Northern Credit Union Limited
Financial Statements
For the year ended December 31, 2025
(in thousands)

Contents

For the year ended December 31, 2025
(in thousands)

Management's Responsibility

To the Members of Northern Credit Union Limited:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with IFRS® Accounting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting policies and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management, internal auditors, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

Matthew Hitchens

Management

Management

To the Members of Northern Credit Union Limited:

Opinion

We have audited the financial statements of Northern Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2025, and the statements of statement of income , comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2025, and the results of its financial performance and its cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Restatement of Comparative Information

Without modifying our opinion, we draw attention to Note 5 to the financial statements, which describes that the comparative financial information for the year ended December 31, 2024 has been restated to correct an error related to classification of Class A Shares, Loyalty Shares, and Class B Shares.

The financial statements of the Credit Union for the year ended December 31, 2024, before restatement, were audited by a predecessor auditor, who expressed an unmodified opinion on those financial statements in their auditor's report dated March 5, 2025.

We did not audit, review, or otherwise perform audit procedures on the financial statements of the Credit Union for the year ended December 31, 2024, except as required to obtain sufficient appropriate audit evidence regarding the opening balances and the appropriateness of the restatement adjustments to the comparative information.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

MNP LLP

Mississauga, Ontario

Chartered Professional Accountants

March 9, 2026

Licensed Public Accountants

Northern Credit Union Limited
Statement of Financial Position
As at December 31, 2025
(in thousands)

	2025	*2024 Restated (Note 5)*
Assets		
Cash	**59,701**	42,200
Investments *(Note 6)*	**258,944**	170,445
Loans receivable *(Note 7)*	**2,264,867**	1,665,856
Accrued interest receivable	**5,948**	4,004
Other assets *(Note 8)*	**19,670**	14,020
Property and equipment *(Note 9)*	**15,855**	10,595
Computer software *(Note 10)*	**544**	69
	2,625,529	1,907,189
Liabilities		
Member deposits *(Note 13)*	**2,227,061**	1,582,631
Accrued interest payable	**17,587**	17,046
Other liabilities *(Note 11)*	**17,950**	10,294
Securitization liabilities *(Note 14)*	**159,333**	160,540
Membership shares *(Note 5), (Note 15)*	**413**	1,644
	2,422,344	1,772,155
Members' Equity		
Share capital *(Note 5), (Note 15)*	**49,727**	49,141
Retained earnings	**81,177**	61,600
Contributed surplus	**71,160**	19,134
Accumulated other comprehensive income	**1,121**	5,159
	203,185	135,034
	2,625,529	1,907,189

Approved on behalf of the Board of Directors

Director **Director**

The accompanying notes are an integral part of these financial statements

Northern Credit Union Limited
Statement of Income
For the year ended December 31, 2025
(in thousands)

	2025	*2024*
Interest income		
Loans receivable	**107,798**	76,476
Investments	**8,763**	7,592
	116,561	84,068
Interest expense		
Member deposits	**42,173**	39,545
Interest on borrowing	**6,367**	5,953
	48,540	45,498
Net interest income	**68,021**	38,570
Provision for loan losses *(Note 19)*	**5,000**	3,104
Net interest income after provision for loan losses	**63,021**	35,466
Other income	**16,889**	12,125
Net interest income and other income	**79,910**	47,591
Operating expenses		
Salaries and benefits	**28,473**	19,673
Administrative expenses *(Note 14) (Schedule 1)*	**20,561**	15,395
Insurance	**2,378**	1,800
Occupancy	**3,547**	2,704
Board costs	**362**	254
Depreciation and amortization *(Note 9), (Note 10)*	**1,968**	1,623
	57,289	41,449
Income before distributions	**22,621**	6,142
Distribution to members	**(2,994)**	(1,533)
Income before income taxes	**19,627**	4,609
Provision for income taxes *(Note 16)*		
Current	**4,074**	921
Deferred	**(385)**	(591)
	3,689	330
Net income	**15,938**	4,279

Northern Credit Union Limited
Statement of Comprehensive Income
For the year ended December 31, 2025
(in thousands)

	2025	*2024*
Net income	**15,938**	4,279
Other comprehensive (loss) income		
Defined benefit plan actuarial losses	**(868)**	(452)
Losses on cash flow hedges	**(39)**	(55)
Unrealized gain on investments	**133**	1,867
Recovery of (provision for) income taxes *(Note 16)*	**205**	(360)
Other comprehensive (loss) income	**(569)**	1,000
Total comprehensive income	**15,369**	5,279

The accompanying notes are an integral part of these financial statements

Northern Credit Union Limited
Statement of Changes in Members' Equity
For the year ended December 31, 2025
(in thousands)

	Share capital (Restated) (Note 5)	*Contributed surplus*	*Retained earnings*	*Accumulated other comprehensive income*	*Total equity*
Balance January 1, 2024	**25,136**	**19,134**	**57,321**	**4,159**	**105,750**
Net income for the year	**-**	**-**	**4,279**	**-**	**4,279**
Other comprehensive income for the year	**-**	**-**	**-**	**1,000**	**1,000**
Redemption of shares	**(1,114)**	**-**	**-**	**-**	**(1,114)**
Shares issued during the year	**23,932**	**-**	**-**	**-**	**23,932**
Dividends issued as shares during the year	**1,187**	**-**	**-**	**-**	**1,187**
Balance December 31, 2024	**49,141**	**19,134**	**61,600**	**5,159**	**135,034**
Net income for the year	**-**	**-**	**15,938**	**-**	**15,938**
Other comprehensive loss for the year	**-**	**-**	**-**	**(569)**	**(569)**
Additions from business combination *(Note 21)*	**969**	**52,026**	**-**	**170**	**53,165**
Transfer of pension-related balance	**-**	**-**	**3,759**	**(3,759)**	**-**
Dissolution of equity investment	**-**	**-**	**(120)**	**120**	**-**
Redemption of shares	**(383)**	**-**	**-**	**-**	**(383)**
Balance December 31, 2025	**49,727**	**71,160**	**81,177**	**1,121**	**203,185**

The accompanying notes are an integral part of these financial statements

Northern Credit Union Limited
Statement of Cash Flows
For the year ended December 31, 2025
(in thousands)

	2025	2024
Cash provided by (used for) the following activities		
Operating activities		
Net income for the year	**15,938**	4,279
Interest income	**(116,561)**	(84,068)
Interest received	**114,617**	82,673
Interest expense	**48,540**	45,498
Interest paid	**(47,991)**	(41,192)
Depreciation and amortization	**1,968**	1,623
Depreciation on right-of-use assets	**731**	577
Provision for impaired loans	**5,000**	3,104
Income taxes paid	**3,661**	(261)
Provision for income taxes	**(3,689)**	(330)
Loss on disposal on property and equipment	**-**	93
	22,214	11,996
Changes in working capital accounts		
Net change in member deposits	**125,313**	61,112
Net change in member loans	**(124,044)**	(45,942)
Net change in other assets	**118**	2,454
Net change in accounts payable and accrued liabilities	**1,589**	(2,928)
	25,190	26,692
Financing activities		
Net repayment of securitization liabilities	**(14,189)**	(14,429)
Net change in member shares	**(1,703)**	23,892
Payment to lease obligation	**(740)**	(583)
Cash paid to members on business combination *(Note 21)*	**(352)**	-
	(16,984)	8,880
Investing activities		
Purchases of equipment	**(887)**	(2,109)
Net change in investments	**(14,686)**	(31,012)
Purchase of computer software	**(534)**	-
Cash received through business combination *(Note 21)*	**25,402**	-
	9,295	(33,121)
Increase in cash	**17,501**	2,451
Cash, beginning of year	**42,200**	39,749
Cash, end of year	**59,701**	42,200

The accompanying notes are an integral part of these financial statements

1. Reporting entity information

Northern Credit Union (the "Credit Union") is a financial institution incorporated in Ontario under the Credit Unions and Caisses Populaires Act, 2020 ("the Act") and operates in accordance with this statute and the accompanying regulations and by-laws.

The Credit Union is a member of Central 1 Credit Union ("Central 1") and the prescribed level of deposits are insured by the Financial Services Regulatory Authority of Ontario (“FSRA”). The Credit Union provides financial products and services to members throughout Ontario. The Credit Union's registered office and principal place of business is located at 280 McNabb Street, Sault Ste. Marie, Ontario.

On January 1, 2025, Northern Credit Union Limited amalgamated with Copperfin Credit Union Limited. The amalgamated entity continued as Northern Credit Union as described in Note 21. The comparative figures reflect the activity and balances of the Northern Credit Union Limited prior to amalgamation.

