Coastal Financial Credit Union

Financial Statements

December 31, 2025

Contents

To the Members of Coastal Financial Credit Union:

Opinion

We have audited the financial statements of Coastal Financial Credit Union (the "Credit Union"), which comprise the statement of financial position as at December 31, 2025, and the statements of comprehensive income, changes in members' equity, cash flows and related schedules 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 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.

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.

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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.

Sydney, Nova Scotia

MNP LLP

April 16, 2026

Chartered Professional Accountants

Coastal Financial Credit Union
Statement of Financial Position
As at December 31, 2025

	2025	*2024*
Assets		
Cash and cash equivalents *(Note 4)*	**27,055,053**	37,060,404
Investments and deposits *(Note 5)*	**33,235,956**	37,512,489
Loans to members *(Note 6)*	**188,334,211**	176,327,560
Income taxes receivable	**30,663**	96,999
Property, building and equipment *(Note 7)*	**3,330,559**	3,460,908
Other assets *(Note 8)*	**1,575,784**	1,736,255
Total assets	**253,562,226**	256,194,615
Liabilities		
Members' deposits *(Note 9)*	**233,871,724**	237,655,347
Trade payables and accrued liabilities	**210,111**	279,805
Lease liabilities	**190,696**	230,079
Deferred tax liability *(Note 10)*	**56,024**	8,111
Total liabilities	**234,328,555**	238,173,342

Commitments *(Note 6), (Note 20)*

Members' equity		
Members' shares *(Note 12)*	**144,237**	142,759
Surplus shares *(Note 12)*	**132,057**	132,937
Retained earnings	**18,957,377**	17,745,577
Total members' equity	**19,233,671**	18,021,273
Total liabilities and members' equity	**253,562,226**	256,194,615

Approved on behalf of the Board

Director **Director**

The accompanying notes are an integral part of these financial statements

Coastal Financial Credit Union
Statement of Comprehensive Income
For the year ended December 31, 2025

	2025	2024
Income		
Interest on loans to members	**9,047,190**	8,766,719
Investment income	**1,593,375**	1,864,513
	10,640,565	10,631,232
Interest expense		
Interest on members' deposits *(Note 11)*	**3,391,325**	4,229,693
Other	**2,606**	2,876
	3,393,931	4,232,569
Financial margin	**7,246,634**	6,398,663
Other income	**1,252,749**	1,143,825
	8,499,383	7,542,488
Operating expenses		
Personnel	**3,375,095**	3,269,332
General business *(Schedule 1)*	**2,644,328**	2,212,049
Members' security *(Schedule 2)*	**232,612**	224,423
Occupancy *(Schedule 3)*	**278,796**	311,621
Depreciation	**267,878**	338,319
	6,798,709	6,355,744
Income before provision for (recovery of) loan losses and income taxes	**1,700,674**	1,186,744
Provision for loan losses *(Note 6)*	**117,304**	102,428
	1,583,370	1,084,316
Provision for (recovery of) income taxes *(Note 10)*		
Current	**323,657**	276,197
Deferred	**47,913**	(34,546)
	371,570	241,651
Comprehensive income	**1,211,800**	842,665

The accompanying notes are an integral part of these financial statements

Coastal Financial Credit Union
Statement of Changes in Members' Equity
For the year ended December 31, 2025

	Members' shares	*Surplus shares*	*Retained earnings*	*Total members' equity*
Balance December 31, 2023	**143,852**	**137,304**	**16,902,912**	**17,184,068**
Comprehensive income	**-**	**-**	**842,665**	**842,665**
Issuance of members' shares	**5,070**	**-**	**-**	**5,070**
Redemption of members' shares	**(6,163)**	**(4,367)**	**-**	**(10,530)**
Balance December 31, 2024	**142,759**	**132,937**	**17,745,577**	**18,021,273**
Comprehensive income	**-**	**-**	**1,211,800**	**1,211,800**
Issuance of members' shares	**6,475**	**-**	**-**	**6,475**
Redemption of members' shares	**(4,997)**	**(880)**	**-**	**(5,877)**
Balance December 31, 2025	**144,237**	**132,057**	**18,957,377**	**19,233,671**

