

MERIDIAN CREDIT UNION LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") is presented to enable readers to assess material changes in the financial condition and results of operations of Meridian Credit Union Limited ("Meridian" or the "Credit Union") for the year ended December 31, 2025, as compared to the prior year. In addition, this MD&A provides a discussion on our capital position and risk management processes. This MD&A should be read in conjunction with the audited Consolidated Financial Statements and Notes for the year ended December 31, 2025, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). This MD&A is as of March 12, 2026.

Unless otherwise indicated, all amounts in this MD&A are expressed in thousands of Canadian dollars.

TABLE of CONTENTS

CAUTIONS RELATING to FORWARD LOOKING STATEMENTS	4	Loans, Net of Allowance	20
NON-GAAP MEASURES	4	Provision for Credit Losses	22
BUSINESS and ORGANIZATIONAL OVERVIEW	7	Credit Portfolio Quality	23
Corporate Structure.....	7	Credit Risk Management	24
Business Overview	7	Deposits.....	25
Corporate Strategy	9	Funding and Securitization.....	26
Environmental, Social and Governance Strategy.....	9	Investment Shares	27
Corporate Governance	10	Assets Under Administration	27
CONSOLIDATED FINANCIAL RESULTS	11	LIQUIDITY MANAGEMENT	28
Financial Highlights.....	11	CAPITAL MANAGEMENT	29
Fiscal 2025 Financial Performance Overview	12	RISK MANAGEMENT	30
Fiscal 2025 Financial Performance Review	14	Strategic Risk	34
Total Revenue	15	Operational Risk.....	35
Net Interest Income	15	Regulatory Risk	35
Non-Interest Income.....	16	Credit Risk.....	35
Non-Interest Expenses and Efficiency Ratio.....	17	Interest Rate and Market Risk.....	35
Fiscal 2025 Financial Condition Review	19	Liquidity and Funding Risk	36
Select Balance Sheet Information.....	19	Capital Risk	36
Total Cash and Debt Securities	19	INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURES	37
		CRITICAL ACCOUNTING ESTIMATES.....	38
		2026 OUTLOOK	38

CAUTIONS RELATING to FORWARD LOOKING STATEMENTS

This MD&A includes forward-looking statements, which by their very nature require management to make assumptions and involve inherent risks and uncertainties. Forward-looking statements are typically identified by expressions such as, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “may increase”, “may impact”; or future or conditional verbs, such as “will”, “should”, “would” and “could”.

Several important factors, many of which are beyond management’s control, could cause actual future results, conditions, actions or events to differ materially from the targets, projections, expectations, estimates or intentions expressed in the forward-looking statements. These factors include, but are not limited to, changes in: general economic conditions in Canada, particularly those in Ontario; the residential housing and commercial real estate market; interest rates and currency values; political conditions, both within and outside of Canada, including the impact of trade tariffs and other protectionist measures; consumer spending and indebtedness; legislative or regulatory policies; accounting standards or policies; the financial services industry; the competitive environment; the natural environment and related impact of natural disasters and health-related outbreaks; and Meridian’s success in anticipating and managing the risks inherent in these factors. Readers are cautioned that the foregoing list is not exhaustive. Undue reliance should not be placed on forward-looking statements, as actual results may differ materially from expectations. Meridian does not undertake to update any forward-looking statements contained in this MD&A, except as required by law.

NON-GAAP MEASURES

Meridian is not required to comply with the Canadian Securities Administrators National Instrument 51-102 Continuous Disclosure Obligations and related Staff Notices. Meridian prepares its annual audited consolidated financial statements in accordance with IFRS Accounting Standards, which are generally accepted accounting principles (“GAAP”), and refers to them in this MD&A. In addition, Meridian uses non-GAAP financial measures and ratios within the MD&A, which Meridian believes provides the reader with a better understanding of how management views the Credit Union. Where Meridian has used non-GAAP measures, they have been defined within the report, as they may not be comparable to similar terms used by other organizations.

RECONCILIATION OF NON-GAAP MEASURES

The tables below provide a reconciliation of non-GAAP financial measures to their comparative financial measure in the annual audited consolidated financial statements of the Credit Union for the same period.

Return on Membership Share Equity

The following table reconciles Members’ Equity as reported in the consolidated financial statements to Average Membership Share Equity used to calculate Return on Membership Share Equity.

Average Total Equity	2025	2024
Total Members' Equity	\$1,808,078	\$1,808,923
Less:		
Accumulated other comprehensive income (loss)	14,581	17,421
	\$ 1,793,497	\$ 1,791,502
Impact of averaging month-end balances	\$ (997)	\$ (32,506)
Average total equity	\$ 1,792,500	\$ 1,758,996

Average Membership Share Equity	2025	2024
Total Members' Equity	\$1,808,078	\$1,808,923
Less:		
Investment shares	828,805	798,850
Accumulated other comprehensive income (loss)	14,581	17,421
	\$ 964,692	\$ 992,652
Impact of averaging month-end balances	\$ 13,980	\$ (15,799)
Average membership share equity	\$ 978,672	\$ 976,853

Meridian believes that Return on Membership Share Equity, which excludes accumulated other comprehensive income (loss), provides an enhanced understanding of how we view our financial performance.

Return on membership share equity is defined as net income attributable to membership shares as a percentage of average membership share equity. This ratio excludes the capital attributable to investment shares.

Adjusted return on membership share equity adjusts the return on membership share equity defined above for the tax-affected impact of impairment of goodwill and intangible assets. Meridian believes this provides a better understanding of business performance as the impairment is a non-recurring, non-cash accounting adjustment related to a historical acquisition that does not reflect expectations of forward-looking performance.

RETURN ON MEMBERSHIP SHARE EQUITY	2025	2024
Net income attributable to membership shares, as reported	\$ (27,993)	\$ 31,596
Average total membership share equity	978,672	976,853
Return on membership share equity	-2.9%	3.2%

ADJUSTED RETURN ON MEMBERSHIP SHARE EQUITY	2025	2024
Adjusted net income attributable to membership shares	\$ 37,677	\$ 31,596
Average total membership share equity	1,011,507	976,853
Adjusted return on membership share equity	3.7%	3.2%

RECONCILIATION OF NET INCOME ATTRIBUTABLE TO MEMBERSHIP SHARES

	2025	2024
Net income attributable to membership shares, as reported	\$ (27,993)	\$ 31,596
Impairment of goodwill and intangibles	82,484	-
Tax impact of Impairment of goodwill and intangibles	(16,814)	-
Adjusted net income attributable to membership shares	<u>\$ 37,677</u>	<u>\$ 31,596</u>

RECONCILIATION OF TOTAL MEMBERSHIP SHARE EQUITY

	2025	2024
Average total membership share equity, as reported	\$ 978,672	\$ 976,853
Average impairment of goodwill and intangibles	41,242	-
Average Tax impact of Impairment of goodwill and intangibles	(8,407)	-
Adjusted average total membershare share equity	<u>\$ 1,011,507</u>	<u>\$ 976,853</u>

Return on membership share equity was -2.9% as of December 31, 2025, a decline from 3.2% a year earlier. The decline versus 2024 was driven by the impairment of goodwill and intangible assets related to the acquisition of Meridian's lease finance business in the form of Meridian OneCap Credit Corp. ("OneCap") in 2016. Management reassessed the fair value of OneCap over the course of 2025 and determined the value previously ascribed to goodwill and intangible assets was not recoverable, and a full impairment was recognized. The impairment of goodwill and intangible assets is a non-recurring, non-cash accounting adjustment related to the historical acquisition. Management does not believe this reflects the forward-looking earnings potential or financial stability of Meridian.

Given the backward-looking, non-cash nature of the impairment, Management has removed its impact from the adjusted return on membership share equity metric presented. Adjusted return on membership share equity increased to 3.7% in 2025 versus 3.2% in 2024. This was driven by strong revenue growth contributing to higher income before provisions, impairment, and taxes. Revenue growth, driven by higher net interest and fee income, more than offset higher provisions for credit losses ("PCL") recognized amidst elevated economic uncertainty.

Income before provisions, impairment, and taxes

Meridian uses income before provisions, impairment, and taxes to assess the ability to produce consistent earnings before recognizing credit losses, or the impairment of goodwill and intangible assets, which can be influenced by external and environmental factors, or relate to non-cash charges resulting from historical events. A reconciliation of income before provisions and taxes to reported results is provided in the following table.

INCOME BEFORE PROVISIONS, IMPAIRMENT AND TAXES	2025	2024
Net income, as reported	\$ 14,742	\$ 77,724
Add: Income taxes	(7,829)	4,911
Add: Provision for (recovery of) credit losses	95,556	67,342
Add: Impairment of goodwill and intangibles	82,484	-
Income before provisions, impairment and taxes	<u>\$ 184,953</u>	<u>\$ 149,977</u>

BUSINESS and ORGANIZATIONAL OVERVIEW

Corporate Structure

Meridian Credit Union Limited is incorporated in Canada under the Credit Unions and Caisses Populaires Act (the "Act"), and its activities are regulated by the Financial Services Regulatory Authority of Ontario ("FSRA"). The Credit Union is a member of Central 1 Credit Union ("Central 1"). The Credit Union is headquartered at 75 Corporate Park Drive in St. Catharines, Ontario.

The Credit Union is primarily involved in the raising of funds and the application of those funds to provide financial services to Members. The Credit Union has 85 branches and 15 business-banking centres across Ontario.

Meridian conducts its lease finance business through its wholly owned subsidiary, Meridian OneCap Credit Corp. ("OneCap"). Motus Bank ("Motus") is an indirect, wholly owned subsidiary of Meridian incorporated under the Bank Act (Canada) and is regulated by the Office of the Superintendent of Financial Institutions ("OSFI"). Motus had been primarily involved in deposit taking and lending using an online platform. During the year, Motus sold its loan and deposit portfolios as part of the Credit Union's plan to wind down Motus's banking operations.

Business Overview

Retail Banking

Meridian provides a broad range of retail financial products and services to its Members, including:

- Canadian and US dollar savings and chequing accounts;
- Canadian and US dollar registered and non-registered demand and term deposit products. Term deposits range from 30 days to 5 years in maturity. Core Registered products include Registered Retirement Savings Plans ("RRSP"), Tax-Free Savings Accounts ("TFSA") and First Home Savings Accounts ("FHSA"); and
- Lending products, including residential mortgages, personal loans, credit cards, and lines of credit.

