

2025

ANNUAL REPORT

Consolidated Financial Statements



Independent Auditor's Report

To the Members of First West Credit Union

Opinion

We have audited the consolidated financial statements of First West Credit Union (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2025
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in members' 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 Entity as at December 31, 2025, 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 Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

The logo for KPMG LLP, featuring the letters 'KPMG' in a bold, sans-serif font, followed by 'LLP' in a smaller, similar font. A horizontal line is drawn underneath the text.

Chartered Professional Accountants
Vancouver, Canada

March 5, 2026

First West Credit Union

Consolidated Statement of Financial Position
(Expressed in thousands of dollars)

December 31, 2025, with comparative information for 2024

	Notes	2025	2024
Assets			
Cash resources	8	\$ 276,115	\$ 297,124
Derivative assets	9	16,338	19,198
Loans to members	10	13,023,776	12,498,946
Investments	11	1,221,465	1,183,534
Securitization retained interests	29	764	-
Premises and equipment	12	168,627	176,569
Intangible assets	13	33,802	26,972
Deferred tax assets	26	24,966	24,924
Other assets	14	36,088	35,573
		\$ 14,801,941	\$ 14,262,840

Liabilities and Members' Equity

Deposits from members	15	\$ 11,869,657	\$ 11,802,076
Borrowings	16	1,290,275	1,226,564
Debt securities in issue	17	506,708	154,650
Derivative liabilities	9	7,843	23,512
Deferred tax liabilities	26	17,624	16,583
Other liabilities	18	193,600	158,426
		13,885,707	13,381,811
Members' equity		916,234	881,029
		\$ 14,801,941	\$ 14,262,840

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

_____ Director

_____ Director

First West Credit Union

Consolidated Statement of Profit or Loss
(Expressed in thousands of dollars)

Year ended December 31, 2025, with comparative information for 2024

	Notes	2025	2024
Interest income:			
Loans		\$ 574,103	\$ 594,179
Cash resources and investments		32,824	55,175
		<u>606,927</u>	<u>649,354</u>
Interest expense:			
Deposits		304,926	404,952
Borrowings		51,001	42,538
Debt securities in issue		20,088	23,564
Lease liabilities		2,936	2,900
		<u>378,951</u>	<u>473,954</u>
Net interest income	21	227,976	175,400
Provision for credit losses	10	12,678	4,652
		<u>215,298</u>	<u>170,748</u>
Fee and commission income	22	95,872	83,783
Other income	23	18,936	15,793
		<u>330,106</u>	<u>270,324</u>
Personnel expenses	24	171,856	171,055
Depreciation and amortization		22,460	21,496
Other expenses	25	97,434	93,329
		<u>291,750</u>	<u>285,880</u>
Profit (loss) before income tax expense from operations		38,356	(15,556)
Income tax expense (recovery)	26	7,867	(3,587)
Profit (loss) for the year		<u>\$ 30,489</u>	<u>\$ (11,969)</u>

See accompanying notes to consolidated financial statements.

First West Credit Union

Consolidated Statement of Comprehensive Income
(Expressed in thousands of dollars)

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Profit (loss) for the year	\$ 30,489	\$ (11,969)
Other comprehensive income (loss), net of income taxes:		
Items that may be reclassified to consolidated profit or loss:		
Hedging reserve (cash flow hedges):		
Net unrealized gain		
(net of income taxes of (\$1,478) (2024 - (\$2,850)))	8,296	13,914
Fair value reserve:		
Net change in fair value		
(net of income taxes of \$298 (2024 - \$5))	(1,672)	(22)
Total other comprehensive income, net of income taxes	6,624	13,892
Comprehensive income	\$ 37,113	\$ 1,923

See accompanying notes to consolidated financial statements.

First West Credit Union

Consolidated Statement of Changes in Members' Equity
(Expressed in thousands of dollars)

Year ended December 31, 2025, with comparative information for 2024

	AOCI						2025 Total
	Equity shares	Hedging reserve	Fair value reserve	Contributed surplus	Retained earnings		
Balance at December 31, 2024	\$ 20,762	\$ (27,084)	\$ (475)	\$ 163,651	\$ 724,175	\$ 881,029	
Profit for the year	-	-	-	-	30,489	30,489	
Other comprehensive income, net of income taxes:							
Changes in fair value	-	8,296	(1,672)	-	-	6,624	
Total other comprehensive income (loss)	-	8,296	(1,672)	-	-	6,624	
Comprehensive income (loss)	-	8,296	(1,672)	-	-	6,624	
Reclassification of contributed Surplus to retained earnings	-	-	-	(163,651)	163,651	-	
Contributions by and distribution to members:							
Dividends, net of related tax savings	-	-	-	-	(759)	(759)	
Redemptions of equity shares	(1,149)	-	-	-	-	(1,149)	
Total distribution to members	(1,149)	-	-	-	(759)	(1,908)	
Balance at December 31, 2025	\$ 19,613	\$ (18,788)	\$ (2,147)	\$ -	\$ 917,556	\$ 916,234	

	AOCI						2024 Total
	Equity shares	Hedging reserve	Fair value reserve	Contributed surplus	Retained earnings		
Balance at December 31, 2023	\$ 22,443	\$ (40,998)	\$ (453)	\$ 163,651	\$ 737,115	\$ 881,758	
Loss for the year	-	-	-	-	(11,969)	(11,969)	
Other comprehensive income, net of income taxes:							
Changes in fair value	-	13,914	(22)	-	-	13,892	
Total other comprehensive income (loss)	-	13,914	(22)	-	-	13,892	
Comprehensive income (loss)	-	13,914	(22)	-	-	13,892	
Reclassification of contributed Surplus to retained earnings	-	-	-	-	-	-	
Contributions by and distribution to members:							
Dividends, net of related tax savings	-	-	-	-	(971)	(971)	
Redemptions of equity shares	(1,681)	-	-	-	-	(1,681)	
Total distribution to members	(1,681)	-	-	-	(971)	(2,652)	
Balance at December 31, 2024	\$ 20,762	\$ (27,084)	\$ (475)	\$ 163,651	\$ 724,175	\$ 881,029	

See accompanying notes to consolidated financial statements.

First West Credit Union

Consolidated Statement of Cash Flows
(Expressed in thousands of dollars)

Year ended December 31, 2025, with comparative information for 2024

	Notes	2025	2024
Cash provided by (used in):			
Cash flows from operating activities:			
Profit (loss) for the year		\$ 30,489	\$ (11,969)
Adjustments for:			
Provision for credit losses		12,678	4,652
Depreciation and amortization		22,460	21,496
Net interest income		(227,976)	(175,400)
Gain on securitization		(157)	-
Income tax expense (recovery)		7,867	(3,587)
Changes in:			
Derivative assets and liabilities		(12,886)	(2,016)
Loans to members		(536,638)	(594,989)
Securitization retained interest		(607)	-
Other assets		1,981	29,249
Deposits from members		102,540	(165,800)
Other liabilities		37,372	37,121
Interest received		606,134	648,266
Interest paid		(408,344)	(481,372)
Dividends paid		(914)	(1,169)
Income tax received (paid)		(2,586)	180
Net cash flows used in operating activities		(368,587)	(695,338)
Cash flows from investing activities:			
Acquisition of investments		(781,624)	(741,090)
Disposal of investments		743,695	1,122,393
Acquisition of:			
Premises and equipment, net		(6,005)	(6,405)
Intangible assets, net		(12,545)	(4,723)
Net cash flows provided by (used in) investing activities		(56,479)	370,175
Cash flows from financing activities:			
Proceeds from borrowings		528,816	814,209
Repayment of borrowings		(465,053)	(509,874)
Proceeds from debt securities in issue		349,376	210
Repayment of debt securities in issue		-	(149,724)
Repayment of lease liabilities		(7,933)	(7,763)
Redemption of equity shares		(1,149)	(1,681)
Net cash flows provided by financing activities		404,057	145,377
Net decrease in cash resources		(21,009)	(179,786)
Cash resources, beginning of year		297,124	476,910
Cash resources, end of year	8	\$ 276,115	\$ 297,124

See accompanying notes to consolidated financial statements.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

1. Reporting entity:

First West Credit Union (the "Credit Union") is domiciled in Canada and its head office is located at 19933 - 88th Avenue, Langley, British Columbia. The Credit Union is governed by the Credit Union Incorporation Act (British Columbia) and is also subject to the provisions of the *Financial Institutions Act* (British Columbia) (the "Act"). The consolidated financial statements of the Credit Union, as at and for the year ended December 31, 2025, comprise the Credit Union and its subsidiaries (hereinafter together referred to as the "Credit Union" and individually as "Credit Union entities"). The Credit Union primarily is involved in retail and commercial banking, asset management services, and other integrated financial products and services.

2. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The consolidated financial statements were authorized for issue by the Board of Directors on March 5, 2026.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis, except for the following:

- (i) financial instruments measured at fair value; and
- (ii) the liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

(c) Functional currency:

The consolidated financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

3. Use of estimates and judgments:

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Credit Union's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

3. *Use of estimates and judgments (continued):*

The principal areas involving a higher degree of judgment or complexity and/or areas which require significant estimates are described below:

(a) Expected credit losses on loans to members:

The Credit Union regularly reviews its loan portfolio to assess for impairment using the “expected credit loss” (“ECL”) model under IFRS 9. The ECL model requires the recognition of credit losses based on 12-months of expected losses for performing loans (Stage 1) and recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2). Credit impaired loans require recognition of lifetime losses (Stage 3). The determination of a significant increase in credit risk takes into account many different factors and varies by product and risk segment, which requires experienced credit judgment.

The calculation of 12-month expected losses for Stage 1 loans and lifetime expected losses for Stage 2 loans and credit-impaired loans for Stage 3 loans requires management to make estimates of the probabilities of default, current collateral values and resulting loss given default, exposure at default, impacts of forward-looking information and forecasts of macroeconomic conditions to the Credit Union’s ECLs and expected remaining lives of the loans. Changes in any one of the inputs to the ECL calculation can significantly affect the amount of loss allowance recognized in the consolidated financial statements.

(b) Income taxes:

The Credit Union computes an effective tax rate which includes an evaluation of the small business tax rate available to eligible credit unions under the relevant provincial tax statutes. In general, the amount of taxable income eligible for the provincial small business rate is limited by the credit union’s cumulative taxable income that was taxed at the provincial small business rate as a proportion of amounts owing to members, including deposits and shares. An estimate of deposit, share and income growth based on the modeling of the Credit Union’s business plan inclusive of economic indicators provides the basis in determining the provincial small business tax rate for the Credit Union.

This rate forms the effective tax rate used in computing the income tax provision. However, the actual amounts of income tax expense do not become final until the filing and acceptance of the income tax return by the relevant tax authorities, which occurs subsequent to the issuance of the consolidated financial statements. To the extent that estimates differ from the final tax returns, profit or loss would be affected in the subsequent year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

3. Use of estimates and judgments (continued):

(c) Fair value of financial instruments:

The fair value of financial instruments, where no active market exists or where quoted prices are not otherwise available, is determined by using specific valuation techniques with observable data of similar financial instruments. Where market observable data is not available, in areas such as credit risk and correlations, the Credit Union uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

4. Material accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except as otherwise noted. Certain prior year amounts in the note disclosures have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income (Loss) and Consolidated Statement of Financial Position.

