$ 10,000	\$ 2,607,000	\$ 10,600	\$ 16,659	
Bond forwards	166,735	–	–	166,735	112	785	
Equity-linked options	4,218	14,371	–	18,589	1,953	1,670	
Foreign exchange forward contracts	189,140	–	–	189,140	933	3,219	
2024 Total	\$ 1,509,093	\$ 1,462,371	\$ 10,000	\$ 2,981,464	\$ 13,598	\$ 22,333	

Notional amounts are the contract amounts used to calculate the cash flows to be exchanged. They are a common measure of the volume of outstanding transactions, but do not represent credit or market risk exposure. Notional amounts, other than foreign exchange forward contracts, are not exchanged.

FirstOntario is exposed to credit risk which arises from the possibility that a counterparty to a derivative contract could default on their obligation to FirstOntario. Derivative contracts expose FirstOntario to loss only if changes in market rates cause a material unfavourable effect on a counterparty's position, which could then lead to the counterparty defaulting on its payment. FirstOntario only enters into derivative contracts with counterparties that FirstOntario has determined to be creditworthy.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

18. Derivative Financial Instruments (continued):

FirstOntario mitigates the credit risk of derivative contracts by entering into master netting agreements and holding collateral in the form of cash and marketable securities. Derivative transactions are transacted on exchanges, with Central Clearing Parties ("CCPs") or entered into under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions with the counterparty. FirstOntario executed credit support annexes in conjunction with its ISDA agreements with each counterparty, which requires FirstOntario and its counterparties to post collateral to mitigate counterparty credit risk. Collateral is also posted daily in respect of derivatives transacted on exchanges and with CCPs. Certain derivatives have the option to be 'settled-to-market' daily, whereby the daily variation margin is a partial settlement of the outstanding derivative positions, and the fair values of the derivatives are reduced accordingly; however, FirstOntario has not historically settled-to-market.

As of December 31, 2025, included within Other assets on the Consolidated Statement of Financial Position are amounts of \$5,130,000 for collateral receivables (2024 - \$8,828,000), relating to cash and security collateral posted by FirstOntario, due and repayable by the derivative counterparties on settlement of the corresponding derivatives. Accounts payable and accrued liabilities on the Consolidated Statement of Financial Position include \$4,280,000 (2024 - \$2,830,000) relating to cash and security collateral posted by counterparties, repayable by FirstOntario on settlement of the corresponding derivatives.

The bond forwards referred to in the above table are derivatives that either hedge interest rate risk on loans that are held for sale and designated as FVTPL (Note 7), or hedge interest rate risk on forecasted securitization transactions. The bond forwards that hedge interest rate risk on loans designated at FVTPL are not designated in hedge accounting relationships. The gains or losses on the bond forwards are mainly offset by the fair value change in the fair value of the loans held for sale and designated as FVTPL. The bond forwards that hedge forecasted securitization transactions are designated as cash flow hedges, as disclosed in Note 19.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

19. Financial Risk Management:

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of FirstOntario's risk management framework. The Board has delegated to the Risk Committee the responsibility for the development and monitoring of risk management policies. The Risk Committee reports regularly to the Board on its activities.

All risk management policies and established limits ensure that FirstOntario is in full adherence to the regulatory requirements prescribed in the Act as well as FSRA's standards of Sound Business and Financial Practices. The Board receives reports from management on FirstOntario's exposure to credit, interest rate, liquidity, foreign currency and other price risk regularly in order to monitor financial risks.

(a) Credit Risk:

Credit risk is the risk of financial loss to FirstOntario if a borrower, co-borrower, obligor or guarantor fails to meet payment obligations in accordance with agreed terms. FirstOntario's financial assets that are affected by credit risk include loans, receivables, investments, and derivative financial instruments. Credit risk is one of the most significant financial risks to FirstOntario and is continuously monitored.

FirstOntario's primary objective when managing credit risk is to ensure a portfolio of high-quality financial assets are properly diversified so as to balance the risk associated with the portfolio and the return on assets. Credit risk is identified and underwritten in accordance with established lending policies and procedures to ensure it falls within FirstOntario's risk appetite. Collateral is obtained and evaluated to provide support to credit risk exposure. Processes and models with respect to risk-taking are utilized along with applied business judgment to result in timely and effective identification, measurement, monitoring and management of Credit Risk.

Credit risk is managed in accordance with the Credit Risk Management Policy framework for loans receivable and non-members and the Market Risk Management Policy for investments and derivative financial instruments.

For loans receivable, credit risk is managed through an infrastructure based upon:

- (i) Approval by the Board of the credit risk management policy;
- (ii) Approval by the Chief Executive Officer of the discretionary limits of lending officers throughout FirstOntario;
- (iii) Credit adjudication subject to compliance with established policies, exposure guidelines and discretionary limits, as well as adherence to established standards of credit assessment. Credit approvals may be escalated to the Management Credit Committee and ultimately to the Board of Directors dependent upon credit exposure level and restricted party transactions;

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

19. Financial Risk Management (continued):

(a) Credit Risk (continued):

(iv) The Credit Department is charged with oversight of the following:

- a. The establishment of guidelines and procedures to monitor and limit concentrations in the portfolios in accordance with Board approved policies governing regulatory requirements, industry risk and group exposures;
- b. The development and implementation of credit risk models and policies for establishing borrower risk ratings to quantify and monitor the level of risk and facilitate management of retail and commercial credit;
- c. Implementation of an ongoing monitoring process of the key risk factors used in FirstOntario credit risk models.

Management has designed and implemented an effective system to measure, monitor and report credit risk exposure. Management reports credit risk exposure to the Board regularly.

In conducting lending activities, FirstOntario diversifies its portfolio of loans receivable and non-members to reduce overall credit risk. Residential mortgage and personal loans are diversified between authorized loan types, forms of security and certain geographic location and certain sectoral groupings.

Commercial loans are diversified through the establishment of credit exposure limits for specific industry sectors, groups of related borrowers and geographic location.

Credit exposure is assessed through the following:

- (i) Probability of default, which is an estimate of probability that a Member with a certain borrower risk rating, will default within a one-year time horizon.
- (ii) Loss given default, which represents the portion expected to be lost when a borrower defaults.
- (iii) Exposure at default, which represents the total value of the loan when a borrower defaults.