Business Banking

Meridian provides financial products and services to meet the financing, investment, and cash management needs of its business Members. Financing products include commercial, agricultural, institutional, and syndicated loans. Meridian also provides business Members with cash management solutions, such as online banking platforms, automated funds transfers, and wire payments in major global currencies. Dedicated cash management specialists are available to help implement structured cash management protocols for Members. Meridian also offers merchant and payroll processing services to its business Members through various partnerships.

Meridian is permitted to offer the various retail and business loans noted, up to limits defined in its lending policies, which are required by regulation to meet a “prudent person” standard. Management follows lending policies approved by the Board of Directors (“Board”) in all areas to minimize the risk of loans losses. A variety of loan-related group insurance products are also available to Members for all types of loans.

Wealth Management

Meridian offers various types of investment products to its Members through its arrangement with Aviso Wealth Inc., a wholly owned subsidiary of Aviso Wealth LP, which is an independent provider of custody, trading and wealth services. Investments such as mutual funds, exchange traded funds (“ETFs”) and company shares are distributed through Aviso Financial Inc., which is a subsidiary of Aviso Wealth Inc. Qtrade Direct Investing is used for on-line, self-directed investors, and Qtrade Guided Portfolios are an option for Members looking for pre-built digital investment services (i.e. “robo-advised” services).

Registered investment options include registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), tax-free savings accounts (“TFSAs”), registered education savings plans (“RESPs”), and first-time home savings accounts (“FHSA”). With the exception of RESPs, all registered investments are administered, held and trusted by Meridian, as applicable. RESPs are administered and trusted by Concentra Trust, a wholly owned subsidiary of Concentra Bank.

Equipment Financing

OneCap diversifies Meridian’s product offering and geography by providing equipment lease and loan financing solutions and value-added services to the small and mid-size equipment finance market across Canada. Products offered include a variety of loans and leases, as well as floorplan financing. Strong relationships are built with manufacturers, distributors, and local dealers of commercial equipment through OneCap’s national accounts group, broker network, and regional sales force.

Motus Bank

Motus Bank is a Canadian Schedule I bank whose business was primarily conducted using an online platform. Motus Bank offered chequing and savings accounts, term deposits, residential mortgages and personal loans and lines of credit.

Motus Bank sold its remaining portfolio of loans and deposits in 2025 and plans to apply to OSFI to relinquish its banking license in 2026. For additional details on the wind down of Motus Bank, refer to the 2025 annual consolidated audited financial statements.

Corporate Strategy

Meridian is three years into its “Meridian for Good” strategy, which provides a framework for sustainable enterprise growth. “Meridian for Good” drives our pursuit toward our purpose and continues to shape our decisions, programs and partnerships. This strategic plan defines how Meridian pursues its purpose, which is to help its Members achieve their best life, and how it seeks to attain its vision of being recognized as an inclusive, transparent, and people-focused financial partner. As the strategy concludes its final year, we look to strengthen our commitment to striving to be the ideal financial partner for Ontarians, grounded in the same fundamentals. Given the outlook for 2026 and beyond, we are sharpening our focus on four strategic priorities designed to increase the value we deliver to Members: (1) Growing Business Banking, so small and medium-sized businesses have a trusted financial partner to support their growth, (2) Scaling holistic advice, so more Members receive personalized guidance that supports their goals across life stages and business needs, (3) Increasing fee-based and other income, enabling us to invest in better products, services and experiences for Members, (4) Continuing to enhance our integrated virtual and in-person experience, making it easier for Members to bank, plan and get advice in the ways that work best for them.

Environmental, Social and Governance Strategy

To review Meridian’s approach to Environment, Social and Governance (“ESG”) refer to the 2025 Annual Report. This report includes Meridian’s ESG priorities, processes and ESG scorecard performance metrics. Meridian creates financial solutions that support the transition to a green and sustainable economy and is committed to building a healthier environment by improving our environmental impact in the communities where we work and live.

Corporate Governance

The responsibility of Meridian's Board is to act honestly, in good faith and in the best interests of the Credit Union.

The Board endeavours to protect and enhance Meridian's assets and to ensure it has a clear strategic direction and strong culture. It is also responsible for overseeing Management to ensure Meridian's operations are conducted in a sound and prudent manner, and that all statutory and regulatory requirements are met. In accordance with Meridian's By-laws, the Board is currently comprised of 12 Directors, all of whom are independent and represent a broad range of skills, experience, and backgrounds. The Board has delegated the oversight for monitoring adherence to its policies to five standing Committees:

- Audit and Finance Committee
- Governance Committee
- Risk Committee
- Human Resources Committee
- Nominating Committee

Some of the Board's key accountabilities include oversight of business operations, capital and risk management, and financial performance. The Board also seeks to ensure Meridian has the resources, capabilities and culture necessary to direct itself on an enterprise-wide basis. Additional discussion on Board oversight is included in the Capital and Risk Management sections of this report. Further details on Board governance can be found in the Our Governance section of Meridian's 2025 Annual Report.

CONSOLIDATED FINANCIAL RESULTS

Financial Highlights

FINANCIAL HIGHLIGHTS - 5 YEAR SUMMARY

(\$ thousands, except ratios)	2025	2024	2023	2022	2021
Results from Operations					
Total revenue	\$ 604,119	\$ 538,823	\$ 509,907	\$ 574,589	\$ 523,393
Non-interest expenses	419,166	388,846	388,814	353,047	324,820
Income before provisions, impairment and taxes	184,953	149,977	121,093	221,542	198,573
Provision for (recovery of) credit losses	95,556	67,342	30,876	(2,867)	(19,847)
Impairment of goodwill and intangibles	82,484	-	-	-	-
Income taxes	(7,829)	4,911	8,716	41,830	33,573
Net income	14,742	77,724	81,501	182,579	184,847
Investment share dividends	42,735	46,128	34,084	27,285	24,354
Net income attributable to Membership shares	(27,993)	31,596	47,417	155,294	160,493

ADJUSTED FINANCIAL HIGHLIGHTS - 5 YEAR SUMMARY

(\$ thousands, except ratios)	2025	2024	2023	2022	2021
Results from Operations					
Total revenue	\$ 604,119	\$ 538,823	\$ 509,907	\$ 574,589	\$ 523,393
Non-interest expenses	419,166	388,846	388,814	353,047	324,820
Income before provisions, impairment and taxes	184,953	149,977	121,093	221,542	198,573
Provision for (recovery of) credit losses	95,556	67,342	30,876	(2,867)	(19,847)
Adjusted income taxes	8,985	4,911	8,716	41,830	33,573
Adjusted net income	80,412	77,724	81,501	182,579	184,847
Investment share dividends	42,735	46,128	34,084	27,285	24,354
Adjusted net income attributable to Membership shares	37,677	31,596	47,417	155,294	160,493

Performance Measures

Return on Membership share equity	-2.9%	3.2%	5.1%	18.5%	23.6%
Adjusted return on Membership share equity	3.7%	3.2%	5.1%	18.5%	23.6%
Net interest margin	1.83%	1.62%	1.55%	1.78%	1.78%
Efficiency ratio	69.4%	72.2%	76.3%	61.4%	62.1%

Credit Quality

Gross impaired loans as % of total loans	1.17%	0.91%	0.94%	0.37%	0.48%
Allowance for credit losses as % of total loans	0.70%	0.55%	0.42%	0.34%	0.42%
Provision for credit losses as % of total loans	0.40%	0.29%	0.13%	-0.01%	-0.10%

Financial Position

Loans, net of allowance	\$ 23,568,979	\$ 23,094,654	\$ 23,739,326	\$ 22,469,108	\$ 20,618,000
Total assets	27,313,862	26,488,072	27,543,687	26,155,667	24,119,603
Deposits	19,450,423	18,937,669	19,662,503	18,526,220	16,896,177
Securitization liabilities	5,361,109	4,892,793	5,404,035	5,356,987	5,095,425
Assets under administration ⁽¹⁾	5,746,294	5,014,746	4,413,426	3,891,009	4,178,271

Equity

Investment share equity	\$ 828,805	\$ 798,850	\$ 765,825	\$ 638,249	\$ 620,453
Membership share equity	979,273	1,010,073	955,991	901,636	749,648
Total equity	1,808,078	1,808,923	1,721,816	1,539,885	1,370,101

Regulatory Capital Ratios

Tier 1 capital ratio ⁽²⁾	11.9%	11.7%	11.1%	9.5%	10.9%
Total supervisory capital ratio	13.6%	14.2%	13.3%	12.1%	13.6%
Leverage ratio	7.0%	7.4%	6.7%	6.3%	6.9%

⁽¹⁾ Assets under administration includes Wealth assets that are off-balance sheet.

⁽²⁾ Tier 1 capital ratio calculation was revised by FSRA in 2021.

Adjusted net income excludes the tax-affected impact of the impairment of goodwill and intangible assets and increased \$2.7 million, or 3.46%, from \$77.7 million in 2024 to \$80.4 million in 2025

Net income, inclusive of the impairment of goodwill and intangible assets, decreased from \$77.7 million in 2024 to \$14.7 million in 2025

Net income before provisions, impairment and taxes grew \$35.0 million, or 23.3%, from \$150.0 million in 2024 to \$185.0 million in 2025, driven by strong revenue growth outpacing increases in non-interest expenses

Total revenue increased \$65.3 million, or 12.1%, from \$538.8 million in 2024 to \$604.1 million in 2025, driven by increased net interest and fee income

Non-interest expenses increased \$30.3 million, or 7.8%, from \$388.8 million in 2024 to \$419.2 million in 2025, driven mainly by higher salaries and employee benefits and investments in technology; however, these were offset by increased revenue, improving the efficiency ratio from 72.2% in 2024 to 69.4% in 2025

Provisions for credit losses ("PCL") increased \$28.2 million, or 41.9%, from \$67.3 million in 2024 to \$95.6 million in 2025, driven mainly by higher impairments on commercial loans in the land development sector and higher overall allowances on performing loans, in light of economic uncertainty

An \$82.5 million non-cash, non-recurring impairment charge related to goodwill and intangible assets was recognized in 2025 due to a reassessment of the recoverability of the consideration paid for the OneCap equipment financing business in 2016

Loans increased by \$0.5 billion, or 2.1%, from \$23.1 billion in 2024 to \$23.6 billion in 2025, driven mainly by increases in residential mortgages and commercial mortgages and loans outpacing decreases in the equipment financing portfolio

Deposits increased by \$0.6 billion, or 2.7%, from \$18.9 billion in 2024 to \$19.5 billion in 2025, driven mainly by higher personal deposits

The Tier 1 Capital Ratio improved from 11.7% in 2024 to 11.9% in 2025 as adjusted net income outpaced growth in risk-weighted assets

The Total Supervisory Capital Ratio decreased from 14.2% in 2024 to 13.6% in 2025, largely due to the redemption of \$125 million of subordinated debt which previously qualified as Tier 2 capital

Fiscal 2025 Financial Performance Overview

During 2025, the economic climate in Canada was significantly affected by uncertainty over U.S. trade policy, which constrained economic growth across the country. The housing market also continued to slow down throughout the year. Both consumer and business spending remained cautious as individuals and organizations navigated the challenging environment.

