FirstOntario
CREDIT UNION

2024 CONSOLIDATED FINANCIAL STATEMENTS OF FIRSTONTARIO CREDIT UNION LIMITED

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REPORT ON MANAGEMENT RESPONSIBILITY

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

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

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

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

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

Lloyd Smith, CPA, CGA, CCE
Chief Executive Officer

John Doran, CPA, CA, CFA
Chief Financial Officer

March 6, 2025

REPORT OF THE AUDIT COMMITTEE

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

The Audit Committee is pleased to report to the Members of FirstOntario that it has fulfilled its annual mandate. During the year the Committee held 6 meetings and completed the following significant activities:

(a) Served as the principal communication link between the external auditors and the Board of Directors and, in particular, reviewed the terms of engagement and scope of the audit and reviewed FirstOntario's annual financial statements prior to Board approval for issuance to the Members.

(b) Obtained a reasonable understanding of the important elements of internal controls that are important to safeguarding the assets of FirstOntario, ensuring the accuracy of financial reports and ensuring compliance with policies and procedures.

(c) Served as the Board's liaison with the internal auditor and reviewed the internal audit mandate, work plan and reports.

(d) Reviewed the policies, procedures and controls, which relate to legislative compliance, with a particular focus on requirements for liquidity, capital adequacy and interest rate management.

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

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

Richard Sroka
Chair, Audit Committee

March 6, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Members of FirstOntario Credit Union Limited.

Opinion

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

- the consolidated statement of financial position as at December 31, 2024
- the consolidated statement of income for the year then ended
- the consolidated statement of income and other 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 policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Credit Union as at December 31, 2024 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

Other Information

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

- the information, other than the financial statements and the auditor’s report thereon, included in a document likely be entitled “Annual Report”.

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

In connection with our audit of the 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, or otherwise 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Credit Union group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

March 6, 2025

FIRSTONTARIO CREDIT UNION LIMITED
Consolidated Statement of Financial Position

As at December 31, 2024, with comparative information for 2023

(In thousands of dollars)	**2024**	2023
Assets		
Cash and cash equivalents (note 5)	**$ 25,977**	$ 14,736
Investments in debt securities (note 6)	**218,298**	170,496
Investments in equity instruments (note 6)	**203,319**	169,518
Derivative financial instruments (note 18)	**13,598**	10,619
Loans and advances (note 7)	**5,906,434**	5,481,255
Current tax assets	**3,586**	6,491
Investments in joint ventures (note 10)	**146,187**	146,582
Fixed assets (note 11)	**25,072**	25,081
Intangible assets (note 12)	**16,373**	18,826
Pension assets (note 22)	**2,298**	867
Other assets (note 18)	**24,390**	13,054
	$ 6,585,532	$ 6,057,525
Liabilities		
Deposits (note 13)	**$ 5,522,197**	$ 4,973,120
Accounts payable and accrued liabilities	**36,302**	31,341
Accrued interest payable	**82,774**	74,102
Derivative financial instruments (note 18)	**22,333**	7,520
Secured borrowings (note 14)	**155,000**	120,000
Securitization liabilities (note 14)	**293,170**	397,443
Membership shares (note 15)	**8,976**	9,198
Investment shares (note 15)	**10,235**	10,339
Lease liabilities (note 17)	**7,888**	9,567
Deferred tax liabilities (note 21)	**13,301**	18,792
Other employee benefit obligations (note 22)	**4,678**	3,356
	6,156,854	5,654,778
Members' Equity		
Investment shares (note 15)	**162,749**	159,663
Patronage shares (note 15)	**1,518**	–
Contributed surplus	**13,715**	8,178
Retained earnings	**243,742**	231,857
Non-controlling interest	**(127)**	(134)
Accumulated other comprehensive income	**7,081**	3,183
	428,678	402,747
	$ 6,585,532	$ 6,057,525

See accompanying notes to Consolidated Financial Statements.

On behalf of the Board:

Steve Boucouvalas
Board Chair

Richard Sroka
Chair, Audit Committee

FIRSTONTARIO CREDIT UNION LIMITED
Consolidated Statement of Income

For the year ended December 31, 2024, with comparative information for 2023

(In thousands of dollars)	2024	2023
Interest Income		
Loans and advances (note 7)	**$ 287,794**	$ 237,098
Investment income	**12,585**	13,999
Swap agreements	**5,128**	7,639
	305,507	258,736
Interest Expense		
Members' deposits (note 13)	**204,110**	159,541
Secured borrowings and securitization liabilities (note 14)	**21,702**	28,561
Dividends on membership, investment and patronage shares (note 15)	**1,234**	1,239
	227,046	189,341
Net Interest Income	**78,461**	69,395
(Provision) recovery for expected credit losses (note 8)	**(2,167)**	2,138
Other income (note 23)	**47,166**	36,379
Net Interest and Other Income	**123,460**	107,912
Non-interest Expenses		
Salaries and employee benefits	**59,242**	55,963
Administrative	**18,237**	17,383
Technology	**19,785**	18,422
Occupancy	**8,004**	8,086
Donations and community sponsorship	**1,839**	2,551
	107,107	102,405
Income Before Income Taxes	**16,353**	5,507
Income tax recovery (note 21)	**(2,325)**	(1,389)
Net Income	**$ 18,678**	$ 6,896
Net Income attributable to FirstOntario Credit Union Limited	**18,671**	6,895
Net Income attributable to non-controlling interest	**7**	1
Net Income	**$ 18,678**	$ 6,896

See accompanying notes to Consolidated Financial Statements.

FIRSTONTARIO CREDIT UNION LIMITED
Consolidated Statement of Comprehensive Income

For the year ended December 31, 2024, with comparative information for 2023

(In thousands of dollars)		**2024**		2023
Net Income	**$**	**18,678**	$	6,896
Other Comprehensive Income (Loss)				
Items that are or may be reclassified subsequently to net income:				
Debt securities measured at fair value through other comprehensive income:				
Net unrealized gain from change in fair value		**2,074**		4,670
Net amount transferred to earnings		**(196)**		(1,369)
Related income tax expense (note 21)		**(341)**		(601)
Cash flow hedges:				
Net unrealized gain on cash flow hedges		**4,061**		769
Net amount transferred to earnings		**(1,904)**		(237)
Related income tax expense (note 21)		**(390)**		(97)
Items that are not recycled or reclassified to net income:				
Actuarial gain (loss) on employee benefits, net of tax (notes 21, 22)		**594**		(604)
		3,898		2,531
Total Comprehensive Income	**$**	**22,576**	$	9,427

See accompanying notes to Consolidated Financial Statements.

FIRSTONTARIO CREDIT UNION LIMITED
Consolidated Statement of Changes in Members' Equity

For the year ended December 31, 2024, with comparative information for 2023

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

(In thousands of dollars)					Accumulated Other Comprehensive Income (Loss)			
	Investment shares	Contributed surplus	Retained earnings	Non-controlling interest	Fair value reserve	Cash flow hedging reserve	Employee benefits	Total
Balance, January 1, 2023	$ 108,780	$ 8,178	$ 229,819	$ (135)	$ (3,744)	$ 1,903	$ 2,493	$ 347,294
Shares:								
Issued	58,810	–	–	–	–	–	–	58,810
Redeemed	(7,927)	–	–	–	–	–	–	(7,927)
Net income	–	–	6,895	1	–	–	–	6,896
Dividends paid	–	–	(4,857)	–	–	–	–	(4,857)
Other comprehensive income (loss)	–	–	–	–	2,700	435	(604)	2,531
Balance, December 31, 2023	$ 159,663	$ 8,178	$ 231,857	$ (134)	$ (1,044)	$ 2,338	$ 1,889	$ 402,747

See accompanying notes to Consolidated Financial Statements.

FIRSTONTARIO CREDIT UNION LIMITED
Consolidated Statement of Cash Flows

For the year ended December 31, 2024, with comparative information for 2023

(In thousands of dollars)	2024	2023
Operating Activities		
Net income	**$ 18,678**	$ 6,896
Adjustments for items not involving cash:		
Amortization of fixed assets	**6,550**	6,570
Amortization of intangible assets	**3,726**	3,550
Net change in fair value of assets recorded as fair value through profit or loss	**(33,913)**	(14,310)
Provision (recovery) for expected credit losses	**2,167**	(2,138)
Loss (gain) on sale of fixed assets	**128**	(829)
Net changes in accrued employee retirement benefits	**(109)**	613
Other non-cash items, net	**(10,996)**	3,707
Net interest income	**(78,461)**	(69,395)
Income tax recovery	**(2,325)**	(1,389)
Changes in operating assets and liabilities:		
Net change in loans receivable	**(321,577)**	(334,588)
Net change in derivatives held for risk management	**13,991**	5,623
Net change in deposits	**419,827**	262,414
Net change in accounts payables and accrued liabilities	**3,338**	9,350
Interest received	**298,669**	251,519
Interest paid	**(217,140)**	(149,244)
Income tax paid	**(517)**	(3,873)
Cash flows from (used in) operating activities	**102,036**	(25,524)
Financing Activities		
Net redemptions in membership shares	**(891)**	(257)
Net (redemptions) issuance in investment shares	**(5,298)**	44,822
Net redemption in patronage shares	**(19)**	–
Principal payments on leases	**(2,670)**	(2,697)
Net change in secured borrowings and securitization liabilities	**(69,273)**	(72,370)
Cash flows used in financing activities	**(78,151)**	(30,502)
Investing Activities		
Net investment purchases (disposals)	**(5,943)**	61,251
Net investment gains	**(6,896)**	(3,746)
Proceeds on disposition of investment	**3,000**	1,000
Proceeds on sale of fixed assets	**–**	1,622
Purchase of fixed assets, net of disposals	**(3,559)**	(2,578)
Acquisition of intangible assets, net of disposals	**(1,273)**	(2,919)
Cash on merger with Momentum Credit Union Limited	**2,027**	–
Cash flows (used in) from investing activities	**(12,644)**	54,630
Cash and cash equivalents		
Net increase (decrease) during year	**11,241**	(1,396)
Balance at beginning of year	**14,736**	16,132
Balance at end of year	**$ 25,977**	$ 14,736

See accompanying notes to Consolidated Financial Statements.

1. Corporate Information:

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

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

FirstOntario's Member deposits are insured by the Financial Services Regulatory Authority of Ontario ("FSRA") under a mandatory program, the expense for which amounted to $3,207,000 (2023 - $3,097,000). At December 31, 2024, there were 132,219 Members (2023 – 129,093).

2. Basis of Preparation:

Statement of compliance

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

The financial statements were approved by FirstOntario's Board of Directors on March 6, 2025.

Basis of measurement

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

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

Use of estimates and judgments

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

2. Basis of Preparation (continued):

Use of estimates and judgments (continued)

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

(a) Fair value of financial instruments:

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

(b) Allowance for expected credit losses:

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

(c) Employee retirement benefits:

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

(d) Hedging and securitizations:

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

(e) Fair value of investment properties:

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

3. Material Accounting Policies:

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

(a) Basis of consolidation:

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

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

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

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

All intercompany transactions and balances have been eliminated.

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

3. Material Accounting Policies (continued):

(b) Financial instruments – recognition and measurement:

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

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

Financial assets and liabilities comprise cash and cash equivalents, derivatives, investments in debt securities, investments in equity securities, loans and advances, Members' deposits and shares, accounts payable and accrued liabilities, secured borrowings, and securitization liabilities.

Classification and measurement of financial instruments

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

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

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

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

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

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

3. Material Accounting Policies (continued):

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

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Business model assessment

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

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

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

3. Material Accounting Policies (continued):

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

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

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

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

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

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

Reclassifications

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

Financial Liabilities

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

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

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

Classification:

Classification of investment instruments is outlined in Notes 6 and 10. Classification of all financial instruments is outlined in Note 20.

3. Material Accounting Policies (continued):

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

Effective interest rate method

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

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

Transaction costs

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

Offsetting

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

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

3. Material Accounting Policies (continued):

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

Identification and measurement of impairment losses

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

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

Measurement of expected credit losses

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

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

3. Material Accounting Policies (continued):

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

Restructured financial assets

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

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

Presentation of allowance for expected credit losses

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

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and undrawn component, and FirstOntario cannot identify the ECL on the loan commitment component separately from those on the drawn component: FirstOntario presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: credit impairment is recognized in the Consolidated Statement of Income when the assets are determined to be credit impaired and recognized against other comprehensive income. No loss allowance is recognized in the Consolidated Statement of Financial Position as the asset is recorded at FVOCI.

3. Material Accounting Policies (continued):

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

Write-offs

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

Derivative financial instruments

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

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

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

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

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

3. Material Accounting Policies (continued):

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

Hedge accounting

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

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

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

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

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

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

3. Material Accounting Policies (continued):

(c) Loan securitizations:

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

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

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

For loans derecognized under these loan securitization programs, the present value of the future residual cashflows is recorded as retained rights within Investments in debt securities (note 6) in the Consolidated Statement of Financial Position.

Revenue from servicing of loans and mortgages derecognized is recorded as the services are provided, in Other Income (Note 23) in the Consolidated Statement of Income.

(d) Investments:

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

3. Material Accounting Policies (continued):

(e) Intangible assets:

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

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

Asset	
Computer software	3 – 14 years
Customer relationships	4 years

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

(f) Fixed assets:

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

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

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

3. Material Accounting Policies (continued):

(g) Leases:

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

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

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

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

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

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

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

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

3. Material Accounting Policies (continued):

(h) Investment properties:

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

(i) Shares:

Membership, investment and patronage shares are classified either as liabilities or Members' equity. Where shares are redeemable at the option of the Member, either on demand or on withdrawal from membership, the shares are classified as liabilities and are measured at amortized cost. Shares that are redeemable at the discretion of FirstOntario's Board of Directors are classified as equity.