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board and interpretations adopted by the International Accounting Standards Board (“IASB”). The financial statements have been prepared in accordance with all IFRS issued and in effect as at December 31, 2025.

3. Basis of preparation

Basis of measurement

These financial statements for the year ended December 31, 2025 were approved and authorized for issue by the Board of Directors on March 4, 2026.

The financial statements have been prepared using the historical basis except for the revaluation of certain financial instruments. In common with many financial institutions, the statement of financial position has been presented on a non-classified basis in order of liquidity. The principal accounting policies are set out in Note 4.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Credit Union’s functional currency.

3. Basis of preparation *(Continued from previous page)*

Significant accounting judgements, estimates and assumptions

The preparation of the Credit Union’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Credit Union may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Current events considered include the geo-political and economic environment. These factors could impact the credit union’s exposure to financial instruments price risk, interest rate risk and credit risk. Accordingly, there is a higher level of uncertainty with respect to management's judgments and estimates, particularly related to fair value and expected credit losses.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes. Estimates and underlying assumptions are reviewed on an ongoing basis.

The fair value of identifiable assets acquired and liabilities assumed in the amalgamation involves significant management judgement and estimation.

Classification of financial assets

Classification of financial assets requires management to make judgments regarding the business model under which the Credit Union’s financial assets are held and whether contractual cash flows consist solely of payments of principal and interest. Management has determined that the penalty to exercise prepayment features embedded in certain loans made to retail customers does not result in payments that are not solely payments of principal and interest because they represent reasonable additional compensation for early termination of the contract.

3. Basis of preparation *(Continued from previous page)*

Key assumptions in determining the allowance for expected credit losses

At each reporting period, financial assets are assessed to determine whether their credit risk has increased significantly since initial recognition. In determining whether credit risk has significantly increased, management develops a number of assumptions about the following factors which impact the borrower's ability to meet debt obligations:

- Impact of rising interest rates
- Impact of declining household income
- Impact of decline in collateral supporting the obligation or in quality of third-party guarantees or credit enhancements
- Expected or actual changes in internal credit ratings of the borrowers or external credit ratings of the instrument

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

In estimating expected credit losses, the Credit Union develops a number of assumptions as follows:

- The period over which the Credit Union is exposed to credit risk, considering for example, prepayments, extension options, demand features
- The probability-weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes
- The risk of default occurring on loans during their expected lives and during the next 12 months after the reporting date
- Expected cash short falls including, recoveries, costs to recover and the effects of any collateral or other credit enhancements
- Estimates of effective interest rates used in incorporating the time value of money

The above assumptions are based on historical information and adjusted for current conditions and forecasts of future economic conditions. The Credit Union determines adjustments needed to its historical assumptions by monitoring the correlation of the probability of default and loss rates with the following economic variables:

- Interest rates
- Unemployment rates
- Gross domestic product
- Housing construction starts
- Household debt
- Inflation
- Government of Canada bond rates

The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes that are neither best-case nor worse-case scenarios. The Credit Union uses judgement to weight these scenarios.

The judgements used in measuring expected credit losses are affected by the uncertainty of the geo-political environment and changing interest rates. Members' ability to repay loans, impacting the probability of default, and the value of the Credit Union's security, affecting the possible loss given default, can be negatively affected. The situation remains dynamic and may reasonably require adjustments within the next twelve months.

4. Material accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Regulations to the Act specify that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. It is management's opinion that the disclosures in these financial statements and notes comply, in all material respects, with the requirements of the Act. Where necessary, reasonable estimates and interpretations have been made in presenting this information

Financial instruments

Financial assets

Recognition and initial measurement

The Credit Union recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Credit Union determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Debt instruments are classified as follows:

- Amortized cost – Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of loans receivable, accrued interest receivable and investments in term deposits.
- Fair value through other comprehensive income – Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Credit Union has fixed income and money market investments measured at fair value through other comprehensive income.
- Mandatorily at fair value through profit or loss – Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets measured at fair value through profit or loss are comprised of cash, derivative financial instruments and equity investments.

4. Material accounting policies *(Continued from previous page)*

- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. No assets are designated at fair value through profit or loss.

The Credit Union measures all equity investments at fair value. Changes in fair value are recorded in profit or loss except where the entity has irrevocably elected initial recognition to present in other comprehensive income the fair value gains and losses of an equity investment that is neither held for trading nor contingent consideration acquired in a business combination. In such cases, the cumulative gains and losses recognized in other comprehensive income are not reclassified to profit or loss on derecognition of the investment.

Business model assessment

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives and how performance of the portfolio is evaluated.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Credit Union considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Credit Union's claim to cash flows, and any features that modify consideration for the time value of money.

Reclassifications

The Credit Union reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments, as well as financial guarantee contracts loan commitments not measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

For loans and mortgages the Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period ("Stage 1"), unless there has been a significant increase in credit risk since initial recognition ("Stage 2"). For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date ("Stage 3"). Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants and requests to restructure loan payment schedules. For financial assets as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

4. Material accounting policies *(Continued from previous page)*

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets;
- For facilities with both a drawn and undrawn component where the Credit Union cannot separately identify expected credit losses between the two components, as a deduction from the carrying amount of the drawn component. Any excess of the loss allowance over the carrying amount of the drawn component is presented as a provision;
- For debt instruments measured at fair value through other comprehensive income, in other comprehensive income. The loss allowance does not reduce the fair value carrying amount of the financial asset in the statement of financial position.

Financial assets are written off when the Credit Union has no reasonable expectations of recovering all or any portion thereof.

Refer to Note 19 for additional information about the Credit Union's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

Derecognition of financial assets

The Credit Union applies its accounting policies for the derecognition of a financial asset to a part of a financial asset only when:

- The part comprises only specifically identified cash flows from a financial asset;
- The part comprises only a pro-rata share of the cash flows from a financial asset; or
- The part comprises only a pro-rata share of specifically identified cash flows from a financial asset.

In all other situations the Credit Union applies its accounting policies for the derecognition of a financial asset to the entirety of a financial asset.

The Credit Union derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Credit Union either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset, but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Credit Union retains the risks and rewards of ownership. When the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Modification of financial assets

The Credit Union assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the Credit Union's derecognition policy.

When the modifications do not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in profit or loss. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset's original effective interest rate.

For the purpose of applying the impairment requirements, at each reporting date subsequent to the modification, the Credit Union continues to assess whether there has been a significant increase in credit risk on the modified financial assets from the date of initial recognition.

4. Material accounting policies *(Continued from previous page)*

Financial liabilities

Recognition and initial measurement

The Credit Union recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Credit Union measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

All financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities measured at amortized cost include member deposits and accrued interest, trade payables and accrued liabilities.

The classification of a financial instrument or component as a financial liability or equity instrument determines where gains or losses are recognized. Interest, dividends, gains and losses relating to financial liabilities are recognized in profit or loss while distributions to holders of instruments classified as equity are recognized in equity.

Financial liabilities are not reclassified subsequent to initial recognition.

Derecognition of financial liabilities

The Credit Union derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date the Credit Union becomes party to the provisions of the contract, and are subsequently remeasured at fair value at the end of each reporting period.

The Credit Union designates certain derivative and non-derivative financial instruments as the hedging instrument in qualifying hedging relationships in order to better reflect the effect of its risk management activities in the financial statements.

Qualifying hedging relationships are those where there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate the value changes that result from that economic relationship, and the hedge ratio of the hedging relationship is the same as that resulting from the actual quantities of the hedging instrument and the hedged item that the Credit Union uses for hedging purposes.

At inception of the hedging relationship, the Credit Union documents the economic relationship between the hedging instrument(s) and the hedged item(s), along with its risk management objective and strategy.

Fair value hedges

The Credit Union in accordance with its risk management strategies, manages interest rate risk through interest rate swaps. Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Credit Union's risk management objective and strategy for undertaking the hedge;
- The effectiveness of the hedge can be reliably measured; and
- The hedge is expected to be highly effective at inception and remains highly effective on each date it is tested. The Credit Union tests the effectiveness of its hedges on an annual basis.

Changes in the fair value of the hedging instrument are recognized immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the risks being hedged.

4. Material accounting policies *(Continued from previous page)*

Where the Credit Union has designated a group of assets and/or liabilities in a fair value hedge, gains and losses are presented in the statement of financial position as an adjustment to the carrying amount of the respective individual items comprising the group.

For hedges of groups of items that have offsetting risk positions, hedging gains or losses are presented in the statement of profit or loss in other interest revenue/expense.

