Interim Condensed Consolidated Financial Statements (Unaudited)

Fairstone Bank of Canada Inc.

June 30, 2026

Interim Consolidated Financial Statements

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Interim Consolidated Balance Sheets

thousands of Canadian dollars (Unaudited)	As at June 30 2026	December 31 2025
ASSETS		
Cash and Cash Equivalents	**$ 837,136**	$ 880,984
Securities (note 4)	**349,977**	549,803
Loans (note 5)		
Residential mortgages	**20,322,304**	20,061,553
Commercial mortgages	**2,769,698**	2,627,351
Installment loans	**4,283,170**	4,152,590
Credit cards and retail finance	**2,859,087**	2,915,610
	30,234,259	29,757,104
Allowance for Credit Losses (note 5(D))	**(727,252)**	(653,086)
	29,507,007	29,104,018
Other		
Restricted assets	**215,899**	192,291
Derivative assets	**45,041**	58,995
Deferred tax assets	**55,430**	40,859
Other assets	**718,812**	671,304
Intangible assets	**168,854**	191,008
Goodwill	**612,260**	612,260
	1,816,296	1,766,717
	$ 32,510,416	$ 32,301,523
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Deposits (note 7)	**$ 24,056,507**	$ 23,951,398
Securitization Liabilities (note 6)	**4,245,644**	4,170,165
Other		
Credit facilities (note 8)	**150,000**	200,000
Derivative liabilities	**19,141**	25,646
Deferred tax liabilities	**37,487**	34,244
Other liabilities	**904,672**	841,047
	1,111,300	1,100,937
	29,413,451	29,222,500
Shareholder's Equity		
Capital stock (note 9)	**2,930,442**	2,930,442
Contributed surplus	**43,431**	43,431
Retained earnings	**117,863**	99,325
Accumulated other comprehensive income	**5,229**	5,825
	3,096,965	3,079,023
	$ 32,510,416	$ 32,301,523

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

On behalf of the Board:

"Scott Wood"

SCOTT WOOD
Director

"Stephen Smith"

STEPHEN SMITH
Director

Interim Consolidated Statements of Income

thousands of Canadian dollars (Unaudited)	For the three months ended		For the six months ended	
	June 30 2026	June 30 2025	**June 30 2026**	June 30 2025
Interest Income				
Loans (note 5(E))	**$ 743,282**	$ 744,981	**$ 1,479,727**	$ 1,493,594
Securities and other	**9,245**	10,643	**17,562**	22,011
	752,527	755,624	**1,497,289**	1,515,605
Interest Expense				
Deposits	**225,563**	238,677	**452,679**	481,995
Securitization liabilities (note 6)	**34,875**	41,156	**70,028**	85,087
Other	**20,054**	22,347	**22,537**	25,735
	280,492	302,180	**545,244**	592,817
Net Interest Income	**472,035**	453,444	**952,045**	922,788
Non-Interest Income				
Mortgage lending	**11,195**	11,941	**21,806**	23,079
Installment lending	**24,971**	22,910	**46,999**	43,260
Credit cards and retail finance lending	**42,709**	44,109	**84,435**	87,163
Net realized and unrealized gains on securities and loans	**1,140**	662	**2,620**	1,177
Net realized and unrealized gains (losses) on derivatives	**162**	27	**92**	1,116
Other income	**18,553**	22,003	**20,600**	24,836
	98,730	101,652	**176,552**	180,631
Total Revenue	**570,765**	555,096	**1,128,597**	1,103,419
Provision for Credit Losses (note 5(D))	**183,498**	145,398	**375,182**	285,488
Non-Interest Expenses				
Compensation and employee benefits	**72,932**	72,097	**147,541**	147,127
Acquisition, business development and loyalty	**43,736**	34,189	**77,650**	65,303
Processing and servicing costs	**43,282**	40,358	**84,471**	79,651
Technology and equipment	**32,479**	33,112	**62,043**	64,564
Premises	**10,079**	9,173	**20,093**	18,813
Amortization of intangible assets	**5,531**	6,603	**11,063**	11,062
Professional fees	**8,465**	5,969	**16,540**	7,680
Other operating expenses	**17,067**	19,576	**33,213**	36,758
	233,571	221,077	**452,614**	430,958
Income Before Income Taxes	**153,696**	188,621	**300,801**	386,973
Income taxes	**37,363**	45,401	**77,263**	98,472
NET INCOME	**$ 116,333**	$ 143,220	**$ 223,538**	$ 288,501

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

Interim Consolidated Statements of Comprehensive Income

thousands of Canadian dollars (Unaudited)	For the three months ended		For the six months ended	
	June 30 2026	June 30 2025	**June 30 2026**	June 30 2025
NET INCOME	**$ 116,333**	$ 143,220	**$ 223,538**	$ 288,501
OTHER COMPREHENSIVE INCOME (LOSS)				
ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO NET INCOME				
Debt Instruments at FVOCI				
Net change in unrealized gains or (losses)	**507**	97	**487**	1,249
Net gains or losses reclassified to net income	**-**	-	**-**	-
	507	97	**487**	1,249
Income tax recovery (expense)	**(131)**	(25)	**(135)**	(347)
	376	72	**352**	902
Cash Flow Hedges				
Net change in unrealized gains or (losses)	**(1,161)**	2,547	**(386)**	(1,695)
Net gains reclassified to net income	**(409)**	(2,566)	**(944)**	(3,120)
	(1,570)	(19)	**(1,330)**	(4,815)
Income tax recovery (expense)	**418**	(243)	**382**	1,314
	(1,152)	(262)	**(948)**	(3,501)
Total other comprehensive income (loss)	**(776)**	(190)	**(596)**	(2,599)
COMPREHENSIVE INCOME	**$ 115,557**	$ 143,030	**$ 222,942**	$ 285,902

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

Interim Consolidated Statements of Changes in Shareholder's Equity

thousands of Canadian dollars (Unaudited)	Capital Stock	Contributed Surplus	Retained Earnings	Net Unrealized Gains (Losses), After Tax, Debt Instruments at FVOCI	Net Unrealized Gains (Losses), After Tax, Cash Flow Hedges	Total Accumulated Other Income (Loss)	Total Shareholder's Equity
Balance at December 31, 2025	**$ 2,930,442**	**$ 43,431**	**$ 99,325**	**$ (961)**	**$ 6,786**	**$ 5,825**	**$ 3,079,023**
Comprehensive income	**-**	**-**	**223,538**	**352**	**(948)**	**(596)**	**222,942**
Dividend distribution	**-**	**-**	**(205,000)**	**-**	**-**	**-**	**(205,000)**
Balance at June 30, 2026	**$ 2,930,442**	**$ 43,431**	**$ 117,863**	**$ (609)**	**$ 5,838**	**$ 5,229**	**$ 3,096,965**
Balance at December 31, 2024	$ 1,588,150	$ 42,480	$ 124,168	$ -	$ 3,692	$ 3,692	$ 1,758,490
Comprehensive income	-	-	288,501	902	(3,501)	(2,599)	285,902
Dividend distribution	-	-	(240,997)	-	-	-	(240,997)
Business combination	1,342,292	951	-	(1,779)	7,946	6,167	1,349,410
Balance at June 30, 2025	$ 2,930,442	$ 43,431	$ 171,672	$ (877)	$ 8,137	$ 7,260	$ 3,152,805

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

Interim Consolidated Statements of Cash Flows

thousands of Canadian dollars (Unaudited)	For the three months ended		For the six months ended	
	June 30 2026	June 30 2025	**June 30 2026**	June 30 2025
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	**$ 116,333**	$ 143,220	**$ 223,538**	$ 288,501
Adjustments to determine cash flows relating to operating activities:				
Amortization of net discount on securities	**(39)**	(28)	**(253)**	(80)
Provision for credit losses, excluding cash recoveries	**213,153**	176,295	**434,863**	343,999
Amortization of capital and intangible assets	**18,791**	17,352	**38,137**	40,157
Amortization of purchase price adjustments for loans and funding liabilities	**71**	(280)	**(853)**	(571)
Deferred income taxes recovery	**(3,432)**	(1,410)	**(11,328)**	11,366
Amortization and write-off of costs related to funding liabilities	**(204)**	449	**370**	859
Changes in operating assets and liabilities				
Change in loans, net	**(563,469)**	(613,672)	**(837,640)**	(1,073,130)
Change in Broker deposits, net	**(378,012)**	785,784	**105,108**	1,280,773
Change in securitization liabilities, net	**866,501**	(130,471)	**76,047**	(690,992)
Change in restricted assets	**(19,693)**	(16,588)	**(23,608)**	(7,781)
Change in derivative assets and liabilities, net	**(6,642)**	5,931	**6,853**	(38,729)
Change in accrued interest receivable	**(11,358)**	(4,190)	**(17,362)**	3,073
Change in accrued interest payable	**(7,798)**	3,732	**18,182**	22,391
Change in current taxes	**(15,187)**	(941)	**(28,795)**	(11,865)
Change in other	**53,595**	38,832	**49,733**	28,111
Cash flows from operating activities	**262,610**	404,015	**32,992**	196,082
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from drawdowns (repayment) of credit facilities	**(100,000)**	-	**(50,000)**	-
Payment for funding issuance cost	**(338)**	(227)	**(414)**	(302)
Payment for lease liabilities	**(4,107)**	(3,884)	**(8,161)**	(7,748)
Dividend distribution	**(100,000)**	(124,997)	**(205,000)**	(240,997)
Cash flows used in financing activities	**(204,445)**	(129,108)	**(263,575)**	(249,047)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash acquired in business combination	**-**	-	**-**	667,267
Securities purchased under reverse repurchase agreements, net	**(5)**	(199,998)	**200,194**	(199,986)
Purchases of property and equipment	**(3,323)**	(2,313)	**(5,313)**	(6,379)
Capitalized intangible development costs and purchases of intangible assets	**(2,840)**	(5,390)	**(8,147)**	(8,870)
Cash flows provided by (used in) investing activities	**(6,168)**	(207,701)	**186,734**	452,032
Net increase (decrease) in cash and cash equivalents during the period	**51,997**	67,206	**(43,849)**	399,067
Cash and cash equivalents at beginning of the period [1]	**785,139**	624,269	**880,985**	292,408
Cash and Cash Equivalents at End of the Period	**$ 837,136**	$ 691,475	**$ 837,136**	$ 691,475
Supplementary Disclosure of Cash Flow Information				
Interest received	**$ 734,924**	$ 753,817	**$ 1,479,714**	$ 1,518,308
Interest paid	**281,221**	317,646	**526,156**	570,626
Income taxes paid	**54,614**	47,730	**115,146**	103,794

[1] Includes restricted cash of $14.6 million as at June 30, 2026 ($17.8 million as at December 31, 2025) related to securitizations that the Bank has access to.

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

1. CORPORATE INFORMATION

Fairstone Bank of Canada (the "Bank") is a wholly owned subsidiary of Fairstone Group Inc. (the "Parent Company" or "FGI"). The Bank is domiciled in Canada and was incorporated under the Bank Act (Canada) on July 24, 2009. The Bank's registered office is 145 King Street West, Suite 2300, Toronto, Ontario, M5H 1J8.