(j) Dividends:

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

(k) Revenue recognition:

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

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

3. Material Accounting Policies (continued):

(l) Foreign exchange:

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

(m) Employee retirement benefits:

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

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

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

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

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

3. Material Accounting Policies (continued):

(m) Employee retirement benefits (continued):

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

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

(n) Income taxes:

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

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

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

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

3. Material Accounting Policies (continued):

(o) Business combinations:

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

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

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

4. New Standards and Interpretations not yet effective:

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after January 1, 2025, and earlier application is permitted. However, FirstOntario has not early adopted the new and amended accounting standards in preparing these consolidated financial statements.

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

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

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

FirstOntario is in the process of assessing the impact of the new amendments.

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

IFRS 18 Presentation and Disclosures in Financial Statements:

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

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

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

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

5. Cash and Cash Equivalents:

(In thousands of dollars)		**2024**		2023
Cash on hand	**$**	**12,525**	$	9,836
Cash at Central 1 and other financial institutions		**12,021**		2,947
Other cash and cash equivalents		**1,431**		1,953
Total cash and cash equivalents	**$**	**25,977**	$	14,736

Cash and cash equivalents are carried at amortized cost in the Consolidated Statement of Financial Position.

6. Investments:

Investments in debt securities

(In thousands of dollars)		2024		2023
Debt securities measured at FVOCI:				
Marketable securities (a)	**$**	**126,909**	$	139,044
Debt securities measured at amortized cost:				
Retained rights – loan securitizations (note 9)		**59,474**		30,913
Other investments (b)		**28,339**		–
Loans (c)		**3,576**		539
	$	**218,298**	$	170,496

Investments in equity instruments

(In thousands of dollars)		2024		2023
Equity securities measured at FVOCI:				
Shares – Central 1 (d)	**$**	**6,233**	$	5,645
Preferred shares		**–**		2,009
Equity securities measured at FVTPL:				
Managed funds (e)		**183,805**		152,482
Investments - other		**13,118**		9,249
Investments measured under IFRS 9		**203,156**		169,385
Other investments		**163**		133
	$	**203,319**	$	169,518

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

(In thousands of dollars)	**2024 Carrying Amount**	**2024 Average Yield**	2023 Carrying Amount	2023 Average Yield
Within 1 year	**$ 12,711**	**0.63%**	$ 38,701	0.72%
Over 1 year	**144,465**	**4.41%**	100,705	4.62%
	157,176	**4.11%**	139,406	3.54%
Non-rate sensitive	**263,066**		200,604	
Accrued interest	**1,375**		4	
	$ 421,617		$ 340,014	

6. Investments (continued):

(a) Marketable securities:

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

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

The following table summarizes the investment in marketable securities:

(In thousands of dollars)	**2024**	2023
Bonds	**$ 126,678**	$ 122,020
Mortgage backed securities	**231**	17,024
Balance at the end of year	**$ 126,909**	$ 139,044

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

(In thousands of dollars)	**2024**	2023
Interest and investment income	**$ 4,980**	$ 4,545

(b) Other Investments:

FirstOntario holds guaranteed investment certificates with another financial institution in the amount of $27,000,000 (2023 – $ nil) maturing February 9, 2029, at a fixed annual interest rate of 5.50%. As at December 31, 2024 the guaranteed investment has accumulated accrued interest of $1,339,000 (2023 -$nil) due on maturity of the investment.

6. Investments (continued):

(c) Loans:

Loans included within investments, are loans invested into by FirstOntario through third parties and loans made outside of the normal member lending facilities on a partnership basis. FirstOntario has investments of $41,000 (2024 - $539,000) in a portfolio of short-term, low value personal loans, originated by a third party. Additionally, as part of its community outreach, FirstOntario has investments of $3,535,000 (2024 - $nil) for loans with a not-for-profit community organization to enable and sustain continuation of affordable tenant rents. Loans are assessed for credit risk on an annual basis and adjusted accordingly as required.

(d) Central 1 shares:

As a member of Central 1, FirstOntario is required to maintain an investment in Central 1 shares based on FirstOntario's asset size relative to other Class A members. Central 1 rebalances their shares annually. During 2024, as part of this share rebalancing, FirstOntario was required to purchase 12,738 (2023 – 49,218) in Class A shares. As part of the merger with Momentum Credit Union, FirstOntario acquired 40,904 Class A shares and 5,346 Class E shares.

The following table summarizes the investment in Central 1 Shares as at December 31, 2024:

(In thousands of dollars)	**2024**	2023
1,636,301 Class A Shares (2023 – 1,582,659)	**$ 1,636**	$ 1,583
45,968 Class E Shares (2023 - 40,622)	**4,597**	4,062
	$ 6,233	$ 5,645

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

6. Investments (continued):

(e) Managed funds:

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

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

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

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

(In thousands of dollars)	**2024**	2023
Fair value at the beginning of year	**$ 152,482**	$ 162,624
Additions to portfolio	**30,289**	11,883
Distributions	**(21,622)**	(29,141)
Change in fair value	**11,491**	10,530
Change from foreign exchange	**11,165**	(3,414)
Fair value at the end of year	**$ 183,805**	$ 152,482

7. Loans and Advances:

(In thousands of dollars)	2024	2023
Loans and advances classified as amortized cost, are as follows:		
Residential mortgage loans	**$ 4,247,635**	$ 4,110,423
Allowance for expected credit losses	**(2,941)**	(2,610)
	4,244,694	4,107,813
Personal loans	**190,801**	160,976
Allowance for expected credit losses	**(2,537)**	(2,229)
	188,264	158,747
Commercial loans	**1,279,258**	1,149,198
Allowance for expected credit losses	**(5,088)**	(4,489)
	1,274,170	1,144,709
Accrued interest receivable	**24,757**	24,470
	5,731,885	5,435,739
Loans and advances classified as FVTPL, are as follows:		
Commercial loans and advances	**174,549**	45,516
	$ 5,906,434	$ 5,481,255

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

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

(In thousands of dollars)	2024	2023
Loans held by FirstOntario	**$ 3,954,465**	$ 3,712,980
Loans held by Securitization Trusts	**293,170**	397,443
	$ 4,247,635	$ 4,110,423

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

Interest income for the year is as follows:

(In thousands of dollars)	2024	2023
Residential mortgage loans	**$ 189,353**	$ 161,746
Personal loans	**11,611**	8,861
Commercial loans	**86,830**	66,491
	$ 287,794	$ 237,098

7. Loans and Advances (continued):

As at December 31, total unamortized fees paid to third parties associated with lending activities of $10,827,000 (2023 - $12,607,000) are included in loans and advances. Amounts amortized into interest income in respect of these fees were $7,978,000 during the year ended December 31, 2024 (2023 - $8,578,000).

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

(In thousands of dollars)	**2024** Principal Balance	**2024** Average Yield	2023 Principal Balance	2023 Average Yield
Floating	**$ 1,128,481**	**6.49%**	$ 970,150	8.03%
Within 1 year	**1,296,460**	**5.36%**	1,218,243	5.01%
Over 1 year	**3,467,302**	**4.66%**	3,277,720	4.14%
	5,892,243	**5.16%**	5,466,113	5.02%
Allowance for expected credit losses (note 8)	**(10,566)**		(9,328)	
	$ 5,881,677		$ 5,456,785	

8. Allowance for Expected Credit Losses:

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

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

8. Allowance for Expected Credit Losses (continued):

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

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

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

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

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

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

Assessment of significant increase in credit risk

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

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

8. Allowance for Expected Credit Losses (continued):

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

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

Provision for expected credit losses amounting to $2,167,000 (2023 - recovery for expected credit losses of $2,138,000) is comprised of ECL related to re-measurement changes of $3,032,000 (2023 - $1,724,000) loan originations of $2,426,000 (2023 - $1,606,000), less loans derecognized of $3,291,000 (2023- $5,468,000).

(In thousands of dollars)	12-month ECL (Stage 1)	Lifetime ECL- Non-credit Impaired (Stage 2)	Lifetime ECL- Credit Impaired (Stage 3)	2023 Total
Balance at beginning of year	$ 5,733	$ 1,997	$ 4,046	$ 11,776
Transfer to (from):				
Stage 1	341	(284)	(57)	–
Stage 2	(161)	166	(5)	–
Stage 3	(15)	(33)	48	–
Re-measurement	(297)	776	1,245	1,724
Originations	1,606	–	–	1,606
Loans derecognized	(1,917)	(481)	(3,070)	(5,468)
Loans written-off	–	–	(399)	(399)
Recoveries	–	–	89	89
Balance at end of year	$ 5,290	$ 2,141	$ 1,897	$ 9,328

8. Allowance for Expected Credit Losses (continued):

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

(In thousands of dollars)	Residential Mortgage Loans	Personal Loans	Commercial Loans	2023 Total
Balance at beginning of year	$ 2,289	$ 1,783	$ 7,704	$ 11,776
Loans written off	–	(399)	–	(399)
Recoveries	–	89	–	89
(Recovery) provision for expected credit losses	321	756	(3,215)	(2,138)
Balance at end of year	$ 2,610	$ 2,229	$ 4,489	$ 9,328

A summary of impaired loans is as follows:

(In thousands of dollars)	Residential Mortgage Loans	Personal Loans	Commercial Loans	2024 Total	2023 Total
Gross amount of loans identified as impaired	**$ 43,861**	**$ 1,639**	**$ 12,556**	**$ 58,056**	$ 32,194
Related security less expected costs	**42,051**	**770**	**12,279**	**55,100**	30,297
ECL	**$ 1,810**	**$ 869**	**$ 277**	**$ 2,956**	$ 1,897

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

(In thousands of dollars)	<30 days	30-59 days	60-89 days	2024 Total	2023 Total
Residential mortgage loans	**$ 97,003**	**$ 25,855**	**$ 8,890**	**$ 131,748**	$ 86,688
Personal loans	**3,918**	**761**	**337**	**5,016**	3,758
Commercial loans	**13,724**	**4**	**–**	**13,728**	31,323
Balance at end of year	**$ 114,645**	**$ 26,620**	**$ 9,227**	**$ 150,492**	$ 121,769

8. Allowance for Expected Credit Losses (continued):

Economic Scenarios

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

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

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

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

						December 31, 2023
		Worst Case		Base Case		Best Case
	12-month	Thereafter	12-month	Thereafter	12-month	Thereafter
Housing Price Index (HPI)	(12.2)%	2.6%	(3.7)%	4.0%	3.8%	11.3%
3-month banker's acceptance rate	4.0%	1.7%	4.8%	2.8%	5.7%	4.4%
Unemployment rate:						
Canada	6.9%	6.6%	6.2%	5.4%	5.6%	4.9%
Ontario	7.5%	7.0%	6.7%	5.5%	6.0%	5.0%

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

(In thousands of dollars)	**2024**	2023
ECL utilizing weighting (10% / 80% /10%)	**$ 10,566**	$ 9,328
ECL utilizing weighting (5% / 90% / 5%)	**10,559**	9,313
ECL utilizing weighting (20%/ 60% / 20%)	**10,580**	9,358

8. Allowance for Expected Credit Losses (continued):

Loan concentration

FirstOntario's commercial loan portfolio contains Member concentration risk, whereby a large amount of the loans are connected to certain individuals. Collectively, the largest five commercial Members by loan dollar value are associated with approximately 17% (2023 - 17%) of the commercial loan portfolio.

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

	2024	2023
Hospitality	**21%**	21%
Retail & Commercial Buildings	**42%**	48%
Construction	**29%**	22%
Other	**8%**	9%

Collateral

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

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

The value of identifiable collateral held against impaired loans amounted to $55,764,000 (2023 - $30,910,000). For each loan, the value of disclosed collateral is capped to the nominal amount of the loan that it is held against. At December 31, 2024, the related security less expected costs of credit impaired loans amounted to $55,100,000 (2023 - $30,297,000).

8. Allowance for Expected Credit Losses (continued):

The following table illustrates the credit quality of loans:

(In thousands of dollars)	12-month ECL (Stage 1)	Lifetime ECL- Non-credit Impaired (Stage 2)	Lifetime ECL- Credit Impaired (Stage 3)	2024	2023
Retail Mortgages and Personal Loans					
Unscored	$ 23,003	$ 1,061	$ 741	$ 24,805	$ 20,897
A+	1,736,968	765	542	1,738,275	1,655,080
A	2,031,549	11,225	8,714	2,051,488	1,982,964
B	206,010	5,510	2,772	214,292	225,533
C	173,447	33,376	6,245	213,068	215,757
D	41,850	52,776	5,251	99,877	93,429
E	5,528	69,868	21,235	96,631	77,739
Commercial Loans					
Undoubted	–	–	–	–	–
Superior	265,777	–	–	265,777	189,816
Satisfactory	978,605	8,239	–	986,844	951,740
Watch list	–	14,081	12,556	26,637	7,642
Gross loan balance	5,462,737	196,901	58,056	5,717,694	5,420,597
Allowance for expected credit losses	(5,459)	(2,151)	(2,956)	(10,566)	(9,328)
Carrying amount	$ 5,457,278	$ 194,750	$ 55,100	$ 5,707,128	$ 5,411,269

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

9. Loan Securitizations:

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

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

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

9. Loan Securitizations (continued):

The following table summarizes FirstOntario's securitization activity during the years ended December 31, 2024 and December 31, 2023:

	2024		2023	
(In thousands of dollars)	**Residential Mortgages**	**Commercial Mortgages**	Residential Mortgages	Commercial Mortgages
Amount securitized/sold	**$ 26,919**	**$ 740,754**	$ 18,780	$ 227,502
Net cash proceeds received	**26,645**	**727,492**	18,636	223,767
Outstanding balances of securitized loans	**318,611**	**3,440,066**	436,798	2,833,881

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

	2024		2023	
(In thousands of dollars)	**Residential Mortgages**	**Commercial Mortgages**	Residential Mortgages	Commercial Mortgages
Retained rights	**$ 347**	**$ 59,127**	$ 660	$ 30,253
Outstanding balances of off-balance sheet securitized loans	**25,441**	**3,440,066**	39,355	2,833,881

Retained rights are reported as investments on the Consolidated Statement of Financial Position (Note 6). The following table summarizes the weighted average key assumptions of the off-balance sheet securitization for retained rights related to all residential and commercial mortgages sold and derecognized under IFRS 9 as at December 31, 2024.