The accompanying notes are an integral part of these financial statements

Coastal Financial Credit Union
Statement of Cash Flows
For the year ended December 31, 2025

	2025	*2024*
Cash provided by (used for) the following activities		
Operating activities		
Comprehensive income	**1,211,800**	842,665
Depreciation	**267,878**	338,319
Deferred income taxes	**47,913**	(34,546)
Loss on disposal of capital assets	**-**	11,054
	1,527,591	1,157,492
Changes in working capital accounts		
Trade payables and accrued liabilities	**(69,694)**	(953,732)
Income taxes receivable	**66,336**	(38,938)
Loans to members	**(12,006,651)**	1,968,784
Other assets	**160,471**	(298,662)
Members' deposits	**(3,783,623)**	34,675,612
	(14,105,570)	36,510,556
Financing activities		
Decrease in members' and surplus shares, net	**598**	(5,460)
Investing activities		
Decrease (increase) in investments and deposits	**4,276,533**	(7,867,838)
Principal payments on lease liabilities	**(78,849)**	(76,995)
Purchases of property, building and equipment	**(98,063)**	(92,936)
	4,099,621	(8,037,769)
Increase (decrease) in cash and cash equivalents	**(10,005,351)**	28,467,327
Cash and cash equivalents, beginning of year	**37,060,404**	8,593,077
Cash and cash equivalents, end of year	**27,055,053**	37,060,404

Supplementary cash flow information *(Note 13)*

1. Reporting entity

Coastal Financial Credit Union (the “Credit Union”) was formed pursuant to the Credit Union Act of Nova Scotia (“the Act”)

The Credit Union serves members in Yarmouth, Nova Scotia and the surrounding community and operates five Credit Union branches. The address of the Credit Union’s registered office is 2 Collins Street, Yarmouth, Nova Scotia.

The Credit Union operates as one segment principally in personal and commercial banking in Yarmouth, Nova Scotia.

The Credit Union conducts its principal operations through various branches, offering products and services including deposit business, individual lending, and independent business and commercial lending. The deposit business provides a wide range of deposit and investment products and sundry financial services to all members. The lending business provides a variety of credit products and services designed specifically for each particular group of borrowers. Other business comprises business of a corporate nature such as real estate and insurance, investment, risk management, asset liability management, treasury operations and revenue and expenses not expressly attributed to the business units.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations adopted by the International Accounting Standards Board (“IASB”).

These financial statements for the year ended December 31, 2025 were approved by the Board of Directors on April 7, 2026.

2. Basis of preparation

Basis of measurement

The financial statements have been prepared using the historical basis except for the revaluation of certain financial instruments.

Functional and presentation currency

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

Significant accounting judgments, 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. These estimates and assumptions have been made using careful judgment; however, uncertainties 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.

Macroeconomic environment

The Credit Union faces inherent uncertainty in estimating the impact that inflation, local housing markets and international trade relations may have on the macroeconomic environment. As a result, a heightened level of judgment in estimating expected credit losses (ECL's) continues to be required.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

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

By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future years could be material.

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.

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 borrowers' ability to meet debt obligations:

- Expected significant increase in unemployment rates and interest rates
- Declining revenues, working capital deficiencies, increases in balance sheet leverage and liquidity.
- Expected or actual changes in internal credit ratings of the borrowers or external credit ratings of the instrument
- The correlation between credit risk on all lending facilities of the same borrower
- Changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

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
- Loan to value ratios
- Consumer price index
- Inflation

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 judgment to weight these scenarios.

3. Summary of 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

Financial assets are 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.

FInancial assets 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 cash and cash equivalents, debentures, segregated liquidity, deposits and member loans.
- Fair value through profit or loss - 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 profit or loss. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. Financial assets measured at fair value through other comprehensive income are comprised of share investments.

Refer to Note 16 for more information about financial instruments held by the Credit Union, their measurement basis, and their carrying amount.

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..