The Bank received orders to commence and carry on business on June 1, 2010 and launched a Rewards MasterCard in June 2010. In September 2019, the Bank launched a broker originated guaranteed investment certificate ("GIC") program. These GICs are eligible for deposit insurance from Canadian Deposit Insurance Corporation. The Bank, along with its wholly-owned subsidiary Fairstone Financial Inc., is a provider of installment lending, cards and retail lending and mortgage lending.

On January 1, 2025, the Parent Company acquired all of the outstanding shares of Home Capital Group Inc. (HCG). HCG operated through its federally regulated wholly-owned subsidiary, Home Trust Company (HTC). Following the acquisition of HCG, HCG was wound up and the shares of HTC were transferred to the Bank. Smith Financial Corporation (SFC) became the controlling shareholder and ultimate parent of the Bank after the acquisition of HCG.

HTC offers residential and non-residential mortgage lending, securitization of residential mortgage products, consumer lending and credit card services. Home Bank (HB), a wholly-owned subsidiary of HTC, is a federally regulated retail bank offering mortgage lending. HTC and HB also offer deposits via brokers and financial planners, and through a direct-to-consumer brand, Oaken Financial.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors (the Board) on August 12, 2026.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The interim condensed consolidated financial statements of the Bank have been prepared in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (IASB).

These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2025 prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies described in Note 2 to the annual consolidated financial statements have been applied consistently to all periods presented within these interim condensed consolidated financial statements.

Basis of presentation and measurement

These interim condensed consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial instruments which are recorded at fair value to the extent required or permitted under accounting standards as set out in the relevant accounting policies.

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Bank's functional currency. Except as otherwise indicated, financial information presented in Canadian dollars has been rounded to the nearest thousand.

Certain comparative figures have been reclassified to conform with the presentation of the interim condensed consolidated financial statements for the current period. These reclassifications had no material impact on the Bank's consolidated financial position or performance.

Use of Judgement and Estimates

Management has exercised judgement in the process of applying the Bank's accounting policies. Some of the Bank's accounting policies require subjective, complex judgements and estimates relating to matters that are inherently uncertain. The preparation of these interim condensed consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the consolidated balance sheet dates and the reported amounts of revenue and expenses during the reporting periods.

Recent developments in North American trade policy, including the imposition, adjustment, and legal review of various tariff measures between the United States and Canada, have introduced ongoing uncertainty in the bilateral trade environment. These evolving tariff actions and related policy shifts have the potential to affect key sectors of the Canadian economy, such as manufacturing, automotive, and agriculture. In addition, the recent escalation of conflict in the Middle East has contributed to broader global economic uncertainty, particularly in relation to energy markets, supply chain stability, and geopolitical risk. Management notes that these combined sources of uncertainty may contribute to heightened market volatility, inflationary pressures, and potential impacts on employment levels and property values. Over the medium to long term, such conditions could influence customers' financial capacity to meet loan obligations, which may affect the assumptions and estimates used by management in the preparation of these financial statements.

Global economic uncertainty remains elevated due to the economic impacts of decreasing but still elevated interest rates, lower house prices and geopolitical risks. These global economic factors continue to cast uncertainty on assumptions pertaining to the Canadian economy and the Bank's business. Accordingly, there is a higher level of uncertainty with respect to management's judgements and estimates.

Derecognition of Financial Assets

Management has applied judgement in the application of its accounting policy with respect to derecognition of the loans and other assets used in current securitization programs. Certain securitized loans are recognized only to the extent of the Bank's continuing involvement, based on management's judgement that it cannot be determined whether substantially all the risks and rewards of ownership have been transferred while control has been retained as defined by IFRS 9 *Financial Instruments* (IFRS 9). The remaining loans and other assets that have been securitized are not derecognized, based on management's judgement that the Bank has not transferred substantially all of the risks and rewards of ownership of the loans and other assets.

Impairment of Financial Assets

Under IFRS 9, the expected credit loss (ECL) model requires management to make judgements and estimates in a number of areas. Management must exercise significant judgement in determining whether there has been a significant increase in credit risk (SICR) since initial recognition and in estimating the amount of expected credit losses. The calculation of expected credit losses includes the incorporation of forward-looking information, which requires significant judgement to determine the forward-looking variables that are relevant for each portfolio and the scenarios and probability weights that should be applied. Management also exercises expert credit judgement in determining the amount of ECLs at each reporting date by considering reasonable and supportable information that is not already incorporated in the quantitative modelling process. Changes in these inputs, assumptions, models and judgements directly impact the measurement of ECLs.

As indicated above, global economic uncertainty remains elevated and has resulted in a higher level of uncertainty with respect to management's judgements and estimates which include the inputs, assumptions, models and judgements that directly impact the measurement of ECLs. The forward-looking macroeconomic inputs for each of the scenarios used in the Bank's ECL continue to evolve. Consequently, management has applied considerable judgement in assessing the appropriate probability weights to assign to each scenario. Refer to Note 5 for information on the inputs and assumptions used in the measurement of ECL.

Impairment of Goodwill and Intangible Assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The Bank's indefinite-lived intangible assets and goodwill are tested for impairment at least annually regardless of whether there is any indication of impairment.

Intangible assets are tested at the cash-generating unit (CGU) level when there are signs of impairment. Goodwill is allocated to CGUs or group of CGUs, which can't be larger than the operating segments. It is then tested at the lowest level at which it is managed, which can't be greater than operating segments. The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in income. Impairment losses relating to goodwill cannot be reversed in future periods.

Other Judgements and Estimates

Other key areas where management has applied judgement and made estimates include fair values, income taxes, useful lives of property and equipment, useful lives of intangible assets, and provisions and contingent liabilities. Actual results could differ from those estimates.

3. CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES

Current - Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued amendments to the classification and measurement of Financial Instruments, which amended IFRS 9 and IFRS 7 *Financial Instruments: Disclosures*. The amendments introduce an accounting policy choice to derecognize financial liabilities including those which are settled using electronic payment systems. The amendments also clarify the application of the SPPI test to financial instruments with environmental, social and governance (ESG) linked features. Furthermore, the amendments introduce additional disclosure requirements for equity instruments designated as FVOCI and for financial instruments with cash flows contingent on certain events.

The amendments were effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted. The adoption of this amendment had no material impact on the Bank's interim condensed consolidated financial statements.

Future - IFRS 18 Presentation and Disclosure in Financial Statements

The following accounting pronouncements issued by IASB were not effective as at June 30, 2026 and therefore have not been applied in preparing these interim condensed consolidated financial statements.

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* (IFRS 18) which replaces IAS 1 *Presentation of Financial Statements* and aims to give users of financial statements better information about companies' financial performance. The new standard introduces three key sets of guidelines for: improved comparability of the income statement using

defined subtotals and categorization of income and expenses; enhanced transparency of management defined performance measures; and enhanced grouping of information in the financial statements.

IFRS 18 will be effective for the Bank on January 1, 2027, with early adoption permitted. The Bank is currently assessing the impact of this new standard.

4. SECURITIES

(A) Securities at Fair Value by Type and Remaining Term to Maturity and Rate Reset Date

thousands of Canadian dollars	As at June 30, 2026				
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total Fair Value
Debt securities measured at FVOCI	**$ 299,880**	**$ 50,097**	**$ -**	**$ -**	**$ 349,977**

thousands of Canadian dollars	As at December 31, 2025				
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total Fair Value
Debt securities measured at FVOCI	$ 149,823	$ 199,956	$ -	$ -	$ 349,779

(B) Securities under reverse repurchase agreements by Remaining Term to Maturity

thousands of Canadian dollars	As at June 30, 2026				
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total Carrying Value
Securities purchased under reverse repurchase agreements	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

thousands of Canadian dollars	As at December 31, 2025				
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total Carrying Value
Securities purchased under reverse repurchase agreements	$ 200,024	$ -	$ -	$ -	$ 200,024

(C) Securities Measured at FVOCI - Net Unrealized Gains and Losses

thousands of Canadian dollars, except %	As at June 30, 2026				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Total Fair Value	Weighted-Average Yield
Debt securities measured at FVOCI	**$ 349,959**	**$ 18**	**$ -**	**$ 349,977**	**2.9%**

thousands of Canadian dollars, except %	As at December 31, 2025				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Total Fair Value	Weighted-Average Yield
Debt securities measured at FVOCI	$ 349,881	$ -	$ (102)	$ 349,779	2.9%

The unrealized gains or losses included above represent the differences between the cost of a security and its current fair value.

Included in debt securities measured at FVOCI are Government of Canada debt securities with a carrying amount of $40.0 million which are held as security for the $70.0 million uncommitted secured credit facility referred to in Note 8. The Bank may at any time and at its discretion replace the Government of Canada debt securities as security for the credit facility with other acceptable forms of security.

Net unrealized gains and losses (excluding impairment losses, which are recognized in the interim consolidated statements of income) are included in AOCI and presented in the table above. These unrealized gains and losses are not included in net income.

As at June 30, 2026 and December 31, 2025, there were no allowances for credit losses recognized on debt securities measured at FVOCI. All debt securities measured at FVOCI are Government of Canada debt securities and are classified as Stage 1.

Interest income earned on debt securities measured at FVOCI was $4.1 million and $2.2 million for the six and three month periods ended June 30, 2026, respectively ($4.8 million and $2.8 million for the six and three month periods ended June 30, 2025, respectively) and is included in other interest in the interim consolidated statements of income.