	2024	2023
Average life	**2.8 years**	3.0 years
Prepayment rate	**0.00%**	0.00%
Discount rate	**2.42%**	2.03%
Expected credit losses	**0.00%**	0.00%

10. Investments in Joint Ventures:

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

(In thousands of dollars)		**2024**		2023
Balance at the beginning of year	**$**	**146,582**	$	141,070
Share of total income in joint ventures		**12,258**		8,236
Capital investment contributions		**3,081**		5,856
Distributions		**(15,734)**		(8,580)
Balance at the end of year	**$**	**146,187**	$	146,582

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

(In thousands of dollars)		**2024**		2023
Operating revenues	**$**	**14,316**	$	11,517
Operating expenditures		**12,401**		10,802
Operating net income		**1,915**		715
Change in fair value of investment properties		**10,343**		7,521
Share of total income in joint ventures	**$**	**12,258**	$	8,236

Operating revenue includes interest received by FirstOntario from a promissory note issued to one of its joint venture partners in the amount of $nil (2023 - $46,000).

Certain investments in joint ventures hold commercial mortgages with FirstOntario. These mortgages are treated as loans between FirstOntario and the various joint ventures partners holding the investment properties. As at, December 31, 2024, the total principal value of the mortgages outstanding is $29,750,000 (2023 - $29,750,000).

During the year ended December 31, 2024, FirstOntario received $15,734,000 (2023 - $8,580,000) in distributions from the ventures.

10. Investments in Joint Ventures (continued):

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

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

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

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

	2024	2023
Capitalization rate	**4.3% - 7.3%**	4.3% - 6.5%
Risk-adjusted discount rate	**7.9%**	7.8%
Occupancy rate	**92.5% – 98.5%**	98% - 98.5%

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

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

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

11. Fixed Assets:

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

(In thousands of dollars)	Cost	Accumulated amortization	2023 Net book value
Land	$ 802	$ –	$ 802
Parking lots/Site improvements	39	35	4
Buildings	23,754	12,529	11,225
Equipment	21,194	14,782	6,412
Leasehold improvements	25,496	18,858	6,638
Total fixed assets	$ 71,285	$ 46,204	$ 25,081

Amortization in respect of the above assets for the year ended December 31, 2024 amounts to $6,550,000 (2023 - $6,570,000).

11. Fixed Assets (continued):

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

(In thousands of dollars)	2024	2023
Land		
Net book value at the beginning year	$ **802**	$ 883
Merger with Momentum Credit Union Limited	**1,120**	–
Disposals	**–**	(81)
Net book value at the end of the year	**1,922**	802
Parking lots/Site improvements		
Net book value at the beginning of the year	**4**	13
Amortization	**(3)**	(9)
Net book value at the end of the year	**1**	4
Buildings		
Net book value at the beginning of the year	**11,225**	14,240
Additions	**721**	579
Merger with Momentum Credit Union Limited	**726**	–
Disposals	**(253)**	(1,129)
Amortization	**(2,424)**	(2,465)
Net book value at the end of the year	**9,995**	11,225
Equipment		
Net book value at the beginning of the year	**6,412**	7,038
Additions	**1,772**	1,909
Merger with Momentum Credit Union Limited	**109**	–
Disposals	**(9)**	–
Amortization	**(2,450)**	(2,535)
Net book value at the end of the year	**5,834**	6,412
Leasehold improvements		
Net book value at the beginning of the year	**6,638**	6,899
Additions	**1,999**	1,415
Merger with Momentum Credit Union Limited	**438**	–
Disposals	**(82)**	(115)
Amortization	**(1,673)**	(1,561)
Net book value at the end of the year	**7,320**	6,638
Total net book value	$ **25,072**	$ 25,081

12. Intangible Assets:

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

(In thousands of dollars)	Cost	Accumulated amortization	2023 Net book value
Software	$ 33,004	$ 14,332	$ 18,672
Customer relationships	200	46	154
Total intangible assets	$ 33,204	$ 14,378	$ 18,826

Amortization in respect of the above assets for the year ended December 31, 2024 amounts to $3,726,000 (2023 - $3,550,000).

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

(In thousands of dollars)	**2024**	2023
<u>Software</u>		
Net book value at the beginning year	**$ 18,672**	$ 19,457
Additions	**1,377**	2,719
Amortization	**(3,708)**	(3,504)
Net book value at the end of the year	**16,341**	18,672
<u>Customer relationships</u>		
Net book value at the beginning of the year	**154**	–
Additions	**41**	200
Disposals	**(145)**	–
Amortization	**(18)**	(46)
Net book value at the end of the year	**32**	154
Total net book value	**$ 16,373**	$ 18,826

13. Deposits:

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

(In thousands of dollars)	**2024**	2023
Chequing	**$ 636,244**	$ 590,729
Savings	**782,658**	873,895
Term deposits	**3,164,008**	2,701,925
Registered plans	**939,287**	806,571
	$ 5,522,197	$ 4,973,120

As at December 31, total unamortized fees paid to third parties associated with deposit activities of $3,576,000 (2023 - $4,191,000) are included within deposits. Included in registered plans and term deposits are $18,765,000 in Equity-Linked Deposits at December 31, 2024 (2023 - $21,549,000). See Note 18 for the related derivatives used to hedge exposure to equity market risk.

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

Interest expense for the year is as follows:

(In thousands of dollars)	**2024**	2023
Savings	**$ 17,949**	$ 21,974
Term deposits	**150,435**	110,616
Registered plans	**35,726**	26,951
	$ 204,110	$ 159,541

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

(In thousands of dollars)	**2024 Principal Balance**	**2024 Average Yield**	2023 Principal Balance	2023 Average Yield
Floating	**$ 810,572**	**1.67%**	894,896	2.43%
Within 1 year	**2,276,304**	**4.85%**	1,969,003	4.72%
Over 1 year	**1,662,455**	**4.49%**	1,381,396	4.71%
	4,749,331	**4.18%**	4,245,295	4.24%
Non-rate sensitive	**772,866**		727,825	
	$ 5,522,197		$ 4,973,120	

14. Secured Borrowings and Securitization Liabilities:

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

Secured Borrowings:

(In thousands of dollars)		**2024**		2023
Central 1 Credit Facilities - Operating loan facilities, bearing a variable interest rate of 4.16% (2023 - 5.93%) due within one year	**$**	**155,000**	$	120,000

Securitization Liabilities:

(In thousands of dollars)		**2024**		2023
Mortgage-Backed Securities secured by residential mortgage loans, bearing a weighted average fixed interest rate of 2.76% (2023 - 2.81%), expected weighted average maturity date of 2026 (2023 - 2026)	**$**	**272,281**	$	373,650
Mortgage-Backed Securities secured by residential mortgage loans, bearing a weighted average variable interest rate of 4.98% (2023 - 6.24%), expected weighted average maturity date of 2026 (2023 - 2026)		**20,889**		23,793
	$	**293,170**	$	397,443

As at December 31, 2024 and December 31, 2023, FirstOntario was in compliance with all financial and non-financial covenants.

Interest expense associated with secured borrowings and securitizations liabilities during the year consisted of the following:

(In thousands of dollars)		**2024**		2023
Secured borrowings	**$**	**11,490**	$	16,310
Securitization liabilities		**10,212**		12,251
	$	**21,702**	$	28,561

15. Membership, Investment and Patronage Shares:

Authorized Share Capital

FirstOntario has authorized an unlimited number of membership shares. Such shares are issued for $5 each and Members under the age of 21 must hold one membership share while those 21 and over are required to hold at least five shares and increase their holdings of membership shares to 30 shares over a 25-year period. Membership shares are redeemable, on withdrawal from membership, at the amount paid thereon provided FirstOntario is meeting the "capital adequacy" requirements (see Note 16) and they rank junior to Class A and Class B special shares for priority in the payment of dividends.

FirstOntario has also authorized an unlimited number of Class A and Class B special shares. Such shares are generally non-voting and non-participating with non-cumulative dividend entitlements. In respect of dividends, both classes rank senior to the membership shares and the Class B special shares rank ahead of the Class A special shares.

The Board of Directors has authorized a Series 1, Series 2, Series 2013, Series 2010, Series 2015, Series 2020, Series 2023 and Series 2024 for Class B special shares ("investment shares"). The investment shares have an issue price of $1 each and are entitled to receive dividends if, as and when declared by the Board of Directors. Series 1, Series 2 and Series 2013 investment shares are redeemable at the holder's request. Series 2010, 2015 and Series 2024 investment shares are redeemable at the sole and absolute discretion of the Board of Directors. Series 2020 investment shares are redeemable at the sole and absolute discretion of the Board of Directors starting in 2025. Series 2023 investment shares are redeemable at the sole and absolute discretion of the Board of Directors starting in 2028. In any year, redemptions are restricted to 10% of the respective series of the outstanding investment shares.

The Board of Directors has authorized a series of Class A special shares, titled Class A, patronage shares. The patronage shares have an issue price of $1 each and are entitled to receive dividends if, as and when declared by the Board of Directors. Class A, patronage shares are redeemable at the sole and absolute discretion of the Board of Directors starting in 2026. In any year, redemptions are restricted to 10% of the respective series of the outstanding patronage shares.

15. Membership, Investment and Patronage Shares (continued):

Issued and Outstanding

Membership shares and Series 1, 2 and 2013 investment shares are classified as liabilities and are measured at amortized cost. Dividends are recorded using the effective interest rate method. Series 2010, 2015, 2020, 2023 and 2024 investment shares and Class A, patronage shares are classified as equity as these shares are redeemable at the sole and absolute discretion of the Board of Directors.

On July 15, 2023, 14,028,343 Series 2023 shares were issued and recorded on the Consolidated Balance Sheet. On September 15, 2023, 14,304,920 Series 2023 shares were issued and recorded on the Consolidated Balance Sheet. On November 15, 2023, 25,860,921 Series 2023 shares were issued and recorded on the Consolidated Balance Sheet. In total, these shares were issued, net of issuance costs, in the amount of $53,977,283. Five years subsequent to the initial offering, requests for redemption are considered for approval by the Board of Directors for Series 2023 shares. In any fiscal year, redemptions are restricted to 10% of the respective series of the outstanding investment shares.

On July 31, 2024, 895,981 Series 2024 shares were issued and recorded on the Consolidated Balance Sheet in connection with the acquisition of Momentum Credit Union Limited. In total, these shares were issued in the amount of $895,981. Requests for redemption are considered for approval by the Board of Directors for Series 2024 shares. In any fiscal year, redemptions are restricted to 10% of the respective series of the outstanding investment shares.

On July 31, 2024, 1,546,925 Class A, patronage shares were issued and recorded on the Consolidated Balance Sheet in connection with the acquisition of Momentum Credit Union Limited. In total, these shares were issued in the amount of $1,536,589. Requests for redemption of the Class A, patronage shares are considered for approval by the Board of Directors beginning in 2026. In any fiscal year, redemptions are restricted to 10% of the respective series of the outstanding Class A, patronage shares.

15. Membership, Investment and Patronage Shares (continued):

(In thousands of dollars)		2024		2023
Membership shares:				
1,795,138 (2023 — 1,839,504) membership shares	$	**8,976**	$	9,198
Investment shares:				
4,100,504 (2023 - 3,990,487)				
Class B, Series 1, Special Shares	$	**4,101**	$	3,990
5,286,908 (2023 - 5,516,725)				
Class B, Series 2, Special Shares		**5,287**		5,517
846,658 (2023 - 831,808)				
Class B, Series 2013, Special Shares		**847**		832
Investment shares classified as liabilities		**10,235**		10,339
44,952,366 (2023 - 44,063,200)				
Class B, Series 2010, Special Shares		**44,706**		43,817
61,913,002 (2023 - 60,554,622)				
Class B, Series 2015, Special Shares		**61,659**		60,301
1,174,582 (2023 - 1,175,832)				
Class B, Series 2020, Special Shares		**1,175**		1,176
54,536,883 (2023 – 54,585,585)				
Class B, Series 2023, Special Shares		**54,320**		54,369
888,840 (2023 – nil)				
Class B, Series 2024, Special Shares		**889**		–
Investment shares classified as equity		**162,749**		159,663
Total investment shares	$	**172,984**	$	170,002
Patronage shares:				
1,517,670 (2023 – nil)				
Class A, Patronage Shares		**1,518**		–
Total patronage shares	$	**1,518**	$	–

Dividends

Dividends earned by membership and investment shares classified as liabilities and expensed on the Consolidated Statement of Income were as follows:

(In thousands of dollars)		2024		2023
Membership shares	$	**636**	$	618
Series 1, 2 and 2013 investment shares		**598**		621
Dividends on membership and investment shares	$	**1,234**	$	1,239
Dividends on Series 2010, 2015, 2020, 2023 and 2024 investment shares (classified as equity)	$	**6,786**	$	4,857

15. Membership, Investment and Patronage Shares (continued):

On March 5, 2024, the Board of Directors approved the issue of 619,800 Series 1, 2 and 2013 investment shares, 2,654,909 Series 2010 investment shares, 3,630,638 Series 2015 investment shares, 70,540 Series 2020 investment shares and 430,160 Series 2023 investment shares in payment of a dividend for the 12 months from January 1, 20244 to December 31, 2024.