Rebalancing and discontinuation of hedging relationships

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedging relationship continues to qualify for hedge accounting, the hedging ratio is rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item to realign the hedge ratio with the ratio used for risk management purposes. Hedge ineffectiveness is recognized in profit or loss at the time of rebalancing.

Hedge accounting is discontinued prospectively when the hedging relationship ceases to meet the qualifying criteria, including instances where the hedging instrument expires or is sold, terminated or exercised.

Revenue recognition

The following describes the Credit Union’s principal activities from which it generates revenue.

Interest income

Interest income and expense are recognized in profit or loss using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The ‘amortized cost’ of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses.

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

Other revenue

The Credit Union generates revenue from other revenue streams including services charges, loan fees and penalties, and commissions. Revenue is recognized as services are rendered.

The member obtains the benefit of having the Credit Union perform a revenue generating service. This occurs immediately when the service is performed; therefore, revenue is recognized at that point in time.

Consideration is typically due when the policy has been rendered to the member. The amount of revenue recognized on these transactions is based on the price specified in the contract.

4. Material accounting policies *(Continued from previous page)*

Investments

Each investment is classified into one of the categories described under financial assets and liabilities. The classification dictates the accounting treatment for the carrying value and changes in that value.

Central 1 shares are measured at fair value, with adjustments to fair value recognized in profit or loss.

Loans receivable

All members' loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Member and other loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred. Member and other loans are subsequently measured at amortized cost, using the effective interest rate method, less any allowance for estimated credit losses.

Property and equipment

Items of equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When components of an item of property and equipment have different useful lives, they are accounted for as separate items.

Depreciation is provided using the methods and rates intended to depreciate the cost of the assets over their estimated useful lives:

	Method	***Rate***
Building and improvements	straight-line	5-50 years
Parking areas	straight-line	3-10 years
Furniture, office and computer equipment	straight-line	3-15 years
Automated banking machines	straight-line	3-15 years
Leasehold improvements	straight-line	over term of lease

The residual value, useful life, and depreciation method applied to each class of assets are reassessed at each reporting date. Gains or losses on the disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the statement of income as other operating income or other operating costs respectively.

Computer software

Computer software, an intangible asset, is carried at cost less accumulated amortization. Amortization of computer software is amortized to the income statement on a straight-line basis over its expected useful life of between 3 and 10 years. The expected useful life of computer software is reviewed on an annual basis and the useful life is altered if estimates have changed significantly.

Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in current period income.

4. Material accounting policies *(Continued from previous page)*

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating units (“CGU”) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU’s, or otherwise they are allocated to the smallest group of CGU’s for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in current period income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in net income.

Leases

The Credit Union assesses at inception of a contract, whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Credit Union assesses whether the customer has the following through the period of use:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

Where the Credit Union is a lessee in a contract that contains a lease component, the Credit Union allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is comprised of the initial amount of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred by the Credit Union, and an estimate of the costs to be incurred by the Credit Union in dismantling and removing the underlying asset and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Credit Union measures right-of-use assets by applying the cost model, whereby the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful life of the right-of-use assets are determined on the same basis as those of property, plant and equipment. The determination of the depreciation period is dependent on whether the Credit Union expects that the ownership of the underlying asset will transfer to the Credit Union by the end of the lease term or if the cost of the right-of-use asset reflects that the Credit Union will exercise a purchase option.

4. Material accounting policies *(Continued from previous page)*

Leases *(Continued from previous page)*

The lease liability is initially measured at the present value of the lease payments not paid at the lease commencement date, discounted using the interest rate implicit in the lease or the Credit Union's incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined. The lease payments included in the measurement of the lease liability comprise of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, amounts expected to be payable by the Credit Union under a residual value guarantee, the exercise price of a purchase option that the Credit Union is reasonably certain to exercise, and payment of penalties for terminating the lease if the lease term reflects the Credit Union exercising an option to terminate the lease. After the commencement date, the Credit Union measures the lease liability at amortized cost using the effective interest method.

The Credit Union remeasures the lease liability when there is a change in the lease term, a change in the Credit Union's assessment of an option to purchase the underlying asset, a change in the Credit Union's estimate of amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. On remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Income taxes

Current and deferred taxes are recognized in net income except to the extent that the tax is recognized either in other comprehensive income, or directly in equity, or the tax arises from a business combination.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities where the Credit Union operates and generates income. The calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities generally arise and are recognized where the carrying amount of an asset or liability differs from its tax base.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled. The calculation of deferred tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Member shares

Shares are classified as liabilities or member equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Shares redeemable at the discretion of the Credit Union board of directors are classified as equity. Shares redeemable subject to regulatory restrictions are accounted for using the criteria set out in IFRIC 2 Members' Shares in Cooperative Entities and Similar Instruments.

4. Material accounting policies *(Continued from previous page)*

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Credit Union at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in income.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined.

Distribution to Members

Patronage distributions related to the fiscal year are accrued and recognized in net income.

Standards issued but not yet effective

The Credit Union has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2025 but are not yet effective. Unless otherwise stated, the Credit Union does not plan to early adopt any of these new or amended standards and interpretations.

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

Amendments to IFRS 9 and IFRS 7, issued in May 2024, clarify the date of recognition and derecognition of financial assets and financial liabilities, including that a financial liability is derecognized on the settlement date. The amendments introduce a voluntary election permitting the derecognition of some financial liabilities settled through an electronic cash transfer system before the settlement date, provided specific conditions are met. They also provide further guidance for assessing whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement including those that contain contingent features, non-recourse features or are investments in contractually linked instruments. The amendments also add new disclosure requirements for certain instruments with contractual terms that include a contingent feature and for investments in equity instruments designated at fair value through other comprehensive income.

The amendments are effective for annual periods beginning on or after January 1, 2026, and are to be applied retrospectively; restatement of prior periods is not required. The Credit Union is currently assessing the impact of these amendments on its financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18, issued in April 2024, replaces IAS 1 *Presentation of Financial Statements* and establishes the overall requirements for presentation and disclosures in the financial statements, including a new defined structure for the Statement of Profit or Loss and specific disclosure requirements related to management-defined performance measures. IFRS 18 also enhances guidance on how to group information within the financial statements.

IFRS 18 is effective for annual periods beginning on or after January 1, 2027, including for interim financial statements, and is to be applied retrospectively. The Credit Union is currently assessing the impact of these amendments on its financial statements.

(in thousands)

5. Restatement

In accordance with IAS 32 and IFRIC 2, the Credit Union has identified a prior period error relating to the classification of Class A Shares, Loyalty Shares, and Class B Shares.

In the prior year, these shares were classified as liabilities. Management has concluded that these instruments meet the definition of members' equity because the board of directors retains the absolute and unconditional discretion to deny redemption requests for both Class A and Class B investment shares, and members do not have an enforceable right to demand redemption. Therefore, these instruments should have been presented as equity rather than liabilities. As at December 31, 2024, this error resulted in membership shares in liabilities being overstated by $49,141 and share capital in members' equity being understated by $49,141. In addition, members' equity as at January 1, 2024 was understated by $25,136 as a result of this misclassification.

The Credit Union has corrected the error retrospectively by restating the comparative figures for the year ended December 31, 2024. The impact of the correction on the statement of financial position as at December 31, 2024 was a decrease in membership shares in liabilities of $49,141 and a corresponding increase in share capital in members' equity of $49,141.

The correction of this error had no impact on the statement of income and statement of cash flows for the year ended December 31, 2024.

6. Investments

	2025	*2024*
Measured at fair value through profit or loss		
Central 1 Class A shares	**655**	482
Central 1 Class E shares	**3,389**	2,544
	4,044	3,026
Measured at amortized cost		
Term deposits	**92,157**	50,000
Measured at fair value through other comprehensive income		
Fixed income and money market securities	**162,743**	117,419
	258,944	170,445

(in thousands)

7. Loans receivable

			2025	*2024*
	Principal performing	**Allowance for loan losses**	**Net carrying value**	Net carrying value
Personal	284,510	5,271	**279,239**	263,003
Residential mortgages	1,557,137	2,673	**1,554,464**	1,126,049
Commercial mortgages	400,315	3,894	**396,421**	261,653
Syndicated commercial mortgages	35,579	836	**34,743**	15,151
	2,277,541	12,674	**2,264,867**	1,665,856

The loan classifications set out above are as defined in the regulations to the Act.

Residential mortgages are typically repayable in blended principal and interest installments over a maximum term of five years and are typically based on a maximum amortization period of thirty years. Mortgage backed lines of credit are repayable on a revolving credit bases and require minimum monthly payments.

Personal loans are repayable in blended principal and interest installments over a maximum amortization period. Personal loans are open for repayment at any time without notice.