Meridian's financial performance in 2025 was shaped by these broader economic headwinds, as well as by specific internal and sector-based factors. Notably, Meridian incurred an \$82.5 million one-time, non-cash charge related to the impairment of goodwill and intangible assets related to the acquisition of OneCap in 2016. This impairment charge is an historical accounting charge which Management does not believe reflects the ongoing earnings potential or financial stability of the Credit Union.

Additionally, provisions for credit losses (PCLs) rose during the year. This increase was particularly evident in Business Banking, where additional provisions were required to reflect deteriorating security values in the land development sector. Provisions for credit losses on the leasing portfolio declined through the year after the first quarter was negatively effected by losses in the long-haul transportation sector.

Despite macro-economic challenges, Meridian reported income before provisions, impairment, and taxes of \$185.0 million in 2025. This represents an increase of \$35.0 million, or 23.3%, compared to 2024. Total revenues reached \$604.1 million, marking an increase of \$65.3 million over the prior year. This was somewhat offset by an increase in non-interest expenses of \$30.3 million. Adjusted net income, excluding the tax-affected impact of the impairment of goodwill and intangible assets, increased \$2.7 million to \$80.4 million. The impact of the impairment charge reduced reported net income to \$14.7 million.

Adjusted return on membership share equity increased from 3.2% to 3.7%, reflecting strong earnings growth. Return on membership share equity inclusive of the impairment charge was -2.9% in 2025 versus 3.2% in 2024.

Meridian's total revenue increased \$65.3 million over 2024 mainly due to improved net interest margins which increased 22 basis points year over year. Total revenue was \$604.1 million for 2025, a 12.1% increase over 2024. This increase was driven by both higher net interest income as well as higher fee and other income. PCL ended the year at \$95.6 million, \$28.2 million higher than 2024, mostly related to higher provisions on land development deals in the commercial portfolio and increased allowances on performing loans recognized to reflect ongoing economic uncertainty.

Non-interest expenses of \$419.2 million were \$30.3 million higher than 2024. Salaries and benefits increased due to higher performance-based compensation and higher staffing requirements. Other operating expenses were slightly higher due to continued investment in technology and higher transaction service costs.

Total assets increased by \$0.8 billion or 3.1% to \$27.3 billion at the end of 2025, driven largely by growth in residential mortgages and commercial lending, partially offset by decreases in equipment financing. Off-balance sheet Wealth Management assets increased by \$0.7 billion to \$5.7 billion due to both market appreciation and net new sales. Meridian's deposit portfolio increased by \$0.5 billion or 2.7% to \$19.5 billion, and the loan portfolio, net of allowances for credit losses also increased by \$0.5 billion or 2.1% to \$23.6 billion in 2025.

Capital

As of December 31, 2025, Meridian's Tier 1 Capital Ratio ("T1CR") and Total Supervisory Capital Ratio ("TSCR") were 11.9% and 13.6% respectively, compared to T1CR of 11.7% and TSCR of 14.2% in 2024. The T1CR increased due to earnings outpacing risk-weighted asset growth. The decrease in TSCR is attributed to the redemption of \$125 million of subordinated debt offsetting increases to Tier 1 Capital. These ratios remain well above the minimum regulatory requirements of 9.0% and 10.5%, respectively, and within Meridian's risk appetite target ranges. The setting and monitoring of our risk appetite ranges are discussed in more detail in the Risk Management section. The Leverage Ratio decreased to 7.0% at December 31, 2025 (7.4% in 2024), which is well above the regulatory minimum of 3.0%.

A key indicator of financial resilience is the strength of the capital base, which consists mainly of Member capital accounts and retained earnings. A strong capital position allows Meridian to absorb shocks from economic downturns, to invest in activities and ventures that add value to our Members, and to protect our Members' interests. Meridian continues to focus on maintaining sound capital ratios and building the capital base organically through retained earnings growth.

Liquidity

Meridian's non-consolidated liquid asset ratio was 13.4% as at December 31, 2025 compared to 13.3% as at December 31, 2024, demonstrating sustained liquidity strength despite ongoing economic uncertainty. The ratio continues to exceed both management and policy limits.

Fiscal 2025 Financial Performance Review

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

(\$ thousands)	2025	2024	Change from 2024	
NET INTEREST INCOME	\$ 494,615	\$ 438,333	\$ 56,282	12.8%
NON-INTEREST INCOME				
Fee and other income	105,258	94,352	10,906	11.6%
Net gain on financial instruments	4,246	6,138	(1,892)	-30.8%
TOTAL REVENUE	604,119	538,823	65,296	12.1%
NON-INTEREST EXPENSES				
Salaries and employee benefits	263,365	237,849	25,516	10.7%
Administration	123,358	117,190	6,168	5.3%
Occupancy	10,512	9,958	554	5.6%
Community and social impact	3,267	3,287	(20)	-0.6%
Amortization	3,052	3,887	(835)	-21.5%
Depreciation	15,612	16,675	(1,063)	-6.4%
NON-INTEREST EXPENSES	419,166	388,846	30,320	7.8%
Income before provisions, impairment and taxes	184,953	149,977	34,976	23.3%
Provision for credit losses	95,556	67,342	28,214	41.9%
Impairment of goodwill and intangibles	82,484	-	-	0.0%
Income taxes	(7,829)	4,911	(12,740)	-259.4%
NET INCOME	14,742	77,724	(62,982)	-81.0%
Investment share dividends	42,735	46,128	(3,393)	-7.4%
NET INCOME ATTRIBUTABLE TO MEMBERSHIP SHARES	\$ (27,993)	\$ 31,596	\$ (59,589)	-188.6%

Total Revenue

Total revenue, which comprises net interest income and non-interest income before PCL, increased \$65.3 million to \$604.1 million in 2025.

Net Interest Income

Net interest income includes interest income on assets such as loans, securities and equipment financing, less interest expense paid on liabilities, such as deposits and wholesale funding. Net interest income was \$494.6 million in 2025, which represented a \$56.3 million, or 12.8% increase, over 2024. Net interest income improved amidst a declining interest rate environment, as interest income on assets decreased less relative to interest expense on liabilities.

NET INTEREST INCOME

(\$ thousands)

	2025				2024			
	Average Balance	Mix	Interest	Interest Rate	Average Balance	Mix	Interest	Interest Rate
Cash and interest-bearing deposits	\$ 887,103	3.3%	\$ 21,246	2.39%	\$ 763,056	2.8%	\$ 39,277	5.15%
Debt securities	2,258,951	8.4%	71,972	3.19%	2,382,678	8.8%	84,795	3.56%
Residential mortgages	12,627,868	46.8%	490,686	3.89%	12,857,741	47.5%	477,966	3.72%
Personal loans	1,418,243	5.3%	85,803	6.05%	1,431,618	5.3%	105,208	7.35%
Commercial mortgages and loans	7,600,087	28.2%	479,054	6.30%	7,394,264	27.3%	527,041	7.13%
Equipment financing	1,685,620	6.2%	118,980	7.06%	1,733,367	6.4%	116,182	6.70%
Other assets	503,798	1.9%	-	0.00%	533,857	2.0%	-	0.00%
Total assets / Interest income	26,981,668	100.0%	1,267,741	4.70%	27,096,580	100.0%	1,350,469	4.98%
Demand deposits	6,986,837	25.9%	79,698	1.14%	7,021,605	25.9%	125,363	1.79%
Term deposits	8,068,523	29.9%	340,913	4.23%	8,236,177	30.4%	399,248	4.85%
Registered plans	4,138,686	15.3%	145,353	3.51%	4,042,305	14.9%	166,208	4.11%
Securitization liabilities	5,126,951	19.0%	180,308	3.52%	5,148,414	19.0%	187,002	3.63%
Funding facilities and subordinated debt	437,995	1.6%	24,414	5.57%	489,283	1.8%	32,154	6.57%
Other liabilities	414,175	1.5%	2,440	0.59%	393,426	1.5%	2,161	0.55%
Total liabilities / interest expense	25,173,167	93.3%	773,126	3.07%	25,331,210	93.5%	912,136	3.60%
Members' equity	1,808,501	6.7%	-	0.00%	1,765,370	6.5%	-	0.00%
Total liabilities and Members' equity	26,981,667	100.0%	\$ 773,126	2.87%	27,096,580	100.0%	912,136	3.37%
Total assets / net interest income	\$ 26,981,668		\$ 494,615	1.83%	\$ 27,096,580		\$ 438,333	1.62%

Net interest margin is the ratio of net interest income to average total assets, expressed as a percentage. In 2025, net interest margin was 1.83%, which was an increase of 21 basis points from 2024.

During 2025, there was a notable decline in prime rates. This downward trend in rates directly affected the yields earned on both variable-rate assets and deposits, leading to a reduction in returns from these assets. Yields on fixed-rate assets and deposits also experienced decreases over the same period. However, the magnitude of these declines was less significant compared to variable-rate products. This difference can be attributed to the longer period over which is fixed rate of interest is earned, as well as the timing and frequency for repricing these assets. Declining yields on variable-rate rate deposits used to fund longer-term fixed-rate assets enhanced overall net interest income.

Meridian's average total assets decreased slightly by \$0.1 billion, or 4.0%, in 2025, as growth in business loans was slightly offset by decreases on residential mortgages and equipment financing.

Meridian's assets were funded through a combination of organic deposits as well as those originated through broker channels. Growth in average deposit balances declined \$0.2 billion or 1.0% in 2025.