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner as follows:

- (i) Commercial loans are principally assessed based on factors including the Member's ability to service debt (debt service coverage ratio) and the secured amount (loan to value ratio). Management regularly reviews the commercial loan portfolio and assesses the credit risk associated with each loan.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

19. Financial Risk Management (continued):

(a) Credit Risk (continued):

- (ii) Automated credit scoring systems assist in assessing credit risk associated with residential mortgage and personal loans. These loans are managed as pools of homogeneous risk exposures using internal benchmarks based upon TransUnion Credit Vision and/or Equifax Beacon Scores. These global standard credit scores track each individual's past credit history and, using a mathematical model, predicts how likely a person is to repay a loan.

For investments and derivative financial instruments, risk is measured by reviewing exposure to individual counterparties to ensure the assets are within the policy limit by issuer weightings and by dollar amount. The quality of the counterparties is assessed through published credit rating agencies when available.

Except those financial assets at FVTPL and FVOCI, the carrying amount of financial assets recorded in the financial statements represents FirstOntario's maximum exposure to credit risk without taking into account the value of any collateral obtained. FirstOntario is also exposed to credit risk through transactions which are not recognized in the Consolidated Statement of Financial Position, such as granting financial guarantees and extending loan commitments. Refer to Note 8 for further details. The risk of losses from loans undertaken is reduced by the nature and quality of collateral obtained. Refer to Note 8 for a description of the nature of the security held against loans as at the date of the Consolidated Statement of Financial Position.

(b) Interest Rate Risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FirstOntario is exposed to interest rate risk when entering into banking transactions with Members, primarily deposit and lending activities.

FirstOntario's exposure to interest rate risk depends on the size and direction of interest rate changes, and on the size and maturity of mismatched positions. An interest-sensitive asset or liability is repriced when market interest rates change, when there is cash flow from final maturity, normal amortization, or when Members exercise prepayment, conversion or redemption options are offered for the specific product.

Interest rate risk is managed in accordance with the Structural Risk Management Policy. The Board delegates the responsibility to manage interest rate risk on a day-to-day basis to management.

FirstOntario's Structural Risk Management Policy includes:

- (i) Guidelines and limits on the structuring of the maturities, price and mix of deposits, loans, mortgages and investments and the management of cash flows derived from financial assets in relation to liabilities.
- (ii) Guidelines and limits on the use of derivative products to hedge against changes in cash flows as a result of changes in interest rates.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

The following table summarizes carrying amounts of Consolidated Statement of Financial Position assets, liabilities and equity, and derivative instruments to arrive at FirstOntario's interest rate gap based on the earlier of contractual repricing and maturity dates:

						2025
(In thousands of dollars)	Within 3 months	3 Months to 1 year	1 to 5 years	Over 5 years	Non Interest Sensitive	Total
Assets						
Loans and advances	\$ 1,675,533	\$ 1,314,204	\$ 3,256,137	\$ 161,629	\$ 16,748	\$ 6,424,251
Cash and cash equivalents	-	-	-	-	46,600	46,600
Investments, retained rights securitizations and investment in joint ventures	69	59,137	148,673	-	413,692	621,571
Other	1,975	3,846	4,517	-	70,934	81,272
	\$ 1,677,577	\$ 1,377,187	\$ 3,409,327	\$ 161,629	\$ 547,974	\$ 7,173,694
Liabilities and equity						
Deposits	\$ 1,525,219	\$ 2,443,522	\$ 1,406,973	\$ -	\$ 805,716	\$ 6,181,430
Loans and securitization liabilities	70,369	99,421	203,813	-	-	373,603
Equity and other	1,521	6,360	15,011	2,056	593,713	618,661
	\$ 1,597,109	\$ 2,549,303	\$ 1,625,797	\$ 2,056	\$ 1,399,429	\$ 7,173,694
Gap-Financial position	80,468	(1,172,116)	1,783,530	159,573	(851,455)	-
Gap-Derivatives	(697,814)	1,006,000	(308,186)	-	-	-
Interest rate gap 2025	\$ (617,346)	\$ (166,116)	\$ 1,475,344	\$ 159,573	\$ (851,455)	\$ -

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

						2024
(In thousands of dollars)	Within 3 months	3 Months to 1 year	1 to 5 years	Over 5 years	Non Interest Sensitive	Total
Assets						
Loans and advances	\$ 1,377,585	\$ 1,047,356	\$ 3,326,679	\$ 140,622	\$ 14,192	\$ 5,906,434
Cash and cash equivalents	-	-	-	-	25,977	25,977
Investments, retained rights securitizations and investment in joint ventures	8,224	4,487	140,964	-	414,129	567,804
Other	1,308	4,098	8,193	-	75,163	88,762
	\$ 1,387,117	\$ 1,055,941	\$ 3,475,836	\$ 140,622	\$ 529,461	\$ 6,588,977
Liabilities and equity						
Deposits	\$ 1,249,576	\$ 1,837,300	\$ 1,662,455	\$ -	\$ 772,866	\$ 5,522,197
Loans and securitization liabilities	206,414	33,840	207,916	-	-	448,170
Equity and other	4,584	3,986	20,766	885	588,389	618,610
	\$ 1,460,574	\$ 1,875,126	\$ 1,891,137	\$ 885	\$ 1,361,255	\$ 6,588,977
Gap-Financial position	(73,457)	(819,185)	1,584,699	139,737	(831,794)	-
Gap-Derivatives	(407,355)	576,000	(158,645)	(10,000)	-	-
Interest rate gap 2024	\$ (480,812)	\$ (243,185)	\$ 1,426,054	\$ 129,737	\$ (831,794)	\$ -

Key metrics involved in management of interest rate risk include the use of Earnings at Risk ("EaR") and Economic Value of Equity at Risk ("EVEaR"). EaR is defined as the change in the net interest income from a 100 basis point ("bps") shock to interest rates. This exposure is measured over a 12 month period. EVEaR is defined as the difference in the change in the present value of the asset portfolio and the change in the present value of the liability portfolio, including off-Statement of Financial Position instruments, resulting from a 100 bps interest rate shock. The following table summarizes the EaR and EVEaR as follows:

(In thousands of dollars)	2025	2024
EaR - Up 100 bps	\$ (500)	\$ 598
EaR - Down 100 bps	834	(201)
EVEaR - Up 100 bps	(0.97%)	(0.63%)
EVEaR - Down 100 bps	0.87%	0.61%

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Notes to Consolidated Financial Statements

For the year ended December 31, 2025

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

Fair Value Hedges

FirstOntario has designated certain hedging relationships involving interest rate swaps that are used to hedge a portfolio of fixed rate, prepayable mortgages as fair value hedges. Gains (losses) associated with the fair value adjustment of these derivatives are recognized in the Consolidated Statement of Income and are offset by the change in fair value of the hedged mortgages with any remaining difference representing hedge ineffectiveness.