5. LOANS

(A) Loans by Portfolio

thousands of Canadian dollars	As at June 30, 2026		
	Gross Carrying Amount	Allowance for Credit Losses	Net Carrying Amount
Residential mortgages	**$ 20,322,304**	**$ 116,325**	**$ 20,205,979**
Commercial mortgages	**2,769,698**	**110,889**	**2,658,809**
Installment loans	**4,283,170**	**276,117**	**4,007,053**
Credit cards and retail finance	**2,859,087**	**223,921**	**2,635,166**
	$ 30,234,259	**$ 727,252**	**$ 29,507,007**

thousands of Canadian dollars	As at December 31, 2025		
	Gross Carrying Amount	Allowance for Credit Losses	Net Carrying Amount
Residential mortgages	$ 20,061,553	$ 97,121	$ 19,964,432
Commercial mortgages	2,627,351	41,943	2,585,408
Installment loans	4,152,590	273,192	3,879,398
Credit cards and retail finance	2,915,610	240,830	2,674,780
	$ 29,757,104	$ 653,086	$ 29,104,018

(B) Loans by Geographic Region (Gross of Allowance for Credit Losses)

thousands of Canadian dollars, except %	As at June 30, 2026						
	British Columbia	Alberta	Ontario	Quebec	Atlantic Provinces	Other	Total
Residential mortgages	**$ 2,078,403**	**$ 1,612,111**	**$ 13,420,065**	**$ 1,473,980**	**$ 1,439,336**	**$ 298,409**	**$ 20,322,304**
Commercial mortgages	**433,529**	**286,209**	**1,615,914**	**414,431**	**19,615**	**-**	**2,769,698**
Installment loans	**351,639**	**569,165**	**1,474,434**	**921,442**	**622,867**	**343,623**	**4,283,170**
Credit cards and retail finance	**381,144**	**393,909**	**1,273,111**	**441,102**	**167,789**	**202,032**	**2,859,087**
	$ 3,244,715	**$ 2,861,394**	**$ 17,783,524**	**$ 3,250,955**	**$ 2,249,607**	**$ 844,064**	**$ 30,234,259**
As a % of portfolio	**10.7%**	**9.5%**	**58.8%**	**10.8%**	**7.4%**	**2.8%**	**100.0%**

thousands of Canadian dollars, except %	As at December 31, 2025						
	British Columbia	Alberta	Ontario	Quebec	Atlantic Provinces	Other	Total
Residential mortgages	$ 1,984,285	$ 1,497,456	$ 13,551,869	$ 1,322,543	$ 1,407,116	$ 298,284	$ 20,061,553
Commercial mortgages	411,567	211,527	1,582,977	407,924	13,356	-	2,627,351
Installment loans	345,205	552,776	1,401,284	902,833	613,631	336,861	4,152,590
Credit cards and retail finance	397,597	413,378	1,243,774	472,312	178,801	209,748	2,915,610
	$ 3,138,654	$ 2,675,137	$ 17,779,904	$ 3,105,612	$ 2,212,904	$ 844,893	$ 29,757,104
As a % of portfolio	10.6%	9.0%	59.8%	10.4%	7.4%	2.8%	100.0%

(C) Credit Risk Exposure by Internal Risk Rating

The following table presents the gross carrying amounts of loans subject to IFRS 9 impairment requirements based on performance differentiation by product type, internal and external risk scores, and credit utilization thresholds used by the Bank for credit risk management purposes. These internal risk ratings are based on the forward-looking loss indicators. The gross carrying amount of loans represents the maximum exposure to credit risk at the end of the reporting period without taking into account any collateral or other credit enhancements.

The credit risk exposure classification presented in the table below are defined as follows:

Low: Loans that have below average credit risk that is lower than the Bank's risk appetite and risk tolerance levels.

Medium: Loans that have an average probability of default with credit risk which is within the Bank's risk appetite and risk tolerance.

High: Loans that were originated within the Bank's risk appetite but have subsequently experienced an increase in credit risk which is outside of the Bank's typical risk appetite and risk tolerance levels.

Default: Loans that are 90 days or more past due or loans for which there is objective evidence of impairment.

thousands of Canadian dollars	June 30, 2026				As at December 31, 2025			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Residential mortgages								
Low	**$ 15,860,654**	**$ 50,450**	**$ -**	**$ 15,911,104**	$ 13,833,545	$ 24,831	$ -	$ 13,858,376
Medium	**2,121,781**	**271,818**	**-**	**2,393,599**	3,831,803	290,233	-	4,122,036
High	**697,692**	**697,078**	**-**	**1,394,770**	674,975	870,746	-	1,545,721
Default	**-**	**-**	**622,831**	**622,831**	-	-	535,420	535,420
Gross carrying amount	**18,680,127**	**1,019,346**	**622,831**	**20,322,304**	18,340,323	1,185,810	535,420	20,061,553
Allowance for credit losses	**(11,268)**	**(7,616)**	**(97,441)**	**(116,325)**	(10,933)	(9,508)	(76,680)	(97,121)
Net carrying amount	**18,668,859**	**1,011,730**	**525,390**	**20,205,979**	18,329,390	1,176,302	458,740	19,964,432
Commercial mortgages								
Low	**1,751,634**	**50,038**	**-**	**1,801,672**	1,091,170	1,038	-	1,092,208
Medium	**378,721**	**92,392**	**-**	**471,113**	858,078	216,386	-	1,074,464
High	**5,577**	**48,273**	**-**	**53,850**	14,095	11,295	-	25,390
Default	**-**	**-**	**443,063**	**443,063**	-	-	435,289	435,289
Gross carrying amount	**2,135,932**	**190,703**	**443,063**	**2,769,698**	1,963,343	228,719	435,289	2,627,351
Allowance for credit losses	**(3,836)**	**(2,042)**	**(105,011)**	**(110,889)**	(6,570)	(1,931)	(33,442)	(41,943)
Net carrying amount	**2,132,096**	**188,661**	**338,052**	**2,658,809**	1,956,773	226,788	401,847	2,585,408
Installment loans								
Low	**2,725,610**	**-**	**-**	**2,725,610**	2,605,503	-	-	2,605,503
Medium	**985,334**	**251,948**	**-**	**1,237,282**	966,128	260,596	-	1,226,724
High	**43,681**	**114,446**	**-**	**158,127**	63,003	99,717	-	162,720
Default	**-**	**-**	**162,151**	**162,151**	-	-	157,643	157,643
Gross carrying amount	**3,754,625**	**366,394**	**162,151**	**4,283,170**	3,634,634	360,313	157,643	4,152,590
Allowance for credit losses	**(174,441)**	**(29,096)**	**(72,580)**	**(276,117)**	(171,880)	(28,992)	(72,320)	(273,192)
Net carrying amount	**3,580,184**	**337,298**	**89,571**	**4,007,053**	3,462,754	331,321	85,323	3,879,398
Credit cards and retail finance								
Low	**1,358,891**	**3,023**	**-**	**1,361,914**	1,286,619	3,610	-	1,290,229
Medium	**362,037**	**586,066**	**-**	**948,103**	342,665	636,238	-	978,903
High	**22,408**	**453,122**	**-**	**475,530**	61,025	512,981	-	574,006
Default	**-**	**-**	**73,540**	**73,540**	-	-	72,472	72,472
Gross carrying amount	**1,743,336**	**1,042,211**	**73,540**	**2,859,087**	1,690,309	1,152,829	72,472	2,915,610
Allowance for credit losses	**(46,128)**	**(131,352)**	**(46,441)**	**(223,921)**	(43,708)	(147,920)	(49,202)	(240,830)
Net carrying amount	**1,697,208**	**910,859**	**27,099**	**2,635,166**	1,646,601	1,004,909	23,270	2,674,780
Total loans								
Gross carrying amount	**26,314,020**	**2,618,654**	**1,301,585**	**30,234,259**	25,628,609	2,927,671	1,200,824	29,757,104
Allowance for credit losses	**(235,673)**	**(170,106)**	**(321,473)**	**(727,252)**	(233,091)	(188,351)	(231,644)	(653,086)
Net carrying amount	**$ 26,078,347**	**$ 2,448,548**	**$ 980,112**	**$ 29,507,007**	$ 25,395,518	$ 2,739,320	$ 969,180	$ 29,104,018

(D) Allowance for Credit Losses

The following table provides a continuity of the allowance for credit losses during the period by product and IFRS 9 Stage indicating components of the provision for credit losses as well as write-offs and recoveries.

					For the three months ended			
thousands of Canadian dollars	June 30, 2026				June 30, 2025			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Residential mortgages								
Balance at the beginning of the period	$ 11,689	$ 9,626	$ 89,792	$ 111,107	$ 17,181	$ 14,696	$ 36,189	$ 68,066
New assets originated	1,782	-	-	1,782	3,756	-	-	3,756
Purchased loans	-	-	-	-	-	-	-	-
Transfer into Stage 1	2,936	(2,125)	(811)	-	4,102	(3,638)	(464)	-
Transfer into Stage 2	(642)	1,411	(769)	-	(2,067)	3,459	(1,392)	-
Transfer into Stage 3	(263)	(1,938)	2,201	-	(785)	(3,274)	4,059	-
Remeasurement	(1,691)	1,199	19,237	18,745	(3,541)	2,662	21,959	21,080
Change in risk parameters and models	(1,719)	453	9,525	8,259	(7,973)	(2,788)	9,192	(1,569)
Assets derecognized or repaid	(824)	(1,010)	(12,836)	(14,670)	(1,627)	(1,659)	(11,127)	(14,413)
Provision for credit losses	(421)	(2,010)	16,547	14,116	(8,135)	(5,238)	22,227	8,854
Write-offs	-	-	(9,418)	(9,418)	-	-	(3,378)	(3,378)
Recoveries	-	-	520	520	-	-	443	443
Balance at the end of the period	11,268	7,616	97,441	116,325	9,046	9,458	55,481	73,985
Commercial mortgages								
Balance at the beginning of the period	6,609	3,122	72,305	82,036	5,542	2,553	21,465	29,560
New assets originated	819	-	-	819	918	-	-	918
Purchased loans	-	-	-	-	-	-	-	-
Transfer into Stage 1	1,538	(281)	(1,257)	-	1,215	(1,066)	(149)	-
Transfer into Stage 2	(140)	140	-	-	(174)	174	-	-
Transfer into Stage 3	(42)	(1,173)	1,215	-	(146)	(261)	407	-
Remeasurement	(595)	609	5,237	5,251	(2,013)	2,495	2,619	3,101
Change in risk parameters and models	(971)	(245)	31,653	30,437	(662)	165	6,457	5,960
Assets drawn, derecognized or repaid	(2,559)	(130)	(2,794)	(5,483)	(315)	(214)	(481)	(1,010)
Provision for credit losses	(1,950)	(1,080)	34,054	31,024	(1,177)	1,293	8,853	8,969
Write-offs	-	-	(1,348)	(1,348)	-	-	(50)	(50)
Balance at the end of the period	4,659	2,042	105,011	111,712	4,365	3,846	30,268	38,479
Installment loans								
Balance at the beginning of the period	168,063	28,470	72,543	269,076	173,358	29,826	78,582	281,766
New assets originated	29,539	-	-	29,539	35,281	-	-	35,281
Transfer into Stage 1	7,600	(6,481)	(1,119)	-	8,831	(7,300)	(1,531)	-
Transfer into Stage 2	(10,495)	11,473	(978)	-	(13,471)	15,605	(2,134)	-
Transfer into Stage 3	(4,854)	(5,648)	10,502	-	(7,867)	(6,917)	14,784	-
Remeasurement	2,093	3,240	77,969	83,302	2,015	2,720	63,551	68,286
Change in risk parameters and models	(5,744)	(1,075	894	(5,925)	(6,814)	(897)	1,157	(6,554)
Assets derecognized or repaid	(11,761)	(883)	(587)	(13,231)	(18,206)	(1,460)	(838)	(20,504)
Provision for credit losses	6,378	626	86,681	93,685	(231)	1,751	74,989	76,509
Write-offs	-	-	(105,331)	(105,331)	-	-	(103,199)	(103,199)
Recoveries	-	-	18,687	18,687	-	-	20,422	20,422
Balance at the end of the period	174,441	29,096	72,580	276,117	173,127	31,577	70,794	275,498
Credit cards and retail finance								
Balance at the beginning of the period	56,844	153,606	48,306	258,756	48,066	161,548	46,000	255,614
New assets issued or originated	5,038	-	-	5,038	6,726	-	-	6,726
Purchased loans	-	-	-	-	-	-	-	-
Transfer into Stage 1	26,174	(24,990)	(1,184)	-	19,747	(18,855)	(892)	-
Transfer into Stage 2	(7,327)	11,192	(3,865)	-	(8,217)	12,334	(4,117)	-
Transfer into Stage 3	(741)	(23,533)	24,274	-	(844)	(25,682)	26,526	-
Remeasurement	(20,839)	18,457	36,815	34,433	(14,247)	23,051	27,992	36,796
Change in risk parameters and models	(4,994)	4,261	(220)	(953)	(919)	2,653	(646)	1,088
Draws and repayments	1,866	3,262	1,027	6,155	1,268	4,598	590	6,456
Provision for credit losses	(823)	(11,351)	56,847	44,673	3,514	(1,901)	49,453	51,066
Write-offs	-	-	(69,431)	(69,431)	-	-	(57,616)	(57,616)
Recoveries	-	-	10,719	10,719	-	-	10,032	10,032
Balance at the end of the period	56,021	142,255	46,441	244,717	51,580	159,647	47,869	259,096
Total allowance for credit losses	246,389	181,009	321,473	748,871	238,118	204,528	204,412	647,058
Total provision for credit losses	3,184	(13,815)	194,129	183,498	(6,029)	(4,095)	155,522	145,398
Total allowance for credit losses comprises:								
Amounts drawn	$ 235,673	$ 170,106	$ 321,473	$ 727,252	$ 226,513	$ 188,125	$ 204,412	$ 619,050
Undrawn commitments[1]	10,716	10,903	-	21,619	11,605	16,403	-	28,008

[1] ECL related to undrawn commitments is reported in other liabilities on the consolidated balance sheets.

