Climate Disclosure of

ALTERNA BANK

December 31, 2025

Table of Contents

1. Introduction

About this report

This disclosure outlines CS Alterna Bank's approach to identifying, assessing, managing, and disclosing climate-related financial risks and opportunities in alignment with OSFI Guideline B-15 for the reporting period January 1, 2025 to December 31, 2025.

Scope

CS Alterna Bank, a member of the Canada Deposit Insurance Corporation ("CDIC"), operates under the name "Alterna Bank". It is a Schedule 1 Bank and received letter patents from the Minister of Finance of Canada to operate under the Bank Act on October 2, 2000. Alterna Bank (the "Bank") is supervised by the Office of the Superintendent of Financial Institutions ("OSFI"), as an SMSB Category II institution. The Bank is a wholly owned subsidiary of Alterna Holdings Inc., a wholly owned subsidiary of Alterna Savings and Credit Union Limited ("Alterna Savings").

The registered office address of Alterna Bank is 319 McRae, Ottawa, Ontario, K1Z 0B9.

2. Governance

Board Oversight

Alterna Bank's Board of Directors (the "Board") oversees climate-related risks and opportunities as part of its broader oversight of strategy, risk management, and financial resilience. The Board is responsible for overseeing management's approach to identifying, assessing, managing, and disclosing climate-related risks and opportunities that could reasonably be expected to affect the Bank's business model, strategy, or financial condition.

In fulfilling this oversight role, the Board is responsible for:

- reviewing and approving the Bank's climate-related strategy and key disclosures;
- overseeing the integration of climate-related risks into the Bank's enterprise risk management framework, strategic planning, and financial decision-making processes; and,
- approving climate-related disclosures.

Board Committee Oversight

The Risk, Audit and Finance Committee ("RAFC") supports the Board in its oversight of climate-related risks and opportunities. The RAFC is responsible for:

- overseeing management's processes for identifying, assessing, monitoring, and managing climate-related risks within the enterprise risk management framework;
- reviewing the assessments of climate-related risks, exposures and opportunities;
- ensuring climate-related risk exposures remain within the Bank's approved risk appetite; and,
- reviewing the integrity and completeness of climate-related disclosures before they are presented to the Board, as applicable.

Meetings and Information Flow

The Board and RAFC receive regular reporting on climate-related risks through established governance and enterprise reporting processes. Reporting is intended to support oversight of risk exposures, management actions, and disclosure completeness. The Board and RAFC meet quarterly, with additional meetings convened as needed in response to material developments, emerging risks, or regulatory changes.

Management's Role

Management is responsible for the day-to-day management of climate-related risks and opportunities through existing governance and risk management structures. Management supports the Board and RAFC by implementing the Bank's climate-related controls, coordinating cross-functional inputs, and providing reporting to support oversight and decision-making. Management is responsible for:

- implementing climate-related risk management practices across relevant business and control functions;
- integrating climate-related considerations into risk identification, assessment, monitoring, and escalation processes;
- supporting the development and maintenance of climate-related reporting; and
- reporting to the RAFC and Board on climate-related risks, opportunities, key developments, and progress against relevant plans and priorities.

Management Committee: Asset Liability Committee

Climate-related considerations relevant to financial risk and balance sheet management are also reviewed through the Asset Liability Committee (ALCO). ALCO meets monthly and reviews matters that may affect liquidity, funding, capital adequacy, and related financial risk exposures, including those that may be influenced by climate-related developments.

Integration Within Enterprise Risk Management

Climate-related risks are integrated into the Bank's enterprise risk management framework rather than managed through a standalone climate governance structure. This approach is intended to support consistent oversight, clearer accountability, and integration of climate-related considerations into existing governance, risk management, and decision-making processes in a manner proportionate to the Bank's size, nature, and complexity.

3. Strategy

The Bank operates as a digital institution with no owned physical branches or head-office, maintaining a retail-focused business model centered on residential mortgage lending, high-quality insured exposures through CMHC and private insurers, and stable retail deposit funding. Physical branch infrastructure is maintained through agency arrangements with its parent company, which owns or leases these locations and therefore assumes the associated physical risks. A significant portion of the Bank's mortgage portfolio is covered by borrower default insurance provided by CMHC and private mortgage insurers (Sagen and Canada Guaranty), with approximately 92% of mortgages insured as at December 31, 2025. Currently, this default insurance directly mitigates credit risk by protecting the Bank against borrower non-payment, including in scenarios where borrower repayment capacity is adversely impacted by climate-related events (e.g., extreme weather events affecting income stability or regional economic conditions). As such, the high level of insured exposures enhances the resilience of the Bank's lending portfolio under climate stress scenarios. In addition, underlying mortgaged properties are required to maintain appropriate property insurance coverage in line with regulatory expectations, providing protection of the collateral against physical damage risks arising from hazards, including those linked to climate change.