(a) Basis of consolidation:

The consolidated financial statements include the assets, liabilities, results of operations and cash flows of the Credit Union and its subsidiaries: First West Insurance Services Ltd.; FW Wealth Management Ltd.; First West Leasing Ltd.; FWCU Capital Corp.; and 619547 BC Ltd. All inter-corporate transactions and balances have been eliminated in preparing the consolidated financial statements.

(i) Business combinations:

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Credit Union. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Credit Union takes into consideration potential voting rights that currently are exercisable.

The Credit Union measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in the Consolidated Statement of Profit or Loss.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

4. *Material accounting policies (continued):*

(a) Basis of consolidation (continued):

(i) Business combinations (continued):

The Credit Union elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Credit Union incurs in connection with a business combination are expensed as incurred.

On January 1, 2010, Envision Financial Credit Union and Valley First Credit Union combined their respective operations by way of an amalgamation to form the Credit Union. On the acquisition date, the net assets of Valley First Credit Union acquired of \$163,651 were recognized by the Credit Union as contributed surplus on the consolidated statement of changes in members' equity. During the year ended December 31, 2025, the Credit Union transferred the full amount of the contributed surplus into retained earnings. This transfer did not have an impact on net income, comprehensive income, or total equity.

(ii) Subsidiaries:

Subsidiaries are entities controlled by the Credit Union. These consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. These consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(b) Foreign currency:

Transactions in foreign currencies are translated to the functional currency of the Credit Union at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Interest:

Interest income and expense are recognized in the Consolidated Statement of Profit or Loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

4. *Material accounting policies (continued):*

(c) Interest (continued):

When calculating the effective interest rate, the Credit Union estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees and basis points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the Consolidated Statement of Profit or Loss include:

- (i) interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;
- (ii) interest on investment securities measured at FVOCI calculated on an effective interest basis;
- (iii) the ineffective portion of fair value changes in qualifying hedging derivatives designated as cash flow hedges of variability in interest cash flows; and
- (iv) interest and expense on settlement of derivative contracts.

(d) Fees and commissions:

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized in the period the related performance obligations are satisfied.

For performance obligations that are satisfied over time, revenue is recognized over the period that the services are performed. For performance obligations that are satisfied at a point in time, revenue is recognized when the member obtains control of the promised good or service.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(e) Dividends:

Dividend income is recognized when the right to receive income is established. Dividends are reflected as other income based on the classification of the underlying equity investment.

(f) Leases:

(i) Lease definition:

At the inception of a contract, the Credit Union assesses whether a contract is or contains a lease based on the definition of 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.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

4. *Material accounting policies (continued):*

(f) Leases (continued):

(ii) Recognition and measurement as a lessee:

The Credit Union recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets are initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations.

The right-of-use assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or, if that rate cannot be readily determined, the Credit Union's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there are changes in the following: (i) in the lease term; (ii) the Credit Union's assessment of whether it will exercise a purchase option; (iii) a change in an index or a change in the rate used to determine the payments; and (iv) amounts expected to be payable under residual value guarantees.

(iii) Recognition and measurement as a lessor:

Leases in which the Credit Union does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. The leased assets are classified in premises and equipment and are carried at cost less accumulated depreciation, which takes into account their estimated residual value. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental income arising from operating leases is accounted for on a straight-line basis over the lease term based on contracts and is included in other income.

(g) Income taxes:

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in the Consolidated Statement of Profit or Loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

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

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

4. *Material accounting policies (continued):*

(g) Income taxes (continued):

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Financial assets and financial liabilities:

(i) Recognition:

The Credit Union initially recognizes loans, deposits, and borrowings on the date at which they are originated. Regular way purchases and sales of financial assets are recognized on the trade date at which the Credit Union commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Credit Union becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification:

Financial assets:

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 or loss ("FVTPL").

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

4. *Material accounting policies (continued):*

(h) Financial assets and financial liabilities (continued):

(ii) Classification (continued):

Financial assets (continued):

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

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

A debt security is measured at FVOCI only if it meets both of the following conditions and is not designated as at 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 SPPI.

On initial recognition of an equity instrument that is not held for trading, the Credit Union may irrevocably elect to present subsequent changes in fair value in Consolidated Statement of Comprehensive Income (Loss) ("OCI"). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Credit Union may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

4. *Material accounting policies (continued):*

(h) Financial assets and financial liabilities (continued):

(ii) Classification (continued):

Financial assets (continued):

Business model assessment:

The Credit Union 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;
- how the performance of the portfolio is evaluated and reported to the Credit Union's management;
- the strategy of how the risks that affect the performance model are managed; and
- frequency, volume and timing of sales in prior periods and the expectations about future sales activities are considered as part of the overall assessment of how the Credit Union's stated objective for managing the financial assets is achieved.

Assessment of whether contractual cash flows are SPPI:

In assessing whether the contractual cash flows are SPPI, the Credit Union 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. In making this assessment, the Credit Union considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms; and
- terms that may adjust the contractual coupon rate.

Reclassifications:

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Credit Union changes its business model for managing financial assets. There were no changes to any of the Credit Union's business models during 2025 or 2024.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

4. *Material accounting policies (continued):*

(h) Financial assets and financial liabilities (continued):

(ii) Classification (continued):

Financial liabilities:

The Credit Union classifies its financial liabilities, other than financial guarantees and loan commitments, measured at amortized cost or fair value through profit or loss. See notes 4(k) and 4(r).

(iii) Derecognition:

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. If the Credit Union has neither transferred nor retained substantially all the risks and rewards of the transferred financial asset, it assesses whether it has retained control over the transferred asset. If control has been retained, the Credit Union recognizes the transferred asset to the extent of its continuing involvement. If control has not been retained, the Credit Union derecognizes the transferred asset. On derecognition of a financial asset, the transferred asset is removed from the Consolidated Statement of Financial Position. The difference between the carrying amount of the transferred asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognized in the Consolidated Statement of Profit or Loss.

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

(iv) Offsetting:

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Credit Union 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.

(v) Amortized cost measurement:

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

4. *Material accounting policies (continued):*

(h) Financial assets and financial liabilities (continued):

(vi) Fair value measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants on the measurement date.

Valuation techniques include net present value and discounted cash flow models, and comparison with similar instruments for which market observable prices exist. Assumptions used in valuation techniques include risk free and benchmark interest rates, credit spreads and discount rates.

The Credit Union uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as interest rate swaps and equity linked options that use only observable market data and require little management judgment and estimation. Availability of observable market prices and model inputs reduces the uncertainty associated with determining fair values.

For more complex instruments, the Credit Union uses proprietary valuation models, which are developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates or are estimated based on assumptions. Instruments involving significant unobservable inputs include certain mortgage investments and shares for which there is no active market and retained interest in securitizations. Management judgment and estimation are required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Financial instruments classified at FVTPL are measured at fair value, with fair value changes recognized immediately in the Consolidated Statement of Profit or Loss.

For financial assets classified as measured at FVOCI, or an irrevocable election has been made, changes in fair value is recognized in OCI. For equity investments measured at FVOCI, the amounts recognized in OCI are never reclassified to the Consolidated Statement of Profit and Loss.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

4. *Material accounting policies (continued):*

(h) Financial assets and financial liabilities (continued):

(vii) Identification and measurement of impairment:

The Credit Union recognizes a loss allowance for ECL at each reporting date for all financial assets that are measured at amortized cost and debt instruments measured at FVOCI.

Loss allowances are measured on either of the following bases:

- 12-month ECL: these are losses that result from possible default events within the 12-months after the reporting date; and
- lifetime ECL: these are losses that result from all possible default events over the expected life of a financial instrument.

ECL is measured as 12-month ECL unless the credit risk on a financial instrument has increased significantly since initial recognition.

Assessment of significant increase in credit risk:

The assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. Factors considered in the assessment include macroeconomic outlook, delinquency and borrower credit conditions. The importance and relevance of each specific macroeconomic factor depends on the portfolio, characteristics of the financial instruments, and the borrower. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap.

In determining the amount of loss allowance for ECLs to recognize, the Credit Union assesses at each reporting date whether there has been a significant increase in credit risk ("SICR"). In assessing whether a SICR has occurred, the Credit Union considers quantitative factors, qualitative factors and a rebuttable presumption.

A SICR is considered to have occurred when any of three conditions are met. The conditions include a change in the probability of default in excess of predetermined thresholds, the backstop criterion based on delinquency has been met, or other portfolio specific considerations.

The predetermined thresholds are specific to each portfolio and the initial credit quality of the account. Generally, accounts with higher credit quality would require relatively larger changes in the probability of default to trigger a SICR, while lower credit quality accounts would require relatively smaller changes to trigger a SICR.

First West Credit Union

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(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

4. *Material accounting policies (continued):*

(h) Financial assets and financial liabilities (continued):

(vii) Identification and measurement of impairment (continued):

Assessment of significant increase in credit risk (continued):

For all loans to members, the backstop criterion is met when an account is 30 days past due and will be transferred to Stage 2.

Loans to members are assessed and measured on a collective basis in groups of financial assets that share credit risk characteristics. For this purpose, the Credit Union has grouped its financial assets into segments on the basis of shared credit risk characteristics for each component of the ECL calculation.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default and the borrower has the ability to fulfill their contractual obligations both in the short and long term, including periods of adverse changes in the economic or business environment.

Measurement of ECL:

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, which is the difference between the cash flows due in accordance with the contract and the cash flows expected to be received. The measurement of ECL is based primarily on the product of the following variables: probability of default ("PD"); loss given default ("LGD"); and exposure at default ("EAD").

The PD is an estimate of the likelihood that a loan will not be repaid and will go into default in either a 12-month or lifetime horizon. The LGD is an estimate of the amount that may not be recovered in the event of default. The EAD is an estimate of the outstanding amount of credit exposure at the time a default may occur. These estimates are modelled based on historic data, current market conditions, and reasonable and supportable information about future economic conditions, where appropriate.

Probability of default:

ECLs for Stage 1 assets and lifetime ECLs for Stage 2 and Stage 3 assets are calculated using the 12-month PDs and lifetime PDs, respectively and are determined as follows:

- Residential mortgages, personal loans and lines of credit - based on credit scores, and the average historical annual default rate for the relevant PD segment.
- Commercial mortgages, loans and lines of credit - based on the current internal risk ratings assigned to the assets and the historical bond default rates provided by Moody's Investors Service, Inc., mapped to the relevant PD segment.

First West Credit Union

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(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

4. *Material accounting policies (continued):*

(h) Financial assets and financial liabilities (continued):

(vii) Identification and measurement of impairment (continued):

Probability of default (continued):

The lifetime PDs for all loans to members are calculated based on the 12-month PDs for the assets and the expected remaining life of the assets, assuming a constant default rate during the lifetime of the assets.

Loss given default:

The LGD reflects the Credit Union's estimate of cash shortfalls in the event of default. The LGD input, expressed as a percentage of EAD, is primarily estimated based on the shortfall in the current collateral values of the financial assets compared to the current book value of the financial asset discounted for the time to obtain and collect on the collateral upon default and the estimated costs to obtain and collect on the collateral.

Forward looking information and macroeconomic factors:

The forward-looking information ("FLI") component represents management's estimate of the impacts on the ECLs of FLI and forecasts of macroeconomic conditions to the Credit Union's ECLs. These macroeconomic factors are based on the credit risk management assessments and are consistent with industry guidelines on typical factors that are relevant to different types of lending products. Management makes forecasts of multiple forward looking and macroeconomic scenarios (base, upside and downside) and their estimated impacts to the ECLs.