(D) Allowance for Credit Losses (Continued)

thousands of Canadian dollars (unaudited)	June 30, 2026				For the six months ended June 30, 2025			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Residential mortgages								
Balance at the beginning of the period	**$ 10,933**	**$ 9,508**	**$ 76,680**	**$ 97,121**	$ 1,497	$ 179	$ 1,065	$ 2,741
New assets originated	**4,148**	**-**	**-**	**4,148**	9,121	-	-	9,121
Purchased loans	**-**	**-**	**-**	**-**	16,561	16,142	35,245	67,948
Transfer into Stage 1	**4,932**	**(3,377)**	**(1,555)**	**-**	9,688	(8,853)	(835)	-
Transfer into Stage 2	**(1,546)**	**3,851**	**(2,305)**	**-**	(4,252)	7,517	(3,265)	-
Transfer into Stage 3	**(1,037)**	**(3,478)**	**4,515**	**-**	(1,543)	(6,459)	8,002	-
Remeasurement	**(2,952)**	**2,592**	**29,389**	**29,029**	(7,629)	7,505	31,550	31,426
Change in risk parameters and models	**(1,598)**	**167**	**27,634**	**26,203**	(11,015)	(3,538)	8,869	(5,684)
Assets derecognized or repaid	**(1,612)**	**(1,647)**	**(22,916)**	**(26,175)**	(3,382)	(3,035)	(15,809)	(22,226)
Provision for credit losses	**335**	**(1,892)**	**34,762**	**33,205**	(9,012)	(6,863)	28,512	12,637
Write-offs	**-**	**-**	**(15,172)**	**(15,172)**	-	-	(9,838)	(9,838)
Recoveries	**-**	**-**	**1,171**	**1,171**	-	-	497	497
Balance at the end of the period	**11,268**	**7,616**	**97,441**	**116,325**	9,046	9,458	55,481	73,985
Commercial mortgages								
Balance at the beginning of the period	**7,837**	**8,731**	**26,642**	**43,210**	-	-	-	-
New assets originated	**4,347**	**-**	**-**	**4,347**	2,680	-	-	2,680
Purchased loans	**-**	**-**	**-**	**-**	6,258	2,123	16,748	25,129
Transfer into Stage 1	**2,304**	**(1,047)**	**(1,257)**	**-**	2,203	(1,543)	(660)	-
Transfer into Stage 2	**(534)**	**534**	**-**	**-**	(1,048)	1,048	-	-
Transfer into Stage 3	**(194)**	**(1,276)**	**1,470**	**-**	(434)	(643)	1,077	-
Remeasurement	**(2,419)**	**(4,108)**	**12,947**	**6,420**	(3,595)	3,190	5,224	4,819
Change in risk parameters and models	**(1,978)**	**(665)**	**68,831**	**66,188**	(1,014)	(105)	13,489	12,370
Assets drawn, derecognized or repaid	**(4,704)**	**(127)**	**(2,273)**	**(7,104)**	(685)	(224)	(3,686)	(4,595)
Provision for credit losses	**(3,178)**	**(6,689)**	**79,718**	**69,851**	(1,893)	1,723	15,444	15,274
Write-offs	**-**	**-**	**(1,349)**	**(1,349)**	-	-	(1,924)	(1,924)
Balance at the end of the period	**4,659**	**2,042**	**105,011**	**111,712**	4,365	3,846	30,268	38,479
Installment loans								
Balance at the beginning of the period	**171,880**	**28,992**	**72,320**	**273,192**	177,608	31,558	75,729	284,895
New assets originated	**54,249**	**-**	**-**	**54,249**	60,384	-	-	60,384
Transfer into Stage 1	**16,666**	**(14,318)**	**(2,348)**	**-**	17,008	(14,628)	(2,380)	-
Transfer into Stage 2	**(22,218)**	**24,064**	**(1,846)**	**-**	(25,442)	28,351	(2,909)	-
Transfer into Stage 3	**(9,831)**	**(11,865)**	**21,696**	**-**	(13,146)	(14,958)	28,104	-
Remeasurement	**802**	**6,259**	**156,187**	**163,248**	2,517	6,278	140,609	149,404
Change in risk parameters and models	**(14,143)**	**(2,164)**	**(198)**	**(16,505)**	(15,440)	(2,440)	262	(17,618)
Assets derecognized or repaid	**(22,964)**	**(1,872)**	**(1,168)**	**(26,004)**	(30,362)	(2,584)	(1,416)	(34,362)
Provision for credit losses	**2,561**	**104**	**172,323**	**174,988**	(4,481)	19	162,270	157,808
Write-offs	**-**	**-**	**(211,331)**	**(211,331)**	-	-	(205,726)	(205,726)
Recoveries	**-**	**-**	**39,268**	**39,268**	-	-	38,521	38,521
Balance at the end of the period	**174,441**	**29,096**	**72,580**	**276,117**	173,127	31,577	70,794	275,498
Credit cards and retail finance								
Balance at the beginning of the period	**54,462**	**159,928**	**49,202**	**263,592**	49,274	158,794	44,358	252,426
New assets issued or originated	**9,808**	**-**	**-**	**9,808**	11,418	-	-	11,418
Purchased loans	**-**	**-**	**-**	**-**	263	3,060	3,072	6,395
Transfer into Stage 1	**49,272**	**(47,104)**	**(2,168)**	**-**	35,950	(34,284)	(1,666)	-
Transfer into Stage 2	**(14,206)**	**21,600**	**(7,394)**	**-**	(15,643)	22,878	(7,235)	-
Transfer into Stage 3	**(1,382)**	**(47,468)**	**48,850**	**-**	(1,281)	(48,304)	49,585	-
Remeasurement	**(39,533)**	**36,825**	**73,735**	**71,027**	(28,684)	38,618	70,373	80,307
Change in risk parameters and models	**(5,389)**	**11,699**	**(1,806)**	**4,504**	(1,763)	10,906	(1,513)	7,630
Draws and repayments	**2,989**	**6,775**	**2,035**	**11,799**	2,046	7,979	(9,611)	414
Provision for credit losses	**1,559**	**(17,673)**	**113,252**	**97,138**	2,043	(2,207)	99,933	99,769
Write-offs	**-**	**-**	**(136,294)**	**(136,294)**	-	-	(118,984)	(118,984)
Recoveries	**-**	**-**	**20,281**	**20,281**	-	-	19,490	19,490
Balance at the end of the period	**56,021**	**142,255**	**46,441**	**244,717**	51,580	159,647	47,869	259,096
Total allowance for credit losses	**246,389**	**181,009**	**321,473**	**748,871**	238,118	204,528	204,412	647,058
Total provision for credit losses	**1,277**	**(26,150)**	**400,055**	**375,182**	(13,343)	(7,328)	306,159	285,488
Total allowance for credit losses comprises:								
Amounts drawn	**$ 235,673**	**$ 170,106**	**$ 321,473**	**$ 727,252**	$ 226,513	$ 188,125	$ 204,412	$ 619,050
Undrawn commitments[1]	**10,716**	**10,903**	**-**	**21,619**	11,605	16,403	-	28,008

[1] ECL related to undrawn commitments is reported in other liabilities on the consolidated balance sheets.

(D) Allowance for Credit Losses (Continued)

The following provides explanations of the lines presented in the table above:

- New assets originated represents the allowance related to newly originated loans during the period, including renewals or refinance of existing customers.
- Business combination reflects the effects of the Bank's acquisition of HTC, which was accounted for as a common-control business combination.
- Transfers between stages represents migration of ECL before any corresponding remeasurement of the allowance.
- Remeasurement represents the remeasurement between 12-month and lifetime ECLs due to stage transfers, as well as the impact on expected credit losses from changes in credit risk during the period on loans that transferred between stages.
- Changes in risk parameters and models represent the change in the allowance related to the impact of macroeconomic factors, risk parameters and changes to models for loans that did not transfer between stages during the period. The change in risk parameters also includes the impact on ECL of the change in probability of default and loss given default that occurs with the passage of time as the loan approaches the end of its contractual term. This impact is more significant for loans with shorter contractual terms.
- Assets derecognized or repaid represents the ECL related to assets derecognized during the period including loans subsequently renewed or refinanced. The amounts drawn for commercial mortgages, credit cards and retail financing also include the increase in expected credit losses (ECL) due to additional draws on unfunded commitments for existing customers.

The allowance for credit losses under IFRS 9 requires the consideration of forward-looking information. Forward-looking information is incorporated in both the determination of whether there has been a SICR since initial recognition of the financial asset and in the measurement of ECL allowances. The Bank has determined that the following forward-looking macroeconomic factors are the key drivers that contribute to credit losses: unemployment rates and House Price Index (annual change). These macroeconomic factors are forecasted at the national level and regional level where appropriate.

The ECL allowances are calculated through three probability-weighted forward-looking scenarios, including base, upside and downside, which are chosen from a number of scenarios provided by an external service provider engaged by the Bank to provide this forward-looking macroeconomic information. The three scenarios are reviewed and updated, as necessary at each reporting date, and the probability weights and the associated scenarios are determined through a management review process that involves significant judgement and review by the Bank's Allowance Committee consisting of representatives from Finance, Enterprise Risk Management and Operations. As at June 30, 2026, the Bank reduced the weighting applied to the downside scenario in its forward-looking assessments compared to December 31, 2025, reflecting improvements in unemployment rates observed over consecutive quarters. The following table provides the values of the forward-looking macroeconomic inputs at the national level over the next 12 months for each of the scenarios.