Non-Interest Income

NON-INTEREST INCOME

(\$ thousands)	2025	2024	Change from 2024	
Wealth management revenue	\$ 39,451	\$ 33,132	\$ 6,319	19.1%
Account service fees	22,891	23,957	(1,066)	-4.4%
Loan and lease servicing fees	16,395	16,932	(537)	-3.2%
Foreign exchange	4,601	4,001	600	15.0%
Credit card services	7,112	6,183	929	15.0%
Insurance	7,993	7,037	956	13.6%
Other	6,815	3,110	3,705	119.1%
Total fee & other income	105,258	94,352	10,906	11.6%
Realized gain on financial instruments	11,728	24,484	(12,756)	-52.1%
Unrealized loss on financial instruments	(7,482)	(18,346)	10,864	-59.2%
Net gain on financial instruments	4,246	6,138	(1,892)	-30.8%
Total non-interest income	\$109,504	\$100,490	\$ 9,014	9.0%

Total non-interest income increased by \$9.0 million, or 9.0%, to \$109.5 million in 2025. The increase was primarily a result of higher fee and other income.

Total fee and other income of \$105.3 million in 2025 increased \$10.9 million, or 11.6%, year over year.

Growth during the year was experienced across various categories. Wealth management revenue increased by \$6.3 million, or 19.1%, to \$39.5 million, due to market appreciation and higher net sales. Credit card services increased by \$0.9 million, or 15.0%, to \$7.1 million, due to both cardholder growth and higher activity. Insurance and foreign exchange revenue also increased by \$1.0 million and \$0.6 million respectively.

While there was growth in some fee categories, others experienced a decline. Account service fees declined by \$1.1 million, or 4.4%, mainly due to portfolio run off in the equipment financing business. Loan and lease servicing fees also declined by \$0.5 million also due to lower volumes in the equipment financing business and lower fees earned in business banking.

Net gains on financial instruments were \$4.2 million, a decrease of \$1.9 million, or 31%, versus the prior year. The decrease was largely due to lower unrealized mark-to-market gains on non-hedge accounted derivatives, as interest rate volatility stabilized over the course of 2025. Lower gains on derivatives were partly offset by one-time gains on bond disposals in the high-quality liquid asset portfolio and a reversal of impairment losses on assets held for sale.

Non-interest income is affected by fluctuations in capital markets beyond normal operating activities. Meridian undertakes hedging activities to manage this risk, which may include entering derivative contracts. These hedging activities generate gains or losses which offsets impacts to Meridian's net interest income.

Non-Interest Expenses and Efficiency Ratio

NON-INTEREST EXPENSES

(\$ thousands)	2025	2024	Change from 2024	
Salaries	176,696	170,563	6,133	3.6%
Benefits	47,753	46,246	1,507	3.3%
Variable Incentive	38,916	21,040	17,876	85.0%
Salaries and employee benefits	\$263,365	\$ 237,849	\$ 25,516	10.7%
Administration	28,659	28,223	436	1.5%
Technology	28,606	24,471	4,135	16.9%
Transaction services	23,445	21,925	1,520	6.9%
Occupancy	10,512	9,958	554	5.6%
Deposit insurance	15,688	15,718	(30)	-0.2%
Marketing	13,950	14,281	(331)	-2.3%
Depreciation	15,612	16,675	(1,063)	-6.4%
Amortization	3,052	3,887	(835)	-21.5%
Community and social impact	3,267	3,287	(20)	-0.6%
Other expenses	13,010	12,572	438	3.5%
Total non-interest expenses	\$419,166	\$ 388,846	\$ 30,320	7.8%
Efficiency Ratio	69.4%	72.2%		2.8%

Non-interest expenses were \$419.2 million in 2025, an increase of \$30.3 million from 2024. Increases were mainly driven by higher salaries and employee benefits and investments in technology.

Salaries and employee benefits expenses, which include incentive compensation, increased \$25.5 million or 10.7% versus last year. The increase was largely a result of higher performance-related compensation, driven by adjusted earnings performance and higher Wealth volumes.

Administration costs increased \$0.4 million to \$28.7 million largely due to higher professional services and discretionary expenses.

Technology expenses increased by \$4.1 million to \$28.6 million as a result of strategic investments in enhanced security, digital capabilities, and artificial intelligence enabled productivity tools. Key investments included strengthening cybersecurity, enhanced automation of our lending platform, broadening our digital-experience capabilities, and enhancing our online financial-planning product offering.

Transaction services increased by \$1.5 million to \$23.4 million due to higher credit card and postage expenses.

Marketing expenses remained relatively flat at \$14.0 million in 2025. Meridian focussed its investments on deepening engagement with existing Members as well as strengthening its brand externally. Spend was directed towards a strong, multi-channel media campaign aimed at increasing brand awareness, expanding reach into priority market segments, and supporting Member acquisition. At the same time, targeted communications, enhanced personalization capabilities, and new Member-focussed initiatives reinforced our commitment to delivering increased value to current Members.

Meridian continued to uphold its longstanding commitment to the communities we serve through our Community and Social Impact initiatives. In 2025, Meridian strengthened its focus on reinvesting in Member communities, directing \$3.3 million in funding towards local programs and partnerships. This total does not include additional in-kind contributions that further enhanced our collective impact. Initiatives such as the "Reframe" program that builds skills, affordable homes, and communities, reinforce our brand by delivering meaningful community outcomes while engaging and empowering employees, Members, and future Members.

Efficiency Ratio

The efficiency ratio is a measure of productivity and is calculated as total non-interest expense divided by total revenues, not including loan loss provisioning. A lower efficiency ratio is typically considered more favorable.

Revenue growth was stronger than expense growth which contributed to an improvement in the efficiency ratio from 72.2% in 2024 to 69.4% in 2025.

Fiscal 2025 Financial Condition Review

Select Balance Sheet Information

(\$ thousands)	2025	2024	Change from 2024	
Cash and deposits	\$1,239,891	\$ 534,314	\$ 705,577	132.1%
Debt securities	2,133,464	2,384,438	(250,974)	-10.5%
Loans, net of allowance	23,568,979	23,094,654	474,325	2.1%
Total assets	27,313,862	26,488,072	825,790	3.1%
Deposits	19,450,423	18,937,669	512,754	2.7%
Securitization liabilities	5,361,109	4,892,793	468,316	9.6%
Funding facilities	300,007	300,020	(13)	0.0%

Total Cash and Debt Securities

(\$ thousands)	2025	2024	Change from 2024	
Cash and deposits				
Cash on hand	\$ 16,988	\$ 19,021	\$ (2,033)	-10.7%
Demand deposits with financial institutions	1,082,345	454,234	628,111	138.3%
Restricted funds	140,558	61,059	79,499	130.2%
Total cash and interest-bearing deposits	1,239,891	534,314	705,577	132.1%
Debt securities				
Government issued or guaranteed securities	1,742,331	2,048,397	(306,066)	-14.9%
Non-government securities	255,661	298,939	(43,278)	-14.5%
Term deposits with other financial institutions	130,650	35,050	95,600	272.8%
Reverse repurchase agreements	-	-	-	0.0%
Other debt securities	1,081	1,041	40	3.8%
Accrued interest	3,741	1,011	2,730	270.0%
	2,133,464	2,384,438	(250,974)	-10.5%
Total cash and debt securities	\$3,373,355	\$2,918,752	\$ 454,603	15.6%

Cash balances increased to \$1.2 billion (\$534 million in 2024) due to deposit growth outpacing lending growth. This, combined with deliberate credit risk management actions, contributed to a greater proportion of liquid resources retained on balance sheet, leading to an overall increase in cash and debt holdings.

Loans, Net of Allowance

(\$ thousands)	2025	Mix	2024	Mix	Change from 2024	
Personal						
Residential mortgages	\$ 12,769,490	54.2%	\$ 12,486,245	54.1%	\$ 283,245	2.3%
Personal loans	1,413,300	6.0%	1,423,185	6.2%	(9,885)	-0.7%
	14,182,790	60.2%	13,909,430	60.2%	273,360	2.0%
Commercial						
Commercial mortgages	6,831,321	29.0%	6,455,349	28.0%	375,972	5.8%
Commercial loans	935,962	4.0%	977,542	4.2%	(41,580)	-4.3%
Equipment financing	1,618,906	6.9%	1,752,334	7.6%	(133,428)	-7.6%
	9,386,189	39.8%	9,185,224	39.8%	200,965	2.2%
Total loans, net of allowance	\$ 23,568,979	100.0%	\$ 23,094,654	100.0%	\$ 474,325	2.1%

Personal Mortgages and Loans

(\$ thousands)	2025	Mix	2024	Mix	Change from 2024	
Residential mortgages						
Insured	\$ 4,578,866	32.3%	\$ 4,486,251	32.2%	\$ 92,615	2.1%
Uninsured	7,901,597	55.7%	7,592,427	54.5%	309,170	4.1%
Other uninsured	291,404	2.1%	409,062	2.9%	(117,658)	-28.8%
Total Residential mortgages	12,771,867	90.0%	12,487,740	89.7%	284,127	2.3%
Personal loans	1,424,018	10.0%	1,433,576	10.3%	(9,558)	-0.7%
Total personal mortgages and loans ⁽¹⁾	\$ 14,195,885	100.0%	\$ 13,921,316	100.0%	\$ 274,569	2.0%

⁽¹⁾ Total personal mortgages and loans exclude allowance for credit losses.

Personal Mortgages and Loans

In 2025, the geographic distribution of residential mortgages and personal loans in the Greater Toronto Area ("GTA") was 34.1% (33.3% in 2024) versus 65.9% (66.7% in 2024) outside of the GTA.

Commercial Mortgages and Loans

(\$ thousands)	2025	Mix	2024	Mix	Change from 2024	
Commercial Mortgages						
Income producing real estate	\$ 4,643,032	58.9%	\$ 4,017,274	53.5%	\$ 625,758	15.6%
Land, development and construction	1,994,525	25.3%	2,103,734	28.0%	(109,209)	-5.2%
Other	301,611	3.8%	393,467	5.2%	(91,856)	-23.3%
	6,939,168	88.0%	6,514,475	86.8%	424,693	6.5%
Commercial Loans	945,230	12.0%	987,580	13.2%	(42,350)	-4.3%
Total commercial and small business exposure ⁽¹⁾	\$ 7,884,398	100.0%	\$ 7,502,055	100.0%	\$ 382,343	5.1%

⁽¹⁾ Total commercial and small business exposure exclude allowance for credit losses.