3. Summary of material accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

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 contract assets, and any financial guarantee contracts and 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 member loans 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 applies the simplified approach for trade receivables and/or contract assets that do not contain a significant financing component. Using the simplified approach, 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. 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 assessed 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:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets;
- For loan commitments and financial guarantee contracts, as a provision; and
- 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.

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

Refer to Note 16 for additional information about the Credit Union’s credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

3. Summary of material accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

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.

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.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount. Transaction costs of equity transactions are treated as a deduction from equity.

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.

3. Summary of material accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

Derecognition of financial liabilities

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

Dividend income

Dividend income is recorded in profit or loss when the Credit Union’s right to receive payments is established, it is probable that the economic benefits associated with the dividend will flow to the Credit Union, and the amount of the dividend can be measured reliably.

Interest

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.

Collateral

The Credit Union recognizes the proceeds from the sale of any non-cash collateral that has been pledged to it and a liability measured at fair value for its obligation to return the collateral.

If a debtor defaults under the terms of its contract and is no longer entitled to the return of any collateral, the Credit Union recognizes the collateral as an asset initially measured at fair value or, if it has already sold the collateral, derecognizes its obligation to return the collateral.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Credit Union’s cash management system.

Investments and deposits

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

Share investments

Share investments are measured at fair value through profit and loss with adjustments to fair value recognized in profit or loss.

Debentures

Investments in debentures and term deposits are measured at amortized cost.

3. Summary of material accounting policies *(Continued from previous page)*

Loans to members

Loans are initially recognized at their fair value and subsequently measured at amortized cost. Amortized cost is calculated as the loans' principal amount, less any allowance for anticipated losses. Interest revenue is recorded on the accrual basis using the effective interest method. Loan administration fees are amortized over the term of the loan using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

Property, building and equipment

Property, building and 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 parts of an item of property, building and equipment have different useful lives, they are accounted for as separate items of property, building and equipment.

All assets having limited useful lives are depreciated using their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Assets are depreciated from the date of acquisition.

The methods of depreciation and depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Method	
Buildings	declining balance or straight line	5% or 50 years
ATM	straight-line	10 years
Furniture and computers	declining balance or straight line	20% or 3 years
Equipment	straight-line	3 years
Leasehold improvements	straight-line	4-5 years
Parking area	declining balance	8 %

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, building and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognized in comprehensive income as other operating income or other operating costs, respectively.

Leases

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 related to equipment 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, building 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.

3. Summary of 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.

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible 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.

Recoverable amount is the higher of fair value less costs of disposal 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 profit or loss.

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 profit or loss.

3. Summary of material accounting policies *(Continued from previous page)*

Income taxes

The Credit Union accounts for income taxes using the asset and liability method. Current tax and deferred tax are recognized in profit or loss 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. 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 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 year. 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.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable income.

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.

Members' shares

Members' shares, consisting of equity and surplus shares, are presented in the statement of financial position as equity instruments in accordance with the substance of the contractual terms of the instruments. These shares qualify as capital for regulatory purposes. Payments of dividends on membership shares presented as equity are recognized as a distribution directly in equity.

Dividends are recorded when declared by the Board of Directors.

Revenue recognition

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

Service charges, fees, commissions and other revenue

The Credit Union generates revenue from providing various financing and investing services to its members. Revenue is recognized as services are rendered.

The Credit Union does not have an enforceable right to payment until services are rendered and commission revenue earned when the products are sold.

The amount of revenue recognized on these transactions is based on the price specified in the contract.

The Credit Union does not expect to have any contracts where the period between the transfer of the promised goods or services to the member and payment by the member exceeds one year. Consequently, the Credit Union does not adjust any of the transaction prices for the time value of money.

Revenue recognition for items outside the scope of IFRS 15 is included in the financial instruments section of Note 3.

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 profit or loss for the current period.

3. Summary of material accounting policies *(Continued from previous page)*

Employee benefits

The Credit Union's post employment benefit programs consist of a defined contribution registered pension plan

Contributions to defined contribution plans are recognized as an expense when employees have rendered service to the Credit Union during the year, entitling them to the contributions.