The tables that follow present a reconciliation of the change in shares during the year:

	2024	2023
Membership Shares		
Opening balance	**1,839,504**	1,767,310
Shares issued during the year	**105,373**	148,396
Merger with Momentum Credit Union Limited (note 25)	**6,522**	–
Shares redeemed	**(156,261)**	(76,202)
Membership shares	**1,795,138**	1,839,504
Class B, Series 1, Special Shares		
Opening balance	**3,990,487**	4,328,226
Shares issued during the year	**239,254**	175,169
Shares redeemed	**(129,237)**	(512,908)
Class B, Series 1, Special Shares	**4,100,504**	3,990,487
Class B, Series 2, Special Shares		
Opening balance	**5,516,725**	5,782,277
Shares issued during the year	**330,639**	233,945
Shares redeemed	**(560,456)**	(499,497)
Class B, Series 2, Special Shares	**5,286,908**	5,516,725
Class B, Series 2013, Special Shares		
Opening balance	**831,808**	811,807
Shares issued during the year	**49,907**	32,919
Shares redeemed	**(35,057)**	(12,918)
Class B, Series 2013, Special Shares	**846,658**	831,808
Class B, Series 2010, Special Shares		
Opening balance	**44,063,200**	45,880,622
Shares issued during the year	**2,654,909**	1,859,470
Shares redeemed	**(1,765,743)**	(3,676,892)
Class B, Series 2010, Special Shares	**44,952,366**	44,063,200

15. Membership, Investment and Patronage Shares (continued):

	2024	2023
Class B, Series 2015, Special Shares		
Opening balance	**60,554,622**	62,237,974
Shares issued during the year	**3,630,638**	2,523,001
Shares redeemed	**(2,272,258)**	(4,206,353)
Class B, Series 2015, Special Shares	**61,913,002**	60,554,622
Class B, Series 2020, Special Shares		
Opening balance	**1,175,832**	1,160,961
Shares issued during the year	**70,540**	47,081
Shares redeemed	**(71,790)**	(32,210)
Class B, Series 2020, Special Shares	**1,174,582**	1,175,832
Class B, Series 2023, Special Shares		
Opening balance	**54,585,585**	–
Shares issued during the year	**430,160**	54,596,808
Shares redeemed	**(478,862)**	(11,223)
Class B, Series 2023, Special Shares	**54,536,883**	54,585,585
Class B, Series 2024, Special Shares		
Opening balance	**–**	–
Merger with Momentum Credit Union Limited (note 25)	**895,981**	–
Shares redeemed	**(7,141)**	–
Class B, Series 2024, Special Shares	**888,840**	–
Class A, Patronage, Special Shares		
Opening balance	**–**	–
Merger with Momentum Credit Union Limited (note 25)	**1,536,589**	–
Shares redeemed	**(18,919)**	–
Class A, Patronage Shares	**1,517,670**	–

16. Regulatory Reporting and Disclosure:

(a) Capital management:

FirstOntario maintains policies and procedures relative to capital management so as to ensure that capital levels are sufficient to cover risks inherent in the business.

FirstOntario's objectives when managing capital are:

(i) To ensure that the quantity, quality and composition of capital required reflects the inherent risks of FirstOntario and to support the current and planned operations and portfolio growth.

(ii) To provide a basis for confidence among Members, depositors, creditors and regulatory agencies.

(iii) To ensure that FirstOntario maintains a level of capital that sufficiently protects against unanticipated losses and to comply with the minimum regulatory capital requirements set out in the Act.

Regulatory capital is calculated as a percentage of total assets and of risk-weighted assets. Risk-weighted assets are calculated by applying risk weight percentages, as prescribed by the Act, to various asset categories, operational and interest rate risk criteria. The prescribed risk weights are dependent upon the degree of risk associated with the asset.

FirstOntario manages its Tier 1 and Tier 2 capital in accordance with internal policies and regulatory requirements. Tier 1 capital is the highest quality and consists of retained earnings, contributed surplus, accumulated other comprehensive losses, membership shares and the portion of the value of Class B investment shares and Class A patronage shares that are not redeemable within 12 months.

16. Regulatory Reporting and Disclosure (continued):

(a) Capital management (continued):

Tier 2 capital is comprised of the value of Class B investment shares ineligible as Tier 1 capital and the eligible portion of the allowance for impaired loans. In 2022, FSRA implemented Rule 2021-02 which revised various regulatory capital ratios, impacting the calculations, inclusion of new metrics and revisions to regulatory minimums.

The amount and composition of Tier 1 and Tier 2 capital were as follows:

(In thousands of dollars)	**2024**	2023
Tier 1 Capital		
Retained earnings	**$ 243,742**	$ 231,857
Contributed surplus	**13,715**	8,178
Non-controlling interest	**(127)**	(134)
Membership shares	**8,976**	9,198
Class B Investment Shares, Series 1 (90%)	**3,691**	3,591
Class B Investment Shares, Series 2 (90%)	**4,758**	4,965
Class B Investment Shares, Series 2010 (90%)	**40,235**	39,435
Class B Investment Shares, Series 2013 (90%)	**762**	749
Class B Investment Shares, Series 2015 (90%)	**55,493**	54,271
Class B Investment Shares, Series 2020	**1,175**	1,176
Class B Investment Shares, Series 2023	**54,320**	54,369
Class B Investment Shares, Series 2024 (90%)	**800**	–
Class A Patronage Shares	**1,518**	–
Accumulated other comprehensive income	**2,976**	845
Intangibles – software	**(12,021)**	(14,587)
Total Tier 1 Capital	**420,013**	393,913
Tier 2 Capital		
Class B Investment Shares, Series 1 (10%)	**410**	399
Class B Investment Shares, Series 2 (10%)	**529**	552
Class B Investment Shares, Series 2010 (10%)	**4,471**	4,382
Class B Investment Shares, Series 2013 (10%)	**85**	83
Class B Investment Shares, Series 2015 (10%)	**6,166**	6,030
Class B Investment Shares, Series 2024 (10%)	**89**	–
Stage 1 and 2 ECL	**7,610**	7,431
Total Tier 2 Capital	**19,360**	18,877
Total Regulatory Capital	**$ 439,373**	$ 412,790
Total Net Assets	**$ 6,743,066**	$ 6,223,998
Total Risk Weighted Assets	**$ 3,514,125**	$ 3,246,970

Net Assets and Risk Weighted Assets are calculated based on requirements under the regulatory reporting framework.

16. Regulatory Reporting and Disclosure (continued):

(a) Capital management (continued):

Under the Regulations of the Act, FirstOntario must maintain minimum levels of regulatory capital. The leverage ratio calculates regulatory capital as a percentage of assets. The risk-weighted capital ratio calculates regulatory capital as a percentage of risk-weighted assets. FirstOntario complied with these requirements as follows:

	Regulatory	Leverage Ratio		Total Capital Ratio	
	Capital	Minimum	Actual	Minimum	Actual
2024	**$ 439,373,000**	**3.00%**	**6.52%**	**8.00%**	**12.50%**
2023	$ 412,790,000	3.00%	6.63%	8.00%	12.71%

(b) Remuneration of officers and employees:

The Act requires disclosure of the five highest paid officers and employees of FirstOntario where total remuneration exceeds $175,000 during the year. The individuals and their respective remuneration (salary, bonuses and benefits including any applicable retirement and post-employment benefits) included Lloyd Smith, Chief Executive Officer ($657,000; $66,000; $47,000); Jennifer Finlay, former President and Chief Administration Officer ($448,000; $5,000; $95,000); Barry Doan, Chief Risk Officer ($448,000; $5,000; $43,000), Kevin Tom, Chief Investment Officer ($448,000; $5,000; $37,000) and Mark Perkins, Chief Operating Officer ($448,000; $5,000; $37,000).

Remuneration is fair and competitive with salaries of similar positions at credit unions of approximately equal asset size used as comparators. FirstOntario actively participates in compensation surveys to ensure alignment with the market and employs third party compensation consultants to provide more independence to the process.

Chief Executive Officer compensation is reviewed and approved by the Board on an annual basis. As part of this review, the Board considers market expectations and projections of changes for comparable positions using, where available, independent, competent and relevant sources.

16. Regulatory Reporting and Disclosure (continued):

(c) Related party transactions:

FirstOntario's related parties include:

(i) All members of the Board, Officers and Executives of FirstOntario.

(ii) FirstOntario's subsidiaries FOIH, FOIB, FORC and FOGC.

FirstOntario Insurance Holdings Inc. is a wholly owned subsidiary of FirstOntario. FOIH is a holding company which manages FirstOntario's holdings in FirstOntario Insurance Brokers Inc. FOIH holds 51% of the ownership interests and voting rights of FOIB. All intercompany transactions and balances have been eliminated.

FOIB is an insurance brokerage which commenced operations during 2018. The remaining 49% of ownership interests and voting rights not held by FOIH are held by non-controlling interests. During the year, net income of $7,000 (2023 - $1,000) was allocated to non-controlling interests, resulting in accumulated non-controlling interests of $127,000 (2023 - $134,000) at December 31, 2024.

FORC is a wholly owned subsidiary of FirstOntario. FORC commenced operations in 2022 and holds ownership of the Credit Union's various interests in its real estate portfolio which includes various joint ventures as noted in Note 10.

FOGC is a wholly owned subsidiary of FirstOntario. FOGC holds ownership of the Credit Union's various interests in its limited partnerships which includes various joint ventures as noted in Note 10.

All intercompany transactions and balances have been eliminated.

16. Regulatory Reporting and Disclosure (continued):

(c) Related party transactions (continued):

(iii) Defined benefit plans that are referred to in Note 22. FirstOntario's transactions with the plans include contributions paid into the plans. FirstOntario also pays for the expenses of the employee defined contribution plan. FirstOntario has not entered into other transactions with the defined benefit plans.

The following table outlines remuneration of members of the Board, Officers and Executives:

(In thousands of dollars)		**2024**		2023
Salaries, bonuses, and other short-term employee benefits	**$**	**3,342**	**$**	3,449
Post-employment benefits		**160**		267
Directors' remuneration		**477**		412
Total compensation	**$**	**3,979**	$	4,128

Related party balances as at December 31 are outlined in the following table:

(In thousands of dollars)		**2024**		2023
Loans				
Residential mortgages	**$**	**1,803**	$	3,155
Personal loans		**834**		95
Accrued interest		**3**		3
Deposits and Shares				
Deposits		**1,367**		1,125
Membership shares		**3**		3
Investment shares		**311**		300
Accrued interest		**16**		12

Total interest revenue derived from lending activity relating to key management personnel was $132,000 during the year ended December 31, 2024 (2023 - $166,000). Total interest expense from deposit-taking activity from related parties was $41,000 during the year ended December 31, 2024 (2023 - $79,000). During 2024 and 2023, no loans held by related parties were impaired. Loans provided to officers and executives are offered at the same terms and rates offered to all FirstOntario employees. Loans provided to members of the board of directors are offered the same commercial terms and rates as those offered to FirstOntario members.

17. Leases:

FirstOntario leases space for most of its branches, administrative offices and some computer equipment. The leases have varying terms, escalation clauses and renewal rights.

When measuring lease liabilities for new leases, FirstOntario discounted lease payments using its average incremental borrowing rate at the start of the lease term. FirstOntario estimated its incremental borrowing rates for portfolios of leases with similar characteristics, such as similar risk profiles, same or similar types of security, and similar lease terms. For new leases entered into in 2024, FirstOntario applied an incremental borrowing rate of 4.65% (2023 - 4.30%).

Information about leases for which FirstOntario is a lessee is presented below.

(i) Right-of-use assets:

Right-of-use assets relate to leased branch and office premises and computer equipment that are presented within fixed assets (see Note 11).

(In thousands of dollars)		**2024**		2023
Opening balance	**$**	**8,471**	$	11,854
Additions		**930**		104
Merger with Momentum Credit Union Limited (note 25)		**246**		–
Disposals and adjustments		**(213)**		(897)
Amortization		**(2,482)**		(2,590)
Balance at end of year	**$**	**6,952**	$	8,471

Included in disposals and adjustments are disposals of right of use assets and non-cash reductions in the right of use balances for changes in lease rates and base rent amounts.

(ii) Lease liabilities:

The expense relating to interest on lease liabilities was $293,000 (2023 - $344,000).

Maturity analysis for leased liabilities is detailed below. FirstOntario has included optional lease renewal periods where FirstOntario has assessed the likelihood of renewal as “reasonably certain”.