FirstOntario has designated certain hedging relationships involving interest rate swaps that are used to hedge a portfolio of fixed rate term deposits as fair value hedges. Gains (losses) associated with the fair value adjustment of these derivatives are recognized in the Consolidated Statement of Income and are offset by the change in fair value of the hedged deposits with any remaining difference representing hedge ineffectiveness.

Cash Flow Hedges

FirstOntario has also designated hedging relationships involving bond forwards that hedged forecasted debt issuances associated with securitization activity as cash flow hedges. Realized gains (losses) on these derivatives are deferred and amortized in accordance with the effective interest rate method along with the debt originated.

Furthermore, FirstOntario has designated hedging relationships involving interest rate swaps that hedge variable rate marketable securities, variable rate debt, and variable rate member loans. Realized gains (losses) on these derivatives are deferred and recognized consistent with the recognition of the hedged item.

Derivative instruments designated in hedging relationships

The following table presents the fair values of the derivative instruments categorized by their hedging relationships, as well as derivatives that provide economic hedges, but are not formally designated in hedging relationships.

	2025			
(In thousands of dollars)	Fair Value Hedges	Cash Flow Hedges	Not designated in a hedging relationship	Total
Assets:				
Derivative Instruments	\$ 2,967	\$ 1,902	\$ 5,469	\$ 10,338
Liabilities:				
Derivative Instruments	9,374	418	4,253	14,045

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For the year ended December 31, 2025

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

				2024
(In thousands of dollars)	Fair Value Hedges	Cash Flow Hedges	Not designated in a hedging relationship	Total
Assets:				
Derivative Instruments	\$ 5,064	\$ 4,172	\$ 4,362	\$ 13,598
Liabilities:				
Derivative Instruments	15,431	–	6,902	22,333

The following table provides the remaining term to maturity analysis of the notional amounts and their carrying amounts by types of hedging relationships.

							2025
Fair value hedges (In thousands of dollars)	<u>Notional Amounts</u>				<u>Carrying Amounts</u>		
	Within 1 year	Between 1-5 years	Over 5 years	Total	Derivative Assets	Derivative Liabilities	
<u>Interest rate swaps:</u>							
Fixed pay swaps	\$ 309,000	\$ 718,500	\$ –	\$ 1,027,500	\$ 873	\$ 9,031	
Fixed receive swaps	1,157,500	182,000	–	1,339,500	2,094	343	
<u>Weighted average fixed interest rate:</u>							
Fixed pay swaps	4.08%	2.94%	–%	3.28%			
Fixed receive swaps	2.65%	2.47%	–%	2.62%			

							2024
Fair value hedges (In thousands of dollars)	<u>Notional Amounts</u>				<u>Carrying Amounts</u>		
	Within 1 year	Between 1-5 years	Over 5 years	Total	Derivative Assets	Derivative Liabilities	
<u>Interest rate swaps:</u>							
Fixed pay swaps	\$ 154,000	\$ 794,000	\$ –	\$ 948,000	\$ –	\$ 15,431	
Fixed receive swaps	593,750	360,000	–	953,750	5,064	–	
<u>Weighted average fixed interest rate:</u>							
Fixed pay swaps	4.32%	3.68%	–%	3.79%			
Fixed receive swaps	3.84%	3.36%	–%	3.66%			

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For the year ended December 31, 2025

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

							2025	
Cash flow hedges (In thousands of dollars)	Notional Amounts			Total	Carrying Amounts			
	Within 1 year	Between 1-5 years	Over 5 years		Derivative Assets	Derivative Liabilities		
<u>Interest rate hedge contracts:</u>								
Fixed receive swaps	\$ 70,000	\$ 186,000	\$ -	\$ 256,000	\$ 1,897	\$ 418		
<u>Bond forward contracts:</u>								
Forward contracts	5,000	-	-	5,000	5	-		
<u>Weighted average fixed interest rate:</u>								
Fixed receive swaps	2.70%	2.93%	-	2.86%				
Forward contracts	3.12%	-	-	3.12%				

							2024	
Cash flow hedges (In thousands of dollars)	Notional Amounts			Total	Carrying Amounts			
	Within 1 year	Between 1-5 years	Over 5 years		Derivative Assets	Derivative Liabilities		
<u>Interest rate hedge contracts:</u>								
Fixed receive swaps	\$ 171,250	\$ 159,000	\$ -	\$ 330,250	\$ 4,172	\$ -		
<u>Weighted average fixed interest rate:</u>								
Fixed receive swaps	3.94%	3.45%	-	3.70%				

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

The following table provides the carrying amount and accumulated fair value adjustments for financial instruments designated as the hedged item in a fair value hedge, as well as the ineffectiveness of fair value hedges recognized in the Consolidated Statement of Comprehensive Income.

								2025		
Fair value hedges		Carrying amount of hedged items				Accumulated amount of fair value adjustments on the hedged items included in the carrying amount			Hedge ineffectiveness	
		Active hedges	Discontinued hedges	Active hedges	Discontinued hedges	Gains (losses) on hedged items	Gains (losses) on hedging instruments	Hedge ineffectiveness in income		
(In thousands of dollars)										
Fixed rate assets:										
Loans and advances	\$1,128,574	\$ 224,513	\$ 8,710	\$ 1,799	\$ (5,474)	\$ 5,469			(5)	
Fixed rate liabilities:										
Deposits	(1,249,613)	(63,110)	(1,733)	(255)	3,351	(3,323)			28	
	\$ (121,039)	\$ 161,403	\$ 6,977	\$ 1,544	\$ (2,123)	\$ 2,146			23	

								2024		
Fair value hedges		Carrying amount of hedged items				Accumulated amount of fair value adjustments on the hedged items included in the carrying amount			Hedge ineffectiveness	
		Active hedges	Discontinued hedges	Active hedges	Discontinued hedges	Gains (losses) on hedged items	Gains (losses) on hedging instruments	Hedge ineffectiveness in income		
(In thousands of dollars)										
Fixed rate assets:										
Loans and advances	\$1,038,620	\$ 105,075	\$ 16,002	\$ (927)	\$ 12,480	\$ (12,280)			200	
Fixed rate liabilities:										
Deposits	(889,380)	–	(6,141)	–	(4,130)	4,971			841	
	\$ 149,240	\$ 105,075	\$ 9,861	\$ (927)	\$ 8,350	\$ (7,309)			1,041	

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

The following table provides the accumulated fair value adjustments for the purposes of hedge effectiveness testing on the financial instruments designated as part of a cash flow hedge, as well as the accumulated fair value adjustments on the corresponding hedging instruments, and the income or loss recognized in the Consolidated Statement of Income and the Consolidated Statement of Comprehensive Income.