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Credit Union by the employees and is recorded as an expense under the personnel expenses. Unpaid contributions at year end are recorded as a liability. As of December 31, 2025 and 2024, there were no required future contributions in respect of past service and all contributions required under the plan had been funded.

Short-term employee benefits include salaries and wages, employee benefits, allowances, bonuses and burdens. Short-term employee benefits are expected to be paid in exchange for services rendered by employees in the year are expensed as the related services are provided.

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.

4. Cash and cash equivalents

	2025	*2024*
Cash on hand and in current accounts	**3,785,129**	7,928,071
Atlantic Central liquidity deposits	**23,269,924**	29,132,333
	27,055,053	37,060,404

The Credit Union has an authorized operating line of credit of $6,399,000 (2024 - $5,519,000) with Atlantic Central at prime rate of 4.45% (2024 - 5.45%), which is secured by an assignment of loans to members. The line of credit was $Nil as of December 31, 2025 and 2024.

5. Investments and deposits

	2025	*2024*
Measured at amortized cost		
Debenture with Concentra Bank with an interest rate of 3.45%, maturing March 2027 (2024 - 3.05% to 3.45%, maturing between March 2025 and March 2027)	**5,000,000**	10,000,000
Debenture with Atlantic Central with an interest rate of 4.05%, maturing May 2026 (2024 - 4.05%, maturing May 2025)	**5,202,500**	5,000,000
Segregated liquidity deposits	**18,849,227**	18,291,837
	29,051,727	33,291,837
Atlantic Central - Class Nova Scotia Provincial	**379,000**	379,000
Atlantic Central - Common	**1,844,335**	1,844,335
Atlantic Central - League Savings and Mortgage	**1,400,661**	1,400,661
Central One Class B shares	**100**	100
League Data Limited	**446,350**	446,350
Other	**100**	100
	4,070,546	4,070,546
Accrued interest	**113,683**	150,106
Total	**33,235,956**	37,512,489

6. Loans to members

Principal and allowance by loan type:

2025

	Principal performing	**Principal impaired**	**Allowance specific**	**Allowance for expected credit loss**	**Net carrying value**
Personal loans	7,672,675	38,408	155,443	140,065	**7,415,575**
Mortgages	109,155,314	549,154	74,465	58,201	**109,571,802**
Commerical loans	50,287,057	345,060	73,382	83,510	**50,475,225**
Lines of credit and overdrafts	19,469,892	175,142	-	-	**19,645,034**
Accrued interest	1,226,575	-	-	-	**1,226,575**
Total	187,811,513	1,107,764	303,290	281,776	**188,334,211**

2024

	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit loss	Net carrying value
Personal loans	6,652,018	77,918	71,782	123,944	6,534,210
Mortgages	98,954,556	376,914	20,730	45,828	99,264,912
Commerical loans	51,564,657	922,686	132,292	79,351	52,275,700
Lines of credit and overdrafts	16,968,121	10,387	-	-	16,978,508
Accrued interest	1,274,230	-	-	-	1,274,230
Total	175,413,582	1,387,905	224,804	249,123	**176,327,560**

6 Loans to members *(Continued from previous page)*

Loan commitments

The Credit Union has authorized lines of credit in the amount of $32,351,456 which are unutilized at December 31, 2025 (2024 - $26,155,062).

The Credit Union was committed to the issuance of new loans to members in the amount of $3,980,405 at December 31, 2025 (2024 - $2,729,520).

Allowance for loan impairment

The allowance for loan impairment changed as follows:

	2025	*2024*
Balance, beginning of year	**473,927**	362,410
Provision for loan impairment	**117,304**	102,428
Subtotal	**591,231**	464,838
Less: accounts written off, net of recoveries	**6,165**	(9,089)
Balance, end of year	**585,066**	473,927

7. Property, building and equipment

	2025	*2024*
Cost *(Schedule 4)*	**7,471,518**	7,375,197
Accumulated depreciation *(Schedule 4)*	**4,140,959**	3,914,289
	3,330,559	3,460,908
Land	**205,129**	205,129
Buildings	**2,784,856**	2,843,053
Furniture and computers	**71,869**	76,232
Equipment	**71,845**	86,944
Leasehold improvements	**-**	7,430
Parking area	**30,366**	36,770
Right-of-use assets	**166,494**	205,350
	3,330,559	3,460,908