(In thousands of dollars)		**2024**		2023
Within 1 year	**$**	**2,270**	$	2,788
1 to 5 years		**5,554**		6,032
Over 5 years		**753**		1,528
Total undiscounted lease liabilities	**$**	**8,577**	$	10,348
Current portion of lease liabilities	**$**	**2,037**	$	2,536
Non-current portion of lease liabilities		**5,851**		7,031
Total lease liabilities	**$**	**7,888**	$	9,567

17. Leases (continued):

(iii) Total cash outflows for leases are presented below. Non-lease payments represent variable payments for FirstOntario's branches and payments relating to warranties on FirstOntario's equipment.

(In thousands of dollars)	2024	2023
Payments on lease liabilities	$ 2,963	$ 3,041
Payments on low-value leases	262	318
Non-lease payments	1,628	1,664
Total cash outflows	$ 4,853	$ 5,023

18. Derivative Financial Instruments:

(a) Asset liability management:

In the ordinary course of business, FirstOntario purchases derivative instruments from multiple counterparties in order to hedge against exposure to interest rate fluctuations.

These derivative instruments have a fair value that varies based on the particular instrument and changes in interest rates. The purpose of these instruments is to provide a hedge against interest rate fluctuations by improving FirstOntario's matching of its asset and liability position.

(b) Product related:

FirstOntario offers deposit products linked to changes in equity indexes or specific bundles of equities. FirstOntario hedges the underlying risk of these products by entering into equity-linked purchase option contracts. Under the terms of these contracts, FirstOntario will receive payments approximate to the future payments to Members.

(c) Foreign exchange forward contracts:

FirstOntario offers US dollar denominated deposit products and holds investments denominated in US dollars. In order to meet liquidity requirements FirstOntario sells US dollars and purchases US dollar foreign exchange forward contracts to hedge the exchange risk.

18. Derivative Financial Instruments (continued):

The following table summarizes the notional amounts, maturities and fair values of FirstOntario's derivative portfolio as at December 31, 2024 and December 31, 2023:

						2024
	Within	**1 to 5**	**Over**		**Fair Value**	
(In thousands of dollars)	**1 year**	**years**	**5 years**	**Total**	**Assets**	**Liabilities**
Interest rate swaps	**$ 1,149,000**	**$ 1,448,000**	**$ 10,000**	**$ 2,607,000**	**$ 10,600**	**$ 16,659**
Bond forwards	**166,735**	**–**	**–**	**166,735**	**112**	**785**
Equity-linked options	**4,218**	**14,371**	**–**	**18,589**	**1,953**	**1,670**
Foreign exchange forward contracts	**189,140**	**–**	**–**	**189,140**	**933**	**3,219**
2024 Total	**$ 1,509,093**	**$ 1,462,371**	**$ 10,000**	**$ 2,981,464**	**$ 13,598**	**$ 22,333**

						2023
	Within	1 to 5	Over		Fair Value	
(In thousands of dollars)	1 year	years	5 years	Total	Assets	Liabilities
Interest rate swaps	$ 839,000	$ 1,045,000	$ 12,000	$ 1,896,000	$ 5,968	$ 5,004
Bond forwards	39,678	–	–	39,678	–	811
Equity-linked options	9,661	12,043	–	21,704	1,744	875
Foreign exchange forward contracts	157,074	–	–	157,074	2,907	830
2023 Total	$ 1,045,413	$ 1,057,043	$ 12,000	$ 2,114,456	$ 10,619	$ 7,520

Notional amounts are the contract amounts used to calculate the cash flows to be exchanged. They are a common measure of the volume of outstanding transactions, but do not represent credit or market risk exposure. Notional amounts, other than foreign exchange forward contracts, are not exchanged.

FirstOntario is exposed to credit risk which arises from the possibility that a counterparty to a derivative contract could default on their obligation to FirstOntario. Derivative contracts expose FirstOntario to loss only if changes in market rates cause a material unfavourable effect on a counterparty's position, which could then lead to the counterparty defaulting on its payment. FirstOntario only enters into derivative contracts with counterparties that FirstOntario has determined to be creditworthy.

18. Derivative Financial Instruments (continued):

FirstOntario mitigates the credit risk of derivative contracts by entering into master netting agreements and holding collateral in the form of cash and marketable securities. Derivative transactions are transacted on exchanges, with Central Clearing Parties (“CCPs”) or entered into under International Swaps and Derivatives Association (“ISDA”) master netting agreements. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions with the counterparty. FirstOntario executed credit support annexes in conjunction with its ISDA agreements with each counterparty, which requires FirstOntario and its counterparties to post collateral to mitigate counterparty credit risk. Collateral is also posted daily in respect of derivatives transacted on exchanges and with CCPs. Certain derivatives have the option to be ‘settled-to-market’ daily, whereby the daily variation margin is a partial settlement of the outstanding derivative positions, and the fair values of the derivatives are reduced accordingly; however, FirstOntario has not historically settled-to-market.

As of December 31, 2024, included within Other assets on the Consolidated Statement of Financial Position are amounts of $8,828,000 for collateral receivables (2023 - $nil), relating to cash and security collateral posted by FirstOntario, due and repayable by the derivative counterparties on settlement of the corresponding derivatives. Accounts payable and accrued liabilities on the Consolidated Statement of Financial Position include $2,830,000 (2023 - $nil) relating to cash and security collateral posted by counterparties, repayable by FirstOntario on settlement of the corresponding derivatives.

The bond forwards referred to in the above table hedge interest rate risk on loans that are held for sale and designated as FVTPL (Note 7). The bond forwards, which are derivatives, are not designated in hedge accounting relationships. The gains or losses on the bond forwards are mainly offset by the fair value change in the fair value of the loans held for sale and designated as FVTPL.

19. Financial Risk Management:

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of FirstOntario's risk management framework. The Board has delegated to the Risk Committee the responsibility for the development and monitoring of risk management policies. The Risk Committee reports regularly to the Board on its activities.

All risk management policies and established limits ensure that FirstOntario is in full adherence to the regulatory requirements prescribed in the Act as well as FSRA's standards of Sound Business and Financial Practices. The Board receives reports from management on FirstOntario's exposure to credit, interest rate, liquidity, foreign currency and other price risk regularly in order to monitor financial risks.

(a) Credit Risk:

Credit risk is the risk of financial loss to FirstOntario if a borrower, co-borrower, obligor or guarantor fails to meet payment obligations in accordance with agreed terms. FirstOntario's financial assets that are affected by credit risk include loans, receivables, investments, and derivative financial instruments. Credit risk is one of the most significant financial risks to FirstOntario and is continuously monitored.

FirstOntario's primary objective when managing credit risk is to ensure a portfolio of high-quality financial assets are properly diversified so as to balance the risk associated with the portfolio and the return on assets. Credit risk is identified and underwritten in accordance with established lending policies and procedures to ensure it falls within FirstOntario's risk appetite. Collateral is obtained and evaluated to provide support to credit risk exposure. Processes and models with respect to risk-taking are utilized along with applied business judgment to result in timely and effective identification, measurement, monitoring and management of Credit Risk.

Credit risk is managed in accordance with the Credit Risk Management Policy framework for loans receivable and non-members and the Market Risk Management Policy for investments and derivative financial instruments.

For loans receivable, credit risk is managed through an infrastructure based upon:

(i) Approval by the Board of the credit risk management policy;

(ii) Approval by the Chief Executive Officer of the discretionary limits of lending officers throughout FirstOntario;

(iii) Credit adjudication subject to compliance with established policies, exposure guidelines and discretionary limits, as well as adherence to established standards of credit assessment. Credit approvals may be escalated to the Management Credit Committee and ultimately to the Board of Directors dependent upon credit exposure level and restricted party transactions;

19. Financial Risk Management (continued):

(a) Credit Risk (continued):

(iv) The Credit Department is charged with oversight of the following:

a. The establishment of guidelines and procedures to monitor and limit concentrations in the portfolios in accordance with Board approved policies governing regulatory requirements, industry risk and group exposures;

b. The development and implementation of credit risk models and policies for establishing borrower risk ratings to quantify and monitor the level of risk and facilitate management of retail and commercial credit;

c. Implementation of an ongoing monitoring process of the key risk factors used in FirstOntario credit risk models.

Management has designed and implemented an effective system to measure, monitor and report credit risk exposure. Management reports credit risk exposure to the Board regularly.

In conducting lending activities, FirstOntario diversifies its portfolio of loans receivable and non-members to reduce overall credit risk. Residential mortgage and personal loans are diversified between authorized loan types, forms of security and certain sectoral groupings.

Commercial loans are diversified through the establishment of credit exposure limits for specific industry sectors, groups of related borrowers and geographic location.

Credit exposure is assessed through the following:

(i) Probability of default, which is an estimate of probability that a Member with a certain borrower risk rating, will default within a one-year time horizon.

(ii) Loss given default, which represents the unsecured portion expected to be lost when a borrower defaults.

(iii) Exposure at default, which represents the total value of the loan when a borrower defaults.

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner as follows:

(i) Commercial loans are principally assessed based on factors including the Member's ability to service debt (debt service coverage ratio) and the secured amount (loan to value ratio). Management regularly reviews the commercial loan portfolio and assesses the credit risk associated with each loan.

19. Financial Risk Management (continued):

(a) Credit Risk (continued):

(ii) Automated credit scoring systems assist in assessing credit risk associated with residential mortgage and personal loans. These loans are managed as pools of homogeneous risk exposures using internal benchmarks based upon TransUnion Credit Vision and/or Equifax Beacon Scores. These global standard credit scores track each individual's past credit history and, using a mathematical model, predicts how likely a person is to repay a loan.

For investments and derivative financial instruments, risk is measured by reviewing exposure to individual counterparties to ensure the assets are within the policy limit by issuer weightings and by dollar amount. The quality of the counterparties is assessed through published credit rating agencies.

Except those financial assets at FVTPL and FVOCI, the carrying amount of financial assets recorded in the financial statements represents FirstOntario's maximum exposure to credit risk without taking into account the value of any collateral obtained. FirstOntario is also exposed to credit risk through transactions which are not recognized in the Consolidated Statement of Financial Position, such as granting financial guarantees and extending loan commitments. Refer to Note 8 for further details. The risk of losses from loans undertaken is reduced by the nature and quality of collateral obtained. Refer to Note 8 for a description of the nature of the security held against loans as at the date of the Consolidated Statement of Financial Position.

(b) Interest Rate Risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FirstOntario is exposed to interest rate risk when entering into banking transactions with Members, primarily deposit and lending activities.

FirstOntario's exposure to interest rate risk depends on the size and direction of interest rate changes, and on the size and maturity of mismatched positions. An interest-sensitive asset or liability is repriced when market interest rates change, when there is cash flow from final maturity, normal amortization, or when Members exercise prepayment, conversion or redemption options are offered for the specific product.

Interest rate risk is managed in accordance with the Structural Risk Management Policy. The Board delegates the responsibility to manage interest rate risk on a day-to-day basis to management.

FirstOntario's Structural Risk Management Policy includes:

(i) Guidelines and limits on the structuring of the maturities, price and mix of deposits, loans, mortgages and investments and the management of cash flows derived from financial assets in relation to liabilities.

(ii) Guidelines and limits on the use of derivative products to hedge against changes in cash flows as a result of changes in interest rates.

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

The following table summarizes carrying amounts of Consolidated Statement of Financial Position assets, liabilities and equity, and derivative instruments to arrive at FirstOntario's interest rate gap based on the earlier of contractual repricing and maturity dates:

						2024
(In thousands of dollars)	Within 3 months	3 Months to 1 year	1 to 5 years	Over 5 years	Non Interest Sensitive	Total
Assets						
Loans and advances	$ 1,377,585	$ 1,047,356	$ 3,326,679	$ 140,622	$ 14,192	$ 5,906,434
Cash and cash equivalents	–	–	–	–	25,977	25,977
Investments and investment in joint ventures	8,224	4,487	140,964	–	414,129	567,804
Other	1,308	4,098	8,193	–	71,718	85,317
	$ 1,387,117	$ 1,055,941	$ 3,475,836	$ 140,622	$ 526,016	$ 6,585,532
Liabilities and equity						
Deposits	$ 1,249,576	$ 1,837,300	$ 1,662,455	$ –	$ 772,866	$ 5,522,197
Loans and securitization liabilities	206,414	33,840	207,916	–	–	448,170
Equity and other	4,584	3,986	20,766	885	584,944	615,165
	$ 1,460,574	$ 1,875,126	$ 1,891,137	$ 885	$ 1,357,810	$ 6,585,532
Gap-Financial position	(73,457)	(819,185)	1,584,699	139,737	(831,794)	–
Gap-Derivatives	(407,355)	576,000	(158,645)	(10,000)	–	–
Interest rate gap 2024	$ (480,812)	$ (243,185)	$ 1,426,054	$ 129,737	$ (831,794)	$ –

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

(In thousands of dollars)	Within 3 months	3 Months to 1 year	1 to 5 years	Over 5 years	Non Interest Sensitive	Total
						2023
Assets:						
Loans and advances	$ 1,366,634	$ 832,659	$ 3,193,392	$ 64,100	$ 24,470	$ 5,481,255
Cash and cash equivalents	–	–	–	–	14,736	14,736
Investments and investment in joint ventures	38	38,663	100,705	–	347,190	486,596
Other	2,962	2,000	5,501	157	64,318	74,938
	$ 1,369,634	$ 873,322	$ 3,299,598	$ 64,257	$ 450,714	$ 6,057,525
Liabilities and equity:						
Deposits	$ 1,333,007	$ 1,530,892	$ 1,381,396	$ –	$ 727,825	$ 4,973,120
Loans and securitization liabilities	151,613	107,332	258,498	–	–	517,443
Equity and other	2,473	2,462	10,684	1,467	549,876	566,962
	$ 1,487,093	$ 1,640,686	$ 1,650,578	$ 1,467	$ 1,277,701	$ 6,057,525
Gap-Financial position	(117,459)	(767,364)	1,649,020	62,790	(826,987)	–
Gap-Derivatives	(61,322)	420,000	(370,678)	12,000	–	–
Interest rate gap 2023	$ (178,781)	$ (347,364)	$ 1,278,342	$ 74,790	$ (826,987)	$ –

Key metrics involved in management of interest rate risk include the use of Earnings at Risk (“EaR”) and Economic Value of Equity at Risk (“EVEaR”). EaR is defined as the change in the net interest income from a 100 basis point (“bps”) shock to interest rates. This exposure is measured over a 12 month period. EVEaR is defined as the difference in the change in the present value of the asset portfolio and the change in the present value of the liability portfolio, including off-Statement of Financial Position instruments, resulting from a 100 bps interest rate shock. The following table summarizes the EaR and EVEaR as follows:

(In thousands of dollars)	**2024**	2023
EaR - Up 100 bps	**$ 598**	$ 2,208
EaR – Down 100 bps	**(201)**	(2,267)
EVEaR – Up 100 bps	**(0.63%)**	0.41%
EVEaR - Down 100 bps	**0.61%**	(0.44%)

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

Fair Value Hedges

FirstOntario has designated certain hedging relationships involving interest rate swaps that are used to hedge a portfolio of fixed rate, prepayable mortgages as fair value hedges. Gains (losses) associated with the fair value adjustment of these derivatives are recognized in the Consolidated Statement of Income and are offset by the change in fair value of the hedged mortgages with any remaining difference representing hedge ineffectiveness.