Commercial Mortgages by Industry Sector:

(\$ thousands)	2025	Mix	2024	Mix	Change from 2024	
Income Producing Real Estate						
Residential	\$ 1,613,962	20.5%	\$ 1,363,797	18.2%	\$ 250,165	18.3%
Hospitality	1,231,271	15.6%	1,080,186	14.4%	151,085	14.0%
Office/Commercial/Retail	991,980	12.6%	817,266	10.9%	174,714	21.4%
Industrial/Storage	805,819	10.2%	756,025	10.1%	49,794	6.6%
Total income producing real estate ⁽¹⁾	\$ 4,643,032	58.9%	\$ 4,017,274	53.5%	\$ 625,758	15.6%
Land, Development and Construction						
Construction	\$ 1,016,550	12.9%	\$ 1,091,228	14.5%	\$ (74,678)	-6.8%
Land and development	977,975	12.4%	1,012,506	13.5%	(34,531)	-3.4%
Total land, development and construction ⁽¹⁾	\$ 1,994,525	25.3%	\$ 2,103,734	28.0%	\$ (109,209)	-5.2%
Residential	\$ 1,544,501	19.6%	\$ 1,581,849	21.1%	\$ (37,348)	-2.4%
Non-residential	450,024	5.7%	521,885	7.0%	(71,861)	-13.8%
Total land, development and construction ⁽¹⁾	\$ 1,994,525	25.3%	\$ 2,103,734	28.0%	\$ (109,209)	-5.2%

⁽¹⁾ Loan values exclude allowance for credit losses.

In 2025, the Commercial and Small Business mortgages and loans portfolio was distributed 38.6% (41.2% in 2024) in the GTA and 61.4% (58.8% in 2024) outside of the GTA – primarily in Ontario.

Equipment Financing:

(\$ thousands)	2025	Mix	2024	Mix	Change from 2024	
Transportation	\$ 511,485	30.9%	\$ 617,209	34.3%	\$ (105,724)	-17.1%
Construction/material handling	588,901	35.6%	641,908	35.7%	(53,007)	-8.3%
Industrial	129,342	7.8%	138,239	7.7%	(8,897)	-6.4%
Office equipment	84,768	5.1%	92,182	5.1%	(7,414)	-8.0%
Other	340,850	20.6%	309,856	17.2%	30,994	10.0%
Total equipment financing ⁽¹⁾	\$ 1,655,346	100.0%	\$ 1,799,394	100.0%	\$ (144,048)	-8.0%

⁽¹⁾ Total equipment financing exclude allowance for credit losses.

In 2025, the equipment financing portfolio provided additional geographical diversification for the Credit Union with lending in various provinces as follows: Ontario: 30.7%, Quebec: 28.3%, Alberta: 15.2%, British Columbia: 12.0%, Other: 13.8% (In 2024, Ontario: 32.6%, Quebec: 27.2%, Alberta: 15.2%, British Columbia: 12.0%, Other: 13.0%)

Loan Growth and Composition:

Total loans, net of allowance, increased by 2.1% or \$474.3 million to \$23.6 billion.

Residential mortgages (including home equity lines of credit) account for 54.2% of the total portfolio, and increased by 2.3% to \$12.8 billion. Insured mortgages comprise 32.3% of the total residential mortgages portfolio.

Commercial and small business mortgages and loans account for 33.0% of total loans and grew by 4.5% to \$7.8 billion. In line with the “Meridian for Good” strategy, loan growth was most significant in the Health Care and Hospitality sectors. The largest sector declines were seen in Construction and Real Estate, reflecting Meridian’s continued focus on diversifying its lending portfolio and managing exposure to sectors with elevated risk.

Equipment financing decreased 7.6% over 2024 to \$1.6 billion, reflecting Management’s focus on reducing exposure to the long-haul trucking transportation sector.

Residential Mortgages

Meridian is not subject to OSFI Guideline B-20 - Residential Mortgage Underwriting Practices and Procedures (“B-20”). Meridian generally follows B-20 principles, both as a pragmatic approach that provides stability and prudent lending guidance, but also to allow for the securitization or pledging of mortgages for alternative funding facilities. Approximately 80% of all new residential mortgage originations in 2025 were B-20 compliant.

Meridian does originate conventional, uninsured residential mortgages that are B-20 non-compliant. Meridian requires credit enhancements for its B-20 non-compliant mortgages – generally in the form of a lower loan to value ratio.

Meridian also purchases B-20 non-compliant conventional, uninsured residential mortgages that are originated, serviced and administered by specialized third party mortgage lenders (“Other Uninsured” residential mortgages). These Other Uninsured residential mortgages must meet Meridian’s own specific underwriting requirements and require additional credit enhancements.

Provision for Credit Losses

PCL is measured in accordance with IFRS 9, using a three-stage impairment model. Relevant exposures within the scope of the IFRS 9 impairment model for Meridian include Retail and Commercial mortgages and loans, equipment financing, as well as off-balance sheet exposures, including loan commitments and letters of credit. For a more detailed discussion of the models used, refer to Note 3.7 and 28.1 of the annual audited consolidated financial statements.

PCL consists of write-offs, expected losses on specifically identified impaired accounts (stage 3 expense) as well as losses expected but not yet identified on performing accounts (stage 1 and 2 expense).

Meridian’s PCL was \$95.6 million in 2025, a \$28.2 million increase compared to 2024, driven by higher provisions on impaired accounts in the commercial portfolio and increased performing allowances taken across portfolios. Higher commercial impairments were driven primarily by decreasing viability of some land development deals and associated decreases in underlying security values. Higher performing provisions were largely due to sustained and heightened economic uncertainty related to trade disputes and a softening real estate market. These impacts were partly offset by lower impairments in the equipment financing portfolio as exposure to the long-haul trucking transportation sector continued to decline. Overall PCL as a percentage of total loans increased from 0.29% in 2024 to 0.40% in 2025.

PCL Highlights

(\$ thousands)	2025	2024	Change from 2024	
Total Loans	\$ 23,735,629	\$ 23,222,765	\$ 512,864	2.2%
Allowance for Expected Credit Losses	166,650	128,111	38,539	30.1%
Allowance as % of total loans	0.70%	0.55%	0.15%	27.3%
Provision for Credit Losses	95,556	67,342	28,214	-41.9%
PCL as % of total loans	0.40%	0.29%	0.11%	-38.8%

Credit Portfolio Quality

Expected credit loss provisioning is determined in accordance with established policy. Management reviews allowances for expected credit losses at least quarterly. Management also reviews the status of all high-risk accounts ("Watchlist" accounts), which are actively monitored. Provisioning is adjusted where necessary to ensure compliance with policies and include management's best estimate of losses based on the currently available information. The PCL is reflected in the Consolidated Income Statement in the current year. The table below reflects the change in gross impaired loans in 2025 and 2024.

Change in Gross Impaired Loans

(\$ thousands)	2024	New impaired loans	Reductions, paydowns, or return to performing	Write-offs	2025
Residential mortgages	\$ 25,099	\$ 68,211	\$ (63,048)	\$ (221)	\$ 30,041
Personal loans	1,982	8,864	(4,643)	(3,660)	2,543
Commercial mortgages and loans	155,502	128,093	(38,419)	(11,108)	234,068
Equipment financing	27,699	49,786	(17,773)	(47,856)	11,856
	\$210,282	\$254,954	\$(123,883)	\$(62,845)	\$278,508

	2023	New impaired loans	Reductions, paydowns, or return to performing	Write-offs	2024
Residential mortgages	\$ 26,370	\$ 63,644	\$ (64,878)	\$ (37)	\$ 25,099
Personal loans	2,006	10,101	(6,664)	(3,461)	1,982
Commercial mortgages and loans	181,273	58,025	(78,226)	(5,570)	155,502
Equipment financing	13,040	64,064	(18,131)	(31,274)	27,699
	\$ 222,689	\$ 195,834	\$ (167,899)	\$ (40,342)	\$ 210,282

Credit Quality

	2025	2024	Change from 2024
Provision for credit losses on total loans as a % of average loans	0.41%	0.29%	0.12%
Provision for credit losses on impaired loans as a % of average loans	0.35%	0.27%	0.08%

The gross impaired loans balance is \$278.5 million (\$210.3 million in 2024) and represents 1.17% of total loans (0.91% in 2024). The decrease in gross impaired loans in 2024 was caused mainly by decreased Commercial impairments.

All Loans - Arrears		2025				
		Outstanding	30-90 days Not Impaired	%	Over 90 days +Impaired	%
(\$ thousands)						
Personal						
Residential mortgages		\$ 12,771,867	\$ 48,510	0.38%	\$ 30,041	0.24%
Personal loans		1,424,018	8,090	0.57%	2,543	0.18%
		14,195,885	56,600	0.40%	32,584	0.23%
Commercial						
Commercial Mortgages		6,939,168	5,821	0.08%	222,409	3.21%
Commercial Loans		945,230	1,043	0.11%	11,659	1.23%
Equipment financing		1,655,346	9,569	0.58%	11,856	0.72%
		9,539,744	16,433	0.17%	245,924	2.58%
Total loans - arrears ⁽¹⁾		\$ 23,735,629	\$ 73,033	0.31%	\$ 278,508	1.17%
		2024				
		Outstanding	30-90 days Not Impaired	%	Over 90 days +Impaired	%
Personal						
Residential mortgages		\$ 12,487,740	\$ 47,495	0.38%	\$ 25,099	0.20%
Personal loans		1,433,576	10,260	0.72%	1,982	0.14%
		13,921,316	57,755	0.41%	27,081	0.19%
Commercial						
Commercial Mortgages		6,514,475	243	0.00%	152,014	2.33%
Commercial Loans		987,580	481	0.05%	3,488	0.35%
Equipment financing		1,799,394	16,912	0.94%	27,699	1.54%
		9,301,449	17,637	0.19%	183,201	1.97%
Total loans - arrears ⁽¹⁾		\$ 23,222,765	\$ 75,392	0.32%	\$ 210,282	0.91%

⁽¹⁾ Total loan - arrears outstanding balance exclude allowance for credit losses.

Credit Risk Management

A risk rating system is used to assess and monitor the risk profile of the Commercial loan portfolio. The model is based on an in-depth assessment of the borrower's risk of default, which is measured by industry, business, management and financial risk factors, along with the risk of loss given default. The risk of loss given default is based on an assessment of security composition and relative historical recovery experience.

The Commercial loan portfolio stratified by risk rating ranging from "very low" to "impaired" is reviewed monthly. The proportion of Commercial loans in "higher than average risk" has improved year over year largely due to the proactive management of higher risk accounts. A comprehensive Early Warning System is in place, which allows for timely identification of accounts that require follow-up and additional attention through the adjudication process or

an increase in risk rating to Watchlist status, with the objective of correcting issues that may otherwise result in future impairment of the account.

The credit quality of the portfolio continues to be actively monitored using a wide array of tools and techniques, with real-time insights and sound financial advice provided to Members to help them maintain their financial well-being.