	2025			
(In thousands of dollars)	Losses on hedged items	Gains on hedging instruments	Hedge ineffectiveness reclassified to income	Hedging gain recognized in OCI
Floating rate assets:				
Loans and advances	\$ 513	\$ (626)	\$ (113)	\$ (513)
Investments in debt securities	(599)	599	–	599
Floating rate liabilities:				
Secured borrowings	(522)	522	–	522
	\$ (608)	\$ 495	\$ (113)	\$ 608

	2024			
(In thousands of dollars)	Losses on hedged items	Gains on hedging instruments	Hedge ineffectiveness reclassified to income	Hedging gain recognized in OCI
Floating rate assets:				
Loans and advances	\$ (1,964)	\$ 2,042	\$ 78	\$ 1,964
Investments in debt securities	(1,082)	1,082	–	1,082
Floating rate liabilities:				
Secured borrowings	(937)	937	–	937
	\$ (3,983)	\$ 4,061	\$ 78	\$ 3,983

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Notes to Consolidated Financial Statements

For the year ended December 31, 2025

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

The following table presents the effects of cash flow hedges on FirstOntario's Consolidated Statement of Comprehensive Income on a pre-tax basis:

									2025
									Cash flow hedging reserve
(In thousands of dollars)	AOCI as at January 1, 2025	Change in fair value of hedging instrument recognized in OCI	Hedge ineffective-ness reclassified to income	Amount reclassified from AOCI to income	AOCI as at, December 31, 2025	Active hedges	Discontin-ued hedges		
Floating rate assets:									
Loans and advances	\$ 2,324	\$ (626)	\$ 113	\$ (472)	\$ 1,339	\$ 1,514	\$ (175)		
Investment in debt securities	1,532	599	-	(2,131)	-	-	-		
Floating rate liabilities:									
Secured borrowings	-	-	-	-	-	-	-		
Hedge of forecasted transaction	1,081	522	-	(556)	1,047	5	1,042		
	\$ 4,937	\$ 495	\$ 113	\$ (3,159)	\$ 2,386	\$ 1,519	\$ 867		
									2024
									Cash flow hedging reserve
(In thousands of dollars)	AOCI as at January 1, 2024	Change in fair value of hedging instrument recognized in OCI	Hedge ineffective-ness reclassified to income	Amount reclassified from AOCI to income	AOCI as at, December 31, 2024	Active hedges	Discontin-ued hedges		
Floating rate assets:									
Loans and advances	\$ 298	\$ 2,042	\$ (78)	\$ 62	\$ 2,324	\$ 2,564	\$ (240)		
Investment in debt securities	450	1,082	-	-	1,532	1,532	-		
Floating rate liabilities:									
Secured borrowings	722	937	-	(1,659)	-	-	-		
Hedge of forecasted transaction	1,310	-	-	(229)	1,081	-	1,081		
	\$ 2,780	\$ 4,061	\$ (78)	\$ (1,826)	\$ 4,937	\$ 4,096	\$ 841		

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For the year ended December 31, 2025

19. Financial Risk Management (continued):

(c) Liquidity Risk:

Liquidity risk is the risk that FirstOntario will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

FirstOntario engages in proper liquidity risk management practices to comply with regulatory requirements and to guarantee the funding of Member needs and obligations. FirstOntario's overall objective when managing liquidity is to ensure limited exposure to material liquidity risk.

Liquidity risk is managed in accordance with the Liquidity Risk Management Policy. Key elements of this policy include limits on the sources, quality and amount of liquid assets to meet operational requirements, regulatory requirements and contingency funding. Liquidity is monitored by management through FirstOntario's Asset/Liability Committee ("ALCO"), consisting of the senior management of the Credit Union.

Under the Regulations, FirstOntario must establish and maintain prudent levels of liquidity that are sufficient to meet its cash flow needs, including depositor withdrawals and all other obligations as they come due. FirstOntario targets to maintain operating liquidity within the range of 8% to 16%. The low end of the range has been established in order to maintain a comfortable cushion beyond the minimum policy requirements in order to meet cash needs, even during periods of market volatility. The following table summarizes FirstOntario's liquidity ratio as follows:

(In thousands of dollars)	2025	2024
Total Liquid Investments:		
Cash and cash equivalents	\$ 46,600	\$ 25,977
Marketable securities, including NHA MBS	698,455	704,800
	745,055	\$ 730,777
Deposits and borrowings:		
Deposits	\$ 4,493,791	\$ 3,659,995
Secured borrowings	-	155,000
12 months of expected Securitization maturities	516,049	589,411
	\$ 5,009,840	\$ 4,404,406
Liquidity ratio	14.87%	16.59%

The following tables demonstrate FirstOntario's ability to pay future obligations as financial assets and liabilities mature as at December 31, 2025 and 2024. These cash flows include both the contractual cash flows currently exposed on the Consolidated Statement of Financial Position and the cash flows that will be generated in the future. In the case of loans, the cash flows include estimated prepayments and credit losses based on experience and current economic conditions.