The forward looking and macroeconomic factors considered in determining the FLI inputs to the ECL calculation are GDP, interest rates, debt ratio, house pricing index and unemployment rate.

Exposure at default:

The EAD is an estimate of a loan exposure amount at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and payments of interest, prepayments, expected drawdowns on committed facilities or any other terms that may alter the cash flow characteristics of the loan.

The starting point for determining EAD is the amortization schedule (principal and interest payments) of each loan within the portfolio as set out in the contractual terms of the financial asset. The EAD is adjusted by the expected prepayments (partial or full) prior to maturity on a portfolio basis. For lines of credit, the EAD is determined based on the Credit Union's expectations of drawdowns and repayments on the outstanding loan commitments on a portfolio basis.

First West Credit Union

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(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

4. *Material accounting policies (continued):*

(h) Financial assets and financial liabilities (continued):

(vii) Identification and measurement of impairment (continued):

Time value of money:

The 12-month and lifetime ECLs at the reporting date represent the present value of the expected cash shortfalls resulting from the probability of defaults occurring over the relevant period after the reporting date. The cash shortfalls have been discounted to the reporting date using the effective interest rate of the underlying loans.

Credit-impaired financial assets:

At each reporting date, the Credit Union assesses whether financial assets measured at amortized cost or FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When identifying loans to members that are credit-impaired for which the loss allowance for ECLs is calculated individually, as the difference between the gross carrying amount of the financial assets and the present value of estimated future cash flows, the Credit Union determines whether indicators of a borrower's unlikeliness to pay exist.

In addition to qualitative considerations, the Credit Union applies the following quantitative thresholds for identifying loans to members that are credit-impaired:

- commercial mortgages, loans and lines of credit with an internal risk rating of R9 - R10 (risk rated poor); or
- the borrower is more than 90-days past due on any credit obligation.

Write-off policy:

When a financial asset is credit-impaired and the Credit Union has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof, the carrying amount of the unrecoverable portion is written off, constituting a derecognition event.

(i) Cash resources:

Cash resources comprise balances held with Central 1 Credit Union ("Central 1") and highly liquid financial assets with original maturities of less than three months from the acquisition date, which are subject to an insignificant risk of changes in their fair value, and are used by the Credit Union in the management of its short-term commitments. The Credit Union is required to maintain balances with certain counterparties and such balances are considered as restricted.

Cash resources are carried at amortized cost in the Consolidated Statement of Financial Position.

First West Credit Union

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Year ended December 31, 2025

4. *Material accounting policies (continued):*

(j) Derivatives and hedge accounting:

Derivative instruments are financial contracts whose value changes in response to a change in a specified interest rate, exchange rate or other indices. In the ordinary course of business, the Credit Union enters into various derivative contracts, including interest rate swaps, caps and options. Derivative contracts are either exchange-traded contracts or negotiated over-the-counter contracts. The Credit Union enters into such contracts principally to manage its exposures to interest rate fluctuations as part of its asset and liability management program.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into. They are subsequently re-measured at their fair value and reported as assets where they have a positive fair value or as liabilities where they have a negative fair value.

The Credit Union designates certain derivatives as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Credit Union formally documents the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Credit Union makes qualitative and quantitative assessments, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instrument is effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated. The Credit Union makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect consolidated profit or loss.

(i) Cash flow hedges:

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect consolidated profit or loss, the effective portion of changes in the fair value of the derivative is recognized in OCI in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in consolidated profit or loss.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction, the amount recognized in accumulated other comprehensive income is reclassified through OCI to consolidated profit or loss as a reclassification adjustment in the same period the previously hedged cash flows affect profit or loss. If the forecast transaction is no longer expected to occur, then the balance in OCI is reclassified immediately to consolidated profit or loss as a reclassification adjustment.

First West Credit Union

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(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

4. Material accounting policies (continued):

(k) Loans to members:

Loans to members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are classified as loans to members.

Loans are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method, less any impairment.

(l) Investments:

Investments are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification.

(m) Premises and equipment:

Premises and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recognized in consolidated profit or loss and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Asset	Rate
Buildings	25 to 40 years
Other equipment	3 to 10 years
Leasehold improvements	Lease term

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

(n) Intangible assets:

Intangible assets consist of computer software and goodwill. Goodwill arose from the acquisition of the Credit Union's subsidiaries. Intangible assets are initially recorded at cost. Intangible assets with finite lives are subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in consolidated profit or loss and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Asset	Rate
Goodwill	Indefinite
Computer software	3 to 10 years

First West Credit Union

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4. *Material accounting policies (continued):*

(n) Intangible assets (continued):

Indefinite life intangible assets, including goodwill, are assessed for impairment at least annually. All other intangible assets are assessed for impairment when impairment indicators are identified. When an impairment-triggering event has occurred, any excess of carrying value over fair value is charged to consolidated profit or loss in the period in which impairment is determined.

(o) Impairment of non-financial assets:

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating-unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income.

(p) Deposits from members, debt and borrowings:

Deposits from members and borrowings are the Credit Union's sources of primary funding.

The Credit Union classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits from members and borrowings are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

Term and subordinated debt in issue is the Credit Union's source of debt funding. Debt is initially measured at fair value less incremental direct transaction costs. Subsequently, it is measured at their amortized cost using the effective interest method.

(q) Provisions:

A provision is recognized if, as a result of a past event, the Credit Union has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

First West Credit Union

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Year ended December 31, 2025

4. *Material accounting policies (continued):*

(q) Provisions (continued):

A provision for onerous contracts is recognized when the expected benefits to be derived by the Credit Union from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Credit Union recognizes any impairment loss on the assets associated with that contract.

(r) Employee benefits:

The Credit Union operates various benefit and pension plans. The plans are generally funded through contributions to trustee-administered funds determined by periodic actuarial calculations.

(i) Post-employment health care benefits:

The Credit Union operates a number of post-employment health care benefit plans. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension plans.

(ii) Defined contribution pension plans:

For defined contribution plans, the Credit Union pays a specified flat rate for employer contributions. The Credit Union has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense in the periods during which services are rendered by employees.

(iii) Participation in multi-employer pension plans:

The Credit Union provides defined retirement benefits to certain employees through a multi-employer plan administered by Central 1. Each member Credit Union is exposed to the actuarial risks of the other employers with the result that, in the Credit Union's opinion, there is no reasonable way to allocate any defined benefit obligations. The Plan has informed the Credit Union that they are not able to provide defined benefit information on a discrete employer basis as the investment records are not tracked by individual employer and each employer is exposed to the actuarial risks of the Plan as a whole. Accordingly, the Credit Union's participation in the Plan is accounted for as a defined contribution plan with contributions recorded on an accrual basis. The Credit Union has provided additional disclosure on the overall funding status of the multi-employer plan and future contribution levels in note 27.

First West Credit Union

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5. ***New accounting standards and interpretations:***

IFRS 18 Presentation and Disclosure in Financial Statements:

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

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, 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.

The Credit Union is still in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Credit Union's statement of profit or loss, the statement of cash flows and additional disclosures required for MPMs.

Other accounting standards:

There are a number of standards which are issued but not yet effective as of December 31, 2025, which are not expected to materially impact the Credit Union's consolidated financial statements.

6. ***Financial risk management:***

(a) Introduction and overview:

The Credit Union is exposed to the following risks from holding financial instruments: credit risk, liquidity risk, market risk, operational risk and capital adequacy risk. The following is a description of those risks and how the Credit Union manages them.

(b) Credit risk:

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Credit Union. Credit risk arises principally in lending activities that result in loans to members as described in note 10; but also from derivatives as described in note 9.

First West Credit Union

Notes to Consolidated Financial Statements

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Year ended December 31, 2025

6. Financial risk management (continued):

(b) Credit risk (continued):

Management of credit risk:

Concentration of credit risk may arise when the ability of a number of borrowers or counterparties to meet their contractual obligations are similarly affected by external factors. Examples of concentration risk would include related entities risk, geographic and industry factors.

Credit risk is managed in accordance with the Credit and Counterparty Risk Governing policy approved by the Board of Directors. Risk limits and credit authorities are delegated to the Management Credit Risk Committee, comprised of executive and senior credit management staff, which in turn delegates appropriate limits to lending staff. Credit exposures in excess of certain levels require approval from the Management Credit Risk Committee.

The Risk, Investment and Loan Committee ("RIL") of the Board meets quarterly to review portfolio credit quality, industry and member concentrations, and adequacy of loan allowances. Policies relating to single member limits and industry and geographic concentration are approved by the Board.

The Credit Union's Credit Department reviews and adjudicates credit risk outside of branch managers' delegated lending limits and reviews branch credit decisions to ensure compliance to policy. The Credit Department may approve credits not meeting our lending guidelines on an exception basis with appropriate risk mitigation and reward considerations.

Loan exposures are managed and monitored through facility limits for individual borrowers, credit type, industry exposure and a credit review process. These reviews ensure the borrower complies with internal policy and underwriting standards. The Credit Union relies on collateral security typically in the form of a fixed and floating charge over the assets of its borrowers. Credit risk is also managed through regular analysis of the ability of members to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Credit risk for counterparties in other financial instruments, such as investments and derivatives, is assessed through published credit ratings.

First West Credit Union

Notes to Consolidated Financial Statements

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Year ended December 31, 2025

6. Financial risk management (continued):

(b) Credit risk (continued):

Credit quality and credit risk exposure:

The following tables set out information about the credit quality of the Credit Union's loans to members measured at amortized cost, by category of loss allowance at December 31, 2025 and 2024. The amounts in the table represent the carrying amounts of loans to members.

At December 31, 2025	Stage 1	Stage 2	Stage 3	Total
Residential mortgages:				
Credit score > 800 (excellent)	\$ 3,450,475	\$ 799	\$ -	\$ 3,451,274
Credit score 710 - 799 (good - very good)	2,496,417	339	4,136	2,500,892
Credit score 650 - 709 (fair - good)	752,669	25,615	585	778,869
Credit score 600 - 649 (poor)	152,351	107,243	1,738	261,332
Credit score < 600 (less than satisfactory)	23,249	195,163	4,480	222,892
Deferred fees	19,025	911	30	19,966
Loss allowance	(1,441)	(1,475)	(1,158)	(4,074)
	\$ 6,892,745	\$ 328,595	\$ 9,811	\$ 7,231,151
Personal:				
Credit score > 800 (excellent)	\$ 347,452	\$ 37	\$ -	\$ 347,489
Credit score 710 - 799 (good - very good)	267,029	69	453	267,551
Credit score 650 - 709 (fair - good)	69,658	4,678	2	74,338
Credit score 600 - 649 (poor)	11,159	16,417	-	27,576
Credit score < 600 (less than satisfactory)	1,766	19,843	904	22,513
Deferred fees	-	-	-	-
Loss allowance	(3,363)	(4,618)	(325)	(8,306)
	\$ 693,701	\$ 36,426	\$ 1,034	\$ 731,161
Commercial:				
R1 - R2 (excellent - good)	\$ 70,026	\$ -	\$ -	\$ 70,026
R3 (satisfactory)	1,693,575	464	360	1,694,399
R4 - R6 (less than satisfactory)	3,176,185	17,700	294	3,194,179
R7 - R8 (Unsatisfactory)	-	33,379	3,226	36,605
R9 - R10 (credit-impaired)	-	-	57,547	57,547
Deferred fees	(2,817)	(29)	(35)	(2,881)
Loss allowance	(7,830)	(1,273)	(7,078)	(16,181)
	\$ 4,929,139	\$ 50,241	\$ 54,314	\$ 5,033,694

