

REPORT OF THE AUDIT COMMITTEE TO THE 2026 AGM

The Audit Committee of the Board of Directors of Frontline Financial Credit Union (FFCU) consists of five Directors and has a mandate to carry out the duties specified in the Credit Unions and Caisses Populaires Act, 2020 (Act) and Ontario Regulation 105/22.

The mandate of the Audit Committee is to be a liaison between the Credit Union's Management, Board of Directors, Internal and External Auditors.

Generally, the role of the Audit Committee encompasses four critical oversight responsibilities:

- Review of financial reporting.
- Risk management and controls.
- Audit activities; and
- Compliance activities.

Together with senior management, internal and external auditors, the Audit Committee provides oversight that fosters an environment where:

- Risks are assessed and adequately mitigated.
- Reporting is accurate, timely and relevant.
- Assets and members' interests are safeguarded.
- Positive ethics are upheld; and
- Compliance is assured.

For the Audit Committee to ensure that these responsibilities are effectively completed, it should:

- Exercise sound, unbiased judgement and decision making.
- Have appropriate qualifications and competencies individually and collectively.
- Be supported by competent, robust and independent risk management and control functions.
- Follow good governance practices for its own work as a committee; and
- Seek third party advice on certain matters, where appropriate.

The Audit Committee met six times since last year's annual meeting. The Audit Co-Chairs (and occasionally other Audit Committee members) had four meetings with our Third-Party Internal Auditor. The purpose of all audit-related meetings were:

- To review results of Disaster Recovery testing
- To review the reports on staff testing internal controls
- To review the reports of all third-party internal audits
- To review the Enterprise Risk Management quarterly reports
- To review and recommend the 2026 Budget
- To review the 2025 fiscal year end Auditor's Report and findings
- To review the 2025 Audited Financial Statements
- To review management's responses to the various audit findings
- To review various policies throughout the year and make recommendations to the Board
- To make recommendations and remuneration to the Board on internal 3rd party auditors and external auditors for 2026
- To develop the audit plans for 2026

Members of the Audit Committee continue to be invited to participate in the Asset Liability Management Committee and Enterprise Risk Management meetings of Senior Management and Picuz, our third-party consultant.

Jimena Martinez, from Samson and Associates our third-party internal auditor, carried out field work four times during the year to perform risk-based internal audit functions. Her work was very thorough with various recommendations that have been implemented by Management and the Board.

BDO, our external auditors, carried out field work twice during the year to perform audit functions. The timing of BDO's final yearend audit provided the Audit Committee and Senior Management with draft reports which were reviewed February 27, 2026. The Board has approved the 2025 audited statements March 2, 2026.

The Committee received the reports on the Operational Internal Controls Review performed throughout the year, by Lisa Tanguay, Chief Financial Officer, Gina Ranger, Accounting Administrator, and Jen Kreiger, Finance and Operations Assistant.

FSRA, the Provincial Regulator for Credit Unions, performed their Supervisory Assessment in 2023. The report received in February 2024 had two requirements and six recommendations that the Board and Management have addressed. This assessment has resulted in us continuing to pay the lowest premiums for our deposit insurance. We are currently working with FSRA to receive acceptance of our recommendations to address the above noted requirements and recommendations.

The Committee is reporting that during the year the Credit Union's Board approved a temporary reduction to internal policy minimums for certain capital adequacy ratios. The approval included timelines and expected corrective actions designed to return capital ratios to board approved internal minimums. Throughout the year and at December 31, 2025, the Credit Union was never in breach of regulatory minimum requirements of capital. In March 2026 the Board will be approving a small increase to our capital ratios toward returning to pre-2025 ratios. There are no other matters that require reporting or disclosure to our members pursuant to the Act or the Regulations and we confirm that the Committee is conducting its activities in accordance with the Act and Regulations.

The Committee would like to thank the Senior Management team of Steve Kingan, Lisa Tanguay, Kim Bridgeman and our newest member to the team, Dani Ropars, for their dedication to the oversight of the operation of FFCU during 2025 and the assistance provided to all the auditors and the Audit Committee during the year. Frontline has developed a much more cohesive audit group that has the best interests of the members.

We would also like to thank all the staff for their professional service provided to our members and dedication during another difficult year.

We would like to thank Peter Hunt, Neil Warren and Steve Boucher for their time and commitment during the past year on the Audit Committee.

This report is being submitted, March 4, 2026 on behalf of the Audit Committee by:



Kathy Stewart
Audit Committee Co-Chair



Brendan White
Audit Committee Co-Chair