				As at December 31, 2025		
	June 30, 2026					
	Base	**Upside**	**Downside**	Base	Upside	Downside
Average unemployment rate	**6.77%**	**6.22%**	**8.25%**	7.00%	6.46%	8.80%
Housing price index (annual change)	**2.57%**	**4.99%**	**(7.39)%**	0.84%	3.22%	(8.93)%

The scenarios presented above reflect uncertainty surrounding trade policy, geopolitical developments, inflation, and housing market conditions as of June 30, 2026. Under the baseline scenario, Canada is expected to avoid recession and experience modest growth, supported by gradual improvements in trade, hiring, and investment, although elevated tariffs, soft demand, and housing market weakness continue to weigh on the economy. Inflation is expected to remain elevated in the near term due to higher energy prices and tariff-related pressures, while house prices are expected to decline through 2026 before gradually stabilizing as labour market conditions improve. The downside scenario assumes escalating trade tensions, higher tariffs, tighter financial conditions, and a deeper housing market correction, resulting in weaker growth, higher unemployment, and increased credit stress. The upside scenario assumes faster tariff removal, easing geopolitical risks, stronger global growth, and improved confidence, leading to stronger economic growth, lower unemployment, and a faster recovery in housing activity and house prices.

The forward-looking macroeconomic scenarios described above reflect management's best estimate of the forward-looking information as at June 30, 2026. The uncertainty around future interest rate reductions and lower house prices may lead to changes in future macroeconomic assumptions. While these expected changes in assumptions may result in current forward-looking scenarios that are different from those used by the Bank in its expected credit loss measurement as at June 30, 2026 based on the information available at the end of the period, IFRS 9 does not permit the use of hindsight in measuring expected credit losses. Accordingly, any changes in forward-looking information subsequent to June 30, 2026 will be reflected in the measurement of expected credit losses in future quarters as appropriate.

The following table compares the probability weighted ECL (determined as the reported allowance for credit losses) against the base case ECL to illustrate the impact of applying probability weights to each of the scenarios in the determination of allowance for credit losses. The differences presented in the following table are isolated to the measurement of ECL without considering the impact of migration between stages.

	As at	
thousands of Canadian dollars	**June 30 2026**	December 31 2025
Probability-weighted ECL (reported allowance for credit losses)	**$ 748,871**	$ 677,115
Base case ECL	**736,047**	643,661
Difference	**$ 12,824**	$ 33,454

The following table presents the allowance for credit losses as at June 30, 2026 and December 31, 2025 for all performing loans (total of Stage 1 and Stage 2 allowance for credit losses) compared to the allowance for credit losses that would result if all performing loans were measured as Stage 1 loans using a 12-month ECL. The difference reflects the estimated impact of Stage 2 loans being measured using a lifetime ECL instead of a 12-month ECL, holding all risk profiles constant.

	As at	
thousands of Canadian dollars	**June 30 2026**	December 31 2025
Reported allowance for credit losses for performing loans (Stage 1 and Stage 2)	**$ 427,398**	$ 445,471
Allowance for credit losses for performing loans if all measured as 12-month ECL	**362,443**	376,201
Remeasurement difference resulting from transfers from Stage 1 to Stage 2	**$ 64,955**	$ 69,270

(E) Interest Income by Portfolio

	For the three months ended		For the six months ended	
thousands of Canadian dollars	**June 30 2026**	June 30 2025	**June 30 2026**	June 30 2025
Residential mortgages	**$ 318,176**	$ 325,363	**$ 633,774**	$ 656,014
Commercial mortgages	**45,593**	49,797	**91,256**	99,313
Installment loans	**256,971**	246,697	**506,877**	489,792
Credit cards and retail finance	**122,542**	123,124	**247,820**	248,475
	$ 743,282	$ 744,981	**$ 1,479,727**	$ 1,493,594

(F) Loans by Remaining Contractual Term to Maturity (Gross of Allowance for Credit Losses)

					As at	
thousands of Canadian dollars					**June 30 2026**	December 31 2025
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total Book Value	Total Book Value
Residential mortgages	**$ 12,900,757**	**$ 6,184,297**	**$ 894,507**	**$ 342,743**	**$20,322,304**	$ 20,061,553
Commercial mortgages	**1,999,237**	**744,214**	**21,869**	**4,378**	**2,769,698**	2,627,351
Installment loans	**911,014**	**1,813,796**	**953,034**	**605,326**	**4,283,170**	4,152,590
Credit cards and retail finance[1]	**2,556,507**	**284,030**	**18,542**	**8**	**2,859,087**	2,915,610
	$ 18,367,515	**$ 9,026,337**	**$ 1,887,952**	**$ 952,455**	**$30,234,259**	$ 29,757,104

[1] Credit cards and retail finance products that do not have a contractual maturity and are revolving in nature are classified as having a remaining term to maturity of less than one year.

(G) Revenue from Contracts with Customers

Included within non-interest income in the interim consolidated statements of income is $62.3 million and $122.8 million ($63.1 million and $121.9 million for the three and six months ended June 30, 2025) for the three and six months period ended June 30, 2026 of revenue recognized from contracts with customers.

(H) Collateral

The Bank holds collateral on all of its residential and commercial mortgage portfolios in the form of real property. The fair value of collateral held against residential and commercial mortgages is based on appraisals at the time a loan is originated. Appraisals are only updated should circumstances warrant. At June 30, 2026, the total appraised value of the collateral held for impaired mortgages (Stage 3), as determined when the mortgages were originated, was $1.78 billion (December 31, 2025 - $1.71 billion).

6. SECURITIZATION ACTIVITY

(A) Loan Securitizations

In the normal course of business, the Bank securitizes loans that result in the transfer of financial assets. In most circumstances, loan securitizations do not qualify for derecognition as the Bank continues to be exposed to substantially all the risks and rewards of the securitized assets.

CMHC-sponsored NHA MBS

The Bank securitizes insured residential mortgages under the NHA MBS program sponsored by CMHC. As a requirement of the NHA MBS program, the Bank assigns to CMHC all of its interest in CMHC-sponsored securitized mortgage pools. If the Bank fails to make timely payment under an NHA MBS security, CMHC may enforce the assignment of the mortgages included in all the mortgage pools as well as other assets backing the MBS issued.

Certain securitization transactions involving CMHC insured multi-unit residential loans result in the Bank derecognizing the transferred assets in their entirety, and the Bank recognizes its continuing involvement through retained interests and associated servicing liabilities. As at June 30, 2026 off-balance sheet mortgage loans of $4.34 billion ($4.05 billion – December 31, 2025) were assigned as collateral.

Residential Mortgage-Backed Securities

The Bank issues private placements of Residential Mortgage-Backed Securities (RMBS) through Classic RMBS Trust, a securitization vehicle managed by HTC. Classic RMBS Trust is a consolidated entity of HTC. The RMBS are backed by a portfolio of near-prime, uninsured, residential mortgages and are comprised of A, B and Z Tranches. The A Tranche is sold to accredited investors, with the B and Z Tranches taken up by HTC and eliminated upon consolidation. The A Tranche has first priority with respect to payments of principal and interest with the B and Z Tranches having rights to payments subordinate to the A Tranche, thereby providing credit enhancements to the A Tranche.

The RMBS issued are not eliminated upon consolidation and are accounted for as secured financing in the consolidated financial statements of the Bank. In addition to the creation of Classic RMBS Trust and as required under the RMBS program structure, HTC created a Limited Partnership (the "LP") at the inception of the RMBS program. The LP is a bankruptcy remote special purpose entity and is also a consolidated entity of HTC. The portfolio of mortgages backing the RMBS were legally transferred from HTC to the LP along with the related security. The holders of RMBS cannot require the transfer of mortgages from the LP back to HTC except in limited circumstances involving a breach of representation and warranty by HTC. The Bank and HTC do not guarantee any debt obligations of the LP, and the holders of RMBS have recourse only to the assets of the LP and not to the general assets of HTC or the Bank.

On April 30, 2026, RMBS Trust completed the issuance of CRMBS 2026-1 mortgage pass-through notes with a total principal amount of $500 million across classes A, B and Z, of which $425 million of AAA rated Class A notes were sold to third-party investors at a coupon rate of 3.777%, while the remaining Class B and Z notes were retained by the Bank.

Bank-sponsored securitization

The Bank also participates in bank-sponsored securitization conduit programs that are backed by a portfolio of near-prime, uninsured, residential mortgages. The Bank has retained substantially all the risks and rewards of ownership of the securitized assets and the notes issued are accounted for as secured financing in the consolidated financial statements of the Bank. The interest rate on any drawn amount is equal to applicable benchmark rates plus spread. Any committed undrawn amounts are subject to a fixed-rate commitment fee. Interest rate exposure is mitigated by entering into floating to fixed interest rate swaps with an eligible swap counterparty, whereby a fixed rate of interest is exchanged for a floating rate of interest.

As at June 30, 2026 and December 31, 2025, the total commitment level of the bank-sponsored securitization conduit programs was $650 million and uncommitted level was $750 million.

Canvas Cards Trust

Canvas Cards Trust is a special purpose entity established to issue notes secured by a pool of Walmart MasterCard credit cards. The Bank has retained substantially all the risks and rewards of ownership of the securitized assets and the notes issued are accounted for as secured financing in the consolidated financial statements of the Bank. Series 2019-1 floating rate Notes were issued in April 2019.

On April 15, 2025, Series 2019-1 Notes were further amended increasing commitment from $742.5 million to $800 million, extending the commitment period from April 1, 2026 to April 1, 2027 and reducing the undrawn fees from 45bps to 40bps for utilization of less than 66.7% and from 34bps to 30 bps for higher than 66.7%.

On June 24, 2025, the Bank issued $250 million of term ABS notes, Series 2025-1, under the Canvas Cards Trust to institutional investors. The fixed rate notes are structured in three tranches A, B, and C, with a scheduled maturity date of June 15, 2028. The issuance carried a weighted average interest rate of 3.795%.

On April 9, 2026, Series 2019-1 Notes were further amended extending the commitment period from April 1, 2027 to April 1, 2028.

On June 8, 2026, the Bank issued $300 million of term ABS notes, Series 2026-1, under the Canvas Cards Trust to institutional investors. The fixed rate notes are structured in three tranches A, B, and C, with a scheduled maturity date of June 15, 2029. The issuance carried a weighted average interest rate of 3.829%.

Fairstone Financial Issuance Trust I

The Bank also issues notes secured by personal loans through Fairstone Financial Issuance Trust I (FFIT I). FFIT I is a special purpose entity established to issue notes secured by a pool of consumer loans and retail financing plans. To mitigate interest rate exposure, FFIT I Series 2019-2 Notes include a covenant to hedge at least 85% of the exposure by entering into floating to fixed interest rate swap with an eligible swap counterparty, whereby the Trust pays a fixed rate of interest in exchange for a floating rate of interest.

On November 28, 2025, FFIT I 2019-2 facility was further amended maintaining the existing commitment level of $1.15 billion, extending the commitment maturity date to October 31, 2027 and adjusting undrawn fees to 40bps for utilization of less than 60.0% and 30bps for utilization higher than 60.0%.