Commercial and syndicated commercial loans are typically repayable in blended principal and interest installments over an amortization period of twenty years.

Loans include secured and unsecured lines of credit, which are not subject to amortization and require monthly payments of interest. Loan totals include lines of credit which are typically repayable upon demand by the Credit Union or at the option of the borrower.

(in thousands)

8. Other assets

	2025	*2024*
Prepaid expenses and other (i)	**3,767**	2,759
Deferred income taxes *(Note 16)*	**3,950**	2,675
Right of use assets *(Note 12)*	**1,438**	1,101
Deferred costs and fees	**6,126**	5,834
Derivatives financial instruments (ii)	**4,389**	1,651
	19,670	14,020

(i) Employee future benefits

The Credit Union sponsored the Retirement Pension Plan for Management Employees of Credit Union (the "Plan"), which was a defined benefit pension plan accounted for in accordance with IAS 19 Employee Benefits. The Plan was formally wound up effective March 31, 2024, and the corresponding wind-up actuarial valuation was filed with, and subsequently approved by, the applicable pension regulators during 2025. Consistent with IAS 19 requirements, the Company recognized the settlement of all Plan obligations during fiscal 2025.

As at December 31, 2025, the Credit Union has outstanding wind-up benefit entitlements totaling $83 that will be paid in early 2026. The remaining plan assets held to settle these obligations have been recorded under other assets.

(ii) Derivatives financial instruments

Interest rate risk management:

The Credit Union enters into interest rate contracts to manage interest rate risk and variable rates to alter interest rate exposure. Interest rate swaps allow the Credit Union to effectively convert variable-rate exposures into fixed-rate terms. Under interest rate swaps, the Credit Union agrees with the counterparty to exchange the difference between fixed-rate and floating-rate interest amounts calculated by reference to a notional amount.The notional amount was $30,000 as at 2025 (2024 – $nil), with a maturity date of February 2026. At December 31, 2025, the Credit Union had interest rate swaps outstanding of $38 (2024 - $Nil).

Foreign exchange forward contracts:

As part of its ongoing program of managing foreign currency exposure, the Credit Union enters into forward rate agreements to purchase US dollars. These agreements function as a hedge against the Credit Union's net US dollar denominated liability position. The Credit Union did not have foreign exchange swaps in place at December 31, 2025.

Market-linked term deposits:

At December 31, 2025 the Credit Union has issued $20,170 (2024 – $10,666) of market-linked term deposit products to its members. These term deposits pay interest to the depositors at the end of the term, based on the performance of various stocks or indices. The Credit Union has entered into hedge agreements with Central 1 and Desjardins to offset the exposure to the equities associated with these products. The Credit Union pays a fixed amount on the face value of these term deposit products. At the end of the respective terms, the Credit Union receives payments equal to the amount required to be paid to the depositors based on the performance of the specified stocks or indices.

The purpose of these agreements is to provide a hedge against market fluctuations. These agreements have a fair value that varies based on the particular contract and changes in the interest rates. The fair value of these swap agreements is $4,351 at December 31, 2025 (2024 – $1,651) and has been accounted for as a derivative in accordance with the Credit Union's accounting policy classified as FVTPL under IFRS 9.

(in thousands)

9. Property and equipment

	Land	*Buildings and improvements*	*Parking areas*	*Furniture, office and computer equipment*	*Automated banking machines*	*Leasehold improvements*	*Total*
Cost							
Balance at January 1, 2024	1,942	18,838	280	17,496	1,540	5,232	45,328
Additions	-	109	34	1,947	-	19	2,109
Disposals	-	(13)	-	(5,849)	-	(924)	(6,786)
Balance at December 31, 2024	1,942	18,934	314	13,594	1,540	4,327	40,651
Balance at January 1, 2025	**1,942**	**18,934**	**314**	**13,594**	**1,540**	**4,327**	**40,651**
Additions	-	**393**	**28**	**315**	-	**151**	**887**
Disposals	-	**(13)**	-	**(5,873)**	-	**(97)**	**(5,983)**
Additions from business combination *(Note 21)*	**455**	**10,554**	**20**	**2,282**	**407**	**1,743**	**15,461**
Balance at December 31, 2025	**2,397**	**29,868**	**362**	**10,318**	**1,947**	**6,124**	**51,016**
Accumulated depreciation							
Balance January 1, 2024	-	12,243	248	17,042	1,527	4,182	35,242
Depreciation	-	837	13	500	-	158	1,508
Disposals	-	(9)	-	(5,838)	(7)	(840)	(6,694)
Balance at December 31, 2024	-	13,071	261	11,704	1,520	3,500	30,056
Balance at January 1, 2025	-	**13,071**	**261**	**11,704**	**1,520**	**3,500**	**30,056**
Depreciation	-	**1,046**	**14**	**571**	**12**	**241**	**1,884**
Additions from business combination *(Note 21)*	-	**6,410**	**20**	**1,651**	**407**	**715**	**9,203**
Disposals	-	**(13)**	-	**(5,872)**	-	**(97)**	**(5,982)**
Balance at December 31, 2025	-	**20,514**	**295**	**8,054**	**1,939**	**4,359**	**35,161**

(in thousands)

	Land	*Buildings and improvements*	*Parking areas*	*Furniture, office and computer equipment*	*Automated banking machines*	*Leasehold improvements*	*Total*
Net book value							
At December 31, 2024	1,942	5,863	53	1,890	20	827	10,595
At December 31, 2025	**2,397**	**9,354**	**67**	**2,264**	**8**	**1,765**	**15,855**

(in thousands)

10. Computer software

Cost	
Balance at January 1, 2024	6,324
Balance at December 31, 2024	6,324
Balance at January 1, 2025	**6,324**
Additions from business combination *(Note 21)*	**669**
Additions	**534**
Disposals	**(724)**
Balance at December 31, 2025	**6,803**
Accumulated Amortization	
Balance at January 1, 2024	6,140
Amortization	115
Balance at December 31, 2024	**6,255**
Balance at January 1, 2025	**6,255**
Additions from business combination *(Note 21)*	**669**
Amortization	**84**
Disposals	**(749)**
Balance at December 31, 2025	**6,259**
Carrying amounts	
At December 31, 2024	69
At December 31, 2025	**544**

11. Other liabilities

	2025	*2024*
Accounts payable and accrued liabilities	**10,835**	7,485
Income taxes payable	**1,238**	-
Harmonized sales taxes payable	**53**	15
Lease obligation *(Note 12)*	**1,475**	1,143
Derivative financial instruments *(Note 8)*	**4,349**	1,651
	17,950	10,294

(in thousands)

12. Leases

Lease as a lessee

The Credit Union leases a number of branches, office premises, and IT infrastructure. The leases typically run for periods between 5 and 10 years, with an option to renew the leases after that date.

Right-of-use asset

The following table illustrates the right-of-use asset balances during the year.

	2025	***2024***
Balance, beginning of the year	**1,101**	1,424
Additions	**766**	272
Additions from business combination *(Note 21)*	**302**	-
Lease modifications	**-**	(18)
Depreciation	**(731)**	(577)
Balance, ending of the year	**1,438**	1,101

Lease liabilities

The following illustrates the changes to the lease liability during the year.

	2025	*2024*
Opening	**1,143**	1,474
Additions	**746**	252
Additions from business combination *(Note 21)*	**326**	-
Payments, net of interest	**(740)**	(583)
	1,475	1,143

Amounts recognized in profit or loss

The Credit Union has recognized the following amounts in the statement of profit or loss:

	2025	*2024*
Interest expense on lease liabilities	**34**	33
Depreciation charge for right-of-use assets	**731**	559

The Credit Union has entered into commitments under operating leases for premises that expire on various dates to 2028. The minimum annual payments under these leases are as follows:

2026	892
2027	443
2028	187
Imputed interest	(47)
Total	1,475

(in thousands)

13. Member deposits

	2025	*2024*
Chequing accounts	**707,283**	446,362
Saving accounts	**490,777**	326,431
Term deposits	**430,210**	355,371
Registered deposits	**598,791**	454,467
	2,227,061	1,582,631

14. Securitization liabilities

All mortgages securitized by the Credit Union by participating in the CMHC NHA MBS program are required to be fully insured prior to sale and therefore give rise to minimal credit risk. However, the Credit Union is responsible for advancing all scheduled principal and interest payments to CMHC, irrespective of whether the amounts have been collected on the underlying transferred mortgages. The Credit Union therefore remains exposed to interest rate risk, timely payment and prepayment risk associated with the underlying assets. Accordingly, the securitized mortgages remain in the Credit Union's loans receivable balance and an offsetting obligation has been recognized on the statement of financial position.