First West Credit Union

Notes to Consolidated Financial Statements

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Year ended December 31, 2025

6. Financial risk management (continued):

(b) Credit risk (continued):

Credit quality and credit risk exposure (continued):

At December 31, 2024	Stage 1	Stage 2	Stage 3	Total
Residential mortgages:				
Credit score > 800 (excellent)	\$ 3,238,826	\$ -	\$ -	\$ 3,238,826
Credit score 710 - 799 (good - very good)	2,447,445	338	269	2,448,052
Credit score 650 - 709 (fair - good)	741,197	24,592	817	766,606
Credit score 600 - 649 (poor)	156,970	119,197	-	276,167
Credit score < 600 (less than satisfactory)	22,845	167,992	7,977	198,814
Deferred fees	18,402	869	25	19,296
Loss allowance	(838)	(1,786)	(690)	(3,314)
	\$ 6,624,847	\$ 311,202	\$ 8,398	\$ 6,944,447
Personal:				
Credit score > 800 (excellent)	\$ 352,079	\$ 60	\$ -	\$ 352,139
Credit score 710 - 799 (good - very good)	258,476	311	-	258,787
Credit score 650 - 709 (fair - good)	77,654	4,339	2	81,995
Credit score 600 - 649 (poor)	15,608	13,613	19	29,240
Credit score < 600 (less than satisfactory)	2,207	15,111	386	17,704
Deferred fees	-	-	-	-
Loss allowance	(2,156)	(4,246)	(317)	(6,719)
	\$ 703,868	\$ 29,188	\$ 90	\$ 733,146
Commercial:				
R1 - R2 (excellent - good)	\$ 151,402	\$ -	\$ -	\$ 151,402
R3 (satisfactory)	3,872,621	14	4	3,872,639
R4 - R6 (less than satisfactory)	670,227	83,639	186	754,052
R7 - R8 (Unsatisfactory)	-	15,464	1,789	17,253
R9 - R10 (credit-impaired)	-	-	16,717	16,717
Deferred fees	(2,323)	(49)	(9)	(2,381)
Loss allowance	(2,764)	(4,150)	(8,315)	(15,229)
	\$ 4,689,163	\$ 94,918	\$ 10,372	\$ 4,794,453

The Credit Union also enters into various off-balance sheet commitments such as letters of credit, unadvanced loans, and lines of credit. For loan commitments and other credit-related commitments that are irrevocable, the maximum exposure to credit risk without taking account of any collateral held, is the full amount of the committed facilities. Many of these arrangements will expire or terminate without being drawn upon in the normal course of business.

The actual credit risk is expected to be less than the amounts set forth. Letters of credit are issued in the normal course of business backed by collateral securities held by the members, including deposits with the Credit Union. The actual credit risk is expected to be not material under these obligations.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

6. Financial risk management (continued):

(b) Credit risk (continued):

The following table presents the maximum exposure to credit risk on the Consolidated Statement of Financial Position and off-balance sheet financial instruments. For financial assets recognized on the Consolidated Statement of Financial Position, the maximum exposure to credit risk without taking account of any collateral held, equals their carrying amount.

Credit quality and credit risk exposure (continued):

	2025	2024
Exposure recognized on the consolidated statement of financial position:		
Loans and accrued interest	\$ 13,052,337	\$ 12,524,208
Derivatives (net)	16,338	19,198
Term deposits and other securities	1,395,382	1,334,426
Accounts receivable	6,664	8,166
	14,470,721	13,885,998
Exposure not recognized on the consolidated statement of financial position:		
Letters of credit	98,250	97,987
Unadvanced loans and lines of credit	2,569,362	2,700,857
	2,667,612	2,798,844
Maximum exposure	\$ 17,138,333	\$ 16,684,842

Collateral and other credit enhancements:

It is our lending policy to assess the member's capacity to repay, rather than rely primarily on the underlying collateral security. Depending on the member's standing and the type of product, facilities may be unsecured. Nevertheless, collateral can be an important mitigant of credit risk.

Concentrations of credit risk:

Concentrations of credit risk exist if a number of borrowers are engaged in similar economic activities or are located in the same geographic region, or otherwise related. This risk may indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular segment of borrowers or geographic region.

Geographic credit risk is mitigated through the Credit Union's diversified geographic service area including the Lower Mainland, Fraser Valley, Thompson-Okanagan, Okanagan-Similkameen, Southern Vancouver Island and North Western British Columbia areas of British Columbia. To reduce any impact of the geographic credit risk the Credit Union has 27% (2024 - 25%) of its residential mortgages insured against credit loss.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

6. *Financial risk management (continued):*

(c) Liquidity risk:

Liquidity risk is the risk of the Credit Union being unable to meet its obligations associated with its financial liabilities that are settled by cash or other financial assets with the appropriate duration and cost, as well as the risk of not being able to meet unexpected cash needs.

Liquidity risk is managed in accordance with our liquidity policy approved by the Board of Directors. The liquidity policy of the Credit Union is that liquidity is managed on both an operational and strategic level on a total basis. The desired liquidity level above the statutory requirement is determined by taking into account the balance between the cost of liquidity and the yield achieved. Contingency liquidity is managed by having a plan in place that can be invoked very quickly, as well as having a diversity of funding sources arranged that can be accessed when needed. The Credit Union will at all times maintain statutory liquidity levels as required by regulations. Immediate corrective action will be taken if the ratio approaches the regulatory minimum. The statutory liquidity ratio is 8.0% of deposits from members and borrowings as at the reporting date. Based on total deposits and borrowings as at December 31, 2025 the Credit Union's liquidity exceeds minimum statutory requirements by \$791 million (2024 - \$608 million).

(d) Market risk:

Market risk arises from changes in market prices and rates (including interest rates, credit spreads, equity prices and foreign exchange rates), the correlations between them and their levels of volatility. The principal market risk to which the Credit Union is exposed to is the risk of loss from fluctuations in the future cash flows of a financial instrument because of changes in interest rates.

Interest rate risk arises when the market values of assets and liabilities do not change by the same amount when interest rates change. Where portfolios are matched in terms of maturities, interest rate risk is reduced. This interest rate risk includes yield curve risk, basis risk, optionality risk and interest rate path risk.

The primary objectives of the Credit Union's market risk management process include: maximize earnings and return on capital within acceptable and controllable levels of the above risks; provide for growth that is sound, profitable and balanced without sacrificing the quality of service; and manage and maintain policies and procedures that are consistent with the short and long-term strategic goals of the Board of Directors.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

6. Financial risk management (continued):

(d) Market risk (continued):

Risk measurement:

The Credit Union's risk position is measured based upon the potential impact of changes in market conditions. The ALCO is a committee comprised of senior management that meets at least quarterly and ad-hoc as required.

Responsibilities include:

- approval and review of pricing, investment, liquidity, derivative, foreign exchange and asset-liability policies;
- review of deviations between actual performance and projected plans;
- review of the management of interest rate sensitivity and financial margin including investing, liquidity management, hedging and securitization activities;
- approval of Asset-Liability and hedging strategies to manage interest rate risk in order to achieve policies;
- evaluation of the current interest rate risk position and the potential effect on its Asset Liability Management ("ALM") strategy; and
- review and monitoring of key risk modeling assumptions.

The Credit Union utilizes earnings tests to produce monthly forecasts of net interest income for the upcoming 12-months based on:

- the current asset and liability structure;
- scheduled maturity and re-pricing of the assets and liabilities;
- several hundred randomly generated interest rate paths composed around a base rate forecast;
- a volatility % of randomly generated key rates; and
- assumptions regarding member behaviour and changes in composition of assets and liabilities.

Growth assumptions are based on business plans. Member behaviour assumptions to assess embedded options in deposit and loan portfolios are based on analysis of trend information and management judgment.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

6. Financial risk management (continued):

(d) Market risk (continued):

Risk measurement (continued):

The Credit Union will assess the results of the monthly forecast simulations. The maximum allowable risk exposure will be as follows:

Earnings at risk:

Earnings at risk is defined as the percentage of the reduction in the financial margin as measured through our earnings tests. A reduction in financial margin is not to exceed 10% of the next 12-months' financial margin resulting from this test.

Duration of equity:

The effective duration of equity is defined as the percentage change in the market value of equity (retained earnings, equity shares and derivatives) given a 1% range change in interest rates. The 1% change will consist of a 50-bp shock up and a 50-bp shock down. Given this 1% change, the effective duration of equity will not exceed a maximum of 10%.

The following table shows the results of these forecast simulations as at December 31, 2025 and 2024:

	Policy limit	2025	Impact	2024	Impact
Earnings at risk	10%	1.05%	\$ 3,014	2.12%	\$ 4,619
Duration of equity	+/-10%	4.80%	-	5.48%	-

As at December 31, 2025 and 2024, the Credit Union was within policy limits.

(e) Capital management:

The Credit Union is regulated under the Act and is required to maintain a capital level at a minimum of 8% of risk-weighted assets.

When determining the sufficiency of capital, the Credit Union includes in its calculation amounts permitted by the Act including:

- retained earnings and contributed surplus;
- equity shares;
- system capital; and
- other forms of capital as determined from time to time by the Board of Directors and approved as capital by the regulatory authority.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

6. Financial risk management (continued):

(e) Capital management (continued):

Total capital above is reduced by:

- goodwill and other intangible assets;
- investments with banks/trusts and other;
- securitization deferred payment accounts; and
- investment in Venture Capital Corporations.

As at December 31, 2025 and 2024, the Credit Union has met its minimum regulatory requirements.

Capital Adequacy calculation as defined by the Act:

	2025	2024
Primary capital	\$ 951,190	\$ 920,877
Secondary capital	298,972	293,708
Deductions from capital	(33,629)	(26,799)
	<u>\$ 1,216,533</u>	<u>\$ 1,187,786</u>

The Credit Union management ensures compliance with capital adequacy through the following:

- identifying the capital needed to support the current and planned operations of the Credit Union, including operations conducted or to be conducted through subsidiaries;
- developing and submitting to the Board of Directors for its consideration and approval appropriate and prudent capital management policies, including policies on the quantity and quality of capital needed to support the current and planned operations that reflect both the risks to which the Credit Union is exposed and its regulatory capital requirements;
- regularly measuring and monitoring capital requirements and capital position, and ensuring the Credit Union meets and will continue to meet its capital requirements;
- managing the capital in accordance with the capital management policies;
- establishing appropriate and effective procedures and controls for managing the capital, monitoring adherence to those procedures and controls, and reviewing them on a regular basis to ensure that they remain effective;
- providing the Board of Directors with appropriate reports on the capital position and on the procedures and controls for managing the capital; and
- providing the Board of Directors with appropriate reports that will enable it to assess whether the institution has an ongoing effective capital management process.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

6. Financial risk management (continued):

(e) Capital management (continued):

Stress testing of the capital level is performed at minimum on an annual basis. The tests include a variety of scenarios that vary the growth and income assumptions. They include a test for the current year as well as for the plan period. A sufficient number of scenarios are performed to ensure that sensitivity levels can be reasonably assessed and planned for.

A three-year capital plan is reviewed and approved by the Board of Directors annually.

Distributions of capital, such as share dividends, are only made after targets in the capital plan have been met. Each distribution must be approved by the Board of Directors.

The RIL is responsible for developing and conducting an annual review of capital management procedures relative to the policy requirements established. The RIL reports its findings and recommends any corrective actions to the Board of Directors. The Board of Directors, which may be assisted by the RIL, reviews any written correspondence from the British Columbia Financial Services Authority ("BCFSA") regarding capital management matters, and investigates and responds as appropriate.