EdenPark securitization

EdenPark previously entered into a master purchase and servicing agreement to finance loan originations by pooling finance receivables and selling them directly to the lenders. As the securitization of finance receivables did not qualify for derecognition under IFRS, the net proceeds received through securitization of the finance receivables were recorded as securitization liabilities on the consolidated balance sheets. Tranches of securitization liabilities had fixed maturities, fixed interest rates and fixed repayment schedules based on the underlying securitized finance receivables. Securitized liabilities are non-recourse to the Bank.

On March 31, 2026, the Bank fully repaid and terminated the EdenPark securitization. The settlement resulted in a net cash payment of $9.9 million, inclusive of a $0.5 million prepayment penalty.

Key features of the securitization programs as at June 30, 2026 and December 31, 2025:

					As at
thousands of Canadian dollars	**Securitized Assets**		**Securitization Liability**		
	June 30 2026	December 31 2025	**June 30 2026**	December 31 2025	
CMHC-sponsored mortgage-backed security liabilities	**$ 2,118,567**	$ 2,064,772	**$ 2,155,201**	$ 2,082,141	
RMBS	**404,131**	24,587	**416,314**	28,764	
Bank-sponsored securitization conduit programs	**608,299**	610,328	**511,847**	537,131	
FFIT I	**1,501,465**	1,553,642	**324,892**	682,663	
Canvas Cards Trust	**1,548,206**	1,422,295	**837,390**	825,514	
EdenPark securitization	**-**	34,571	**-**	13,952	
	$ 6,180,668	$ 5,710,195	**$ 4,245,644**	$ 4,170,165	

(B) Securitization Liabilities

The following table presents the securitization liabilities, including liabilities added during the period, which are secured by insured mortgages for CMHC-sponsored securitizations, uninsured mortgages for the RMBS and bank-sponsored securitization conduit programs, personal loans, credit cards and retail financing receivables, and other restricted assets. This table includes only on-balance sheet originations and discharges.

	For the three months ended		For the six months ended	
thousands of Canadian dollars	**June 30 2026**	June 30 2025	**June 30 2026**	June 30 2025
Balance at the beginning of the period	**$ 3,380,605**	$ 4,752,818	**$ 4,170,165**	$ 1,556,441
Acquisition[1]	**-**	-	**-**	3,716,512
Addition to securitization liabilities as a result of on-balance sheet activity	**1,682,924**	501,618	**1,932,485**	536,618
Net reduction in securitization liabilities due to maturities, amortization and sales	**(786,797)**	(637,165)	**(1,841,646)**	(1,238,870)
Other[2]	**(31,088)**	4,028	**(15,360)**	50,598
Securitization liability	**$ 4,245,644**	$ 4,621,299	**$ 4,245,644**	$ 4,621,299

[1] Acquisition represents acquired liabilities upon the acquisition of HCG on January 1, 2025.
[2] Other includes fair value amortizations, premiums, discounts, transaction costs and changes in the mark to market of hedged items.

(B) Securitization Liabilities (Continued)

The following table provides the remaining contractual term to maturity of securitization liabilities.

thousands of Canadian dollars, except %	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	As at June 30 2026 Total Book Value	As at December 31 2025 Total Book Value
CMHC-sponsored mortgage-backed security liabilities	$ 604,888	$ 982,713	$ 567,600	$ -	$ 2,155,201	$ 2,082,141
Contractual yield	1.5%	3.0%	3.0%	-	2.6%	2.3%
RMBS	-	6,435	409,879	-	416,314	28,764
Contractual yield	-	2.6%	3.8%	-	3.8%	2.4%
Bank-sponsored securitization conduit programs	292,500	218,564	783	-	511,847	537,131
Contractual yield	3.5%	3.5%	3.5%	-	3.5%	3.6%
Canvas Cards Trust	-	837,390	-	-	837,390	825,514
Contractual yield[1]	-	3.9%	-	-	3.9%	3.9%
FFIT I	-	195,559	82,048	47,285	324,892	682,663
Contractual yield[1]	-	4.2%	4.2%	4.2%	4.2%	4.2%
EdenPark securitization	-	-	-	-	-	13,952
Contractual yield	-	-	-	-	-	4.9%
	$ 897,388	$ 2,240,661	$ 1,060,310	$ 47,285	$ 4,245,644	$ 4,170,165

[1] Weighted average rates.

7. DEPOSITS BY REMAINING CONTRACTUAL TERM TO MATURITY

thousands of Canadian dollars, except %	Payable on Demand	Within 1 Year	1 to 3 Years	3 to 5 Years	As at June 30 2026 Total	As at December 31 2025 Total
Deposits payable on demand						
Brokered high-interest savings accounts	$ 253,481	$ -	$ -	$ -	$ 253,481	$ 302,379
Oaken savings accounts	1,361,098	-	-	-	1,361,098	1,256,351
Other deposits payable on demand	38,623	-	-	-	38,623	79,635
	1,653,202	-	-	-	1,653,202	1,638,365
Deposits payable on fixed dates						
Brokered GICs[1]	-	7,319,832	6,401,667	3,261,970	16,983,469	17,157,504
Oaken GICs[1]	-	2,438,499	1,797,606	435,567	4,671,672	4,606,473
Institutional deposit notes	-	99,755	648,409	-	748,164	549,056
	-	9,858,086	8,847,682	3,697,537	22,403,305	22,313,033
Total deposits	$ 1,653,202	$ 9,858,086	$ 8,847,682	$ 3,697,537	$24,056,507	$ 23,951,398
Average contractual yield	3.1%	3.7%	4.0%	3.8%	3.8%	3.8%

[1] As at June 30, 2026, included in Brokered and Oaken GICs presented above as payable on fixed dates are $153.5 million (December 31, 2025 - $89.9 million) of cashable GICs that have reached the required number of days to be payable on demand. In the absence of such demand, the GICs have a remaining contractual term to maturity of within one year.

8. CREDIT FACILITIES

Committed Secured Warehouse Credit Facility

The Bank has a committed secured warehouse credit facility with a syndicate of Canadian chartered banks. The interest rate on any drawn amount is equal to the one-month adjusted CORRA plus 110 basis points for amounts secured by uninsured mortgages, and one-month adjusted CORRA plus 75 basis points for amounts secured by insured mortgages. Any undrawn amounts are subject to a fixed-rate commitment fee.

As at June 30, 2026, the facility was drawn for an amount of $150 million ($200 million as at December 31, 2025).

Uncommitted Secured Credit Facility

The Bank also has an uncommitted secured credit facility with a Canadian chartered bank in the amount of $70 million, subject to letters of credit issued and outstanding against the facility. As at June 30, 2026, the facility remained undrawn.

Interest expense and the commitment fee for credit facilities are included in other interest expense in the interim consolidated statements of income. Transaction costs on the credit facilities are amortized over the life of the facility and are also included in other interest expense. The Bank was in compliance with all financial and reporting covenants with all of its lenders as at June 30, 2026.

9. SHARE CAPITAL AND EQUITY

(A) Share Capital

Common shares

The Bank is authorized to issue an unlimited number of its common shares, without nominal or par value, for unlimited consideration. The changes in common shares issued and outstanding during the quarter are presented in the table below.

	For the three months ended			
thousands	**June 30, 2026**		June 30, 2025	
	Number of Shares	**Amount**	Number of Shares	Amount
Outstanding at the beginning of the period	**2,913,725**	**$ 2,930,442**	2,913,725	$ 2,930,442
Issuance of shares for business combination	**-**	**-**	-	-
Outstanding at the end of the period	**2,913,725**	**$ 2,930,442**	2,913,725	$ 2,930,442

	For the six months ended			
thousands	**June 30, 2026**		June 30, 2025	
	Number of Shares	**Amount**	Number of Shares	Amount
Outstanding at the beginning of the period	**2,913,725**	**$ 2,930,442**	1,658,384	$ 1,588,150
Issuance of shares for business combination	**-**	**-**	1,255,341	1,342,292
Outstanding at the end of the period	**2,913,725**	**$ 2,930,442**	2,913,725	$ 2,930,442

During the three months period ended June 30, 2026, the Bank distributed in the form of dividend to the Parent Company in the amount of $100.0 million ($125.0 million for three months period ended June 30, 2025).During the six months period ended June 30, 2026, the Bank distributed in the form of dividend to the Parent Company in the amount of $205.0 million ($241.0 million for six months period ended June 30, 2025).

Preferred shares

The Bank is authorized to issue an unlimited number of preferred shares, without nominal or par value, for unlimited consideration. These shares have preference over common shares. There were no preferred shares outstanding as at June 30, 2026 and December 31, 2025.

(B) Capital Management

The Bank has a Capital Management Policy that governs the quantity and quality of capital held. The objectives of the policy are to ensure that capital levels are adequate and that the Bank meets all regulatory capital requirements, while also providing a sufficient return to the Bank's shareholders. The Risk Committee and the Board review the policy annually and monitor compliance with the policy on a quarterly basis. The Bank is subject to the regulatory capital requirements stipulated by OSFI. These requirements are consistent with international standards (Basel III) set by the Bank for International Settlements. The Bank follows the Basel III Standardized Approach for calculating credit risk and the Simplified Standardized Approach for operational risk. The Bank is also required to meet a minimum Leverage ratio determined by OSFI. In addition, the declaration and payment of dividends by either the

Bank to the Parent Company or HB to HTC are subject to restrictions under the Bank Act (Canada) and the declaration and payment of dividends from HTC to the Bank is subject to restrictions under the Trust and Loan Companies Act (Canada).

The regulatory capital position and Leverage ratio of the Bank was as follows:

	As at		
	June 30 2026	December 31 2025	National Regulatory Minimum
Regulated capital to risk-weighted assets			
Common Equity Tier 1 capital (CET1) ratio	**13.72%**	13.57%	7.00%
Tier 1 capital ratio	**13.72%**	13.57%	8.50%
Total regulatory capital ratio	**14.83%**	14.68%	10.50%
Leverage ratio	**6.70%**	6.69%	3.00%

The Bank's CET1, Tier 1, and Total regulatory capital ratios exceed OSFI's regulatory targets, as well as the Bank's internal capital targets. The Leverage ratio also exceeds OSFI's minimum requirements.

10. COMMITMENTS AND CONTINGENCIES

(A) Lease and Other Contractual Commitments

The Bank has entered into commercial leases and other contracts pertaining to property and equipment. The following table presents a summary of the Bank's contractual obligations as at June 30, 2026 and December 31, 2025.

		As at		
thousands of Canadian dollars		**June 30 2026**		December 31 2025
Within one year	**$**	**15,683**	$	15,251
After one year but not more than five years		**37,553**		37,344
After more than five years		**41,610**		43,568
	$	**94,846**	$	96,163

(B) Credit Commitments

In the normal course of business, the Bank enters into various commitments to meet the credit requirements of its customers. Such commitments, which are not included in the consolidated balance sheets, apply only to undrawn commitments on (i) outstanding amounts for future advances on residential mortgages; (ii) unutilized non-residential commercial loan advances; (iii) future advances for the home equity lines of credit; (iv) unutilized balances for credit card loans; and (v) unutilized balances for retail financing.