Costs incurred on securitization transactions and discount/premium on securitization are amortized over the life of the issue and are included in securitization liabilities and other interest expense.

The following table summarizes the Credit Union's securitization activity in the year:

	2025	*2024*
Outstanding balance of securitized mortgages	**158,816**	160,773
Unscheduled principal payment (UPP) reserve	**1,490**	1,397
	160,306	162,170
Discount on securitization	**(973)**	(1,630)
	159,333	160,540

The securitization liability bears an average interest rate of 3.65% and matures between January 2026 to April 2030.

15. Membership shares and share capital

	2025	*2024* *Restated* *(Note 5)*
Shares classified as equity		
Class A Shares, Series 1	**1,832**	907
Class B Shares, Series 1	**47,895**	48,207
Loyalty Shares	**-**	27
	49,727	49,141
Shares classified as liability		
Membership shares	**413**	1,644
Total	**50,140**	50,785

15. Membership shares and share capital *(Continued from previous page)*

Effective January 1, 2025, Northern Credit Union Limited ("the Credit Union") was formed through the amalgamation under section 250(13) of the Credit Unions and Caisses Populaires Act. As part of the amalgamation, the share capital structure of the Credit Union was revised, and all members and investment shareholders of the predecessor credit unions became holders of equivalent shares in the amalgamated entity, see Note 21.

The Credit Union is authorized to issue an unlimited number of Membership Shares, an unlimited number of Class A Special Shares issuable in series (including Class A Special Shares, Series 1), and an unlimited number of Class B Special Shares issuable in series (including Class B Special Shares, Series 1).

Membership Shares

The Credit Union has 82,560 (2024 – 67,820) members. As a condition of membership, each member must own a membership share of the Credit Union. Shares are issued at a price of $5. Shares are redeemable on withdrawal from membership, subject to the Credit Union meeting capital adequacy requirements. Dividends on Membership Shares may be declared at the discretion of the Board of Directors and are subordinate to dividends payable on Class A and Class B Special Shares. Dividends may be paid in cash or in the form of Class A Special Shares, Series 1.

Class A Special Shares

Class A Shares are issuable in series and may only be issued to members of the Credit Union. The Class A Investment shares are redeemable at the amount paid thereon after a period of five years from the date of issue or at any time after the death of the shareholder. The holders of Class A shares may make a request through management into the Board of Directors of the Credit Union to redeem their Class A shares. Approval of such request is the sole and absolute discretion of the Board. In no case shall total redemptions approved in any fiscal year exceed 10% of the total Class A (Investment shares) outstanding at the end of the previous fiscal year. Class A Special Shares, Series 1, carry a preferential non-cumulative dividend, payable in cash or stock when declared by the Board of Directors.

Class B Special Shares

Class B Special Shares are issuable in one or more series at the discretion of the Board of Directors and may only be issued to members of the Credit Union who are at least eighteen years of age. Class B shares are redeemable at the amount paid thereon after a period of five years from the date of issue or at any time after the death of the shareholder. The Class B Special Shares do not carry voting rights and dividends on Class B Special Shares are preferential to dividends on Membership Shares, Class A Special Shares, and any shares ranking junior, and are payable only when declared by the Board of Directors. The holders of Class B shares may make a request through management into the Board of Directors of the Credit Union to redeem their Class B shares. Approval of such request is the sole and absolute discretion of the Board. In no case shall total redemptions approved in any fiscal year exceed 10% of the total Class B outstanding at the end of the previous fiscal year.

(in thousands)

16. Income tax

Income tax expense recognized in net income

	2025	*2024*
Current tax expense		
Current year	**4,075**	921
Deferred tax expense		
Relating to the origination and reversal of temporary differences	**(385)**	(591)
Provision of income taxes included in net income	**3,690**	330
Recovery of (provision for) income taxes recorded in other comprehensive income	**205**	(360)

Deferred income tax asset

The tax effects of temporary differences which give rise to the deferred tax asset reported on the statement of financial position are from differencs between accounts deducted for accounting and income tax purposes. The net deferred income tax asset is comprised of the following:

Deferred tax asset		
Property and equipment	**483**	167
Allowance for impaired loans	**2,346**	1,499
Deferred lending fees	**132**	-
Leases	**391**	303
Other	**598**	706
Net deferred tax asset included in other assets	**3,950**	2,675

Reconciliation between average effective tax rate and the applicable tax rate

	2025	*2024*
Combined federal and provincial statutory income tax rates	**26.50 %**	26.50 %
Rate reduction for credit unions	**(8.30)%**	(8.30)%
Non-deductible, non-taxable and other items	**0.60 %**	(11.04)%
Effective tax rate	**18.80 %**	7.16 %

17. Capital management

The Credit Union is subject to the capital requirements set out in the Act. The Act prescribes capital adequacy measures. Capital management is the process whereby the level of capital is determined to support operations, risks and growth. The credit union uses various management processes to manage capital risk. A capital management framework is included in policies and procedures established by the Board of Directors. In addition, the Act establishes standards to which the Credit Union must comply.

The primary capital policies and procedures include the following:

i. Adhere to regulatory capital requirements as minimum benchmarks (such as growth, operations, enterprise risk);

ii. Co-ordinate strategic risk management and capital management;

iii. Develop financial performance targets/budgets/goals;

iv. Administer a patronage program that is consistent with capital requirements;

v. Administer an employee incentive program that is consistent with capital requirements;

vi. Develop a planned growth strategy that is coordinated with capital growth; and

vii. Update plans that consider the strengths, weaknesses, opportunities and threats to the Credit Union.

The Credit Union is subject to the capital requirements set out in the Act. The Act prescribes several capital adequacy measures and minimum capital requirements. Some of the measures compare capital measures to assets that receive prescribed risk weightings, known as risk-weighted assets (“RWA”). The leverage ratio compares capital compared to total assets less prescribed adjustments ("Net assets").

Capital is split into two tiers. Tier 1 capital is defined as a credit union’s primary capital and comprises the highest quality of capital elements while Tier 2 is secondary capital and falls short of meeting Tier 1 requirements for permanence or freedom from mandatory charge. Tier 2 capital cannot exceed Tier 1 capital.

(in thousands)

17. Capital management *(Continued from previous page)*

The following table compares the Act regulatory standards to the Credit Union's policy:

	Regulatory standards	***Policy standards***
Tier 1 capital ratio (Tier 1 capital / RWA)	**6.50 %**	**7.50 %**
Retained earnings ratio (Retained earnings / RWA)	**3.00 %**	**3.50 %**
Total capital ratio (Sum of tier 1 & 2 capital / RWA)	**8.00 %**	**8.50 %**
Capital conservation buffer ratio (Excess of Tier 1 capital to meet minimum requirements)	**2.50 %**	**2.75 %**
Total supervisory capital ratio (Total capital/ RWA)	**10.50 %**	**11.25 %**
Leverage ratio (Total capital / Net assets)	**3.00 %**	**4.50 %**

Total regulatory capital is comprised of Tier 1 and Tier 2 capital as follows:

Capital summary	***2025***	*2024*
Tier 1 capital		
Membership shares	**413**	1,644
Retained earnings	**81,177**	61,600
Contributed surplus	**71,160**	19,134
Loyalty shares	**-**	27
Class A non-cumulative redeemable patronage shares (90%)	**1,688**	844
Class B non-cumulative, non-voting, non-participating investment shares (90%)	**43,386**	44,579
Accumulated other comprehensive loss	**1,096**	5,105
	198,920	132,933
Tier 2 capital		
Class A non-cumulative redeemable patronage shares (10%)	**144**	63
Class B non-cumulative, non-voting, non-participating investment shares (10%)	**4,509**	3,628
Loan loss allowance, Stages 1 and 2	**8,427**	5,412
Total eligible capital	**212,000**	142,036

Capital ratios:		
Tier 1 capital ratio	**15.55 %**	14.69 %
Retained earnings ratio	**11.91 %**	8.92 %
Total capital ratio	**16.57 %**	15.70 %
Capital conservation buffer ratio	**8.57 %**	7.70 %
Total supervisory capital ratio	**16.57 %**	15.70 %
Leverage ratio	**8.01 %**	7.36 %

(in thousands)

18. Related party transactions

Key management compensation of the Credit Union

The Credit Union entered into the following transactions with key management personnel ("KMP"), which are defined by IAS 24 *Related party disclosures*, as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management personnel, along with their close family members.