7. Financial assets and liabilities:

The tables below set out the classifications and carrying amounts of the Credit Union's financial assets and liabilities as at December 31, 2025 and 2024:

2025	FVTPL	Amortized cost	FVOCI- equity instruments	Total
Cash resources	\$ -	\$ 276,115	\$ -	\$ 276,115
Derivative assets	16,338	-	-	16,338
Loans to members	-	13,023,776	-	13,023,776
Securitization retained interests	-	764	-	764
Other assets	-	6,664	-	6,664
Debt investment securities and other	3,748	1,214,748	2,969	1,221,465
Derivative liabilities	7,843	-	-	7,843
Deposits from members	-	11,869,657	-	11,869,657
Borrowings	-	1,290,275	-	1,290,275
Debt securities in issue	-	506,708	-	506,708
Other liabilities	-	191,702	-	191,702

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

7. Financial assets and liabilities (continued):

2024	FVTPL	Amortized cost	FVOCI- equity instruments	Total
Cash resources	\$ -	\$ 297,124	\$ -	\$ 297,124
Derivative assets	19,198	-	-	19,198
Loans to members	-	12,498,946	-	12,498,946
Securitization retained interests	-	-	-	-
Other assets	-	8,165	-	8,165
Debt investment securities and other	3,751	1,176,176	3,607	1,183,534
Derivative liabilities	23,512	-	-	23,512
Deposits from members	-	11,802,076	-	11,802,076
Borrowings	-	1,226,564	-	1,226,564
Debt securities in issue	-	154,650	-	154,650
Other liabilities	-	156,400	-	156,400

8. Cash resources:

	2025	2024
Cash and current accounts	\$ 102,198	\$ 146,231
Term deposits and accrued interest	173,917	150,893
	\$ 276,115	\$ 297,124

The Credit Union is required to maintain collateral balances with certain counterparties and these amounted to \$4,351 as at December 31, 2025 in cash and current accounts above (2024 - \$13,097).

9. Derivatives:

	Fair value			
	2025		2024	
	Asset	Liability	Asset	Liability
Interest rate swaps used to manage interest rate risk:				
Receive fixed swaps	\$ 1,281	\$ 4,151	\$ 5,210	\$ 1,660
Pay fixed swaps	1,426	3,692	36	21,852
Other derivatives:				
Equity linked options	13,631	-	13,952	-
Total fair value	\$ 16,338	\$ 7,843	\$ 19,198	\$ 23,512

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

9. Derivatives (continued):

The fair value of derivatives includes net accrued interest payable of \$783 in 2025 (2024 - receivable of \$77).

	Notional amount			
	Within 1-year	Over 1-year	2025	2024
Interest rate swaps used to manage interest rate risk:				
Receive fixed swaps	\$ 950,000	\$ 840,000	\$ 1,790,000	\$ 1,350,000
Pay fixed swaps	-	600,000	600,000	700,000
	950,000	1,440,000	2,390,000	2,050,000
Other derivatives:				
Equity linked options	27,578	62,900	90,478	104,795
Total notional amount	\$ 977,578	\$ 1,502,900	\$ 2,480,478	\$ 2,154,795

The following table summarizes the time periods in which the hedged cash flows are expected to occur and affect profit or loss:

	Expected cash flows	Less than 1-year	1 to 5 years	Greater than 5-years
2025				
Assets	\$ 157,200	\$ 53,908	\$ 82,561	\$ 20,731
Liabilities	(20,841)	(5,135)	(15,706)	-
Total cash inflow	\$ 136,359	\$ 48,773	\$ 66,855	\$ 20,731
2024				
Assets	\$ 124,244	\$ 25,028	\$ 78,178	\$ 21,038
Liabilities	(32,249)	(10,020)	(22,229)	-
Total cash inflow	\$ 91,995	\$ 15,008	\$ 55,949	\$ 21,038

During the year, the Credit Union recognized a loss of \$310 (2024 - loss of \$300) for ineffectiveness in cash flow hedges, which is recognized in net interest income.

First West Credit Union

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(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

10. Loans to members:

(a) Loans to members measured at amortized cost as at December 31:

	2025	2024
Residential mortgages	\$ 7,235,225	\$ 6,947,761
Personal:		
Personal loans	35,744	35,317
Personal lines of credit	703,723	704,548
Commercial:		
Commercial mortgages	4,904,054	4,628,859
Commercial loans	40,746	58,777
Commercial lines of credit	105,075	122,046
Accrued interest	27,770	26,900
	13,052,337	12,524,208
Allowance for expected credit losses	(28,561)	(25,262)
	\$ 13,023,776	\$ 12,498,946

(b) Reconciliation of allowance for ECL for the year ended December 31:

2025	Stage 1	Stage 2	Stage 3	Total
Residential mortgages:				
Balance, December 31, 2024	\$ 838	\$ 1,786	\$ 690	\$ 3,314
Net remeasurement	1,550	(729)	380	1,201
Originations	375	93	-	468
Derecognitions and maturities	(97)	(261)	(157)	(515)
Transfers to (from):				
Stage 1	(1,218)	-	-	(1,218)
Stage 2	-	589	-	589
Stage 3	-	-	629	629
Gross write-offs	(7)	(3)	(384)	(394)
Balance, December 31, 2025	\$ 1,441	\$ 1,475	\$ 1,158	\$ 4,074
Personal:				
Balance, December 31, 2024	\$ 2,156	\$ 4,246	\$ 317	\$ 6,719
Net remeasurement	3,759	78	316	4,153
Originations	286	205	-	491
Derecognitions and maturities	(134)	(335)	(51)	(520)
Transfers to (from):				
Stage 1	(2,003)	-	-	(2,003)
Stage 2	-	1,749	-	1,749
Stage 3	-	-	254	254
Gross write-offs	(701)	(1,325)	(511)	(2,537)
Balance, December 31, 2025	\$ 3,363	\$ 4,618	\$ 325	\$ 8,306

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

10. Loans to members (continued):

(b) Reconciliation of allowance for ECL for the year ended December 31 (continued):

2025	Stage 1	Stage 2	Stage 3	Total
Commercial:				
Balance, December 31, 2024	\$ 2,764	\$ 4,150	\$ 8,315	\$ 15,229
Net remeasurement	8,366	2,338	(46)	10,658
Originations	2,224	28	-	2,252
Derecognitions and maturities	(560)	(3,403)	(1,547)	(5,510)
Transfers to (from):				
Stage 1	(4,920)	-	-	(4,920)
Stage 2	-	(1,817)	-	(1,817)
Stage 3	-	-	6,737	6,737
Gross write-offs	(44)	(23)	(6,381)	(6,448)
Balance, December 31, 2025	\$ 7,830	\$ 1,273	\$ 7,078	\$ 16,181
Total loans to members:				
Balance, December 31, 2024	\$ 5,758	\$ 10,182	\$ 9,322	\$ 25,262
Net remeasurement	13,675	1,687	650	16,012
Originations	2,885	326	-	3,211
Derecognitions and maturities	(791)	(3,999)	(1,755)	(6,545)
Transfers to (from):				
Stage 1	(8,141)	-	-	(8,141)
Stage 2	-	521	-	521
Stage 3	-	-	7,620	7,620
Gross write-offs	(752)	(1,351)	(7,276)	(9,379)
Balance, December 31, 2025	\$ 12,634	\$ 7,366	\$ 8,561	\$ 28,561
2024				
	Stage 1	Stage 2	Stage 3	Total
Residential mortgages:				
Balance, December 31, 2023	\$ 1,727	\$ 3,044	\$ 574	\$ 5,345
Net remeasurement	89	(1,391)	(323)	(1,625)
Originations	152	166	-	318
Derecognitions and maturities	(159)	(321)	(149)	(629)
Transfers to (from):				
Stage 1	(961)	-	-	(961)
Stage 2	-	314	-	314
Stage 3	-	-	647	647
Gross write-offs	(10)	(26)	(59)	(95)
Balance, December 31, 2024	\$ 838	\$ 1,786	\$ 690	\$ 3,314
Personal:				
Balance, December 31, 2023	\$ 4,390	\$ 5,918	\$ 268	\$ 10,576
Net remeasurement	434	(2,526)	434	(1,658)
Originations	202	220	-	422
Derecognitions and maturities	(281)	(357)	(48)	(686)
Transfers to (from):				
Stage 1	(2,062)	-	-	(2,062)
Stage 2	-	1,794	-	1,794
Stage 3	-	-	268	268
Gross write-offs	(527)	(803)	(605)	(1,935)
Balance, December 31, 2024	\$ 2,156	\$ 4,246	\$ 317	\$ 6,719

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

10. Loans to members (continued):

(b) Reconciliation of allowance for ECL for the year ended December 31 (continued):

2024	Stage 1	Stage 2	Stage 3	Total
Commercial:				
Balance, December 31, 2023	\$ 2,824	\$ 5,055	\$ 4,912	\$ 12,791
Net remeasurement	1,566	1,740	7,489	10,795
Originations	524	23	135	682
Derecognitions and maturities	(541)	(483)	(1,943)	(2,967)
Transfers to (from):				
Stage 1	(1,493)	-	-	(1,493)
Stage 2	-	(2,173)	-	(2,173)
Stage 3	-	-	3,666	3,666
Gross write-offs	(116)	(12)	(5,944)	(6,072)
Balance, December 31, 2024	\$ 2,764	\$ 4,150	\$ 8,315	\$ 15,229
Total loans to members:				
Balance, December 31, 2023	\$ 8,941	\$ 14,017	\$ 5,754	\$ 28,712
Net remeasurement	2,089	(2,177)	7,600	7,512
Originations	878	409	135	1,422
Derecognitions and maturities	(981)	(1,161)	(2,140)	(4,282)
Transfers to (from):				
Stage 1	(4,516)	-	-	(4,516)
Stage 2	-	(65)	-	(65)
Stage 3	-	-	4,581	4,581
Gross write-offs	(653)	(841)	(6,608)	(8,102)
Balance, December 31, 2024	\$ 5,758	\$ 10,182	\$ 9,322	\$ 25,262

(c) Forecasting forward-looking information:

Forward-looking information is incorporated into both the assessment of whether a loan has experienced a SICR since its initial recognition and the estimation of ECL. The models used to estimate ECL consider macroeconomic factors that are most closely correlated with credit risk in the relevant portfolios.

The forward-looking macroeconomic scenario described below reflects our best estimate as at December 31, 2025. U.S. trade policies and related uncertainty have led to continuously changing macroeconomic assumptions. Hindsight cannot be used, so while these evolving assumptions may result in future forecasts that differ from those used in the ECL estimation as at December 31, 2025, those changes will be reflected in future years.