Given the nature of this business model, the Bank's exposure to climate-related physical risks, particularly those affecting underlying real estate collateral, is mitigated to a significant extent by the high proportion of insured mortgage exposures, which ensures there are no material realized credit losses in the event of borrower default. As a result, the Bank's direct financial exposure to losses arising from climate-related physical events is limited relative to institutions with higher levels of uninsured lending.

The Bank's exposure to climate-related transition risks is also considered limited, as the Bank does not have any involvement in carbon-intensive sectors or industrial lending activities that may be subject to heightened regulatory, technological, or market-driven transition pressures. In addition, within the Bank's commercial lending portfolio, there is no exposure to industries typically considered carbon-intensive or highly sensitive to transition risks. The Bank's portfolio is primarily concentrated in residential lending, which is less directly affected by transition-related policy or carbon pricing risks compared to sectors such as energy, utilities, or heavy industrial industries.

Consistent with this portfolio profile, the Bank's strategy is focused on maintaining the resilience of its business model, including through monitoring the continued availability of mortgage default insurance, which plays a critical role in mitigating climate-related risks. This is supported by climate-related scenario analysis and stress testing of the mortgage portfolio, with a focus on flood and wildfire risks, to assess how exposures may evolve across different climate pathways and time horizons, including the potential non-availability of default insurance. These insights help validate the Bank's limited unsecured exposure and are expected to support the ongoing identification of potential opportunities to enhance the Bank's financial performance and cash flows over short, medium, and long term as climate risk profiles evolve.

4. Risk Management

4.1 Identification and Assessment

Climate-related risks are fully integrated within the Bank's Risk Appetite Framework and Enterprise Risk Management Framework, ensuring that they are identified, assessed, and managed in alignment with the Bank's overall strategies.

This integration enables the Bank to assess and limit exposure to assets and activities that exhibit heightened vulnerability to climate-related impacts, while continuously assessing how these exposures may evolve over time.

The Bank recognizes climate risk as a transverse risk that can materially influence multiple risk categories, including credit, operational, market, and reputational risks. As such, climate considerations are embedded into existing enterprise risk processes rather than assessed in isolation, ensuring a holistic and coordinated approach to risk identification and management.

Climate-related risks are categorized into two primary types:

- **Physical risks**, which include both acute event-driven risks (e.g., extreme weather events) and chronic risks arising from longer-term shifts in climate patterns that may affect the value, condition, or usability of physical assets; and,
- **Transition risks**, which arise from the process of adjustment to a lower-carbon economy, including changes in regulatory requirements, public policy, technology, and market expectations.

The Bank's approach to climate risk identification and assessment includes consideration of regulatory expectations, economic and market developments, and broader societal trends related to climate change.

The Bank conducts organization-wide risk identification exercises to capture climate-related risks across all relevant risk categories and business lines.

To support a forward-looking perspective, climate-related risks are assessed over multiple time horizons, short, medium, and long term, recognizing that the impacts of climate change may materialize over extended periods and with varying degrees of severity. This approach ensures that both immediate and emerging risks are appropriately identified and evaluated.

Climate risks are assessed using a standardized risk assessment and quantification methodology, which incorporates both qualitative and, where applicable, quantitative factors. This methodology considers key attributes such as likelihood of occurrence, potential severity of impact, and the degree of uncertainty associated with climate-related drivers. The approach is designed to ensure consistency and comparability across risk types while capturing the unique characteristics of climate risk, including longer time horizons and evolving risk drivers.

The results of the climate risk identification and assessment process are integrated into the Bank's Risk and Control Self-Assessment (RCSA) program.

Climate-related risks identified through this process are documented within the Bank's Risk Register and are subject to ongoing monitoring and management by designated risk owners. As part of established governance practices:

- RCSA assessments are reviewed on a quarterly basis to reflect changes in the risk environment; and
- A comprehensive reassessment is conducted annually to ensure the continued relevance, accuracy, and completeness of identified risks.