Deposits

Deposits grew by 2.7% or \$0.5 billion to \$19.5 billion in 2025, primarily driven by demand deposits. A decreasing interest rate environment and lower longer-term rates reduced the attractiveness of term deposits.

Deposits (\$ thousands)	2025			
	Demand	Term	Total	% of Total
Personal	\$ 5,139,642	\$ 9,219,232	\$ 14,358,874	73.8%
Commercial ⁽¹⁾	2,736,533	2,235,188	4,971,721	25.6%
Core Member deposits	7,876,175	11,454,420	19,330,595	99.4%
Institutional ⁽²⁾	25,414	94,414	119,828	0.6%
Total Deposits	\$ 7,901,589	\$ 11,548,834	\$ 19,450,423	100.0%
% of Total	40.6%	59.4%	100.0%	

Deposits (\$ thousands)	2024			
	Demand	Term	Total	% of Total
Personal	\$ 4,880,011	\$ 9,019,831	\$ 13,899,842	73.4%
Commercial ⁽¹⁾	2,702,146	2,176,809	4,878,955	25.8%
Core Member deposits	7,582,157	11,196,640	18,778,797	99.2%
Institutional ⁽²⁾	29,605	129,267	158,872	0.8%
Total Deposits	\$ 7,611,762	\$ 11,325,907	\$ 18,937,669	100.0%
% of Total	40.2%	59.8%	100.0%	

⁽¹⁾ Commercial includes: commercial and business banking Members

⁽²⁾ Institutional includes: MUSH (municipalities, universities, schools and hospitals) and Deposit agents

Core Member deposits totaled \$19.3 billion of total deposits as of December 31, 2025, comprised of demand deposits of \$7.9 billion (December 31, 2024 – \$7.6 billion) and term deposits of \$11.5 billion (December 31, 2025 – \$11.2 billion). Term deposits decreased slightly to 59.4% of total deposits at December 31, 2025 from 59.8% at December 31, 2024.

Deposits Insured vs Uninsured

(\$ thousands)	2025	Mix	2024	Mix	Change from 2024	
Insured	\$ 13,423,052	69.0%	\$ 13,143,808	69.4%	\$ 279,244	2.1%
Uninsured	6,027,371	31.0%	5,793,861	30.6%	233,510	4.0%
Total Deposits	\$ 19,450,423	100.0%	\$ 18,937,669	100.0%	\$ 512,754	2.7%

Insured deposits declined by 2.1% or \$0.3 billion in 2025, representing 69.0% of total deposits versus 69.4% in 2024.

Funding and Securitization

	2025		2024		Change from 2024	
(\$ thousands)	Balance	% of Total	Balance	% of Total	\$	%
Residential mortgage securitization						
Mortgage backed securities	\$ 3,409,347	63.6%	\$ 2,953,726	60.4%	\$ 455,621	15.4%
Asset-backed commercial paper	598,822	11.2%	491,351	10.0%	107,471	21.9%
Equipment financing	1,352,940	25.2%	1,447,716	29.6%	(94,776)	-6.5%
	5,361,109	94.7%	4,892,793	94.2%	468,316	9.6%
Funding facilities	300,007	5.3%	300,020	5.8%	(13)	0.0%
Total securitization and other funding	\$ 5,661,116	100.0%	\$ 5,192,813	100.0%	\$ 468,303	9.0%

Meridian regularly securitizes residential mortgages and equipment leases and loans by participating in both government sponsored and private securitization programs to enhance its liquidity position and diversify sources of funding. Meridian also maintains access to secured funding facilities to support operating and contingent funding requirements.

In February 2025, securitization facilities temporarily ceased funding due to a breach of covenants related to the proportion of write-offs exceeding levels stipulated in the related agreements. As at December 31, 2025 the variable-rate note facility had been successfully renewed, extending its maturity to November 28, 2026. The fixed-rate note facility remained under forbearance arrangement, with its current expiration date set for May 31, 2026. As at the time this document was published, Management was actively renegotiating a renewal of the fixed-rate note facility. Sufficient alternative sources of funding are available in the event the facility is not renewed.

Investment Shares

(\$ thousands)	2025		2024	
Balance, beginning of year	\$ 798,850		\$765,436	
Issued	-		-	
Converted	-		-	
Issued, net ⁽¹⁾	-		-	
Redeemed, net ⁽²⁾	(5,877)		(5,365)	
Dividend Reinvested	35,832		38,779	
Balance, end of year	828,805		798,850	
Dividends				
Paid in Cash	6,903	16.2%	7,349	15.9%
Paid in Shares	35,832	83.8%	38,779	84.1%
	42,735	100.0%	46,128	100.0%
Redeemed, net ⁽²⁾	\$ 5,877	0.7%	\$ 5,365	0.7%

⁽¹⁾ Issued, net: Certain earlier series of investment shares were eligible to be converted into Series 23 shares and such conversions have been netted against the gross issue.

⁽²⁾ Redemptions - net of units converted into new Series 23 and transfers between members.

Assets Under Administration

Meridian provides wealth management and financial advisory services to Members. Assets under administration consist largely of mutual fund assets held by Members.

Assets under administration increased by \$0.7 billion or 14.6% to \$5.7 billion in 2025 compared to the previous year, largely a result of market appreciation as financial markets in both Canada and the US were generally strong throughout the year.

LIQUIDITY MANAGEMENT

Liquid Assets

Liquid assets are comprised of cash, deposits, securities sold under repurchase agreements, marketable debt securities, and securitized mortgages not yet sold. Liquid Assets totaled \$3.2 billion on December 31, 2025 (December 31, 2024 – \$3.0 billion).

(\$ thousands)	2025	2024	Change from 2024
Cash and demand deposits			
Cash on hand	\$ 16,988	\$ 19,021	\$ (2,033)
Demand deposits with financial institutions	1,082,345	454,234	628,111
	1,099,333	473,255	626,078
Marketable securities			
Government issued and other securities	1,742,331	2,048,397	(306,066)
Reverse repurchase agreements	-	-	-
	1,742,331	2,048,397	(306,066)
Meridian NHA mortgage-backed securities¹	371,821	522,587	(150,766)
Total liquid assets	\$ 3,213,485	\$ 3,044,239	\$ 169,246

¹ Securitized mortgages that were not transferred to third parties and are included in residential mortgages on the balance sheet.

Credit Facilities

In addition to its liquid assets, Meridian has access to additional sources of liquidity through various credit facilities, as noted below:

Credit Facilities (\$ thousands)	2025		2024	
	Authorized	Drawn	Authorized	Drawn
Revolving lines of credit				
Secured	\$ 400,000	\$ -	\$ 400,000	\$ -
Unsecured	311,711	-	355,374	-
	711,711	-	755,374	-
Contingent credit facilities				
Unsecured	422,000	135,544	422,000	205,174
Total credit and contingency facilities	\$ 1,133,711	\$ 135,544	\$ 1,177,374	\$ 205,174

Central 1, as a credit union central, provides access to the payment clearing and settlement system and acts as a liquidity provider to its members. As part of that relationship, Central 1 provides various unsecured facilities noted above, which are subject to annual review and renewal. These credit facilities are secured by a General Security Arrangement. The unsecured contingent credit facilities are in the form of letters of credit or guarantees to Credit Union Members and amounts drawn are off-balance sheet.

As of December 31, 2025, Meridian Credit Union's liquid asset ratio – defined as total unencumbered liquid assets as a percentage of total assets on a non-consolidated basis – was 13.4%, compared to 13.3% at the end of 2024, well above the minimum requirement established by the Board.

CAPITAL MANAGEMENT

Regulatory Capital and Capital Adequacy Ratios

Meridian is well capitalized, with regulatory ratios exceeding the requirements of FSRA Rule 2021-002 Capital Adequacy Requirements for Credit Unions and Caisses Populaires under the Credit Union and Caisses Populaires Act, 2020 (the "Act"), which regulates Ontario Credit Unions and underlies Board policy requirements.

Capital Structure and Regulatory Ratios at Year End

(\$ thousands)	2025	2024	Change from 2024	
Regulatory Capital				
Tier 1 Capital	\$ 1,702,687	\$ 1,653,615	\$ 49,072	3.0%
Total Capital	1,947,800	2,011,156	(63,356)	-3.2%
Capital Ratios				
Tier 1 Capital Ratio	11.9%	11.7%	20 bp	
Total Supervisory Capital Ratio	13.6%	14.2%	(60) bp	
Leverage Ratio	7.0%	7.4%	(40) bp	

bp- basis point

As of December 31, 2025, Meridian's Tier 1 Capital Ratio (T1CR) and Total Supervisory Capital Ratio (TSCR) were 11.9% and 13.6%, respectively, compared to T1CR of 11.7% and TSCR of 14.2% at the end of 2024. The T1CR improved as adjusted earnings outpaced growth in risk-weighted assets. The decrease in TSCR is attributed to the redemption of \$125 million subordinated debt offsetting the increase to Tier 1 Capital. Capital metrics are well in excess of the T1CR 6.5% and TSCR 8.0% minimum requirements, as well as the additional 2.5% capital conservation buffer stipulated in the Act.

Meridian's Leverage Ratio was 7.0% at the end of 2025, compared to 7.4% at end of 2024. This is well in excess of the 3.0% minimum regulatory requirement.

Meridian's capital position is generated primarily from retained earnings. Meridian actively monitors and manages its capital position, including optimizing the mix of lending and other risk-weighted assets. Meridian is committed to a disciplined approach to capital management that balances the interests and requirements of Members and regulators.

Internal Capital Adequacy Assessment Process

Meridian performs an Internal Capital Adequacy Assessment Process (“ICAAP”) and maintains a Stress Testing program, in line with FSRA requirements. Meridian performs an ICAAP for the purpose of setting internal capital targets and developing strategies to achieve them. The ICAAP builds on Meridian’s minimum regulatory capital requirements, using a comprehensive assessment of risks and consideration of relevant stress testing to determine minimum capital levels that are appropriate to support Meridian’s unique risk profile. The ICAAP is integrated with Meridian’s strategic and business planning function, operational departments, and Enterprise Risk Management (“ERM”) function.

RISK MANAGEMENT

Effective risk management is critical for Meridian to achieve its strategic imperatives. Meridian has built a strong overall risk culture that empowers all employees to be engaged in the identification and management of risk within its risk appetite. The Board and all employees are responsible for ensuring the risks to which Meridian is exposed are aligned to the Board approved risk appetite. Meridian has established a risk appetite framework across the organization for Management and the Board to communicate, understand, and assess the level of risk that they are willing to accept. A clear risk appetite enables Meridian to make better strategic and tactical decisions based on a risk reward basis with consideration for its capacity to manage associated risks.