During December 2025, the primary macroeconomic variables impacting ECL for the residential mortgage, personal and commercial portfolios were updated to reflect evolving economic conditions in the measurement of ECL. The update included key inputs such as unemployment rate, interest rates, house pricing index, debt service ratio and Canadian dollar to U.S. dollar exchange rate.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

10. Loans to members (continued):

(c) Forecasting forward-looking information (continued):

These primary macroeconomic variables for the next 12-months and for the remaining forecast period thereafter, used to estimate ECL, are specifically listed as follows:

	Base-case scenario	
	Next 12-months (%)	Remaining forecast period (%)
Benchmark Bond Yields - 2 year (average %)	2.7	3.0
Benchmark Bond Yields - 5 year (average %)	3.1	3.4
Change in CAD/USD Exchange Rate	3.8	0.0
Change in Debt Service Ratio	0.1	1.4
Change in house pricing Index - B.C.	5.0	9.1
Change in house pricing Index - National	4.9	8.1
Government of Canada Target Rate (average %)	2.4	2.8
3-month Government of Canada Bond Rate (average %)	2.5	2.9
Unemployment Rate - B.C. (average %)	6.4	5.7
Unemployment Rate - National. (average %)	6.6	6.2

The Credit Union forecasts multiple forward looking and macroeconomic scenarios (base, upside and downside) to evaluate their estimated impacts to the ECLs. Multiple scenarios are forecasted to ensure that estimates of ECLs are unbiased.

The following table presents a comparison of the Credit Union's ECL using only the base-case scenario, downside scenario, and upside scenario instead of the probability-weighted scenarios for performing loans:

	2025		2024	
ECL - Three probability-weighted (actual)	\$	28,561	\$	25,262
ECL - Base-case scenario only		28,433		24,849
ECL - Downside scenario only		31,867		26,225
ECL - Upside scenario only		26,283		24,027
Difference - Actual versus base-case scenario	\$	128	\$	413
Difference - Actual versus downside scenario		(3,306)		(963)
Difference - Actual versus upside scenario		2,278		1,235

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

10. Loans to members (continued):

(d) Collateral held as security for credit-impaired loans:

The fair value of the collateral held by the Credit Union as security for credit-impaired loans as at December 31, 2025 was \$109,873 (2024 - \$22,346). The Credit Union has estimated the fair value of the collateral based on an updated assessment of the respective security appraisal undertaken at the original funding assessment and management's knowledge of current local economic conditions.

As at December 31, 2025, accrued interest of \$2,519 (2024 - \$1,497) has been accrued on the credit-impaired loans but an allowance for ECL of \$2,519 (2024 - \$1,497) has been established to reduce the carrying value of this accrual to its estimated net realizable value.

11. Investments:

	2025	2024
Central 1 Credit Union shares	\$ 3,748	\$ 3,751
Debt investment securities at amortized cost	1,182,810	1,133,444
Principal and interest reinvestment accounts	31,938	42,732
Other	2,969	3,607
	\$ 1,221,465	\$ 1,183,534

Investments in shares of Central 1 Credit Union are required by governing legislation and are a condition of membership in Central 1 Credit Union.

(a) Debt investment securities at amortized cost:

As at December 31, 2025 and 2024, the balances of debt investment securities at amortized cost are net of allowance, which is insignificant. The credit ratings of these securities fall mainly in AA+ and AAA categories as designated by well-known rating agencies (DBRS Morningstar, Standard & Poor's, and Moody's).

	2025	2024
Securities issued or guaranteed by:		
Federal governments ⁽¹⁾	\$ 583,077	\$ 514,913
Provinces	409,346	302,951
Municipalities	49,215	49,596
Other debt securities	141,172	265,984
	\$ 1,182,810	\$ 1,133,444

⁽¹⁾ Including mortgage-backed securities that are fully guaranteed by the Canada Mortgage and Housing Corporation pursuant to the *National Housing Act*.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

11. Investments (continued):

(a) Debt investment securities at amortized cost (continued):

During the year ended 2025, the Credit Union sold certain debt investment securities measured at amortized cost for liquidity portfolio management purpose within the applicable regulatory framework. The carrying value of these securities, consisting of treasury bills and securities issued or guaranteed by government, was \$258,562 upon disposal in 2025 (2024 - \$367,797). The Credit Union recognized a net gain of \$5,056 within interest income in 2025 (2024 - \$4,116) from these disposals.

12. Premises and equipment:

Premises and equipment comprise owned and leased assets:

	2025		2024	
Premises and equipment owned	\$	124,259	\$	128,829
Right-of-use assets		44,368		47,740
	\$	168,627	\$	176,569

Premises and equipment owned	Land	Buildings	Leasehold improvements	Other equipment	Total
2025					
Cost:					
Balance, December 31, 2024	\$ 20,603	\$ 113,775	\$ 36,311	\$ 29,268	\$ 199,957
Acquisitions	-	3,590	479	1,917	5,986
Disposals	-	-	-	(130)	(130)
Balance, December 31, 2025	\$ 20,603	\$ 117,365	\$ 36,790	\$ 31,055	\$ 205,813
Accumulated depreciation and impairment losses:					
Balance, December 31, 2024	\$ -	\$ 24,459	\$ 27,959	\$ 18,710	\$ 71,128
Disposals	-	-	-	(117)	(117)
Depreciation	-	4,501	2,449	3,593	10,543
Balance, December 31, 2025	\$ -	\$ 28,960	\$ 30,408	\$ 22,186	\$ 81,554
Carrying amounts:					
Balance, December 31, 2025	\$ 20,603	\$ 88,405	\$ 6,382	\$ 8,869	\$ 124,259
Premises and equipment owned					
2024					
Cost:					
Balance, December 31, 2023	\$ 20,603	\$ 113,425	\$ 36,190	\$ 25,287	\$ 195,505
Acquisitions	-	350	121	6,084	6,555
Disposals	-	-	-	(2,103)	(2,103)
Balance, December 31, 2024	\$ 20,603	\$ 113,775	\$ 36,311	\$ 29,268	\$ 199,957
Accumulated depreciation and impairment losses:					
Balance, December 31, 2023	\$ -	\$ 19,988	\$ 25,359	\$ 17,249	\$ 62,596
Disposals	-	4,471	2,600	3,421	10,492
Depreciation	-	-	-	(1,960)	(1,960)
Balance, December 31, 2024	\$ -	\$ 24,459	\$ 27,959	\$ 18,710	\$ 71,128
Carrying amounts:					
Balance, December 31, 2024	\$ 20,603	\$ 89,316	\$ 8,352	\$ 10,558	\$ 128,829

First West Credit Union

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(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

12. Premises and equipment:

Right-of-use assets				
2025	Buildings	Other equipment		Total
Balance, December 31, 2024	\$ 47,740	\$ -	\$	47,740
Additions/lease modifications	3,320	-		3,320
Disposals	(489)	-		(489)
Depreciation	(6,203)	-		(6,203)
Balance, December 31, 2025	\$ 44,368	\$ -	\$	44,368

Right-of-use assets				
2024	Buildings	Other equipment		Total
Balance, December 31, 2023	\$ 39,213	\$ 54	\$	39,267
Additions/lease modifications	14,361	-		14,361
Disposals	(7)	-		(7)
Depreciation	(5,827)	(54)		(5,881)
Balance, December 31, 2024	\$ 47,740	\$ -	\$	47,740

13. Intangible assets:

2025	Goodwill	Software		Total
Cost:				
Balance, December 31, 2024	\$ 173	\$ 51,051	\$	51,224
Acquisitions	-	12,545		12,545
Balance, December 31, 2025	\$ 173	\$ 63,596	\$	63,769
Accumulated amortization and impairment losses:				
Balance, December 31, 2024	\$ -	\$ 24,252	\$	24,252
Amortization	-	5,715		5,715
Balance, December 31, 2025	\$ -	\$ 29,967	\$	29,967
Carrying amounts:				
Balance, December 31, 2025	\$ 173	\$ 33,629	\$	33,802

2024	Goodwill	Software		Total
Cost:				
Balance, December 31, 2023	\$ 173	\$ 46,328	\$	46,501
Acquisitions	-	4,723		4,723
Balance, December 31, 2024	\$ 173	\$ 51,051	\$	51,224
Accumulated amortization and impairment losses:				
Balance, December 31, 2023	\$ -	\$ 19,137	\$	19,137
Amortization	-	5,115		5,115
Balance, December 31, 2024	\$ -	\$ 24,252	\$	24,252
Carrying amounts:				
Balance, December 31, 2024	\$ 173	\$ 26,799	\$	26,972

First West Credit Union

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(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

14. Other assets:

	2025		2024	
Accounts receivable	\$	6,664	\$	6,224
Financing lease receivables		-		1,942
Prepaid expenses		29,424		27,407
	\$	36,088	\$	35,573

15. Deposits from members:

	2025		2024	
Demand	\$	5,203,465	\$	4,929,985
Term		4,962,619		5,159,355
Registered savings plans		1,593,930		1,568,211
Class A membership shares		5,469		5,392
Accrued interest and dividends		104,174		139,133
	\$	11,869,657	\$	11,802,076

Credit Union Deposit Insurance Corporation ("CUDIC") guarantees all credit union deposits, with the exception of Class A shares which are not guaranteed.

Under agreements with trustees of the registered savings plans, members' contributions to the plans are deposited with the Credit Union at rates of interest determined by the Credit Union.

Class A membership shares are preferred and redeemable, and accordingly are classified as deposits. An unlimited number of Class A voting shares are authorized with a par value of \$1.

Class A shares shall be entitled to dividends at such rate, payable at such time or times, and either cumulative or non-cumulative, as the Board of Directors, in their discretion may determine.

The following table summarizes the time periods in which deposits from members are contractually payable by the Credit Union:

	Up to 1-month	1 to 3 months	3 to 12 months	1 to 3 years	Greater than 3-years	Total
2025	\$ 5,907,870	\$ 969,690	\$ 3,491,433	\$ 1,404,854	\$ 95,810	\$ 11,869,657
2024	5,609,231	815,901	3,813,796	1,371,411	191,737	11,802,076

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Year ended December 31, 2025

16. Borrowings:

	2025		2024	
Revolving facilities	\$	-	\$	-
Obligation under CMB program (note 29)		1,290,088		1,226,325
Accrued interest		187		239
	\$	1,290,275	\$	1,226,564

The Credit Union has approved lines of credit with three lenders totaling \$687 million as at December 31, 2025 and December 31, 2024, bearing interest that varies with the bankers' acceptance rate. Security for the first line of credit is an assignment of loans to members, accounts receivable and a demand debenture to the lender. For the second line of credit, security is provided by a first charge against specific CMHC or Genworth insured realty mortgages to a minimum of 105% of the approved credit facility. For the third line of credit, security is provided by a first charge against specific CMHC or Genworth insured realty mortgages to a minimum of 110% of the approved credit facility. As at December 31, 2025, no amounts (2024 - nil) were drawn against these credit facilities.

Changes in borrowings arising from financing activities:

The following table summarizes the changes in borrowings arising from financing activities for the year ended December 31, 2025:

	December 31, 2024	Non-cash changes		December 31, 2025
		Cash flow changes	Accrued interest	
Revolving facilities	\$ -	\$ -	\$ -	\$ -
Obligations under the CMB Program	1,226,325	63,763	-	1,290,088
Accrued interest	239	-	(52)	187
	\$ 1,226,564	\$ 63,763	\$ (52)	\$ 1,290,275

17. Debt securities in issue:

(a) Term Debt:

In March 2025, the Credit Union issued a two-year fixed rate senior deposit note with a principal amount of \$150 million and a coupon rate of 4.252%, interest payable semi-annually. In November 2025, the Credit Union issued an additional two-year fixed rate senior deposit note with a principal amount of \$200 million and a coupon rate of 3.691%, interest payable semi-annually. These notes were measured at amortized cost and the carrying amounts are set out below:

	2025		2024	
Term debt, fixed-rate	\$	349,158	\$	-
Accrued interest		2,682		-
	\$	351,840	\$	-

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(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

17. Debt securities in issue (continued):

(b) Subordinated debt:

The Credit Union issued subordinated debt which has a 10-year term maturing on August 9, 2033, at a par value of \$150 million. The Credit Union has the option to redeem the subordinated debt from August 9, 2028, until maturity at par plus accrued interest, subject to regulatory approval. The subordinated debt bears interest at 9.186% per annum, payable semi-annually in arrears up to August 9, 2028. From August 10, 2028, the subordinated debentures bear interest at a daily compounded CORRA plus 5.12% payable quarterly in arrears. The debt is measured at amortized cost and the carrying amounts at period ends are set out below:

	2025	2024
Series 1	\$ 149,433	\$ 149,215
Accrued interest	5,435	5,435
	\$ 154,868	\$ 154,650

The Credit Union is fully compliant of all covenants with respect to its debt securities during the year ended December 31, 2025 and the year ended December 31, 2024.