Through this integrated and iterative process, the Bank maintains a dynamic view of its climate risk exposure and ensures that climate-related considerations are embedded within broader enterprise risk management activities. This enables the Bank to respond to evolving climate-related risks in a structured, consistent, and forward-looking manner.

4.2 Risk Mitigation and Controls

Given the Bank's current stage of climate risk maturity, climate-related risk mitigation and control activities are primarily embedded within the Bank's established risk management frameworks and practices, rather than being supported by standalone climate-specific control structures.

This approach reflects both the nature and scale of the Bank's portfolio, as well as the evolving state of methodologies, data availability, and industry practices related to climate risk management.

At this stage, the Bank's focus is on progressively enhancing its control environment by leveraging existing processes and integrating climate-related considerations into core risk disciplines. This includes strengthening internal awareness, developing risk identification capabilities, and embedding climate risk factors into relevant decision-making processes.

Targeted enhancements to the control environment are primarily concentrated within existing credit risk processes, where climate-related considerations are incorporated to improve the identification and assessment of potential exposures to climate-related risks.

These enhancements are designed to support more informed risk selection, underwriting, and portfolio monitoring practices over time. More broadly, climate-related risk mitigation is supported through the Bank's established risk management frameworks and disciplines, including:

- **Credit risk management**, through underwriting standards, portfolio monitoring, and exposure management practices;
- **Capital planning (ICAAP)**, ensuring that material risks are considered in the assessment of capital adequacy;
- **Liquidity and funding management**, supporting resilience under changing market and economic conditions that may be influenced by climate-related developments;
- **Regulatory compliance**, ensuring alignment with evolving regulatory expectations, including climate-related public disclosure; and
- **Legal risk management**, addressing potential legal risks arising from climate-related obligations, disclosures, and contractual considerations.

This integrated approach ensures that climate-related risks are managed consistently alongside other principal risks within the Bank's enterprise risk management framework. It also enables the Bank to adapt its mitigation strategies in a measured and disciplined manner, as its climate risk management capabilities continue to mature.

As the Bank advances its understanding of climate-related risks, it is committed to further enhancing its control environment, including the potential development of more specific methodologies, tools, and controls, as supported by improved data, analytics, and industry best practices.

5. Metrics and Targets

For the year ended 2025, Alterna Bank prepared a greenhouse gas (GHG) inventory in accordance with The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (GHG Protocol)[1] and The Partnership for Carbon Accounting Financials' (PCAF) Global GHG Accounting & Reporting Standard, Part A: Financed Emissions, Second edition (December 2022) [2].

Emission Sources

The GHG Protocol categorizes GHG emissions into three categories, known as Scopes:

- **Scope 1 (Direct emissions):** Emissions from sources that are owned or controlled by the reporting company (e.g., stationary combustion of natural gas in heating equipment at company facilities).
- **Scope 2 (Indirect emissions):** Emissions from the generation of purchased energy, such as electricity, steam, heating, or cooling, consumed by the reporting company.
- **Scope 3 (Other indirect emissions):** Emissions resulting from activities from assets not owned or controlled by the reporting company, but that occur in its value chain (e.g., business travel, purchased goods and services, investments).

Alterna Bank does not have any emission sources that fall under Scopes 1 or 2, as it does not have operational control over offices and/or facilities that may be used for the company's operations; these are owned or leased by its parent company, Alterna Savings.

1. The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (GHG Protocol)
2. The Partnership for Carbon Accounting Financials' (PCAF) Global GHG Accounting & Reporting Standard, Part A: Financed Emissions, Second edition (December 2022).

Scope 3 emissions disclosure is not mandatory until fiscal year-end 2028 under OSFI's Guideline B-15: Climate Risk Management. In the interim, the Bank will continue to enhance its data, methodologies, and internal processes to support the accurate measurement and reporting of Scope 3 emissions, including financed emissions, in future reporting periods.

The Bank is focused on building a robust foundation to support future target setting, including the establishment of a comprehensive GHG inventory covering any relevant Scope 1, Scope 2 and Scope 3 emissions, aligned with the GHG Protocol and OSFI reporting expectations. Emphasis is currently underway on improving the quality, granularity, and coverage of Scope 3 emissions, including financed emissions.