Salaries, and other short-term employee benefits	**2,954**	1,602
Post-employment benefits	**99**	408
	3,053	2,010

On an annual basis, the Board of Directors review executive compensation and considers market expectations for similar roles in comparable organizations, provincially. Variable compensation is based on corporate performance against strategic targets in the previous year. Board honoraria amounted to $205 (2024 - $271) and other Board and Committee expenses totalled $158 (2024 - $89) for the year. In accordance with required disclosure under Ontario Regulation 105/22, section 40, of the Credit Unions an Caisses Populaires Act 2020, the Act requires disclosure of the five highest paid officers and employees of the Credit Union where total remuneration exceeds $175. The names, positions and remuneration paid during the year ended December 31, 2025 of those employees are as follows:

	Salary	Benefits	Total
Richard Adam, President and Chief Executive Officer	537	10	547
Dennis Alvestad, Co-Chief Executive Officer	306	3	309
Tammy Buchanan, SVP Corporate Risk	283	2	285
Liisa Wolley, SVP Strategic Initiatives	257	2	259
Brandy L. Heikoop, SVP People Culture	248	1	249

Transactions with key management personnel

The Credit Union's policy for lending to key management personnel is that the loans are approved and accepted on the same terms and conditions which apply to members for each class of loan, although they may receive concessional rates of interest on qualifying mortgage loans. There are no benefits or concessional terms applicable to directors or the family members of KMP.

There are no loans that are impaired in relation to loan balances with KMP.

	2025	*2024*
Loans to related parties	**5,793**	2,037
Approved but unadvanced lines of credit	**827**	235
	6,620	2,272

	2025	*2024*
Interest and other revenue earned	**192**	83
Interest paid on deposits	**22**	10

(in thousands)

18. Related party transactions *(Continued from previous page)*

	2025	*2024*
Member deposits by related parties		
Chequing and savings deposits	**1,071**	857
Term deposits	**169**	145
Registered deposits	**309**	211
	1,549	1,213

19. Financial instruments risk management

The Credit Union, as part of its operations, carries a number of financial instruments which result in exposure to the following risks: interest rate risk, credit risk, market risk and liquidity risk.

The Credit Union has established avoidance of undue concentrations of risk, hedging of risk exposures, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Credit Union follows a risk management policy approved by its Board of Directors.

The Credit Union's risk management policies and procedures include the following:

i. Ensure all activities are consistent with the mission, vision and values of the Credit Union;
ii. Balance risk and return;
iii. Manage credit, market and liquidity risk through preventative and detective controls;
iv. Ensure credit quality is maintained;
v. Ensure credit, market, and liquidity risk is maintained at acceptable levels;
vi. Diversify risk in transactions, member relationships and loan portfolios;
vii. Price according to risk taken; and
viii. Using consistent credit risk exposure tools.

In addition to the Board of Directors, the Audit and Risk Committee (ARC) is involved in financial instrument risk management oversight. There have been no significant changes from the previous year in the exposure to financial instrument risks nor the Credit Union’s policies, procedures and methods used to measure and manage those risks.

There have been no significant changes from the previous year in the Credit Union’s risks to which it is exposed or its general policies and procedures for managing risk.

Credit risk

Credit risk is the risk of financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Credit Union. The risk can relate to statement of financial position assets such as loans receivable. Overall monitoring and processes will change as deemed necessary in response to the ongoing economic impact of changing geopolitical circumstances and rising interest rates. The stages of expected credit loss within the loan portfolio are adjusted as necessary.

19. Financial instruments risk management *(Continued from previous page)*

Risk management process

Credit risk management is integral to the Credit Union's activities. The Board of Directors is responsible for developing and implementing the credit risk management practices of the Credit Union by establishing the relevant policies and procedures. Management carefully monitors and manages the Credit Union's exposure to credit risk by reviewing member credit extension policies and guidelines and reviewing the performance of loan portfolios, including default events and past due status. The risk management process starts at the time of a member credit application and continues until the loan is fully repaid. The primary credit risk management policies and procedures include the following:

- Loan security (collateral) requirements;
- Security valuation processes, including method used to determine the value of real property and personal property when that property is subject to a mortgage or other charge;
- Maximum loan to value ratios where a mortgage or other charge on real or personal property is taken as security;
- Borrowing member capacity (repayment ability) requirements;
- Borrowing member character requirements;
- Limits on aggregate credit exposure per individual;
- Limits on concentration of credit risk by loan type, industry and economic sector;
- Limits on the types of credit facilities and services offered;
- Internal loan approval processes and loan documentation standards;
- Loan re-negotiation, extension and renewal processes;
- Processes that identify adverse situations and trends, including risks associated with economic, geographic and industry sectors;
- Control and monitoring processes including portfolio risk identification and delinquency tolerances;
- Timely loan analysis processes to identify, access and manage delinquent and impaired loans;
- Collection processes that include action plans for deteriorating loans; and
- Overdraft control and administration processes;

The Credit Union's credit risk policies, processes and methodologies are reviewed periodically to ensure they remain relevant and effective in managing credit risk.

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition.

The Credit Union considers members' loans receivables to be in default when contractual payments are more than 90 days past due or other objective evidence of impairment exists, such as notification from the borrower or breach of major covenants. This definition is consistent with the definitions used for the Credit Union’s internal credit risk management practices and has been selected because it most closely aligns the definition of default to the Credit Union’s past credit experience, and the covenants placed in standard borrowing contracts. Relatively few financial instruments subsequently return to performing status after a default has occurred under this definition without further intervention on the part of the Credit Union.

Changes in credit risk are assessed on the basis of the risk that a default will occur over the contractual lifetime of the financial instrument rather than based on changes in the amount of expected credit losses or other factors. In making this assessment, the Credit Union takes into account all reasonable and supportable information, including forward-looking information, available without undue cost or effort in making this assessment. The Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings, such as requests for loan modifications.

19. Financial instruments risk management *(Continued from previous page)*

Loans with an acceptable credit risk consistent with that upon origination of the loan are considered to be Stage 1. The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when contractual payments have exceeded 30 days past due, or other information becomes available to management (e.g., through the course of regular credit reviews, communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers). Loans that have experienced a significant increase in credit risk are classified as Stage 2.

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its customers. Loans greater than 90 days past due are considered credit-impaired. Credit-impaired loans are classified as Stage 3.

Measurement of expected credit losses

The Credit Union measures expected credit losses for members' loans receivable that have not been assessed as credit-impaired on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type (residential mortgages, commercial mortgages, other secured loans or non-secured loans and geographic region of the borrower. Otherwise, the expected credit losses for credit-impaired member loans are measured on an individual basis.

When measuring 12-month and lifetime expected credit losses, the Credit Union considers the probability of default, loss given default, forward looking information and macroeconomic factors, and exposure at default of the financial asset.

Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery. The Credit Union assesses that there is no reasonable expectation of recovery when the security relating to the loan has been sold and there are remaining amounts outstanding, the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where an asset has been written off but is still subject to enforcement activity, the asset is written off but remains on a list of delinquent accounts. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value.

(in thousands)

19. Financial instruments risk management *(Continued from previous page)*

Exposure to credit risk

The following table sets out loan receivable classified by stage based on the credit quality of financial assets assessed for impairment under IFRS 9 Financial instruments.

December 31, 2025	*Stage 1 12-month ECL*	*Stage 2 Lifetime ECL (not credit impaired)*	*Stage 3 Lifetime ECL (credit impaired)*	*Total*
Personal loans				
Standard monitoring	260,259	-	-	260,259
30 days and less past due	567	-	-	567
Greater than 30 days past due, but not impaired	-	841	-	841
Increase in credit risk	-	21,210	-	21,210
Default	-	-	1,633	1,633
Gross carrying amount	260,826	22,051	1,633	284,510
Less: loss allowance	1,838	2,254	1,179	5,271
Carrying amount	258,988	19,797	454	279,239
Residential mortgages				
Standard monitoring	1,426,311	-	-	1,426,311
30 days and less past due	12,044	-	-	12,044
Greater than 30 days past due, but not impaired	-	6,498	-	6,498
Increase in credit risk	-	104,830	-	104,830
Default	-	-	7,454	7,454
Gross carrying amount	1,438,355	111,328	7,454	1,557,137
Less: loss allowance	1,073	756	844	2,673
Carrying amount	1,437,282	110,572	6,610	1,554,464
Commercial mortgages				
Standard monitoring	406,490	-	-	406,490
30 days and less past due	1,773	-	-	1,773
Greater than 30 days past due, but not impaired	-	117	-	117
Increase in credit risk	-	16,745	-	16,745
Default	-	-	10,769	10,769
Gross carrying amount	408,263	16,862	10,769	435,894
Less: loss allowance	1,291	1,215	2,224	4,730
Carrying amount	406,972	15,647	8,545	431,164
Total				
Total gross amount	2,107,444	150,241	19,856	2,277,541
Less: total loss allowance	4,202	4,225	4,247	12,674
Total carrying amount	2,103,242	150,241	15,609	2,264,867