FirstOntario has designated certain hedging relationships involving interest rate swaps that are used to hedge a portfolio of fixed rate term deposits as fair value hedges. Gains (losses) associated with the fair value adjustment of these derivatives are recognized in the Consolidated Statement of Income and are offset by the change in fair value of the hedged deposits with any remaining difference representing hedge ineffectiveness.

Cash Flow Hedges

FirstOntario has also designated hedging relationships involving bond forwards that hedged forecasted debt issuances associated with securitization activity as cash flow hedges. Realized gains (losses) on these derivatives are deferred and amortized in accordance with the effective interest rate method along with the debt originated.

Furthermore, FirstOntario has designated hedging relationships involving interest rate swaps that hedge variable rate marketable securities, variable rate debt, and variable rate member loans. Realized gains (losses) on these derivatives are deferred and recognized consistent with the recognition of the hedged item.

Derivative instruments designated in hedging relationships

The following table presents the fair values of the derivative instruments categorized by their hedging relationships, as well as derivatives that provide economic hedges, but are not formally designated in hedging relationships.

				2024
(In thousands of dollars)	**Fair Value Hedges**	**Cash Flow Hedges**	**Not designated in a hedging relationship**	**Total**
Assets:				
Derivative Instruments	$ 5,064	$ 4,172	$ 4,362	$ 13,598
Liabilities:				
Derivative Instruments	15,431	–	6,902	22,333

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

(In thousands of dollars)	Fair Value Hedges	Cash Flow Hedges	Not designated in a hedging relationship	Total
				2023
Assets:				
Derivative Instruments	$ 3,499	$ 2,113	$ 5,007	$ 10,619
Liabilities:				
Derivative Instruments	3,857	343	3,320	7,520

The following table provides the remaining term to maturity analysis of the notional amounts and their carrying amounts by types of hedging relationships.

Fair value hedges	**Notional Amounts**				**Carrying Amounts**	
(In thousands of dollars)	**Within 1 year**	**Between 1-5 years**	**Over 5 years**	**Total**	**Derivative Assets**	**Derivative Liabilities**
						2024
CORRA interest rate swaps:						
Fixed pay swaps	**$ 154,000**	**$ 794,000**	**$ –**	**$ 948,000**	**$ –**	**$ 15,431**
Fixed receive swaps	**593,750**	**360,000**	**–**	**953,750**	**5,064**	**–**
Weighted average fixed interest rate:						
Fixed pay swaps	**4.32%**	**3.68%**	**–%**	**3.79%**		
Fixed receive swaps	**3.84%**	**3.36%**	**–%**	**3.66%**		

Fair value hedges	Notional Amounts				Carrying Amounts	
(In thousands of dollars)	Within 1 year	Between 1-5 years	Over 5 years	Total	Derivative Assets	Derivative Liabilities
						2023
CORRA interest rate swaps:						
Fixed pay swaps	$ 30,000	$ 488,000	$ –	$ 518,000	$ 3,284	$ 3,781
Fixed receive swaps	220,000	40,000	–	260,000	215	76
Weighted average fixed interest rate:						
Fixed pay swaps	0.73%	3.81%	–%	3.63%		
Fixed receive swaps	5.05%	4.59%	–%	4.98%		

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

						2024
Cash flow hedges		**Notional Amounts**			**Carrying Amounts**	
	Within	**Between**	**Over**		**Derivative**	**Derivative**
(In thousands of dollars)	**1 year**	**1-5 years**	**5 years**	**Total**	**Assets**	**Liabilities**
CORRA interest rate hedge contracts:						
Fixed pay swaps	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Fixed receive swaps	**171,250**	**159,000**	**–**	**330,250**	**4,172**	**–**
Weighted average fixed interest rate:						
Fixed pay swaps	**–**	**–**	**–**	**–**		
Fixed receive swaps	**3.94%**	**3.45%**	**–**	**3.70%**		

						2023
Cash flow hedges		Notional Amounts			Carrying Amounts	
	Within	Between	Over		Derivative	Derivative
(In thousands of dollars)	1 year	1-5 years	5 years	Total	Assets	Liabilities
CORRA interest rate hedge contracts:						
Fixed pay swaps	$ –	$ 100,000	$ –	$ 100,000	$ 722	$ –
Fixed receive swaps	75,000	212,000	12,000	299,000	1,391	343
Weighted average fixed interest rate:						
Fixed pay swaps	–	3.71%	–	3.71%		
Fixed receive swaps	4.40%	3.85%	3.26%	3.96%		

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

The following table provides the carrying amount and accumulated fair value adjustments for financial instruments designated as the hedged item in a fair value hedge, as well as the ineffectiveness of fair value hedges recognized in the Consolidated Statement of Comprehensive Income.

							2024
Fair value hedges	**Carrying amount of hedged items**		**Accumulated amount of fair value adjustments on the hedged items included in the carrying amount**		**Hedge ineffectiveness**		
(In thousands of dollars)	**Active hedges**	**Discontinued hedges**	**Active hedges**	**Discontinued hedges**	**Gains (losses) on hedged items**	**Gains (losses) on hedging instruments**	**Hedge ineffective--ness in income**
Fixed rate assets:							
Loans and advances	**$1,038,620**	**$ 105,075**	**$ 16,002**	**$ (927)**	**$ 12,480**	**$ (12,280)**	**$ 200**
Fixed rate liabilities:							
Deposits	**(889,380)**	**–**	**(6,141)**	**–**	**(4,130)**	**4,971**	**841**
	$ 149,240	**$ 105,075**	**$ 9,861**	**$ (927)**	**$ 8,350**	**$ (7,309)**	**$ 1,041**

							2023
Fair value hedges	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items included in the carrying amount		Hedge ineffectiveness		
(In thousands of dollars)	Active hedges	Discontinued hedges	Active hedges	Discontinued hedges	Gains (losses) on hedged items	Gains (losses) on hedging instruments	Hedge ineffective--ness in income
Fixed rate assets:							
Loans and advances	$ 5,83,912	$ –	$ 827	$ –	$ 6,423	$ (6,312)	$ 111
Fixed rate liabilities:							
Deposits	(260,542)	–	(700)	–	(700)	139	(561)
	$ 323,370	$ –	$ 127	$ –	$ 5,723	$ (6,173)	$ (450)

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

The following table provides the accumulated fair value adjustments for the purposes of hedge effectiveness testing on the financial instruments designated as part of a cash flow hedge, as well as the accumulated fair value adjustments on the corresponding hedging instruments, and the income or loss recognized in the Consolidated Statement of Income and the Consolidated Statement of Comprehensive Income.

				2024
(In thousands of dollars)	**Losses on hedged items**	**Gains on hedging instruments**	**Hedge ineffectiveness reclassified to income**	**Hedging gain recognized in OCI**
Floating rate assets:				
Loans and advances	**$ (1,964)**	**$ 2,042**	**$ 78**	**$ 1,964**
Investments in debt securities	**(1,082)**	**1,082**	**–**	**1,082**
Floating rate liabilities:				
Secured borrowings	**(937)**	**937**	**–**	**937**
	$ (3,983)	**$ 4,061**	**$ 78**	**$ 3,983**

				2023
(In thousands of dollars)	Gains (losses) on hedged items	Gains (losses) on hedging instruments	Hedge ineffectiveness reclassified to income	Hedging gain (loss) recognized in OCI
Floating rate assets:				
Loans and advances	$ (472)	$ 472	$ –	$ 472
Investments in debt securities	(483)	483	–	483
Floating rate liabilities:				
Secured borrowings	186	(186)	–	(186)
	$ (769)	$ 769	$ –	$ 769

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

The following table presents the effects of cash flow hedges on FirstOntario's Consolidated Statement of Comprehensive Income on a pre-tax basis:

							2024
							Cash flow hedging reserve
(In thousands of dollars)	**AOCI as at January 1, 2024**	**Change in fair value of hedging instrument recognized in OCI**	**Hedge ineffective-ness reclassified to income**	**Amount reclassified from hedge reserves to income**	**AOCI as at, December 31, 2024**	**Active hedges**	**Discontin-ued hedges**
Floating rate assets:							
Loans and advances	$ **298**	$ **2,042**	$ **(78)**	$ **62**	$ **2,324**	$ **2,564**	$ **(240)**
Investment in debt securities	**450**	**1,082**	**–**	**–**	**1,532**	**1,532**	**–**
Floating rate liabilities:							
Secured borrowings	**722**	**937**	**–**	**(1,659)**	**–**	**–**	**–**
Hedge of forecasted transaction	**1,310**	**–**	**–**	**(229)**	**1,081**	**–**	**1,081**
	$ **2,780**	$ **4,061**	$ **(78)**	$ **(1,826)**	$ **4,937**	$ **4,096**	$ **841**

							2023
							Cash flow hedging reserve
(In thousands of dollars)	AOCI as at January 1, 2023	Change in fair value of hedging instrument recognized in OCI	Hedge ineffective-ness reclassified to income	Amount reclassified from hedge reserves to income	AOCI as at, December 31, 2023	Active hedges	Discontin-ued hedges
Floating rate assets:							
Loans and advances	$ (174)	$ 472	$ –	$ –	$ 298	$ 600	$ (302)
Investment in debt securities	(33)	483	–	–	450	450	–
Floating rate liabilities:							
Secured borrowings	908	(186)	–	–	722	722	–
Hedge of forecasted transaction	1,547	–	–	(237)	1,310	–	1,310
	$ 2,248	$ 769	$ –	$ (237)	$ 2,780	$ 1,772	$ 1,008

19. Financial Risk Management (continued):

(b) Interest Rate Risk (continued):

Interest Rate benchmark reform

A fundamental reform of major interest rate benchmarks has been undertaken globally, replacing some interest benchmarks with alternative nearly risk-free rates. Canadian Alternative Reference Rate Working Group ("CARR") recommended ceasing the calculation and publication of Canadian Dollar Offered Rate ("CDOR"). This recommendation was provided against the backdrop of the global reform of interbank offered rates (IBORs). CDOR was replaced by the Canadian Overnight Repo Rate Average (CORRA), which is set daily, and effective June 28, 2024, CDOR no longer exists. The Credit Union previously held a number of CDOR related derivatives, many of which were converted to CORRA derivatives, or contain fallback provisions utilized to include CORRA in place of CDOR post the elimination of published CDOR rates. All interest rate swaps, and bond forwards entered into subsequent to November 1, 2023 were entered into utilizing CORRA benchmarks.

(c) Liquidity Risk:

Liquidity risk is the risk that FirstOntario will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

FirstOntario engages in proper liquidity risk management practices to comply with regulatory requirements and to guarantee the funding of Member needs and obligations. FirstOntario's overall objective when managing liquidity is to ensure limited exposure to material liquidity risk.

Liquidity risk is managed in accordance with the Liquidity Risk Management Policy. Key elements of this policy include limits on the sources, quality and amount of liquid assets to meet operational requirements, regulatory requirements and contingency funding. Liquidity is monitored by management through FirstOntario's Asset/Liability Committee ("ALCO"), consisting of the senior management of the Credit Union.