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Notes to Consolidated Financial Statements

For the year ended December 31, 2025

19. Financial Risk Management (continued):

(c) Liquidity Risk (continued):

							2025
(In thousands of dollars)	Within 1 month	2 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Not Specified	Total
Assets							
Loans and advances	\$ 1,568,343	\$ 2,156,774	\$ 2,229,491	\$ 806,298	\$ 64,106	-	\$ 6,825,012
Cash	46,600	-	-	-	-	-	46,600
Investments, retained rights securitizations and investments in joint ventures	139	64,965	80,837	80,003	-	412,188	638,132
Derivative financial instruments	683	5,138	3,158	1,359	-	-	10,338
Total cash inflow	\$ 1,615,765	\$ 2,226,877	\$ 2,313,486	\$ 887,660	\$ 64,106	\$ 412,188	\$ 7,520,082
Liabilities							
Members' deposits and shares	\$ 1,993,379	\$ 2,945,541	\$ 1,211,735	\$ 281,673	-	-	\$ 6,432,328
Secured borrowings and securitization liabilities	49,698	126,802	118,585	97,738	-	-	392,823
Other liabilities	32,586	2,462	4,645	2,778	2,255	266,136	310,862
Derivative financial instruments	368	5,251	6,077	2,349	-	-	14,045
Total cash outflow	\$ 2,076,031	\$ 3,080,056	\$ 1,341,042	\$ 384,538	\$ 2,255	\$ 266,136	\$ 7,150,058
							2024
(In thousands of dollars)	Within 1 month	2 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Not Specified	Total
Assets							
Loans and advances	\$ 332,409	\$ 2,254,463	\$ 2,799,110	\$ 822,424	\$ 199,759	-	\$ 6,408,165
Cash	25,977	-	-	-	-	-	25,977
Investments, retained rights securitizations and investments in joint ventures	32	18,072	56,429	101,932	272	409,252	585,989
Derivative financial instruments	60	5,344	4,968	3,226	-	-	13,598
Total cash inflow	\$ 358,478	\$ 2,277,879	\$ 2,860,507	\$ 927,582	\$ 200,031	\$ 409,252	\$ 7,033,729
Liabilities							
Members' deposits and shares	\$ 1,778,954	\$ 2,264,112	\$ 1,522,721	\$ 244,957	-	-	\$ 5,810,744
Secured borrowings and securitization liabilities	159,434	66,986	218,027	13,488	-	-	457,935
Other liabilities	36,491	2,081	3,458	2,095	753	270,930	315,808
Derivative financial instruments	1,931	4,614	11,204	4,422	162	-	22,333
Total cash outflow	\$ 1,976,810	\$ 2,337,793	\$ 1,755,410	\$ 264,962	\$ 915	\$ 270,930	\$ 6,606,820

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

19. Financial Risk Management (continued):

(d) Foreign Currency Risk:

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. FirstOntario is exposed to foreign currency risk as a result of its Members' activities in US dollar currency denominated deposits and cash transactions, as well as US dollar investments. Activities that expose FirstOntario to currency risk are measured, monitored and controlled daily to minimize risk. At any point in time, net US dollar exposure is limited by the Market Risk Management Policy to \$500,000 through the use of foreign exchange forward contracts. As at December 31, 2025, FirstOntario does not have significant exposure to changes in foreign currency exchange rates.

(e) Equity and Other Price Risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk. FirstOntario is primarily exposed to other price risk through fair value investments. However, these investments are limited by policy to ensure diversification of financial assets. FirstOntario may be further exposed to price risk through privately managed investments whereby the recorded fair value may not be equivalent to the liquidation value if the investments are sold on the secondary market. As at December 31, 2025, had the value of FirstOntario's managed funds, preferred, and common shares increased or decreased by 10% with all other variables remaining unchanged, the portfolio's asset value would have increased or decreased respectively by \$18,931,000 (2024 - \$20,332,000) or 4.2% (2024 - 4.7%) of total Members' Equity. As at December 31, 2025, had the value of FirstOntario's real estate underlying the joint ventures increased or decreased by 10% with all other variables remaining unchanged, the portfolio's asset value would have increased or decreased respectively by \$34,643,000 (2024 - \$24,976,000) or 7.7% (2024 - 5.8%) of total Members' Equity. The noted increase or decrease in real estate underlying the joint ventures of 10% is inclusive of the use of leverage of \$87,782,000 (2024 - \$80,551,000).

20. Fair Values of Financial Instruments:

The following table represents the fair values of FirstOntario's financial instruments. The fair values disclosed do not include the value of assets that are not considered financial instruments, such as fixed assets. The value of intangibles such as long-term Member relationships are also not included in the fair value amounts.

While the fair value amounts are intended to represent estimates of the amounts at which these instruments could be exchanged in a current transaction between willing parties, some of FirstOntario's financial instruments lack an available trading market. Consequently, the fair values presented are estimates derived using present value and other valuations techniques and may not be indicative of the net realizable values.

Due to the judgment used in applying a wide range of acceptable valuation techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

20. Fair Values of Financial Instruments (continued):

(In thousands of dollars)	FVTPL	FVOCI- Debt Instruments	FVOCI- Equity Instruments	Amortized Cost	Total Carrying Value	2025 Fair Value
Financial Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 46,600	\$ 46,600	\$ 46,600
Investments and retained rights securitizations	182,803	177,480	6,327	106,323	472,933	473,281
Loans and advances	54,242	-	-	6,370,009	6,424,251	6,442,841
Derivatives	8,436	1,902	-	-	10,338	10,338
Total financial assets	245,481	179,382	6,327	6,522,932	6,954,122	6,973,060
Financial Liabilities						
Members' deposits and shares	-	-	-	6,271,312	6,271,312	6,285,900
Secured borrowings and securitization liabilities	-	-	-	373,603	373,603	373,544
Accounts payable and accrued liabilities	-	-	-	32,362	32,362	32,362
Derivatives	14,045	-	-	-	14,045	14,045
Total financial liabilities	\$ 14,045	\$ -	\$ -	\$ 6,677,277	\$ 6,691,322	\$ 6,705,851

(In thousands of dollars)	FVTPL	FVOCI- Debt Instruments	FVOCI- Equity Instruments	Amortized Cost	Total Carrying Value	2024 Fair Value
Financial Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 25,977	\$ 25,977	\$ 25,977
Investments and retained rights securitizations	196,923	126,909	6,233	91,552	421,617	422,325
Loans and advances	174,549	-	-	5,731,885	5,906,434	5,922,660
Derivatives	9,426	4,172	-	-	13,598	13,598
Total financial assets	380,898	131,081	6,233	5,849,414	6,367,626	6,384,560
Financial Liabilities						
Members' deposits and shares	-	-	-	5,624,182	5,624,182	5,654,456
Secured borrowings and securitization liabilities	-	-	-	448,170	448,170	446,358
Accounts payable and accrued liabilities	-	-	-	36,302	36,302	36,302
Derivatives	22,333	-	-	-	22,333	22,333
Total financial liabilities	\$ 22,333	\$ -	\$ -	\$ 6,108,654	\$ 6,130,987	\$ 6,159,449

Interest rate sensitivity is the main cause of change in fair values of FirstOntario's financial instruments.