(in thousands)

19. Financial instruments risk management *(Continued from previous page)*

December 31, 2024	*Stage 1 12-month ECL*	*Stage 2 Lifetime ECL (not credit impaired)*	*Stage 3 Lifetime ECL (credit impaired)*	*Total*
Personal loans				
Standard monitoring	243,203	-	-	243,203
30 days and less past due	617	-	-	617
Greater than 30 days past due, but not impaired	-	1,302	-	1,302
Increase in credit risk	-	19,760	-	19,760
Default	-	-	2,196	2,196
Gross carrying amount	243,820	21,062	2,196	267,078
Less: loss allowance	1,100	1,796	1,179	4,075
Carrying amount	242,720	19,266	1,017	263,003
Residential mortgages and syndicated mortgages				
Standard monitoring	1,038,949	-	-	1,038,949
30 days and less past due	4,800	-	-	4,800
Greater than 30 days past due, but not impaired	-	5,414	-	5,414
Increase in credit risk	-	72,484	-	72,484
Default	-	-	6,127	6,127
Gross carrying amount	1,043,749	77,898	6,127	1,127,774
Less: loss allowance	552	630	543	1,725
Carrying amount	1,043,197	77,268	5,584	1,126,049
Commercial loans and syndicated loans				
Standard monitoring	267,934	-	-	267,934
30 days and less past due	337	-	-	337
Greater than 30 days past due, but not impaired	-	232	-	232
Increase in credit risk	-	6,020	-	6,020
Default	-	-	4,350	4,350
Gross carrying amount	268,271	6,252	4,350	278,873
Less: loss allowance	553	781	735	2,069
Carrying amount	267,718	5,471	3,615	276,804
Total				
Total gross carrying amount	1,555,840	105,212	12,673	1,673,725
Less: total loss allowance	2,205	3,207	2,457	7,869
Total carrying amount	1,553,635	102,005	10,216	1,665,856

Concentrations of credit risk

Concentration of credit risk exists if a number of borrowers are exposed to similar economic risks by being engaged in similar economic activities or being located in the same geographical region, and indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular segment of borrowers or geographical region. Geographical risk exists for the Credit Union due to its concentration in Northeastern Ontario.

(in thousands)

19. Financial instruments risk management *(Continued from previous page)*

The following tables show a reconciliation of the opening to the closing balance of the loss allowance based on expected credit losses ("ECL") by class of financial instrument.

	Stage 1 12-month ECL	*Stage 2 Lifetime ECL (not credit impaired)*	*Stage 3 Lifetime ECL (credit impaired)*	*Total*
Member loans receivable				
Balance at January 1, 2024	1,953	3,346	1,915	7,214
Transfer to Stage 1	1,158	(1,150)	(8)	-
Transfer to Stage 2	(154)	163	(9)	-
Transfer to Stage 3	(12)	(151)	163	-
Originations	428	370	106	904
Discharges	(257)	(408)	(172)	(837)
Re-measurement	(899)	1,147	2,789	3,037
Realized losses	(12)	(110)	(2,734)	(2,856)
Recoveries	-	-	407	407
Balance at December 31, 2024	2,205	3,207	2,457	7,869
Balance at January 1, 2025	**2,205**	**3,207**	**2,457**	**7,869**
Business combination	**852**	**331**	**642**	**1,825**
Transfer to Stage 1	**982**	**(915)**	**(67)**	**-**
Transfer to Stage 2	**(167)**	**215**	**(48)**	**-**
Transfer to Stage 3	**(22)**	**(249)**	**271**	**-**
Originations	**673**	**295**	**44**	**1,012**
Discharges	**(271)**	**(340)**	**(384)**	**(995)**
Re-measurement	**(50)**	**1,681**	**3,352**	**4,983**
Realized losses	**-**	**-**	**(2,846)**	**(2,846)**
Recoveries	**-**	**-**	**826**	**826**
Balance at December 31, 2025	**4,202**	**4,225**	**4,247**	**12,674**

Credit commitments

As at year-end, the Credit Union has made commitments to disburse mortgages and loans amounting to:

	2025	*2024*
Unadvanced lines of credit	**256,543**	179,728
Guarantees and standby letters of credit	**1,043**	3,317
Commitments to extend credit	**4,266**	10,975

There are $246 (2024- $345) expected credit losses in respect of credit commitments included in the loan loss allowance at year end.

19. Financial instruments risk management *(Continued from previous page)*

Market risk

Market risk is the risk of loss in value of financial instruments that may arise from changes in market factors such as interest rate, equity prices and credit spreads. The Credit Union's exposure changes depending on market conditions. Market risks that have a significant impact on the Credit Union include fair value risk and interest rate risk.

Fair value risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Credit Union incurs fair value risk on its loans, term deposits, and investments held and member deposits held. The Credit Union has deemed its fair value risk to be negligible and does not hedge it.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Credit Union incurs interest rate risk on its loans and other interest-bearing financial instruments.

The Credit Union has implemented interest rate risk management policies that limit the mix and maturities of capital, deposits, loans and investments; set criteria for pricing deposits and loans; upholds limits on the exposure to changes in interest rates; applies the user of appropriate techniques for measuring the Credit Union's risk under current and forecasted scenarios; and provide for the use of derivatives financial instruments to manage the risk where appropriate.

(in thousands)

19. Financial instruments risk management *(Continued from previous page)*

Contractual re-pricing and maturity

All financial instruments are reported based on the earlier of their contractual re-pricing date or maturity date. The schedule does not identify management's expectation of future events where re-pricing and maturity dates differ from contractual dates.
The table below summarizes amounts by maturity dates and effective interest rates for the following significant financial instruments:

	Variable rate	*Less than one year*	*One year to five years*	*Over 5 years*	*Non-Interest Sensitive*	*2025*	*2024*
Assets							
Cash	59,701	-	-	-	-	**59,701**	42,200
Average yield %	*1.98*	-	-	-	-	*1.98*	*3.36*
Investments	17,539	123,790	113,571	-	4,044	**258,944**	170,445
Average yield %	*2.51*	*2.42*	*3.53*	-	-	*2.88*	*3.60*
Loans receivable	241,264	456,471	1,460,939	106,193	-	**2,264,867**	1,665,856
Average yield %	*6.14*	*4.09*	*4.88*	*6.60*	-	*4.94*	*4.88*
Other assets	-	-	-	-	4,389	**4,389**	1,651
Accrued interest receivable	-	-	-	-	5,948	**5,948**	4,004
	318,504	**580,261**	**1,574,510**	**106,193**	**14,381**	**2,593,849**	1,884,156
Liabilities							
Member deposits	1,318,278	619,893	288,790	100	-	**2,227,061**	1,582,631
Average yield%	*0.43*	*3.47*	*3.56*	*1.50*	-	*1.68*	*2.34*
Borrowings and securitized debt	-	31,550	127,783	-	-	**159,333**	160,540
Average yield%	-	*2.75*	*3.79*	-	-	*3.58*	*3.57*
Other liabilities	-	-	1,475	-	15,184	**16,659**	10,279
Accrued interest payable	-	-	-	-	17,587	**17,587**	17,046
Member shares	-	-	-	-	413	**413**	1,644
	1,318,278	**651,443**	**418,048**	**100**	**33,184**	**2,421,053**	1,772,140
Net sensitivity	**(999,774)**	**(71,182)**	**1,156,462**	**106,093**	**(18,803)**	**172,796**	9,345,067

Interest rate re-price

Based on the current financial instruments, it is estimated that a 1.0% increase in interest rates would increase net interest income over the subsequent 12-month period by approximately $264 (2024 - $241 increase) and a decrease of 0.5% would decrease net interest income over the subsequent 12-month period by approximately $447 (2024 - $120).

19. Financial instruments risk management *(Continued from previous page)*

Liquidity risk

Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligation as they come due. The Credit Union's management oversees the Credit Union's liquidity risk to ensure that the Credit Union has access to enough readily available funds to cover its financial obligations as they come due.

Liquidity risk also arises from the concentration of demographics, exposing the Credit Union to sensitivity over an aging population of its members. The Credit Union monitors the concentration of demographics and continues to evaluate the level of concentration and the overall exposure.