18. Other liabilities:

	2025	2024
Accounts payable and accrued liabilities	\$ 139,489	\$ 101,989
Lease liabilities (note 19)	52,213	54,411
Deferred revenue	1,898	2,026
	\$ 193,600	\$ 158,426

19. Lease liabilities:

The following table presents the contractual undiscounted cash flows for lease obligations as at year end:

	2025	2024
Maturity analysis:		
Less than one year	\$ 8,058	\$ 7,876
Between one and five years	32,649	33,220
More than five years	29,627	32,860
Total undiscounted lease liabilities	\$ 70,334	\$ 73,956

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(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

19. Lease liabilities (continued):

	2025	2024
Lease liabilities included in other liabilities:		
Less than one year	\$ 5,303	\$ 5,027
More than one year	46,910	49,384
Total	\$ 52,213	\$ 54,411

The Credit Union use incremental borrowing rates ranging from 5.49 % to 5.65 % (2024 - 5.49% to 6.62%) to discount its lease liabilities.

The following table presents amounts recognized in the Consolidated Statement of Profit or Loss not already disclosed elsewhere in the consolidated financial statements:

	2025	2024
Income from sub-leasing right-of-use assets	\$ 874	\$ 1,029
Expenses relating to short-term leases	3,146	3,077

During the year ended December 31, 2025, the total cash outflow for leases was \$7,933__ (2024 - \$7,763).

20. Equity shares:

The Credit Union has authorized unlimited number of non-voting Class B equity shares, which have a par value and redemption value of \$1 each.

The rules of the Credit Union state that the annual redemption of Class B shares may, at the discretion of the Board of Directors, be limited to 10% of the total issued and outstanding shares.

Class B shares shall be entitled to dividends at such rate, payable at such time or times and either cumulative or non-cumulative, as the Board of Directors, in their discretion may determine before the first issue of the class of shares.

Class B equity shares are not guaranteed by CUDIC.

	Issued and outstanding	
	2025	2024
Class B non-voting investment equity shares	\$ 19,613	\$ 20,762

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

21. Net interest income:

	2025	2024
Interest income:		
Cash resources and investments	\$ 44,109	\$ 66,792
Financial assets:		
Derivatives, net	(11,285)	(11,617)
Loans to members	511,012	553,713
Assets pledged as collateral	63,091	40,466
	606,927	649,354
Interest expense:		
Deposits from members	304,926	404,952
Secured borrowings	49,084	40,069
Wholesale borrowings	1,917	2,469
Debt securities in issue	20,088	23,564
Lease liabilities	2,936	2,900
	378,951	473,954
Net interest income	\$ 227,976	\$ 175,400

22. Fee and commission income:

	2025	2024
Insurance commissions and fees	\$ 2,095	\$ 1,595
Account service fees	18,833	15,831
Loan administration fees	24,886	22,043
Fees from fiduciary activities and mutual funds	45,212	38,935
Foreign exchange	4,846	5,379
	\$ 95,872	\$ 83,783

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Year ended December 31, 2025

23. Other income:

	2025	2024
Leasing revenue	\$ 10	\$ 370
Investment revenue	3,531	1,285
Net gain on securitization activities	157	-
Other	15,238	14,138
	\$ 18,936	\$ 15,793

The Credit Union leases out portions of the head office locations to tenants. The following table shows minimum lease payments receivable from lessees under these non-cancellable operating leases.

	2025
Receivable within 1 year	\$ 4,054
Receivable within 1 to 5 years	16,055
Receivable over 5 years	23,500
	\$ 43,609

24. Personnel expenses:

	2025	2024
Salaries	\$ 137,136	\$ 131,219
Benefits	17,529	22,472
Pension	9,817	9,901
Other	7,374	7,463
	\$ 171,856	\$ 171,055

25. Other expenses:

	2025	2024
Administration	\$ 47,539	\$ 45,036
Data processing	34,350	33,222
Occupancy	15,545	15,071
	\$ 97,434	\$ 93,329

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

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26. Income taxes:

	2025	2024
Current income tax	\$ 6,868	\$ 956
Deferred income tax	999	(4,543)
	\$ 7,867	\$ (3,587)

Reconciliation of effective tax rate:

The effective tax rate is based on the amount of expense or recovery over the amount of income or loss. The reconciliation of effective tax (recovery) rate is as follows.

	2025	2024
	%	%
Combined federal and provincial statutory tax rate	27.0	(27.0)
Credit Union preferred rate reduction	(7.8)	5.4
Under (over) provided in prior years	0.0	(2.3)
Other	1.2	0.8
	20.4	(23.1)

The tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities are as follows:

	2025	2024
Deferred tax assets:		
Allowance for impairment of loans	\$ 3,608	\$ 3,207
Other accrued expenses	17,791	18,346
Deferred revenue	859	727
Other	2,708	2,644
	\$ 24,966	\$ 24,924
Deferred tax liabilities:		
Investments and other	\$ 3,957	\$ 3,787
Premises, equipment, and leases	13,667	12,796
	\$ 17,624	\$ 16,583

Deferred tax that is expected to reverse to the year 2035 has been measured using the effective rate that will apply for the period. The blended applicable net tax rate was 31.27% (2024 - 22.57%).

First West Credit Union

Notes to Consolidated Financial Statements

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Year ended December 31, 2025

27. Pension and post-retirement benefits:

The Credit Union provides pension benefits to employees through defined contribution, and supplemental retirement and multi-employer defined benefit plans. Other post-retirement benefits including life insurance, health care, dental benefits or cash alternatives are provided to eligible Credit Union employees upon or after retirement.

The Credit Union funds pension plans based on actuarially prescribed amounts. The unfunded supplemental retirement and non-pension benefit plans are paid directly by the Credit Union at the time of entitlement. Contributions for the defined contribution plan are paid by the Credit Union on an annual basis.

Supplemental retirement plans:

The accrued benefit obligation and plan assets were actuarially measured for accounting purposes as of December 31, 2025 (prior period was measured at December 31, 2024). The effective date of the last actuarial valuation report for funding purposes was December 31, 2025 and the effective date of the next required actuarial valuation report will be December 31, 2026.

Participation in multi-employer plan (the "Plan"):

The Credit Union is one of several employers that participates in the BC Credit Union Employees' Pension Plan. The Credit Union is one of several employers participating in the 1.75% Defined Benefit Division of the BC Credit Union Employees' Pension Plan ("Plan"). The Plan is a contributory, multi-employer, multidivisional registered pension plan governed by a Board of Trustees which is responsible for overseeing the management of the Plan, including the investment of the assets and administration of the benefits. The assets under this multi-employer plan are pooled amongst the participating employers. The Plan does not track assets separately for each employer. All cash flows (including investment income, expenses and outgoing benefit payments) are applied and tracked at the aggregate Plan level rather than at the individual employer level. Each employer under the Plan shares the actuarial risks associated with the current and former employees of other participating employers.

Under IFRS Accounting Standards, an employer is required to account for its participation in a multi-employer plan in respect of the proportionate share of assets, liabilities, and costs, in the same fashion as for any other defined benefit plan except in the circumstances where the information is not available to the employer, as follows:

- The entity does not have sufficient information to enable the employer to use defined benefit accounting.
- The Plan exposes the participating employers to actuarial risks associated with the current and former employees of the entities with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to the individual entities participating in the Plan.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

27. Pension and post-retirement benefits (continued):

Participation in multi-employer plan (the "Plan") (continued):

At least once every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of the funding levels. The most recent actuarial valuation of the Plan was conducted as at December 31, 2024. This latest actuarial valuation indicated a going concern surplus of \$87.5 million and a solvency surplus of \$258.0 million.

As at the date of the most recent actuarial valuation, the Plan covered about 3,200 active members, 1,700 inactive members, and approximately 1,700 retired plan members for a total membership count of 6,600, with a market value of assets of \$1.2 billion.

The next formally scheduled actuarial valuation date will be performed as at December 31, 2027. The results of the 2027 valuation are expected to be finalized by the end of September 2028.

Employer contributions to the Plan are established by the Trustees upon advice from the Plan's actuary. The employer contributions rate schedule as determined under the 2021 valuation will continue to remain the same in 2026 as it was in 2025.

The Credit Union paid \$ 1,538 for employer contributions to the plan in fiscal year 2025 (2024 - \$1,518).

28. Commitments and contingencies:

(a) Legal proceedings:

The Credit Union has claims and legal proceedings brought against it that arise from usual business activities. The Credit Union contests the validity of these claims and proceedings. While the outcome of outstanding actions cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material effect on the Credit Union's financial position.

(b) Contingent liability:

As at December 31, 2025 and 2024, the Credit Union has considered contingent liabilities arising from its operations, as well as potential penalties, and determined that no amount needs be accrued in respect of such amounts.

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(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

29. Transfers of financial assets:

(a) Securitization of residential mortgage loans:

The Credit Union periodically enters into agreements with Central 1 and other third parties which may include securitization of residential mortgages into SPE's which issue bonds to third party investors at specified interest rates.

The Credit Union reviews transfer agreements in order to determine whether the transfers of financial assets should result in all or a portion of the transferred mortgages being derecognized from its Consolidated Statement of Financial Position.

The derecognition requirements include an assessment of whether the Credit Union's rights to contractual cash flows have expired or have been transferred or whether an obligation has been undertaken by the Credit Union to pay the cash flows collected on the underlying transferred assets over to a third party. The derecognition standards also include an assessment of whether substantially all the risks and rewards of ownership have been transferred.

The amount of residential mortgages, including accrued interest, that were transferred but which were not derecognized for the period was \$328,816 (2024 - \$569,209). The credit union also has recognized \$328,816 (2024 - \$569,209) of secured borrowing relating to securitization transactions as the Credit Union did not transfer substantially all of the risks and rewards of ownership, principally because it did not transfer prepayment, interest and credit risk of the mortgages in the securitization. Therefore, the Credit Union fails the derecognition of the transferred assets and records a secured borrowing with respect to any consideration received. The residential mortgages are categorized as loans to members and they are pledged as security for this secured borrowing. The weighted average interest rate on the secured borrowing is 2.70% (2024 - 2.52%) and the borrowing matures at the same rate as the underlying mortgages or at maturity of the underlying mortgages. CMB pools are at maturity with bullet payment.

As a result of the transactions, the credit union receives the net differential between the monthly interest receipts of the mortgages and the interest expense on the borrowings.