The following methods and assumptions were used to estimate the fair value of financial instruments:

- (a) The fair values of cash and accounts payable and accrued liabilities are assumed to approximate their book values, due to their short-term nature.
- (b) The estimated fair value of floating rate loans, demand deposits and floating rate deposits are assumed to be equal to book value as the interest rates on these loans and deposits reprice to market on a periodic basis.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

20. Fair Values of Financial Instruments (continued):

- (c) The estimated fair values of some non-publicly traded investments, fixed rate loans and fixed rate deposits are determined by discounting the expected future cash flows of these investments, loans, deposits and borrowings at current market rates for products with similar terms and credit risks.
- (d) The estimated fair values of derivative instruments are determined through valuation models on the derivative notional amounts, maturity dates and rates.
- (e) The estimated fair values of investments in publicly listed equity securities are determined using quoted market prices.
- (f) The estimated fair values of investments in publicly listed debt securities are determined using quoted market prices. For those debt securities measured at fair value that are not traded in an active market, fair value estimates are determined using valuation methods which maximize the use of observable market data and include discounted cash flow analysis and other commonly used valuation techniques.
- (g) The estimated fair values of managed funds are determined using the Net Asset Value reported by the general partner of the fund. Net Asset Values are primarily determined by the general partners using accepted industry valuation methods such as earnings multiples of comparable publicly traded companies or discounted cash flows.

Fair value measurements can be classified in a hierarchy in order to discern the significance of management assumptions and other inputs incorporated into the measurements. The three levels of fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – Inputs for the asset or liability that are not based on observable market data. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments are required to reflect differences between the instruments.

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For the year ended December 31, 2025

20. Fair Values of Financial Instruments (continued):

The following table summarizes the classification of FirstOntario's financial instruments held and reported on the Consolidated Statement of Financial Position at fair value:

				2025
(In thousands of dollars)	Level 1	Level 2	Level 3	Total
Assets				
Investments – FVTPL	\$ –	\$ –	\$ 182,803	\$ 182,803
Investments – FVOCI	162,756	14,724	6,327	183,807
Loans and advances - FVTPL	–	54,242	–	54,242
Derivative financial instruments	–	10,338	–	10,338
Total assets held at fair value	\$ 162,756	\$ 79,304	\$ 189,130	\$ 431,190
Liabilities				
Derivative financial instruments	\$ –	\$ 14,045	\$ –	\$ 14,045
Total liabilities held at fair value	\$ –	\$ 14,045	\$ –	\$ 14,045
2024				
(In thousands of dollars)	Level 1	Level 2	Level 3	Total
Assets				
Investments – FVTPL	\$ –	\$ 11,508	\$ 185,415	\$ 196,923
Investments – FVOCI	126,678	231	6,233	133,142
Loans and advances - FVTPL	–	174,549	–	174,549
Derivative financial instruments	–	13,598	–	13,598
Total assets held at fair value	\$ 126,678	\$ 199,886	\$ 191,648	\$ 518,212
Liabilities				
Derivative financial instruments	\$ –	\$ 22,333	\$ –	\$ 22,333
Total liabilities held at fair value	\$ –	\$ 22,333	\$ –	\$ 22,333

The following table summarizes the Level 2 fair values of FirstOntario's financial instruments whose carrying value are not fair value on the Consolidated Statement of Financial Position as at December 31, 2025. Financial assets and liabilities whose carrying values are a reasonable approximation of fair value are not included. FirstOntario's financial instruments held at amortized cost are all classified as Level 2 as identified below:

(In thousands of dollars)	2025	2024
Assets		
Loans receivable	\$ 6,388,599	\$ 5,748,111
Investments	32,784	32,786
Retained rights in loan securitizations	74,071	59,474
Fair value of assets held at carrying value	\$ 6,495,454	\$ 5,840,371
Liabilities		
Deposits and shares	\$ 6,285,900	\$ 5,654,456
Secured borrowings and securitization liabilities	373,544	446,358
Fair value of liabilities held at carrying value	\$ 6,659,444	\$ 6,100,814

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

21. Income Taxes:

The components of income tax expense are as follows:

(In thousands of dollars)	2025	2024
Current income tax expense	\$ 3,862	\$ 3,468
Deferred income tax expense (recovery)	1,468	(5,793)
Total income tax expense (recovery)	\$ 5,330	\$ (2,325)

Major components of income tax expense (benefit) include the following:

	2025	2024
Combined federal and provincial income taxes	26.5%	26.5%
Small business and credit union deductions	(8.3)	(8.3)
Income and expense permanent differences	(5.4)	(7.0)
Non-taxable capital gains on investment income	(2.5)	(29.0)
Tax rate change	4.7	3.5
Changes in estimates related to prior year	2.1	1.1
Other	(0.1)	(1.0)
Total income tax expense (recovery)	17.0%	(14.2)%

During 2024, as part of a tax risk mitigation strategy, FORC transferred a real estate joint venture to a wholly owned subsidiary, realizing capital gains and refundable tax on the transfer. The impact of this transaction is included in the non-taxable capital gains on investment income outlined in the table above.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

21. Income Taxes (continued):

The movements of deferred tax assets and liabilities, and the year end balances are presented below:

Asset (liability) (In thousands of dollars)	January 1, 2025	Charge to Income	Charge to OCI	Charge to Contributed Surplus	December 31, 2025
Fixed assets	\$ (2,873)	\$ 352	\$ -	\$ -	\$ (2,521)
Allowance for loan losses	1,045	329	-	-	1,374
Derivatives	-	-	-	-	-
Employee retirement benefits	412	(22)	(147)	-	243
Investments	(10,685)	(1,040)	8	-	(11,717)
Cash flow hedges	(895)	-	464	-	(431)
Other	(305)	(1,087)	-	-	(1,392)
Total	\$ (13,301)	\$ (1,468)	\$ 325	\$ -	\$ (14,444)

Asset (liability) (In thousands of dollars)	January 1, 2024	Charge to Income	Charge to OCI	Charge to Contributed Surplus	December 31, 2024
Fixed assets	\$ (4,121)	\$ 1,248	\$ -	\$ -	\$ (2,873)
Allowance for loan losses	1,387	(342)	-	-	1,045
Derivatives	204	(204)	-	-	-
Employee retirement benefits	438	109	(135)	-	412
Investments	(15,059)	4,715	(341)	-	(10,685)
Cash flow hedges	(505)	-	(390)	-	(895)
Other	(1,136)	267	-	564	(305)
Total	\$ (18,792)	\$ 5,793	\$ (866)	\$ 564	\$ (13,301)