19. Financial Risk Management (continued):

(c) Liquidity Risk (continued):

Under the Regulations, FirstOntario must establish and maintain prudent levels of liquidity that are sufficient to meet its cash flow needs, including depositor withdrawals and all other obligations as they come due. FirstOntario targets to maintain operating liquidity within the range of 8% to 16%. The low end of the range has been established in order to maintain a comfortable cushion beyond the minimum policy requirements in order to meet cash needs, even during periods of market volatility. The following table summarizes FirstOntario's liquidity ratio as follows:

(In thousands of dollars)	**2024**	2023
Total Liquid Investments:		
Cash and cash equivalents	**$ 25,977**	$ 14,736
Marketable securities, including NHA MBS	**704,800**	619,430
	730,777	$ 634,166
Deposits and borrowings:		
Deposits	**$ 5,522,197**	$ 4,973,120
Secured borrowings	**155,000**	120,000
12 months of expected Securitization maturities	**589,411**	166,104
	$ 6,266,608	$ 5,259,224
Liquidity ratio	**11.66%**	12.06%

The following tables demonstrate FirstOntario's ability to pay future obligations as financial assets and liabilities mature as at December 31, 2024 and 2023. These cash flows include both the contractual cash flows currently exposed on the Consolidated Statement of Financial Position and the cash flows that will be generated in the future. In the case of loans, the cash flows include estimated prepayments and credit losses based on experience and current economic conditions.

19. Financial Risk Management (continued):

(c) Liquidity Risk (continued):

							2024
(In thousands of dollars)	**Within 1 month**	**2 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Not Specified**	**Total**
Assets							
Loans and advances	**$ 332,409**	**$ 2,254,463**	**$ 2,799,110**	**$ 822,424**	**$ 199,759**	**$ –**	**$ 6,408,165**
Cash	**25,977**	**–**	**–**	**–**	**–**	**–**	**25,977**
Investments and Investments in joint ventures	**32**	**18,072**	**56,429**	**101,932**	**272**	**409,252**	**585,989**
Derivative financial instruments	**60**	**5,344**	**4,968**	**3,226**	**–**	**–**	**13,598**
Total cash inflow	**$ 358,478**	**$ 2,277,879**	**$ 2,860,507**	**$ 927,582**	**$ 200,031**	**$ 409,252**	**$ 7,033,729**
Liabilities							
Members' deposits and shares	**$ 1,778,954**	**$ 2,264,112**	**$ 1,522,721**	**$ 244,957**	**$ –**	**$ –**	**$ 5,810,744**
Secured borrowings and securitization liabilities	**159,434**	**66,986**	**218,027**	**13,488**	**–**	**–**	**457,935**
Other liabilities	**36,491**	**2,081**	**3,458**	**2,095**	**753**	**284,231**	**329,109**
Derivative financial instruments	**1,931**	**4,614**	**11,204**	**4,422**	**162**	**–**	**22,333**
Total cash outflow	**$ 1,976,810**	**$ 2,337,793**	**$ 1,755,410**	**$ 264,962**	**$ 915**	**$ 284,231**	**$ 6,620,121**

							2023
(In thousands of dollars)	Within 1 month	2 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Not Specified	Total
Assets							
Loans and advances	$ 227,887	$ 2,121,643	$ 2,474,900	$ 1,039,127	$ 69,152	$ –	$ 5,932,709
Cash	14,736	–	–	–	–	–	14,736
Investments and Investments in joint ventures	681	43,272	21,744	92,304	173	347,013	505,187
Derivative financial instruments	1,822	3,139	4,345	1,156	157	–	10,619
Total cash inflow	$ 245,126	$ 2,168,054	$ 2,500,989	$ 1,132,587	$ 69,482	$ 347,013	$ 6,463,251
Liabilities							
Members' deposits and shares	$ 1,817,604	$ 1,941,061	$ 1,169,090	$ 323,771	$ –	$ –	$ 5,251,526
Secured borrowings and securitization liabilities	115,281	127,735	197,329	93,786	–	–	534,131
Other liabilities	31,573	2,556	3,620	2,412	1,528	275,450	317,139
Derivative financial instruments	519	1,881	4,313	807	–	–	7,520
Total cash outflow	$ 1,964,977	$ 2,073,233	$ 1,374,352	$ 420,776	$ 1,528	$ 275,450	$ 6,110,316

19. Financial Risk Management (continued):

(d) Foreign Currency Risk:

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. FirstOntario is exposed to foreign currency risk as a result of its Members' activities in US dollar currency denominated deposits and cash transactions, as well as US dollar investments. Activities that expose FirstOntario to currency risk are measured, monitored and controlled daily to minimize risk. At any point in time, net US dollar exposure is limited by the Market Risk Management Policy to $500,000 through the use of foreign exchange forward contracts. As at December 31, 2024, FirstOntario does not have significant exposure to changes in foreign currency exchange rates.

(e) Equity and Other Price Risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk. FirstOntario is primarily exposed to other price risk through fair value investments. However, these investments are limited by policy to ensure diversification and quality of financial assets. FirstOntario may be further exposed to price risk through privately managed investments whereby the recorded fair value may not be equivalent to the liquidation value if the investments are sold on the secondary market. As at December 31, 2024, had the value of FirstOntario's managed funds, preferred, and common shares increased or decreased by 10% with all other variables remaining unchanged, the portfolio's asset value would have increased or decreased respectively by $20,332,000 (2023 - $16,952,000) or 4.7% (2023 - 4.2%) of total Members' Equity. As at December 31, 2024, had the value of FirstOntario's real estate joint ventures increased or decreased by 10% with all other variables remaining unchanged, the portfolio's asset value would have increased or decreased respectively by $24,976,000 (2023 - $17,953,000) or 5.8% (2023 - 4.5%) of total Members' Equity.

20. Fair Values of Financial Instruments:

The following table represents the fair values of FirstOntario's financial instruments. The fair values disclosed do not include the value of assets that are not considered financial instruments, such as fixed assets. The value of intangibles such as long-term Member relationships are also not included in the fair value amounts.

While the fair value amounts are intended to represent estimates of the amounts at which these instruments could be exchanged in a current transaction between willing parties, some of FirstOntario's financial instruments lack an available trading market. Consequently, the fair values presented are estimates derived using present value and other valuations techniques and may not be indicative of the net realizable values.

Due to the judgment used in applying a wide range of acceptable valuation techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

20. Fair Values of Financial Instruments (continued):

(In thousands of dollars)	FVTPL	FVOCI-Debt Instruments	FVOCI-Equity Instruments	Amortized Cost	Total Carrying Value	2024 Fair Value
Financial Assets						
Cash and cash equivalents	$ –	$ –	$ –	$ 25,977	$ 25,977	$ 25,977
Investments	196,923	126,909	6,233	91,552	421,617	422,325
Loans and advances	174,549	–	–	5,731,885	5,906,434	5,922,660
Derivatives	9,426	4,172	–	–	13,598	13,598
Total financial assets	380,898	131,081	6,233	5,849,414	6,367,626	6,384,560
Financial Liabilities						
Members' deposits and shares	–	–	–	5,624,182	5,624,182	5,654,456
Secured borrowings and securitization liabilities	–	–	–	448,170	448,170	446,358
Accounts payable and accrued liabilities	–	–	–	36,302	36,302	36,302
Derivatives	22,333	–	–	–	22,333	22,333
Total financial liabilities	$ 22,333	$ –	$ –	$ 6,108,654	$ 6,130,987	$ 6,159,449

(In thousands of dollars)	FVTPL	FVOCI-Debt Instruments	FVOCI-Equity Instruments	Amortized Cost	Total Carrying Value	2023 Fair Value
Financial Assets						
Cash and cash equivalents	$ –	$ –	$ –	$ 14,736	$ 14,736	$ 14,736
Investments	161,731	139,044	7,654	31,585	340,014	340,007
Loans and advances	45,516	–	–	5,435,739	5,481,255	5,392,829
Derivatives	10,619	–	–	–	10,619	10,619
Total financial assets	217,866	139,044	7,654	5,482,060	5,846,624	5,758,191
Financial Liabilities						
Members' deposits and shares	–	–	–	5,066,759	5,066,759	5,061,468
Secured borrowings and securitization liabilities	–	–	–	517,443	517,443	504,882
Accounts payable and accrued liabilities	–	–	–	31,341	31,341	31,341
Derivatives	7,520	–	–	–	7,520	7,520
Total financial liabilities	$ 7,520	$ –	$ –	$ 5,615,543	$ 5,623,063	$ 5,605,211

Interest rate sensitivity is the main cause of change in fair values of FirstOntario's financial instruments.

The following methods and assumptions were used to estimate the fair value of financial instruments:

(a) The fair values of cash and accounts payable and accrued liabilities are assumed to approximate their book values, due to their short-term nature.

20. Fair Values of Financial Instruments (continued):

(b) The estimated fair value of floating rate loans, demand deposits and floating rate deposits are assumed to be equal to book value as the interest rates on these loans and deposits reprice to market on a periodic basis.

(c) The estimated fair values of some non-publicly traded investments, fixed rate loans and fixed rate deposits are determined by discounting the expected future cash flows of these investments, loans, deposits and borrowings at current market rates for products with similar terms and credit risks.

(d) The estimated fair values of derivative instruments are determined through valuation models on the derivative notional amounts, maturity dates and rates.

(e) The estimated fair values of investments in publicly listed equity securities are determined using quoted market prices.

(f) The estimated fair values of investments in publicly listed debt securities are determined using quoted market prices. For those debt securities measured at fair value that are not traded in an active market, fair value estimates are determined using valuation methods which maximize the use of observable market data and include discounted cash flow analysis and other commonly used valuation techniques.

(g) The estimated fair values of managed funds are determined using the Net Asset Value reported by the general partner of the fund. Net Asset Values are primarily determined by the general partners using accepted industry valuation methods such as earnings multiples of comparable publicly traded companies or discounted cash flows.

Fair value measurements can be classified in a hierarchy in order to discern the significance of management assumptions and other inputs incorporated into the measurements. The three levels of fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – Inputs for the asset or liability that are not based on observable market data. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments are required to reflect differences between the instruments.

20. Fair Values of Financial Instruments (continued):

The following table summarizes the classification of FirstOntario's financial instruments held and reported on the Consolidated Statement of Financial Position at fair value:

								2024
(In thousands of dollars)		**Level 1**		**Level 2**		**Level 3**		**Total**
Assets								
Investments – FVTPL	**$**	**–**	**$**	**11,508**	**$**	**185,415**	**$**	**196,923**
Investments – FVOCI		**126,678**		**231**		**6,233**		**133,142**
Loans and advances - FVTPL		**–**		**174,549**		**–**		**174,549**
Derivative financial instruments		**–**		**13,598**		**–**		**13,598**
Total assets held at fair value	**$**	**126,678**	**$**	**199,886**	**$**	**191,648**	**$**	**518,212**
Liabilities								
Derivative financial instruments	**$**	**–**	**$**	**22,333**	**$**	**–**	**$**	**22,333**
Total liabilities held at fair value	**$**	**–**	**$**	**22,333**	**$**	**–**	**$**	**22,333**

								2023
(In thousands of dollars)		Level 1		Level 2		Level 3		Total
Assets								
Investments – FVTPL	$	–	$	11,927	$	149,804	$	161,731
Investments – FVOCI		117,277		21,767		7,654		146,698
Loans and advances - FVTPL		–		45,516		–		45,516
Derivative financial instruments		–		10,619		–		10,619
Total assets held at fair value	$	117,277	$	89,829	$	157,458	$	364,564
Liabilities								
Derivative financial instruments	$	–	$	7,520	$	–	$	7,520
Total liabilities held at fair value	$	–	$	7,520	$	–	$	7,520

The following table summarizes the Level 2 fair values of FirstOntario's financial instruments whose carrying value are not fair value on the Consolidated Statement of Financial Position as at December 31, 2024. Financial assets and liabilities whose carrying values are a reasonable approximation of fair value are not included. FirstOntario's financial instruments held at amortized cost are all classified as Level 2 as identified below:

(In thousands of dollars)	**2024**	2023
Assets		
Loans receivable	**$ 5,748,111**	$ 5,347,313
Investments	**32,786**	538
Fair value of assets held at carrying value	**5,780,897**	5,347,851
Liabilities		
Deposits and shares	**$ 5,654,456**	$ 5,061,468
Secured borrowings and securitization liabilities	**446,358**	504,882
Fair value of liabilities held at carrying value	**$ 6,100,814**	$ 5,566,350

21. Income Taxes:

The components of income tax expense are as follows:

(In thousands of dollars)	2024	2023
Current income tax expense	**$ 3,468**	$ 1,414
Deferred income tax recovery	**(5,793)**	(2,803)
Total income tax recovery	**$ (2,325)**	$ (1,389)

Major components of income tax expense (benefit) include the following:

	2024	2023
Combined federal and provincial income taxes	**26.5%**	26.5%
Small business and credit union deductions	**(8.3)**	(8.3)
Income and expense permanent differences	**(7.0)**	(16.6)
Non-taxable capital gains on investment income	**(29.0)**	(2.5)
Tax rate change	**3.5**	10.0
Changes in estimates related to prior year	**1.1**	(24.0)
Other	**(1.0)**	(7.7)
Total income tax recovery	**(14.2)%**	(22.6)%

During 2022, FirstOntario transferred a number of its joint ventures to a wholly owned subsidiary. The subsidiary is not entitled to the small business or credit union deductions, and as a result the effective tax on income derived from the transferred real estate investments is 25.5%. This difference in effective tax rate is included above within tax rate change for 2023. During 2023, as a result of changes in tax legislation, FirstOntario elected for the transfer price of the joint ventures to occur on a taxable basis, resulting in a decrease in FirstOntario's deferred tax liability as the transfer was previously contemplated to occur on a tax deferred basis. The tax impact relating to the change is reflected in the changes in estimates related to prior year in the above chart.

During 2024, as part of a tax risk mitigation strategy, FORC transferred a real estate joint venture to a wholly owned subsidiary, realizing capital gains and refundable tax on the transfer. The impact of this transaction is included in the non-taxable capital gains on investment income outlined in the table above.