Meridian uses ERM to fully consider risk in all decision-making and to ensure the risk exposures of Meridian are effectively and prudently managed. Meridian’s ERM framework complies with the FSRA Sound Business and Financial Practices Rule, and considers guidance provided by other relevant regulatory bodies and industry best practices. Meridian maintains an ERM framework to identify, to assess, to respond to, and to monitor risk, including the following framework elements:

- i. Risk Appetite;
- ii. Risk Management Structure and Governance;
- iii. ERM Processes;
- iv. People and Culture; and
- v. Enterprise Risk Register

Risk Appetite

Meridian has established and maintains a risk appetite that enables the Board and Management to make better strategic and tactical decisions based on risk-reward considerations. Risk appetite provides Meridian with a clear mandate to establish the amount and type of risks to accept and the risks to avoid. This facilitates a more considered risk-taking culture in which decisions about accepting risks reflect their ability to be managed. The risk appetite framework consists of the following four key elements:

- i. Qualitative Risk Appetite: Meridian maintains a qualitative Risk Appetite Statement summarizing its key qualitative risk appetite principles which reflect the organization’s enterprise risk management objectives and its risk-taking philosophy. Principles defining Meridian’s Risk Appetite are contained within all relevant Board Policies.

- ii. **Quantitative Risk Appetite:** Risk Appetite Metrics provide financial benchmarks that establish the amount of risk (i.e. a risk “budget”) Meridian is prepared to accept in specific risk categories to facilitate value creation for risk-taking. Criteria provide supporting guidance for the development of robust risk appetite statements and are generally aligned to one of three performance objectives (Capital, Liquidity, and Growth & Well-being).
- iii. **Key Applications:** Key applications establish where and how the risk appetite is embedded and operationalized within Meridian’s strategic and operational processes. Specifically, Meridian’s risk appetite is linked to its strategic and financial plans and considered throughout the strategic planning process. The financial plan is established in a manner that ensures risk appetite metrics do not fall outside of the approved risk appetite range.
- iv. **Governance and Control:** Protocols establish how risk appetite is monitored and reported at all levels of the organization and how breaches to risk appetite are managed.

Risk Management Structure and Governance

Meridian adheres to the Three Lines of Defence model of risk management:

- The **First Line of Defence** is the business units within Meridian which perform day-to-day risk management activities. These units own the risk in their operations and are responsible for pursuing appropriate opportunities in accordance with established controls, risk management policies, and the Risk Appetite. Each business unit must ensure it is acting within its delegated risk-taking authority, as set out in risk policies and limits. Limits are set for the business units, each of which has effective processes and controls in place to enable them to operate within these limits.
- The **Second Line of Defence** involves those responsible for risk oversight and risk guidance. These groups provide independent oversight and establish risk management policies, infrastructure, processes, and practices that address all significant risks across Meridian.
- The **Third Line of Defence** is independent assurance to the Board and senior management and is the primary responsibility of Internal Audit Services (“IAS”). IAS provides independent, objective assurance and consulting services designed to add value and to help Meridian accomplish its objectives by bringing a systematic, disciplined approach to evaluating the efficiency and effectiveness of the governance, risk management, and control processes.

Meridian maintains a risk governance structure outlining the responsibilities of key roles and committees:

- The **Board of Directors** has overall responsibility for establishing and overseeing Meridian’s Enterprise Risk Management (“ERM”) framework. Management reports to and engages with the Board on Meridian’s material risk exposures to ensure they are adequately understood and that Meridian’s strategy is consistent with Board-approved risk appetite.

- The **Board Risk Committee** assists the Board in fulfilling its responsibilities to oversee risk management across Meridian. The Risk Committee ensures management has implemented effective processes to identify, assess, respond to, and monitor the risks of the organization; maintains oversight of management's compliance with policies related to ERM; and approves management's plans to respond to risks in excess of Board-approved risk appetite.
- The **Board Audit & Finance Committee** assists the Board in assessing the adequacy and effectiveness of internal controls over financial reporting, including controls over relevant risk management processes.
- The **President and Chief Executive Officer ("CEO")** has overall accountability for the ongoing execution of risk management. The CEO, through established delegation and accountability structures, ensures the management of risk across Meridian is aligned to Board-approved risk appetite; reports to the Risk Committee and the Board on the risks to which Meridian is exposed; and identifies and reports to the Risk Committee and the Board on risks which are or may become in excess of Board-approved risk appetite, including any material variances from the annual business plan.
- The **Chief Risk Officer ("CRO")** is an independent executive role and forms the second line of defence within Meridian's Enterprise Risk Management ("ERM") framework. The CRO reports to the President and Chief Executive Officer ("CEO") and has direct and unfettered access to the Board of Directors and the Board Risk Committee. The CRO is responsible for establishing, maintaining, and enhancing Meridian's ERM framework, including the articulation of risk appetite, the identification and assessment of current and emerging risks, and the monitoring of risk exposures against Board-approved limits. The CRO provides independent oversight and effective challenge to the first line of defence and escalates material risk issues and breaches of risk appetite to senior management and the Board. The CRO plays an active role in strategic planning and major initiatives to ensure that risk considerations are integrated into decision-making and that risk-return trade-offs are clearly understood. The CRO has enterprise-wide accountability for the oversight of financial and non-financial risks, including credit, market, liquidity, operational, regulatory, technology, cyber, third-party, climate, and other emerging risks, and is responsible for promoting a strong risk culture across the organization. The CRO chairs the Management Risk Committee and serves as a key point of engagement with regulators on risk-related matters.
- The **Management Risk Committee ("MRC")** provides risk oversight and governance at the highest levels of management through the review and discussion of significant risk issues and action plans that arise in the execution of the enterprise-wide strategy. MRC is responsible for ensuring Meridian's risk profile is consistent with its strategic objectives and Risk Appetite and there are continuous, appropriate, and effective risk management processes. MRC consists of the President and CEO, and their direct reports, chaired by the Chief Risk Officer.
- The **Credit Management Committee ("CMC")** reviews Meridian's overall loan portfolio key indicators and monitors performance against established Credit policy. Key activities include review of key portfolio management indicators (sector/connected party limits, delinquency and impairment trends, and watch list reports), review new pipeline reporting relative to managing to established target commercial loan level, review of limit proposals and providing input from a business perspective, annual review of loan provisioning policy and review/monitor provisioning status and forecasts throughout the year, approval of commercial deals from a 'strategy' perspective, and

review of macro-economic industry trends that could have systemic impact, positive or negative, upon all or portions of the loan portfolio.

- The **Asset/Liability Committee ("ALCO")** provides strategic direction in the management of interest rate risk, foreign exchange risk, liquidity and funding risk, investment portfolio decisions, and capital management. ALCO is also accountable for compliance with policies, guidelines, and regulations relative to investments, derivatives, and liquidity.
- The **Information Security and Information Technology Risk Committee ("ISITRC")** is accountable for the governance of Information Security and security of Member information, ensuring Information Security policies and activities are integrated and coordinated across all related business operations and providing awareness of Meridian's information risk profile. It ensures information security risks are mitigated to an acceptable level in accordance with policy. ISITRC is also accountable for the management and oversight of Information Technology Risk, as described within the Board Information Technology Risk Management Policy.

ERM Processes

ERM is an on-going and cyclical process. The Board and senior management set the tone for the implementation of the ERM Framework. There are four primary steps in the ERM process (Risk Identification, Risk Assessment & Measurement, Risk Response & Action, and Monitoring & Reporting) described below.

- i. **Risk Identification:** Identification of risks occurs on an ongoing basis for existing processes and on an ad-hoc basis. The senior leadership team is asked to identify all new or emerging enterprise risks on a quarterly basis and put them forward to Meridian's MRC for review and discussion. Management will consider a variety of internal and external factors that may give rise to risks including economic, social, personnel, environmental, technological, and political.
- ii. **Risk Assessment & Measurement:** As part of the ERM process, Meridian will perform a series of quarterly and annual risk assessments and additional risk assessments as needed when warranted by new initiatives, material changes, or significant external events. Risk assessments are used to continuously identify the current and expected future risk landscape, understand the current organizational ability to manage these risks, and ensure sufficient mitigation plans are developed as necessary.
- iii. **Risk Response & Action:** Meridian establishes an appropriate response for each risk identified. A risk response can take one of four forms: Retain (Accept and Budget), Reduce (Mitigate), Transfer (Insure), or Avoid (Eliminate). Risk Management ensures that control activities are an integral part of a risk response.
- iv. **Monitoring and Reporting:** Enterprise-level risk monitoring and reporting are critical components of Meridian's ERM program and operating culture that help senior management, committees, and the Board to effectively perform their risk management and oversight responsibilities.

People and Culture

Meridian maintains a risk culture where ERM is the responsibility of everyone at Meridian, including the Board, management, and all employees. Risk Culture is the system of values, beliefs, attitude, knowledge, understanding, and behaviors within Meridian that shapes risk decisions by Management and employees.

Meridian's risk governance structure ensures that the responsibilities for oversight and control of risk management are clearly defined. Risk Management provides independent oversight and governance for all risk management functions to promote a strong risk management culture. Risk Management conducts, on an annual basis, a risk culture assessment.

Enterprise Risk Register

Meridian recognizes five broad types of risk: Strategic Risk, Operational Risk, Regulatory Risk, Credit Risk and Financial Risk (including Interest Rate and Market Risk and Liquidity and Funding Risk). There are numerous specific risks, many of which are beyond Meridian's direct control. Their impact can be difficult to predict and could cause results to differ significantly from plans, imperatives and estimates. Meridian considers it critical to regularly assess its operating environment to identify top and emerging risks. Risks are identified, discussed and actioned by members of the Senior Leadership Team and reported quarterly to the Management Risk Committee, the Risk Committee of the Board and the Board. Specific plans to mitigate top and emerging risks are prepared, monitored and adjusted as required.

Meridian has a full complement of risk management programs, policies, standard operating procedures, and internal controls in place, that are designed to mitigate risks to acceptable levels. Appropriate consideration has been given to all relevant risks, and controls are consistently applied, implemented and adhered to throughout the organization. Meridian invokes risk management programs and appropriately adapts its risk appetite and existing controls to mitigate the potential risk impacts related to operational changes.