The tax effect of items recorded in the Consolidated Statement of Comprehensive Income was as follows:

(In thousands of dollars)	2025	2024
Net unrealized loss (gain) on debt securities	\$ 8	\$ (377)
Net realized loss on debt securities	-	36
Net unrealized loss (gain) on cash flow hedges	464	(432)
Net loss on cash flow hedges transferred to earnings	-	42
Actuarial gain on defined benefit pension plans	(147)	(135)
Total tax effect of components of other comprehensive income	\$ 325	\$ (866)

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

22. Pensions and Other Employee Obligations:

FirstOntario provides retirement benefits to certain employees. These benefits include registered pension plans, medical benefits, dental care and life insurance. The recent actuarial valuations of the Pension Plans were completed as at April 1, 2023 for one plan, December 31, 2023 for three of the plans, December 31, 2024 for one plan, and December 31, 2025 for two of the plans.

The fair value of accrued benefit obligations was determined by independent actuaries as at December 31, 2025 and December 31, 2024.

(In thousands of dollars)	Defined Benefit Pensions		Other Defined Benefit Plans	
	2025	2024	2025	2024
Accrued benefit obligation				
Balance at the beginning of year	\$ 17,918	\$ 16,407	\$ 4,678	\$ 3,356
Merger with Momentum Credit Union Limited (Note 25)	–	2,076	–	1,055
Current service cost	348	394	32	36
Interest cost	774	836	209	192
Benefits paid	(1,033)	(1,435)	(404)	(445)
Annuity purchase	(2,012)	–	–	–
Actuarial (gain) loss	(410)	(360)	98	484
Settlement loss	57	–	–	–
Balance at end of year	\$ 15,642	\$ 17,918	\$ 4,613	\$ 4,678
Plan assets				
Fair value at beginning of year	\$ 20,216	\$ 17,274	\$ –	\$ –
Merger with Momentum Credit Union Limited (Note 25)	–	2,225	–	–
Expected return on plan assets	868	874	–	–
Actuarial gain on plan assets	499	853	–	–
Employer contributions	290	427	404	445
Benefits paid	(1,033)	(1,437)	(404)	(445)
Annuity purchase	(2,012)	–	–	–
Fair value at end of year	18,828	20,216	–	–
Balance at end of year	\$ 3,186	\$ 2,298	\$ (4,613)	\$ (4,678)

During 2025, FirstOntario completed an annuity buy-out for all members of the defined benefit component of the Retirement Pension Plan for former employees of Momentum Credit Union Limited. An annuity contract was purchased with Co-operators Life Insurance Company on April 25, 2025, with a premium of \$2,012,000 and the insurer assumed responsibility for all future benefit payments effective July 1, 2025. This transaction resulted in a full settlement of FirstOntario's defined benefit obligation for this Momentum plan. FirstOntario recognized a settlement loss of \$57,000 in the year as part of this transaction.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

22. Pensions and Other Employee Obligations (continued):

FirstOntario's net benefit plan expenses recognized in other comprehensive income were as follows:

(In thousands of dollars)	Defined Benefit Pensions		Other Defined Benefit Plans	
	2025	2024	2025	2024
Cumulative actuarial gain (loss) at beginning of year	\$ 1,108	\$ (105)	\$ 1,972	\$ 2,456
Actuarial gain (loss) in the year on liability	410	360	(98)	(484)
Actuarial gain in the year on plan assets	499	853	–	–
Cumulative actuarial gain at end of year	\$ 2,017	\$ 1,108	\$ 1,874	\$ 1,972

The net gain recognized in other comprehensive income of \$664,000 (2024 - \$594,000) during the year net of income tax expense of \$147,000 (2024 - \$135,000) as disclosed in Note 21.

FirstOntario's net benefit plan expenses recognized in the Consolidated Statement of Income were as follows:

(In thousands of dollars)	Defined Benefit Pensions		Other Defined Benefit Plans	
	2025	2024	2025	2024
Current service cost	\$ 348	\$ 394	\$ 32	\$ 36
Interest cost	774	836	209	192
Expected return on plan assets	(868)	(874)	–	–
Settlement loss	57	–	–	–
Total included in employee benefits expense	\$ 311	\$ 356	\$ 241	\$ 228

(In thousands of dollars)	Defined Contribution Pension	
	2025	2024
Contributions recorded as expenses	\$ 2,512	\$ 2,404

These net benefit plan and contribution expenses are included in salaries and employee benefits on the Consolidated Statement of Income. Aggregate contributions relating to defined benefit pensions and other defined benefit plans expected for the year ended December 31, 2026 is \$860,000.

The significant actuarial assumptions adopted by FirstOntario are as follows (weighted-average assumptions):

(In thousands of dollars)	Defined Benefit Pensions		Other Defined Benefit Plans	
	2025	2024	2025	2024
Discount rate	4.9%	4.7%	4.9%	4.7%
Rate of compensation increase	2.0%	2.0%	–	–

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

22. Pensions and other employee obligations (continued):

The expected rate of return on plan assets is based on the risks and associated returns expected of the underlying plan assets. Plan assets are held in balanced funds which includes equities and long-term bonds.

For measurement purposes, 5% and 3% rates of increase in the per capita cost of covered health care and dental care benefits respectively were assumed for 2025. The rate of increase for health care benefits was assumed to remain unchanged at 5%. The rate of increase for dental care benefits was assumed to remain unchanged at 3%.