These credit arrangements are subject to the Bank's normal credit standards. The contract amounts for these commitments set out below represent the maximum credit risk exposure to the Bank, should the contracts be fully drawn and the counterparties default. As many of these arrangements will expire or terminate without being drawn upon, the contract amounts do not necessarily represent the future cash requirements. Additionally, the Bank has the right to cancel the customers' credit arrangements at any time except for in the case of partially funded commitments. The following table presents the amounts of these credit commitments as at the indicated reporting dates.

		As at		
thousands of Canadian dollars		**June 30 2026**		December 31 2025
Outstanding amounts for future advances on residential mortgages	**$**	**671,332**	$	767,280
Unutilized non-residential commercial loan advances		**1,160,451**		1,138,655
Outstanding future advances for the home equity line of credit portfolios		**40,477**		40,909
Total outstanding amount for future advances on mortgage loans	**$**	**1,872,260**	$	1,946,844
Unutilized credit cards and home equity line of credit balances	**$**	**6,254,537**	$	6,081,601
Unutilized retail point-of-sale commitments		**4,688,460**		4,954,391

The Bank has $4.72 billion ($4.71 billion –December 31, 2025) of loans under administration that are accounted for off-balance sheet.

(C) Contingencies

In the ordinary course of business, the Bank and its subsidiaries are involved in various legal actions. The Bank establishes legal provisions when it becomes probable that the Bank will incur a loss and the amount can be reliably estimated.

On a quarterly basis, management reevaluates its legal provisions to reflect the best estimate of the expenditure required to settle present obligations at the end of the reporting period. These evaluations did not result in the recognition of provisions during the period. There may also be claims outstanding for which the Bank has assessed the potential loss as reasonably possible to result; however, an estimate of the amount of the loss cannot reasonably be made. There are many reasons why the Bank cannot make these assessments, including, among others, one or more of the following: the early stages of the proceeding; damages sought are unspecified, unsupportable, unexplained or uncertain; discovery has not started or is incomplete; there are complex facts in dispute; the difficulty of assessing novel claims; the parties have not engaged in any meaningful settlement discussions; and the often slow pace of litigation. The Bank does not currently anticipate that these actions, either individually or collectively, will have a material adverse effect on the consolidated financial position of the Bank. However, given the uncertainties of litigation and the advice in relation to it, there is a possibility that the ultimate resolution of these actions may be material to the Bank's consolidated results of operations for any particular reporting period.

The Bank is not currently involved in any material legal actions.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts set out in the following tables represent the fair values of the Bank's financial instruments. The valuation methods and assumptions are described below.

The estimated fair value amounts approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants that are under no compulsion to act at the consolidated balance sheet date in the principal or most advantageous market that is accessible to the Bank. For financial instruments carried at fair value that lack an active market, the Bank applies present value and valuation techniques that use, to the greatest extent possible, observable market inputs. Because of the estimation process and the need to use judgement, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Significant inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities. This level includes cash and cash equivalents and restricted assets.

Level 2: Significant inputs are observable for the asset or liability, either directly or indirectly, and are not quoted prices included within Level 1. This level includes government-backed debt instruments, interest rate swaps, and certain corporate debt instruments.

Level 3: Significant inputs are unobservable for the asset or liability. This level includes retained interest, mortgage loans, installment loans, credit cards and retail finance loans, securitization receivables and liabilities, other assets and liabilities, deposits, and liabilities arising from credit facilities.

The following table presents the fair value of financial instruments across the levels of the fair value hierarchy.

thousands of Canadian dollars				As at June 30, 2026	
	Level 1	Level 2	Level 3	Fair Value	Carrying Value
Financial assets at FVTPL					
Cash and cash equivalents	$ 837,136	$ -	$ -	$ 837,136	$ 837,136
Derivative assets	-	45,041	-	45,041	45,041
Restricted assets	215,899	-	-	215,899	215,899
Total financial assets at FVTPL	1,053,035	45,041	-	1,098,076	1,098,076
Financial assets at FVOCI					
Debt securities	-	349,977	-	349,977	349,977
Retained interest owned	-	-	81,125	81,125	81,125
Total financial assets at FVOCI	-	349,977	81,125	431,102	431,102
Financial assets at amortized cost					
Residential mortgages	-	-	20,219,425	20,219,425	20,205,979
Commercial mortgages	-	-	2,673,192	2,673,192	2,658,809
Installment loans	-	-	3,966,031	3,966,031	4,007,053
Credit cards and retail finance	-	-	2,635,166	2,635,166	2,635,166
Securitization receivables	-	-	19,008	19,008	19,008
Other	-	-	397,227	397,227	397,227
Total financial assets at amortized cost	-	-	29,910,049	29,910,049	29,923,242
Total	$ 1,053,035	$ 395,018	$ 29,991,174	$ 31,439,227	$ 31,452,420
Financial liabilities at amortized cost					
Deposits	$ -	$ -	$ 24,005,579	$ 24,005,579	$ 24,056,507
Securitization liabilities	-	-	4,254,993	4,254,993	4,245,644
Credit Facilities	-	-	150,000	150,000	150,000
Other	-	-	751,199	751,199	751,199
Total financial liabilities at amortized cost	-	-	29,161,771	29,161,771	29,203,350
Financial liabilities at FVTPL					
Derivative liabilities	-	19,141	-	19,141	19,141
Total	$ -	$ 19,141	$ 29,161,771	$ 29,180,912	$ 29,222,491

thousands of Canadian dollars					As at December 31, 2025
	Level 1	Level 2	Level 3	Fair Value	Carrying Value
Financial assets at FVTPL					
Cash and cash equivalents	$ 880,984	$ -	$ -	$ 880,984	$ 880,984
Debt securities	-	200,024	-	200,024	200,024
Derivative assets	-	58,995	-	58,995	58,995
Restricted assets	192,291	-	-	192,291	192,291
Total financial assets at FVTPL	1,073,275	259,019	-	1,332,294	1,332,294
Financial assets at FVOCI					
Debt securities	-	349,779	-	349,779	349,779
Retained interest owned	-	-	81,812	81,812	81,812
Total financial assets at FVOCI	-	349,779	81,812	431,591	431,591
Financial assets at amortized cost					
Residential mortgages	-	-	20,014,444	20,014,444	19,964,432
Commercial mortgages	-	-	2,597,287	2,597,287	2,585,408
Personal loans	-	-	3,844,558	3,844,558	3,879,398
Credit cards and retail finance	-	-	2,674,780	2,674,780	2,674,780
Securitization receivables	-	-	17,952	17,952	17,952
Other	-	-	360,199	360,199	360,199
Total financial assets at amortized cost	-	-	29,509,220	29,509,220	29,482,169
Total	$ 1,073,275	$ 608,798	$ 29,591,032	$ 31,273,105	$ 31,246,054
Financial liabilities at amortized cost					
Deposits	$ -	$ -	$ 23,965,738	$ 23,965,738	$ 23,951,398
Securitization liabilities	-	-	4,183,108	4,183,108	4,170,165
Credit facilities	-	-	200,000	200,000	200,000
Other	-	-	704,886	704,886	704,886
Total financial liabilities at amortized cost	-	-	29,053,732	29,053,732	29,026,449
Financial liabilities at FVTPL					
Derivative liabilities	-	25,646	-	25,646	25,646
Total	$ -	$ 25,646	$ 29,053,732	$ 29,079,378	$ 29,052,095

The Bank did not transfer any financial instruments between Level 1, Level 2, and Level 3 of the fair value hierarchy during the periods ended June 30, 2026 and December 31, 2025.

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

- The fair value of cash and cash equivalents, restricted assets, other assets, credit facilities and other liabilities approximate their carrying values due to their short-term nature.
- Debt securities are generally valued based on the quoted bid price. Third-party MBS are fair valued using average dealer quoted prices.
- The fair value of the retained interest is determined by discounting the expected future cash flows using the current MBS spread over Government of Canada bonds imputed from recent sale transactions.
- The fair value of securitization receivables is determined by discounting the expected future cash flows using current interest rate swap rates.
- Residential and Commercial loans are carried at amortized cost in the financial statements. For fair value disclosures, the fair value is estimated by discounting the expected future cash flows of the loans, adjusting for credit risk and prepayment assumptions at current market rates for offered loans with similar terms.
- Installment loans fair value is estimated using a discounted cash flow model, wherein expected future cash flows of the loans are discounted using a discount rate that a market participant would use in valuing these assets. Fair value variations, as compared to amortized cost, reflect the changes in the pricing that occurred since the loans were originated or purchased.
- Credit cards and retail finance loans fair value is approximated to be equal to carrying value due to the short term expected life.
- The fair value of derivatives is determined from swap curves adjusted for credit risks. Swap curves are obtained directly from market sources or calculated from market prices.
- The fair value of the credit facilities is determined by discounting the expected future cash flows based on the change in the underlying benchmark interest rates.
- Deposits are not transferable by the deposit holders. In the absence of such transfer transactions, fair value of deposits is determined by discounting the expected future cash flows of the deposits at offered rates for deposits with similar terms. The fair value of the institutional deposit notes is determined using current rates of Government of Canada Bonds, plus a spread. The rates reflect the credit risks of similar instruments.
- Fair value of securitization liabilities is determined by discounting the expected future cash flows using their correspondent current market rates including market rates for MBS and the interest rate swap curve. Fair value variations, as compared to amortized cost represent the changes in the market interest rate since origination of the securitization facilities.

12. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or another party controls both. IFRS considers key management personnel to be related parties. The Bank considers its Directors and certain of its officers to be key management personnel. Compensation of key management personnel is disclosed in the Bank's Annual Financial Statements.

Following the acquisition of HCG, Smith Financial Corporation (SFC) became the ultimate controlling parent of the Bank. The owner and Chief Executive Officer of SFC is also a director of the Bank and has significant investments in a mortgage insurance company, and other entities. In the ordinary course of business, the Bank has transactions with both the mortgage insurance company and the related lender as described below. The Bank does not have any transactions with the other entities referred to above.

The mortgage insurance company referred to above provides insurance policies to the Bank's borrowers at market rates. In addition, the mortgage insurance company has also provided the Bank with portfolio insurance at market premiums. The amount of insurance claim settlements received, net of bulk insurance premium paid by the Bank during the three and six month period ended June 30, 2026 was nil (nil for three and six month period ended June 30, 2025). As at June 30, 2026, $1.03 billion (as at June 30, 2025 – $1.25 billion) of the Bank's mortgages were insured by this mortgage insurance company.

13. RISK MANAGEMENT

The Bank is exposed to various types of risk owing to the nature of the business activities it carries on. Types of risk to which the Bank is subject include capital adequacy, credit, market, liquidity and funding, operational, compliance, strategic and reputational risk. The Bank has adopted Enterprise Risk Management Framework (the "Framework" or "ERMF") as a discipline for managing risk. The ERMF approach to risk management is articulated by providing an overview of the principles, requirements, programs, and responsibilities that reinforce the organization's values and commitment to integrating strong risk management principles into its strategic planning process and business operations.

Significant exposures to liquidity and credit risks are described in Notes 4 and 5.