Type of loan	Total principal	Principal amount over 60-days past due
Residential mortgages	\$ 1,769,396	\$ -

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(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

29. Transfers of financial assets (continued):

- (a) Securitization of residential mortgage loans (continued):

The secured borrowings mature as follows:

Maturity	% Rate	Secured borrowings
March 1 2026	0.64	18,915
March 1 2026	3.64	848
July 1 2026	1.55	57,210
September 1 2026	3.80	74,638
February 1 2027	1.09	26,874
March 1 2027	0.84	43,983
March 1 2027	0.94	12,863
March 1 2027	2.50	13,545
July 1 2027	1.34	14,345
September 1 2027	1.74	33,276
September 1 2027	1.69	67,947
September 1 2027	2.25	29,964
November 1 2027	2.56	9,612
November 1 2027	2.61	7,901
November 1 2027	2.95	18,242
December 1 2027	3.51	4,987
February 1 2028	2.94	10,389
June 1 2028	2.94	10,147
October 1 2028	3.23	185,956
February 1 2029	3.70	88,624
May 1 2029	3.46	100,711
July 1 2029	2.88	7,805
August 1 2029	2.81	117,289
December 1 2029	2.93	53,506
July 1 2030	2.49	52,452
September 1 2030	2.71	122,881
November 1 2030	2.82	105,178
		\$ 1,290,088

- (b) Transfers that are derecognized:

The Credit Union enters into securitization transactions whereby certain financial assets are transferred to third parties. In cases where the Credit Union has securitized and sold pools of multi-unit residential loans without prepayment options, the transferred assets are derecognized in their entirety. The Credit Union does not retain substantially all the risks and rewards of ownership and transfers control over the assets.

The Credit Union retains servicing rights in respect of the transferred assets, which are represented by securitization retained interests. These retained interests are measured at amortized cost. During the term of the off-balance sheet securitization, cash receipts and serving fees result in the amortization of the retained interest, which is recognized in other income. There is no credit risk associated with the securitization retained interest as the derecognized loans are insured.

First West Credit Union

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(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2025

29. Transfers of financial assets (continued):

(b) Transfers that are derecognized (continued):

The following table provides quantitative information of the securitization activities and the transfers that are derecognized in their entirety during the year:

	2025	2024
Carrying value of the loans securitized and sold	\$ 35,282	\$ -
Carrying value of securitization retained interests	764	-
Gains on loans securitized and sold	157	-
Income from securitization activities and retained interests	-	-

The expected undiscounted cash flows payable to the investors on the Credit Union's securitization activities and transfers are derecognized in their entirety are as follows:

2026	\$ 1,435
2027	1,437
2028	1,439
2029	1,442
2030	34,397
	\$ 40,150

30. Interest rate sensitivity:

Interest rate risk is the sensitivity of the Credit Union's financial position to movements in interest rates. The carrying amounts of interest sensitive assets and liabilities and the notional amount of swaps and other derivative financial instruments used to manage interest rate risk are presented below in the periods in which they next reprice to market rates and are summed to show the interest rate sensitivity gap (mismatch).

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Year ended December 31, 2025

30. Interest rate sensitivity (continued):

	Within 3-months		4 - 12-months		Over 1-year		Not-interest sensitive	Total
	Principal	% Rate	Principal	% Rate	Principal	% Rate		
2025								
Assets:								
Cash resources	\$ 231,662	2.01	\$ -	-	\$ -	-	\$ 44,453	\$ 276,115
Loans	5,201,933	4.94	2,586,646	4.42	5,225,103	4.61	10,094	13,023,776
Other	313,410	2.50	326,453	2.72	1,017,927	2.98	(155,740)	1,502,050
	5,747,005	4.69	2,913,099	4.23	6,243,030	4.35	(101,193)	14,801,941
Liabilities:								
Member deposits	4,120,631	2.69	2,918,074	2.87	944,968	3.31	3,885,984	11,869,657
Borrowings and other	178,190	3.58	216,408	3.61	1,395,724	4.25	225,728	2,016,050
	4,298,821	2.73	3,134,482	2.92	2,340,692	3.87	4,111,712	13,885,707
Balance sheet mismatch	1,448,184		(221,383)		3,902,338		(4,212,905)	916,234
Derivatives, notional value:								
Asset	600,000	2.35	950,000	2.26	450,000	2.69	-	2,000,000
Liability	(1,400,000)	2.30	-	-	(600,000)	2.92	-	(2,000,000)
	(800,000)		950,000		(150,000)		-	-
Net mismatch	\$ 648,184		\$ 728,617		\$ 3,752,338		\$ (4,212,905)	\$ 916,234
2024								
Assets:								
Cash resources	\$ 254,827	2.41	\$ -	-	\$ -	-	\$ 42,297	\$ 297,124
Loans	4,229,130	6.06	2,132,530	4.2	6,124,471	4.63	12,814	12,498,946
Other	399,725	4.13	245,993	3.07	756,087	3.22	64,965	1,466,770
	4,883,682	5.71	2,378,523	4.08	6,880,558	4.47	120,076	14,262,840
Liabilities:								
Member deposits	4,038,469	3.62	3,386,852	3.95	949,349	4.1	3,427,406	11,802,076
Borrowings and other	55,272	2.95	159,954	2.95	1,161,214	3.75	203,296	1,579,735
	4,093,741	3.61	3,546,806	3.91	2,110,563	3.91	3,630,702	13,381,811
Balance sheet mismatch	789,942		(1,168,283)		4,769,995		(3,510,626)	881,029
Derivatives, notional value:								
Asset	600,000	3.32	600,000	3.19	-	-	-	1,200,000
Liability	(600,000)	3.32	-	-	(600,000)	3.77	-	(1,200,000)
	-		600,000		(600,000)		-	-
Net mismatch	\$ 789,942		\$ (568,283)		\$ 4,169,995		\$ (3,510,626)	\$ 881,029

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31. Fair values of financial instruments:

The following table presents approximate fair values of the Credit Union's financial instruments, including derivatives. The fair values of financial assets and liabilities with fixed interest rates have been determined using discounted cash flow techniques based on interest rates being offered for similar types of assets and liabilities with similar terms and risks as at the Consolidated Statement of Financial Position date. Fair values of other financial assets and liabilities are assumed to approximate their carrying value, principally due to their short-term nature. Fair values of derivative financial instruments have been determined based on market price quotations.

These fair values, presented for information only, reflect conditions that existed at the date of the Consolidated Statement of Financial Position.

	2025			2024		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets:						
Cash resources	\$ 276,115	\$ 276,115	\$ -	\$ 297,124	\$ 297,124	\$ -
Derivatives	16,338	16,338	-	19,198	19,198	-
Loans	13,023,776	12,986,467	(37,309)	12,498,946	12,340,119	(158,827)
Investments	1,221,465	1,220,298	(1,167)	1,183,534	1,181,978	(1,556)
Securitization						
retained interest	764	764	-	-	-	-
Other	6,664	6,664	-	8,166	8,166	-
	14,545,122	14,506,646	(38,476)	14,006,968	13,846,585	(160,383)
Liabilities:						
Deposits	11,869,657	11,892,086	(22,429)	11,802,076	11,850,909	(48,833)
Borrowing	1,290,275	1,326,235	(35,960)	1,226,564	1,239,688	(13,124)
Debt securities in issue	506,708	524,073	(17,365)	154,650	170,450	(15,800)
Derivatives	7,843	7,843	-	23,512	23,512	-
Other	191,702	191,702	-	156,400	156,400	-
	13,866,185	13,941,939	(75,754)	13,363,202	13,440,959	(77,757)
Fair value difference			\$ (114,230)			\$ (238,140)

The fair value measurements are analyzed according to a fair value hierarchy with three levels as follows:

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

The level in the fair value hierarchy within which the fair value measurement is categorized shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

No transfer has been made into or out of Level 1, Level 2 or Level 3 during the year.

First West Credit Union

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Year ended December 31, 2025

31. Fair values of financial instruments (continued):

2025	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash resources	\$ 102,198	\$ 173,917	\$ -	\$ 276,115
Derivative assets	-	16,338	-	16,338
Loans to members	-	-	12,986,467	12,986,467
Investments	-	1,220,298	-	1,220,298
Securitization retained interest	-	-	764	764
Other assets	-	6,664	-	6,664
	\$ 102,198	\$ 1,417,217	\$ 12,987,231	\$ 14,506,646
Financial liabilities:				
Deposits from members	\$ -	\$ 11,892,086	\$ -	\$ 11,892,086
Borrowings	-	1,326,235	-	1,326,235
Debt securities in issue	-	524,073	-	524,073
Derivative liabilities	-	7,843	-	7,843
Other liabilities	-	191,702	-	191,702
	\$ -	\$ 13,941,939	\$ -	\$ 13,941,939
2024				
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash resources	\$ 146,231	\$ 150,893	\$ -	\$ 297,124
Derivative assets	-	19,198	-	19,198
Loans to members	-	-	12,340,119	12,340,119
Investments	-	1,181,978	-	1,181,978
Securitization retained interest	-	-	-	-
Other assets	-	8,166	-	8,166
	\$ 146,231	\$ 1,360,235	\$ 12,340,119	\$ 13,846,585
Financial liabilities:				
Deposits from members	\$ -	\$ 11,850,909	\$ -	\$ 11,850,909
Borrowings	-	1,239,688	-	1,239,688
Debt securities in issue	-	170,450	-	170,450
Derivative liabilities	-	23,512	-	23,512
Other liabilities	-	156,400	-	156,400
	\$ -	\$ 13,440,959	\$ -	\$ 13,440,959

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32. Related party information:

Related parties of the Credit Union include subsidiaries, associates, joint ventures, post-employment benefit plans, key management personnel, close family members of key management personnel and entities which are controlled, jointly controlled or significantly influenced, or for which significant voting power is held, by key management personnel or their close family members.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union including the Chief Executive Officer, Chief Financial and Strategy Officer, Chief Credit Officer, Chief Governance and Corporate Affairs Officer, Chief Operating Officer, Chief Risk Officer, Chief Transformation and Information Officer, President Envision Financial, President Valley First and the President Island Savings.

A number of transactions were entered into with key management personnel in the normal course of business:

(a) Loans and deposits:

The Credit Union provides banking services to key management personnel and persons connected to them. Balances outstanding at December 31, 2025 were loans of \$6,669 (2024 - \$6,452) and deposits of \$6,143 (2024 - \$5,521). No Stage 2 or Stage 3 allowances for credit losses have been recognized with respect to these loans (2024 - nil).

At December 31, 2025, outstanding loans to directors, officers and employees of the Credit Union amounted to \$324,860 (2024 - \$323,647). All such loans were granted in accordance with normal lending terms. Employee loans are recorded at their fair value in the Consolidated Statement of Financial Position with the difference between market values and carrying values being recognized as personnel expenses in the Consolidated Statement of Profit or Loss.

(b) Key management compensation:

	2025	2024
Salaries and short-term employee benefits	\$ 4,445	\$ 4,513
Variable pay - short-term	2,092	1,918
Variable pay - long-term	2,312	2,311
Post-retirement and termination benefits	715	553
	\$ 9,564	\$ 9,295

The aggregate remuneration earned by directors of the Credit Union during 2025 was \$684 (2024 - \$667).

The Credit Union recorded no donations in accounts payable and other expenses to the Credit Union's charitable foundation, First West Foundation ("Foundation") (2024 - \$180). Certain directors of the Credit Union are directors of the Foundation.

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32. Related party information (continued):

(c) Subsidiaries and joint operations:

	<u>% ownership of common shares outstanding</u>	
	2025	2024
First West Insurance Services Ltd.	100	100
FW Wealth Management Ltd.	100	100
First West Leasing Ltd.	100	100
FWCU Capital Corp.	100	100
619547 BC Ltd.	100	100