A one percentage-point change in assumed health-care cost trend rates, discount rates and salary costs would have the following impact on other defined benefit plans:

(In thousands of dollars)	2025		2024	
	Defined benefit	Other plans	Defined benefit	Other plans
Health care				
1% increase	\$ n/a	\$ 248	\$ n/a	\$ 324
1% decrease	n/a	(221)	n/a	(286)
Discount rate				
1% increase	\$ (2,041)	\$ (355)	\$ (2,260)	\$ (370)
1% decrease	2,352	385	2,595	402
Salary rate				
1% increase	\$ 105	\$ n/a	\$ 101	\$ n/a
1% decrease	(103)	n/a	(99)	n/a

23. Other Income:

(In thousands of dollars)	2025	2024
Real estate	\$ 10,896	\$ 13,182
Other investment income	9,776	10,682
Mortgage and loan fees	6,973	6,085
Service charges and fees	5,372	4,782
Wealth management	3,121	2,775
Commissions	3,037	2,796
Other operational income	695	1,029
Securitization	9,300	5,835
Total other income	\$ 49,170	\$ 47,166

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For the year ended December 31, 2025

24. Commitments:

(a) Mortgage commitments and lines of credit:

At December 31, 2025, FirstOntario issued commitments to provide residential mortgage and commercial loans totaling \$447,616,000 (2024 - \$395,564,000). FirstOntario has also provided lines of credit to Members totaling \$985,220,000 at December 31, 2025 (2024 - \$905,000,000), against which Members have drawn \$371,165,000 (2024 - \$338,100,000).

(b) Credit facilities:

Central 1 has provided an operating loan facility to FirstOntario of \$243,010,000 (2024 - \$243,010,000). Loans to Members have been pledged as security for this facility and the \$nil (2024 - \$155,000,000) operating loan by an assignment of book debts and a general security agreement.

Caisse centrale Desjardins has provided an operating facility to FirstOntario in the amount of \$100,000,000 (2024 - \$100,000,000). When amounts are drawn against the facility, certain residential mortgages have been pledged as security.

See the Consolidated Statement of Financial Position and Note 14 for the outstanding amounts on these facilities.

(c) Contracts:

Interac ATM and point of sale switching services totaling \$1,506,000 over the next 4 years at present service levels (2024 - \$2,504,000 over the next 5 years).

Banking system support services and software maintenance totaling \$4,336,000 over the next 6 years (2024 - \$5,197,000 over the next 7 years).

Software licensing and support services totaling \$13,522,000 over the next 5 years at present service levels (2024 - \$6,037,000 over the next 5 years).

Telephone, network and voice services totaling \$2,318,000 over the next 2 years at present service levels (2024 - \$844,000 over the next 2 years).

Marketing and sponsorship agreement totaling \$757,000 over the next 3 years (2024 - \$1,522,000 over the next 4 years).

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

24. Commitments (continued):

(d) Managed funds unfunded commitments:

The Credit Union invests in private companies through its managed funds portfolio which includes private equity, private debt, and private infrastructure investments. These managed funds investments are limited partnerships where the Credit Union holds a limited partner interest of the fund. For the year ended December 31, 2025 the Credit Union has unfunded commitments of \$32,013,000 (December 31, 2024 - \$37,988,000) representing the aggregate amount of cashflows the Credit Union has committed to contribute as additional capital to these private investment funds to complete capital calls expiring in 2034.

(e) Naming rights:

In fiscal 2025, FirstOntario entered into an agreement with Hamilton Arena Company L.P., for the naming rights to the FirstOntario Concert Hall located in the City of Hamilton. The agreement is effective January 1, 2026 and provides the naming rights for 5 years at an average estimated cost of \$275,000 per year for an aggregate of \$1,374,000.

In fiscal 2017, FirstOntario entered into an agreement with The Corporation of the Town of Milton for the naming rights to the FirstOntario Centre for the Arts. The agreement is effective January 24, 2017 and provides the naming rights for 25 years at an estimated cost of \$200,000 per year for the first five years for an aggregate total of \$1,000,000. The financial obligations for this agreement have been completed.

In fiscal 2015, FirstOntario entered into an agreement with The Corporation of the City of St. Catharines, for the naming rights to the FirstOntario Performing Arts Centre. The agreement is effective January 1, 2016 and provides the naming rights for 25 years at an estimated cost of \$678,000 per year for the first five years for an aggregate total of \$3,390,000. The financial obligations for this agreement have been completed.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

25. Business Combination:

On July 31, 2024, FirstOntario Credit Union acquired Momentum and the results of its operations have been included in the consolidated financial statements since that date. FirstOntario assumed liabilities totalling \$134,691 in exchange for assets of \$140,228.

(In thousands of dollars)	Fair Value
Cash and cash equivalents	\$ 2,027
Investments	29,430
Loans and accrued interest	105,482
Deferred tax assets	564
Fixed assets	2,147
Pension asset (net)	149
Right of use assets	246
Other assets	183
Member deposits	(129,250)
Lease liabilities	(297)
Pension liability	(1,055)
Other liabilities	(1,623)
Member shares	(33)
Investment shares	(896)
Patronage shares	(1,537)
Fair market value of net assets acquired	\$ 5,537

The fair market value of net assets acquired excludes a promissory note payable to the Momentum legal entity totalling \$4,992,000. The promissory note settles without payment upon wind-up of the Momentum legal entity or in the event the Momentum legal entity is not wound up, the promissory note is cancelled without payment. The fair market value of net assets acquired was recorded in contributed surplus.

The carrying value of cash and cash equivalents approximate their fair value due to their short-term nature.

Investments consist predominantly of Provincial government debt securities and investment grade corporate bonds, and the fair value was determined based on discounted cash flow techniques based on the contractual cash flows of the securities.

The carrying values of loans was approximated using discounted cash flow techniques based on the contractual repayment of the products.

Fixed assets consist of one Momentum branch and parking lot, and have been valued consistent with an opinion of value received from a qualified real estate professional. Fixed assets acquired also include ATM's and branch improvements. Fair market value for these assets was measured based on the carrying value of the assets.

FIRSTONTARIO CREDIT UNION LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

25. Business Combination (continued):

Acquired member deposits that are subject to a fixed term and interest rate have been measured at fair value based on discounted cash flow techniques based on contractual cash flows of the securities. The fair market value of deposits with no fixed term or a variable rate has been presumed to be equal to carrying value.

Lease liabilities and the corresponding right of use assets were measured based on the remaining contractual terms, measured at FirstOntario's incremental borrowing rate at the time of the acquisition.

Pension assets and liabilities were measured based on an actuarial assessment completed at the time of the acquisition.

Investment shares and patronage shares assumed by FirstOntario were cancelled by Momentum, and replaced by FirstOntario Class B investment shares and FirstOntario Class A patronage shares. The replacement value was identical to the carrying value prior to the acquisition, and the terms of the FirstOntario investment shares and FirstOntario patronage shares are identical to the terms of the cancelled Momentum investment shares and the cancelled Momentum patronage shares.

26. Comparative figures:

Certain comparative information has been reclassified to confirm with the financial statement presentation adopted in the current year.