21. Income Taxes (continued):

The movements of deferred tax assets and liabilities, and the year end balances are presented below:

Asset (liability) **(In thousands of dollars)**	**January 1, 2024**	**Charge to Income**	**Charge to OCI**	**Charge to Contributed Surplus**	**December 31, 2024**
Fixed assets	**$ (4,121)**	**$ 1,248**	**$ –**	**$ –**	**$ (2,873)**
Allowance for loan losses	**1,387**	**(342)**	**–**	**–**	**1,045**
Derivatives	**204**	**(204)**	**–**	**–**	**–**
Employee retirement benefits	**438**	**109**	**(135)**	**–**	**412**
Investments	**(15,059)**	**4,715**	**(341)**	**–**	**(10,685)**
Cash flow hedges	**(505)**	**–**	**(390)**	**–**	**(895)**
Other	**(1,136)**	**267**	**–**	**564**	**(305)**
Total	**$ (18,792)**	**$ 5,793**	**$ (866)**	**$ 564**	**$ (13,301)**

Asset (liability) (In thousands of dollars)	January 1, 2023	Charge to Income	Charge to OCI	December 31, 2023
Fixed assets	$ (4,229)	$ 108	$ –	$ (4,121)
Allowance for loan losses	1,481	(94)	–	1,387
Derivatives	–	204	–	204
Employee retirement benefits	328	(27)	137	438
Investments	(16,801)	2,343	(601)	(15,059)
Cash flow hedges	(408)	–	(97)	(505)
Other	(1,405)	269	–	(1,136)
Total	$ (21,034)	$ 2,803	$ (561)	$ (18,792)

The tax effect of items recorded in the Consolidated Statement of Comprehensive Income was as follows:

(In thousands of dollars)	**2024**	2023
Net unrealized gain on debt securities	**$ (377)**	$ (850)
Net realized loss on debt securities	**36**	249
Net unrealized gain on cash flow hedges	**(432)**	(140)
Net loss on cash flow hedges transferred to earnings	**42**	43
Actuarial loss (gain) on defined benefit pension plans	**(135)**	137
Total tax effect of components of other comprehensive income	**$ (866)**	$ (561)

22. Pensions and Other Employee Obligations:

FirstOntario provides retirement benefits to certain employees. These benefits include registered pension plans, medical benefits, dental care and life insurance. The most recent actuarial valuation of the Pension Plans was completed as at December 31, 2023 with exception of one plan which was completed April 1, 2023.

The fair value of accrued benefit obligations was determined by independent actuaries as at December 31, 2024 and December 31, 2023.

	Defined Benefit Pensions		Other Defined Benefit Plans	
(In thousands of dollars)	**2024**	2023	**2024**	2023
Accrued benefit obligation				
Balance at the beginning of year	**$ 16,407**	$ 14,761	**$ 3,356**	$ 3,782
Merger with Momentum Credit Union Limited (note 25)	**2,076**	–	**1,055**	–
Current service cost	**394**	383	**36**	27
Interest cost	**836**	750	**192**	185
Benefits paid	**(1,435)**	(877)	**(445)**	(187)
Actuarial (gain) loss	**(360)**	1,390	**484**	(451)
Balance at end of year	**$ 17,918**	$ 16,407	**$ 4,678**	$ 3,356
Plan assets				
Fair value at beginning of year	**$ 17,274**	$ 16,667	**$ –**	$ –
Merger with Momentum Credit Union Limited (note 25)	**2,225**	–	**–**	–
Expected return on plan assets	**874**	839	**–**	–
Actuarial gain on plan assets	**853**	198	**–**	–
Employer contributions	**427**	447	**445)**	187
Benefits paid	**(1,437)**	(877)	**(445)**	(187)
Fair value at end of year	**20,216**	17,274	**-**	-
Balance at end of year	**$ 2,298**	$ 867	**$ (4,678)**	$ (3,356)

FirstOntario's net benefit plan expenses recognized in other comprehensive income were as follows:

	Defined Benefit Pensions		Other Defined Benefit Plans	
(In thousands of dollars)	**2024**	2023	**2024**	2023
Cumulative actuarial gain (loss) at beginning of year	**$ (105)**	$ 1,087	**$ 2,456**	$ 2,005
Actuarial gain (loss) in the year on liability	**360**	(1,390)	**(484)**	451
Actuarial gain in the year on plan assets	**853**	198	**–**	–
Cumulative actuarial gain (loss) at end of year	**$ 1,108**	$ (105)	**$ 1,972**	$ 2,456

The net gain recognized in other comprehensive income of $594,000 (2023 - $604,000 net loss) during the year net of income tax expense of $135,000 (2023 - $137,000 income tax recovery) as disclosed in Note 21.

22. Pensions and Other Employee Obligations (continued):

FirstOntario's net benefit plan expenses recognized in the Consolidated Statement of Income were as follows:

	Defined Benefit Pensions		Other Defined Benefit Plans	
(In thousands of dollars)	**2024**	2023	**2024**	2023
Current service cost	**$ 394**	$ 383	**$ 36**	$ 27
Interest cost	**836**	750	**192**	185
Expected return on plan assets	**(874)**	(839)	**–**	–
Total included in employee benefits expense	**$ 356**	$ 294	**$ 228**	$ 212

	Defined Contribution Pension	
(In thousands of dollars)	**2024**	2023
Contributions recorded as expenses	**$ 2,404**	$ 2,360

These net benefit plan and contribution expenses are included in salaries and employee benefits on the Consolidated Statement of Income. Aggregate contributions relating to defined benefit pensions and other defined benefit plans expected for the year ended December 31, 2024 is $669,000.

The significant actuarial assumptions adopted by FirstOntario are as follows (weighted-average assumptions):

	Defined Benefit Pensions		Other Defined Benefit Plans	
(In thousands of dollars)	**2024**	2023	**2024**	2023
Discount rate	**4.7%**	4.6%	**4.7%**	4.6%
Rate of compensation increase	**2.0%**	2.0%	–	–

22. Pensions and other employee obligations (continued):

The expected rate of return on plan assets is based on the risks and associated returns expected of the underlying plan assets. Plan assets are held in balanced funds which includes equities and long-term bonds.

For measurement purposes, 5% and 3% rates of increase in the per capita cost of covered health care and dental care benefits respectively were assumed for 2024. The rate of increase for health care benefits was assumed to remain unchanged at 5%. The rate of increase for dental care benefits was assumed to remain unchanged at 3%.

A one percentage-point change in assumed health-care cost trend rates, discount rates and salary costs would have the following impact on other defined benefit plans:

	2024		2023	
(In thousands of dollars)	**Defined benefit**	**Other plans**	Defined benefit	Other plans
Health care				
1% increase	**$ n/a**	**$ 324**	$ n/a	$ 205
1% decrease	**n/a**	**(286)**	n/a	(180)
Discount rate				
1% increase	**$ (2,260)**	**$ (370)**	$ (2,173)	$ (270)
1% decrease	**2,595**	**402**	2,510	295
Salary rate				
1% increase	**$ 101**	**$ n/a**	$ 137	$ n/a
1% decrease	**(99)**	**n/a**	(134)	n/a

23. Other Income

(In thousands of dollars)	**2024**	2023
Real estate	**$ 13,182**	$ 7,909
Other investment income	**10,682**	10,322
Mortgage and loan fees	**6,085**	5,600
Service charges and fees	**4,782**	3,580
Wealth management	**2,775**	2,758
Commissions	**2,796**	2,679
Other operational income	**1,029**	2,067
Securitization	**5,835**	1,464
Total other income	**$ 47,166**	$ 36,379

24. Commitments:

(a) Mortgage commitments and lines of credit:

At December 31, 2024, FirstOntario has issued commitments to provide residential mortgage and commercial loans totaling $395,564,000 (2023 - $419,427,000). FirstOntario has also provided lines of credit to Members totaling $905,000,000 at December 31, 2024 (2023 - $875,664,000), against which Members have drawn $338,100,000 (2023 - $330,926,000).

(b) Credit facilities:

Central 1 has provided an operating loan facility to FirstOntario of $243,010,000 (2023 - $243,010,000). Loans to Members have been pledged as security for this facility and the $155,000,000 (2023 - $120,000,000) operating loan by an assignment of book debts and a general security agreement.

Caisse centrale Desjardins has provided an operating facility to FirstOntario in the amount of $100,000,000 (2023 - $100,000,000). When amounts are drawn against the facility, certain residential mortgages have been pledged as security.

See the Consolidated Statement of Financial Position and Note 14 for the outstanding amounts on these facilities.

(c) Contracts:

Interac ATM and point of sale switching servicing totaling $2,504,000 over the next 5 years at present service levels (2023 - $3,540,000 over the next 5 years).

Banking system support services and software maintenance totaling $5,197,000 over the next 7 years (2023 - $4,896,000 over the next 8 years).

Software licensing and support services totaling $6,037,000 over the next 5 years at present service levels (2023 - $3,421,000 over the next 3 years).

Telephone, network and voice services totaling $844,000 over the next 2 years at present service levels (2023 - $2,155,000 over the next 3 years).

Marketing and sponsorship agreement totaling $1,522,000 over the next 4 years (2023 - $2,247,000 over the next 5 years).

24. Commitments (continued):

(d) Managed funds unfunded commitments:

The Credit Union invests in private companies through its managed funds portfolio which includes private equity, private debt, and private infrastructure investments. These managed funds investments are limited partnerships where the Credit Union holds a limited partner interest of the fund. For the year ended December 31, 2024 the Credit Union has unfunded commitments of $37,988,000 (December 31, 2023 - $21,606,000) representing the aggregate amount of cashflows the Credit Union is obligated to contribute as additional capital to these private investment funds to complete capital calls expiring in 2034.

(e) Naming rights:

In fiscal 2017, FirstOntario entered into an agreement with Global Spectrum Facility Management, L.P. for the naming rights to the FirstOntario Concert Hall located in the City of Hamilton. The agreement is effective January 1, 2017 and provides the naming rights for 10 years currently with current estimated annual costs of $283,000; for an aggregate total cost of $2,578,000.

In fiscal 2017, FirstOntario entered into an agreement with The Corporation of the Town of Milton for the naming rights to the FirstOntario Centre for the Arts. The agreement is effective January 24, 2017 and provides the naming rights for 25 years at an estimated cost of $200,000 per year for the first five years for an aggregate total of $1,000,000. The financial obligations for this agreement have been completed.

In fiscal 2015, FirstOntario entered into an agreement with The Corporation of the City of St. Catharine’s, for the naming rights to the FirstOntario Performing Arts Centre. The agreement is effective January 1, 2016 and provides the naming rights for 25 years at an estimated cost of $678,000 per year for the first five years for an aggregate total of $3,390,000. The financial obligations for this agreement have been completed.

25. Business Combination:

On July 31, 2024, FirstOntario Credit Union acquired Momentum Credit Union Limited ("Momentum") and the results of its operations have been included in the consolidated financial statements since that date. FirstOntario assumed liabilities totalling $134,691 in exchange for assets of $140,228.

(In thousands of dollars)	Fair Value
Cash and cash equivalents	**$ 2,027**
Investments	**29,430**
Loans and accrued interest	**105,482**
Deferred tax assets	**564**
Fixed assets	**2,147**
Pension asset (net)	**149**
Right of use assets	**246**
Other assets	**183**
Member deposits	**(129,250)**
Lease liabilities	**(297)**
Pension liability	**(1,055)**
Other liabilities	**(1,623)**
Member shares	**(33)**
Investment shares	**(896)**
Patronage shares	**(1,537)**
Fair market value of net assets acquired	**$ 5,537**

The fair market value of net assets acquired excludes a promissory note payable to the Momentum legal entity totalling $4,992,000. The promissory note settles without payment upon wind-up of the Momentum legal entity or in the event the Momentum legal entity is not wound up, the promissory note is cancelled without payment. The fair market value of net assets acquired was recorded in contributed surplus.

The carrying value of cash and cash equivalents approximate their fair value due to their short-term nature.

Investments consist predominantly of Provincial government debt securities and investment grade corporate bonds, and the fair value was determined based on discounted cash flow techniques based on the contractual cash flows of the securities.

The carrying values of loans was approximated using discounted cash flow techniques based on the contractual repayment of the products.

Fixed assets consist of one Momentum branch and parking lot, and have been valued consistent with an opinion of value received from a qualified real estate professional. Fixed assets acquired also include ATM's and branch improvements.. Fair market value for these assets was measured based on the carrying value of the assets.

25. Business Combination (continued):

Acquired member deposits that are subject to a fixed term and interest rate have been measured at fair value based on discounted cash flow techniques based on contractual cash flows of the securities. The fair market value of deposits with no fixed term or a variable rate has been presumed to be equal to carrying value.

Lease liabilities and the corresponding right of use assets were measured based on the remaining contractual terms, measured at FirstOntario's incremental borrowing rate at the time of the acquisition.

Pension assets and liabilities were measured based on an actuarial assessment completed at the time of the acquisition.

Investment shares and patronage shares assumed by FirstOntario were cancelled by Momentum, and replaced by FirstOntario Class B investment shares and FirstOntario Class A patronage shares. The replacement value was identical to the carrying value prior to the acquisition, and the terms of the FirstOntario investment shares and FirstOntario patronage shares are identical to the terms of the cancelled Momentum investment shares and the cancelled Momentum patronage shares.

26. Comparative figures:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.