Strategic Risk

Strategic Risk is the risk that Meridian is unable to develop or implement appropriate business plans and strategies, effectively allocate resources, build or maintain a sustainable competitive advantage, or meet the ongoing needs and expectations of its Members. As described herein, Meridian considers a range of potential future situations in developing its strategy and develops plans to optimize outcomes in this context. Over time, the key assumptions used to determine the strategies are monitored and may be adjusted appropriately. Meridian continuously evolves its business model to support its planned growth and maintain a culture of improving the financial well-being of our Members.

Climate change risk is a strategic consideration given the potential long-term exposure of Meridian to the physical and transitional risks associated with ongoing climate change. Climate risk, along with broader ESG considerations, is included within Meridian's enterprise-wide risk register that forms the basis for all internal risk assessments

Operational Risk

Operational Risk is the risk that Meridian's processes, technology or people fail to deliver the required results. This can include responding to external threats. Meridian has several programs that manage specific risks under the Operational Risk umbrella, including people related risks, criminal risks (fraud), physical and information security risks (cyber risk), business continuity risk, as well as risks associated with external vendors providing services. Meridian maintains an Operational Risk Management Framework that integrates the various operational risk programs. Meridian effectively balances the risk it accepts in its day-to-day operations while striving to enable business solutions that create Member value.

Regulatory Risk

Regulatory Risk is the risk that Meridian fails to comply with applicable regulations, laws and market codes of conduct. Meridian maintains robust programs in the areas of regulatory compliance management, anti-money laundering and anti-terrorist financing, and privacy to manage compliance and minimize overall regulatory risk. Meridian will not, under any circumstances, intentionally or knowingly violate any law, statute or regulation.

Credit Risk

Credit Risk is the risk of financial loss when a borrowing Member fails to meet their contractual obligations. Credit Risk can be exacerbated by broad impacts to markets in which Meridian's business is concentrated. Meridian's lending philosophy is established by the Board through the Credit Risk Management Policy. The Credit Risk Management Policy provides direction to Management relative to operational credit policies, lending authorities, assessment and limits of specific and aggregate credit risk, individual and industry sector concentration limits, as well as monitoring and reporting requirements. Meridian will extend credit to Members and businesses with a demonstrated willingness and ability to repay. A detailed discussion of the management of credit risk is provided in the annual audited consolidated financial statements.

Interest Rate and Market Risk

Interest Rate and Market Risk includes changes to interest rates and foreign exchange rates. Meridian is exposed to interest rate risk when it transacts with Members, namely deposit taking and lending. The Credit Union's exposure to interest rate risk depends on the size and direction of interest rate changes, and on the size and maturity of the mismatched positions.

Meridian manages interest rate risk in line with its risk appetite and in support of its profitability objectives. A detailed discussion of the management of interest rate risk is provided in the annual audited consolidated financial statements.

Liquidity and Funding Risk

Liquidity and funding risk is the risk that Meridian is unable to secure adequate, timely and reasonably priced funding.

Managing liquidity and funding risk is critical to ensuring the stability and soundness of Meridian. Meridian's policies and procedures ensure the Credit Union holds sufficient liquid assets and contingent funding capacity to meet financial commitments in times of stress. Prudent diversification and stability of funding is established through concentration limits, managing aggregate exposures by type and term of funding source.

Meridian's funding strategy follows a sustainable growth approach in that the funding of organic lending growth is primarily accomplished through organic deposit growth and securitization. Meridian maintains a large and stable base of deposits that, along with our strong capital base, supports the maintenance of a sound liquidity position. Meridian continues to maintain and investigate new funding sources in the event that access to specific programs is limited in the future or only available at significantly higher rates. Diversification of external funding sources is an important aspect of Meridian's overall risk management strategy which is achieved through the brokered deposit network, credit and contingency funding facilities and term funding facilities.

On an annual basis, Meridian develops a comprehensive funding plan in alignment with the annual business plan which is approved by the Board. Quarterly forecasts to Plan are performed and a Contingent Funding Plan (CFP) is developed to stipulate required actions and accountabilities in the event of stressed liquidity/funding conditions.

Meridian conducts regular liquidity stress tests, based on current economic and financial conditions, under a combined Meridian-specific and market-wide stress scenario, maintaining a minimum buffer over regulatory requirements prescribed by the FSRA Liquidity Guidelines. Meridian monitors and reports regulatory liquidity metrics to FSRA.

Capital Risk

Overview

Meridian is committed to a disciplined approach to capital management and maintaining its capital base to support its business activities and mitigate the associated risks. A sound capital position contributes to the safety for our Members, promotes confidence in attracting new Members, and allows Meridian to explore growth opportunities.

Meridian's capital management philosophy is to remain adequately capitalized at all times and to maintain a prudent cushion of equity to ensure ongoing economic stability and provide the opportunity to finance new growth.

The principles and key elements of our capital management framework are outlined in the Board Capital Management Policy. This policy establishes and assigns the responsibilities related to capital and sets forth both regulatory and policy guidelines related to capital management and associated reporting mechanisms.

The Risk Committee, which reports into the Board, oversees compliance with the Capital Management Policy, the Capital Contingency Plan and the target risk-based capital requirement determined by the ICAAP. It regularly reviews Meridian's capital position and key capital management activities.

The Audit and Finance Committee provides oversight to capital management including the Annual Capital Plan and the Three-Year Capital Plan.

The Executive Leadership Team provides senior management oversight of the capital management process, including review and discussion of significant capital policies, practices and action items. At the operational level, the Treasury team is responsible for the overall management of capital including planning, forecasting and execution of the Capital Plan.

Managing and Monitoring Capital

Meridian has a comprehensive risk management framework to ensure that the risks taken while conducting business activities are consistent with its risk appetite. In managing our capital position, close attention is paid to the cost and availability of the types of capital, desired leverage, changes in both assets and risk weighted assets, and the opportunities to profitably deploy capital.

Capital Planning is an important element of the Credit Union's financial planning process and in the establishment of strategic objectives and is developed in accordance with the Capital Management Policy. Each year, a Capital Plan and a Three-Year Outlook are developed as part of the Financial Plan, which establishes targets for coming years and business plans to achieve those targets. Capital levels are monitored monthly and compared to forecast levels for both capital and risk weighted capital.

Meridian's monitoring and forecasting procedures track the expected growth in retained earnings relative to the growth in risk weighted assets. This longer-term forecasting allows Meridian to consider the need to seek additional external capital. These projections also take into account the future impact of expected changes in accounting and regulatory standards. A detailed discussion of capital management is provided in the notes to the annual audited consolidated financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURES

Internal Controls over Financial Reporting (ICFR) are developed and maintained to provide reasonable assurance that Meridian's consolidated financial statements are prepared in accordance with IFRS Accounting Standards and to ensure the reliability of financial reporting and the safeguarding of Meridian's financial resources.

ICFR may not prevent or detect misstatements on a timely basis and therefore cannot be relied upon to provide complete assurance over the reliability of financial reporting. Meridian continues to assess and adopt best practices in financial reporting and corporate governance. Meridian has developed processes to evaluate the design and operating effectiveness of its ICFR and is focused on continually enhancing its ICFR framework.

CRITICAL ACCOUNTING ESTIMATES

Meridian's summary of material accounting policies is presented in Note 3 to the consolidated financial statements. In preparing the consolidated financial statements according to IFRS Accounting Standards, Meridian uses certain critical accounting estimates and Management may exercise judgment in the process of applying Meridian's accounting policies. Certain changes in assumptions may have a significant impact on the consolidated financial statements in the period in which the assumptions are modified. The principal areas which require significant accounting estimates or a higher degree of judgment or complexity are noted below and detailed further in the annual audited consolidated financial statements.

- Fair value of financial instruments
- Classification and measurement of assets held for sale
- Allowance for expected credit losses on financial assets
- Impairment of non-financial assets, including goodwill and intangible assets
- Recognition and derecognition of securitization arrangements
- Deferred taxes
- Valuation of right-of-use assets and lease liabilities
- Recognition of interests in subsidiaries, associates and joint arrangements

2026 OUTLOOK

Economic Outlook

Management's outlook for the Canadian and Ontario economy over 2026 is characterized by subdued growth, elevated uncertainty, and heightened downside risks, particularly stemming from United States tariff and trade policy and ongoing fragility in the Canadian and Ontario real estate market. While inflation is expected to remain broadly within the Bank of Canada's target range, weak domestic demand and external headwinds are expected to dampen economic momentum, with implications for household balance sheets, credit performance, and business investment.

Canada and Ontario's economies are expected to grow at a below-trend pace in 2026, reflecting persistent trade-related disruptions and cautious private-sector behaviours. Management expects United States tariffs on Canadian exports to remain elevated throughout 2026. This environment continues to weigh on export-oriented sectors, particularly manufacturing, and suppresses non-residential investment, as businesses defer capital decisions amid policy uncertainty.

Although Canada has thus far fared better than many peers due to carve-outs in the CUSMA trade agreement, policy uncertainty remains historically high, with Ontario being among the most exposed provinces given its concentration in trade-sensitive industries and targeted sectors such as steel, aluminum and automotive. A deterioration in trade relations with the United States, such as the loss of preferential treatment or the imposition of broader tariffs, poses a material downside risk as CUSMA comes up for renegotiation. Under adverse scenarios, this poses a potentially significant threat of related employment losses in Ontario.

Inflation is expected to remain near the Bank of Canada's target range in 2026, though tariff-related cost pressures and housing costs may limit the scope for further monetary easing. As a result, interest rates are expected to remain elevated versus recent history, continuing to strain highly leveraged households.

The Canadian and Ontario housing markets remain a central source of economic and financial risk heading into 2026. Housing activity has cooled materially, with higher mortgage renewal payments, rising debt-service ratios, and early signs of increased mortgage delinquencies. While lower interest rates may provide some relief, affordability constraints and weak income growth are expected to limit a rapid recovery in resale activity or prices.

The 2026 outlook suggests a continued need for prudent credit risk management, particularly in residential mortgages, commercial real estate (especially land development and construction projects), and small business lending. Elevated household leverage, slower economic growth, and uncertainty surrounding trade policy with the United States heightens downside risks. Maintaining strong capital, liquidity, and underwriting discipline remains critical as the economy navigates an expected prolonged period of modest growth and elevated uncertainty.

Business Outlook

Canadian financial institutions continue to navigate through a host of economic challenges, marked by cautious consumer behavior and restrained business investments. This economic environment poses significant headwinds, demanding resilience and adaptability.

Looking ahead to 2026, Meridian's strategy revolves around a continued commitment to our Members, communities, and sustainable growth. This approach is underpinned by a focus on profitable growth, operational efficiency, prudent risk management and diligent expense management.