The Board is accountable for establishing the overall vision, mission, values, objectives and strategies of the Bank and setting the Bank's overall risk-bearing capacity and risk appetite. The Board challenges management's proposals and plans to ensure that the forecasted results and risk assessments are reasonable and in line with the Bank's capabilities, objectives and risk appetite. The Risk Committee ("RC") is responsible for reviewing and overseeing the management of the Bank's enterprise risk profile and performance against its risk appetite. The RC is responsible for oversight of the identification, measurement, monitoring and control of the Bank's principal risks; key frameworks, policies, and risk limits established to control the Bank's exposures to its principal risks; the regulatory compliance management program; and the risk management function.

In addition to the above, the RC provides oversight of the independence and effectiveness of the Enterprise Risk Management (ERM) function, the Bank's relationship with its regulators and the effectiveness of the Bank's internal controls, including the effectiveness and independence of the Bank's finance, internal audit and compliance functions.

The Executive Management Team (EMT), led by the Chief Executive Officer, is responsible for recommending corporate strategy to the Board and for overseeing its execution. A critical component of its mandate is the implementation of the risk appetite and risk management frameworks. The EMT is also accountable for implementation of a sustainable risk and compliance culture and monitoring the Bank's business activities, and providing risk oversight for strategic, reputational and compliance risks. The most significant risks to the Bank are subject to more specific review, monitoring and assessment under the mandates of supporting risk management committees and sub committees. These committees recommend risk management policies for approval as proposed by Risk Management ("RM") and/or Corporate Compliance, proactively monitor and challenge management about specific risks under their mandates, and provide reporting to the RC on risk profile compared to the risk appetite and risk limits.

The RM group is mandated to work with management and the Board to support sustainable business performance through the independent identification, measurement, monitoring and reporting of all significant risks to the Bank, regardless of source. Working closely with management and the RC, the RM group recommends the Bank's overall risk appetite and limits, and develops and maintains an enterprise risk management framework and related risk governance structure to enable effective management of risk. It provides monitoring and oversight of the implementation of the risk appetite and risk management frameworks, including providing independent challenge and a current view of the Bank's risk profile by monitoring actual exposures against approved risk appetite, limits, policies and guidelines.

The Chief Compliance Officer (CCO), the Chief Anti-Money Laundering Officer (CAMLO) and the Corporate Compliance group are mandated to establish and maintain an enterprise-wide compliance framework (a set of controls and oversight processes) designed to mitigate the Bank's compliance risk. The Corporate Compliance group is an independent function that promotes a sound risk and

compliance culture. The CCO and the CAMLO are responsible for expressing an independent opinion to the RC on the status, adequacy and effectiveness of the Bank's state of compliance on a periodic basis.

Internal Audit is mandated to independently assess and report to the Audit Committee and the Board on the effectiveness of governance, risk management and internal control processes.

The Finance group is mandated to establish and maintain a financial management framework (a set of controls and oversight processes). The Finance group has first line of defence responsibilities for implementing, monitoring and reporting on the effectiveness of controls. The Chief Financial Officer reports to management, the Board, and regulators on the performance of the Bank. The Finance group also updates the Bank's financial and capital plans with periodic forecasts, advises the Board of anticipated outcomes, and recommends revisions to capital plans and structures as appropriate.

Credit Risk

Credit risk is the risk of the loss of principal and/or interest from the failure of debtors and/or counterparties to honour their financial or contractual obligations to the Bank, for any reason. The Bank's overall exposure to credit risk is governed by a defined credit-specific risk appetite, risk limits, a Board-approved Credit Risk Policy, delegated lending authorities, and regular independent monitoring and reporting. The Credit Risk Committee establishes, implements and monitors credit risk-related policies and guidelines enterprise-wide, considering business objectives, risk appetite, planned financial performance and risk profile. Credit risk limits are established for all types of credit exposures, with geographic, product, property and security type limits established to cover all material classes of exposure. The Bank's Credit Risk Policy limits the total aggregate exposure to any entity or connection. The lines of business are responsible for managing the Bank's credit risks in accordance with approved policies and guidelines, and assessing overall credit conditions and exposures on an ongoing basis. The Credit Risk Committee, Capital Management Committee, the RM group and the RC of the Board provide oversight of the credit portfolio through ongoing reviews of credit risk management policies, lending practices, portfolio composition and risk profile, the adequacy of allowance for credit losses and the allocation of credit risk-based capital.

Market Risk

Investment Risk

Investment risk is the risk of loss of earnings and capital from changes in security prices and dividends in the investment portfolio, whether they arise from macroeconomic factors, the economic prospects of the issuer, or the availability of liquid markets, among other factors. The Bank's investment portfolio consists of government bonds.

The Bank's investment risk management framework is approved by the Asset/Liability Committee (ALCO) and the RC. The ALCO is responsible for defining and monitoring the Bank's investment portfolio and identifying investments that may be at risk of impairment. The ERM group conducts analysis of counterparties to assess if credit deterioration has resulted in an impairment of the investments. The Treasury group is responsible for managing the Bank's investment portfolio in accordance with approved policies and for assessing the impact of market events on potential implications for its total value. The ERM group recommends policies, reviews procedures and guidelines, and provides enterprise-wide oversight and challenge of investment risk, including valuations.

Structural Interest Rate Risk

Structural interest rate risk is the risk of lost earnings or capital due to changes in interest rates. The objective of interest rate risk management is to ensure that the Bank can realize stable and predictable earnings over specific time periods despite interest rate fluctuations. The Bank has adopted an approach to the management of its asset and liability positions to prevent interest rate fluctuations from materially impacting future earnings and seeks to organically match liabilities to assets in terms of maturity and interest rate repricing through its actions in the deposit market in priority to accessing off-balance sheet solutions.

The Bank's market risk management framework includes interest rate risk policies that are approved by the ALCO and the RC. The ALCO is responsible for defining and monitoring the Bank's structural interest rate risk and reviewing significant maturity and/or duration mismatches, as well as developing strategies that allow the Bank to operate within its overall risk appetite. In addition, the ALCO oversees stress testing of structural interest rate risk using a number of interest rate scenarios. The Treasury group is responsible for managing the Bank's interest rate gaps in accordance with approved policies and assesses the impact of market events on the Bank's net interest income and economic value of shareholder's equity. The ERM group recommends prudent policies and guidelines and provides independent enterprise-wide oversight of all interest rate risk.

From time to time, the Bank enters into derivative transactions to hedge interest rate exposure resulting from duration mismatch between its fixed-rate mortgages and deposits. Where appropriate, the Bank will apply hedge accounting to minimize volatility in reported earnings from interest rate changes. All derivative contracts are over-the-counter contracts with highly rated Canadian financial institutions. The use of derivative products has been approved by the Board; however, permitted usage is governed by specific policies. Derivatives are only permitted for hedging purposes; the use of derivatives is not permitted for transactions that are undertaken to potentially create trading profits through speculation on interest rate movements.

The Bank uses two main metrics to quantify its interest rate risk exposure. These metrics measure the impact on the Bank's future net interest income and the economic value of shareholder's equity for a given change in interest rates. The metrics are calculated

using a number of different yield curve scenarios including parallel up/down movements, curve flattening and curve steepening. In calculating its interest rate risk exposure, behavioural assumptions are used to model elements such as loan prepayments, commitment funding ratios and cashable deposit redemptions. These assumptions are back tested and reviewed regularly.

The following table provides measurements of interest rate sensitivity and the potential after-tax impact of an immediate and sustained 100 basis-point increase or decrease in interest rates on net interest income and on the economic value of shareholder's equity.

						As at
(thousands of Canadian dollars)	**June 30 2026**	March 31 2026	June 30 2025	**June 30 2026**	March 31 2026	June 30 2025
	Increase in interest rates			Decrease in interest rates		
100 basis point shift						
Impact on net interest income, after tax (for the next 12 months)	**$ 5,719**	$ 3,867	$ 2,022	**$ (4,222)**	$ (3,940)	$ (2,048)
Impact on net present value of shareholder's equity	**18,180**	10,671	(5,909)	**(16,723)**	(11,537)	6,355

Liquidity and Funding Risk

Liquidity and funding risk is the risk that the Bank is unable to generate or obtain sufficient cash or equivalents in a timely manner and at a reasonable cost to meet its financial obligations (both on- and off-balance sheet) as they become due. This risk will arise from fluctuations in the Bank's cash flows associated with lending, deposit-taking, investing and other business activities. The Bank's liquidity and funding risk management practices are consistent with OSFI's Liquidity Adequacy Requirement (LAR) guideline.

The High-Interest Savings Accounts and Oaken Savings Accounts add to liquidity risk as depositors can withdraw deposits without notice in the absence of fixed contractual terms. The Bank strategically limits demand deposits to an appropriate level that is aligned with the Bank's liquidity and funding limits, taking into consideration that a primary purpose of the Oaken Savings Accounts is to facilitate the seamless movement of funds to and from Oaken GICs for customers.

The Bank's liquidity risk management framework includes a three-year enterprise funding plan, liquidity and funding risk policies, and a contingency funding plan that are approved by the ALCO and the RC. The mandate of the ALCO includes establishing and recommending to the Board an enterprise-wide liquidity risk appetite. In addition, the ALCO reviews the composition and term structure of assets and liabilities, reviews liquidity and funding risk policies and strategies and regularly monitors compliance with those policies. The ALCO also oversees the stress testing of liquidity and funding risk and the testing of the Bank's contingency funding plan. The Treasury group is responsible for managing the Bank's liquidity and funding risk positions in accordance with approved policies and assesses the impact of market events on liquidity requirements on an ongoing basis. The ERM group recommends liquidity policies and guidelines, and provides independent oversight of all liquidity and funding risk.

The Bank's annual three-year funding plan assesses future funding needs and how the Bank intends to fulfill these requirements as measured against the Bank's risk appetite. Securing sustainable diversified funding at a reasonable cost and acceptable level of liquidity risk is fundamental to the Bank realizing its future growth potential.

The Bank's liquidity and funding risk policies address several key elements, such as the minimum levels of liquid assets to be held at all times; the composition of types of liquid assets to be maintained; daily monitoring of the liquidity position by Treasury, senior management, and the ERM group; monthly reporting to the ALCO; and quarterly reporting to the RC.

The Bank uses a liquidity horizon as its main liquidity metric. Using maturity gap analysis, the Bank projects a time horizon when its net cumulative cash flow turns negative, after taking into account the market value of its stock of liquid assets. The Bank's liquidity horizon is calculated daily and is based upon contractual and behavioural cash flows. Forecasts are made using normal market conditions and a number of stressed liquidity scenarios, including ability to fund, term deposit runoff, demand deposit runoff, loan growth, liquidity portfolio valuation, loan arrears and write-downs.

14. EXPECTED ACQUISITION OF LAURENTIAN BANK OF CANADA

On December 2, 2025, the Bank entered into a definitive agreement to acquire all of the issued and outstanding common shares of the Laurentian Bank of Canada, a Schedule I bank providing a broad range of financial services and advisory solutions to clients across Canada and the United States. Following the federal Minister of Finance's approval of the transaction in June 2026, the transaction is expected to close in the fourth quarter of 2026.