The Credit Union has available a credit facility with Central 1, totalling $75,570 consisting of clearing facilities of CAD 7,000; clearing facilities of USD 250; line of credit of $65,100 and a capital market account of $720. Additionally, the Credit Union has available letters of credit of $2,500. The facility is secured by a general security agreement and an assignment of book debts covering all assets of the Credit Union. At December 31, 2025, $Nil (2024 - $Nil) in letters of credit and $Nil (2024 - $Nil) in capital market were utilized.

The Credit Union will maintain a Liquidity Coverage Ratio ("LCR") percentage by maintaining an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash to meet its liquidity needs for a 30-day stress scenario.

At year end, liquid assets amount to 11.20% (2024 - 11.34%) of deposits and borrowings. The following table details contractual maturities of liquid assets:

As at December 31, 2025:

	< 1 year	**1-2 years**	**> 2 years**	**Total**
Cash and current account balances	**59,701**	**-**	**-**	**59,701**
Other fixed income investments	**40,595**	**77,985**	**44,163**	**162,743**
Total	**100,296**	**77,985**	**44,163**	**222,444**

As at December 31, 2024:

		(In '000s)		
	< 1 year	**1-2 years**	**> 2 years**	**Total**
Cash and current account	42,200	-	-	42,200
Other fixed income investments	32,843	55,371	29,053	117,267
Total	75,043	55,371	29,053	159,467

20. Fair value of financial instrument

The Credit Union classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for which there is little or no market data and which require the Credit Union to develop its own assumptions.

(in thousands)

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is assessed to be significant to that fair value measurement. This assessment requires the use of judgment in considering factors specific to an asset or a liability and may affect the placement of the fair value measurement within the hierarchy.

The Credit Union considers a fair value measurement to have transferred between the levels in the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2, as well as no transfers into or out of Level 3 during the period.

Level 2 fair value measurements use a net present value valuation technique and inputs consisting of actual balances; actual rats, market rates (for similar instruments) and payment frequency.

In determining fair value measurements, the Credit Union uses valuation techniques including net present value techniques and discounted cash flow models and comparison with quoted or observable prices for similar instruments. The Credit Union uses assumptions and estimates for risk-free interest rates, market pricing movements, interest rate yield curves, expected volatilities, correlations between inputs, etc.

Financial instruments measured at fair value

The Credit Union's financial assets and financial liabilities measured at fair value in the statement of financial position on a recurring basis have been categorized into the fair value hierarchy as follows:

				2025
	Fair Value	***Level 1***	***Level 2***	***Level 3***
Financial assets				
Cash	**59,701**	**59,701**	**-**	**-**
Investments	**166,787**	**162,743**	**-**	**4,044**
Derivatives financial instruments	**4,389**	**-**	**4,389**	**-**
Total financial assets at fair value	**230,877**	**222,444**	**4,389**	**4,044**
Financial liabilities				
Derivatives financial instruments	**4,349**	**-**	**4,349**	**-**
Total financial liabilities at fair value	**4,349**	**-**	**4,349**	**-**

				2024
	Fair Value	*Level 1*	*Level 2*	*Level 3*
Financial assets				
Cash	40,200	40,200	-	-
Investments	120,292	117,267	-	3,025
Derivatives financial instruments	1,651	-	1,651	-
Total financial assets at fair value	162,143	157,467	1,651	3,025
Financial liabilities				
Derivatives financial instruments	1,651	-	1,651	-
Total financial liabilities at fair value	1,651	-	1,651	-

(in thousands)

20. Fair value measurements *(Continued from previous page)*

Financial instruments not measured at fair value

The estimated fair value, and categorization into the fair value hierarchy, of all other financial assets and financial liabilities held by the Credit Union and not measured at fair value on the statement of financial position are as follows:

	Fair Value	***Level 1***	***Level 2***	***2025 Level 3***
Financial assets				
Loans receivable	**2,292,214**	**-**	**2,292,214**	**-**
Investments	**92,569**	**-**	**92,569**	**-**
Accrued interest	**5,948**	**-**	**5,948**	**-**
Total financial assets	**2,390,731**	**-**	**2,390,731**	**-**
Financial liabilities				
Member deposits	**2,230,920**	**-**	**2,230,920**	**-**
Accrued interest payable	**17,587**	**-**	**17,587**	**-**
Other liabilities	**13,366**	**-**	**13,366**	**-**
Securitization liabilities	**160,850**	**-**	**160,850**	**-**
Membership shares	**50,139**	**-**	**50,139**	**-**
Total financial liabilities	**2,472,862**	**-**	**2,472,862**	**-**

	Fair Value	*Level 1*	*Level 2*	*2024 Level 3*
Financial assets				
Loans receivable	1,665,289	-	1,665,289	-
Investments	2,060	-	2,060	-
Accrued interest	4,004	-	4,004	-
Total financial assets	1,671,353	-	1,671,353	-
Financial liabilities				
Member deposits	1,603,997	-	1,603,997	-
Accrued interest payable	17,046	-	17,046	-
Other liabilities	8,643	-	8,643	-
Securitization liabilities	160,931	-	160,931	-
Member shares	50,785	-	50,785	-
Total financial liabilities	1,841,402	-	1,841,402	-

20. Fair value measurements *(Continued from previous page)*

Level 2 and Level 3 fair value measurements for financial instruments not measured at fair value

Valuation techniques and inputs for Level 2 and Level 3 fair value measurements are as follows:

Line item	*Valuation technique*	*Inputs*
Loans receivable	Discounted cashflows	Observable market interest rates for like instruments
Investments - amortized cost	Discounted cashflows	Observable market interest rates for like instruments
Investments - FVTPL	Redemption value	Instrument terms and observable transactions
Investments - FVOCI	Redemption value	Instrument terms and observable transactions
Accrued interest and other assets	Discounted cashflows	Observable market interest rates for like instruments
Member deposits	Discounted cashflows	Observable market interest rates for like instruments
Accrued interest and other liabilities	Discounted cashflows	Observable market interest rates for like instruments
Membership shares	Redemption value	Instrument terms and observable transactions

(in thousands)

21. Business combination

On January 1, 2025, Northern Credit Union Limited ("Northern") amalgamated with Copperfin Credit Union Limited ("Copperfin"). The amalgamated entity continued as Northern Credit Union as described in Note 1.

Each membership share of Northern and Copperfin was converted into one membership share of the amalgamated credit union until one share was issued per member, with any excess membership shares redeemed for cash at $5 per share. All issued Class A Shares, Series 1, of Northern and Copperfin were converted on a one-for-one basis into Class A Shares, Series 1, of the Amalgamated Credit Union, while all issued Northern Class B Shares—Series 98, 2014, 2015, and 2024—were each converted on a one-for-one basis into Class B Shares, Series 1, of the Amalgamated Credit Union. Copperfin had no issued Class B shares at the time of amalgamation.

Using the acquisition method, Northern Credit Union Limited was identified as the acquirer in the amalgamation of the net identifiable assets of Copperfin Credit Union Limited. The Credit Union's fair value at the acquisition date of the acquiree's net identifiable assets and liabilities are as follows:

	Pre-acquisition carrying amount	Fair-value adjustment	Fair value at the acquisition date
Acquired assets and assumed liabilities			
Cash	25,402	-	25,402
Investments	72,682	-	72,682
Investments-other	998	-	998
Other assets	607	-	607
Derivative financial instruments	12	-	12
Loans receivable	479,704	263	479,967
Deferred income taxes	890	-	890
Property, plant and equipment	4,730	1,528	6,258
Right of use assets	328	-	328
Accounts payable	(931)	-	(931)
Income taxes payable	(196)	-	(196)
Members' deposit	(520,445)	1,328	(519,117)
Securitized mortgaged under administration	(12,655)	(327)	(12,982)
Lease liability	(302)	-	(302)
Derivative financial instrument	(10)	-	(10)
Net identifiable asset and liabilities	50,814	2,792	53,606
Cash paid to members			352
Membership shares			89
Share capital			969
Accumulated other comprehensive income			170
Contributed Surplus			52,026

The fair value adjustment reflect the differences between the balance sheet values of the assets and liabilities prior to their acquisition and the fair values in the Credit Union's balance sheet at the acquisition date.

Acquisition-related costs totalling $624 have been excluded from the consideration transferred and have been recognized as an expense in the year.

22. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation. These reclassifications had no impact on the prior year's net income, financial position, or cash flows.

Northern Credit Union Limited
Schedule 1 - Schedule of Administrative Expenses
For the year ended December 31, 2025
(in thousands)

	2025	*2024*
Administrative expenses		
Technology and system	**7,573**	5,678
Professional fees	**4,640**	2,725
Other	**3,105**	2,486
Transaction fees	**2,582**	1,861
Marketing and business development	**1,827**	2,057
Employee costs	**834**	588
	20,561	15,395