8. Other assets

	2025	*2024*
Prepaid contract costs	**1,164,571**	1,298,945
Prepaid expenses and deposits	**341,671**	139,867
Foreclosed assets	**36,574**	129,157
Accounts receivable	**32,968**	168,286
	1,575,784	1,736,255

8. Other assets *(Continued from previous page)*

The Credit Union has incurred costs related to a cloud computing service contract. These costs can be categorized as the development, configuration and customization, and testing of the platform, as well as certain training costs. The prepaid contract costs are being amortized over the ten year service contract. An amount of $134,374 (2024 - $44,791) is included in general business expenses relating to the recognition of the service contract costs.

9. Members' deposits

	2025	*2024*
Chequing and demand deposits	**161,229,975**	171,743,353
Savings	**20,365,615**	19,151,157
Registered plans	**12,055,308**	8,048,274
Tax free savings	**16,329,564**	13,905,242
Term deposits	**23,067,344**	23,353,257
Accrued interest	**823,918**	1,454,064
	233,871,724	237,655,347

Members' deposits are subject to the following terms:

- Members' deposits are insured by the Nova Scotia Credit Union Deposit Insurance Corporation.

Term deposits are subject to the following terms:

- Term deposits for periods of one to five years generally may not be withdrawn, prior to maturity, without penalty. Term deposits for periods less than one year may be withdrawn after 30 days, subject to an interest reduction.

Registered retirement savings plans are subject to the following terms:

- Concentra Bank is a trustee for the registered retirement savings plans offered to members. Under an agreement with Concentra Bank, members' contributions to these plans, as well as income earned on them, are deposited in the Credit Union. On withdrawal, payment of the plan proceeds is made to the members, or the parties designated by them, by the Credit Union, on behalf of Concentra Bank.

10. Income tax

Income tax expense recognized in profit

The applicable tax rate is the aggregate of the federal and provincial income tax rate of 29% (2024 - 29%).

Deferred tax expense recognized in profit

The deferred income tax recovery recognized in profit for the current year is a result of the following changes:

	2025	*2024*
Deferred tax liability		
Investments, difference in cost bases of shares	**(109,910)**	(109,910)
	(109,910)	(109,910)

10. Income tax *(Continued from previous page)*

	2025	2024
Deferred tax asset		
Loans to members, principally due to allowance for financial reporting purposes	**30,171**	78,752
Property, building and equipment, difference in net book value and undepreciated cost	**23,715**	23,047
	53,886	101,799
Net deferred tax liability	**(56,024)**	(8,111)

Reconciliation between income tax expense and pre-tax net profit

	2025	2024
Income before income taxes	**1,583,370**	1,084,316
Income tax expense calculated at 29.00% (2024 - 29%)	**459,177**	314,452
Tax effect resulting from application of rate reduction for small business income	**(88,424)**	(87,500)
Non-deductible expenses	**817**	4,218
Change in enacted rates of deferred tax asset calculated	**-**	10,481
Income tax expense reported in profit	**371,570**	241,651

11. Interest expense on members' deposits

	2025	2024
Chequing and demand deposits	**1,227,166**	1,833,017
Savings	**430,403**	687,534
Registered retirement savings plan	**365,601**	292,885
Tax free savings account	**393,428**	409,856
Term deposits	**974,727**	1,006,401
	3,391,325	4,229,693

12. Members' shares

Authorized:

Unlimited number of common shares. The shares have a par value of $5, $25 or $50 per share depending on the type of account opened. Members are required to hold a minimum of 5 shares if they are 19 years and over, and only 1 share if they are under 19.

Issued:

	2025	2024
Members' shares issued and classified as equity		
Members' shares, beginning of year	**7,173**	6,133
Issued during the year, net of redemptions	**295**	1,040
	7,468	7,173

12. Members' shares *(Continued from previous page)*

	2025	*2024*
Surplus shares issued and classified as equity		
Surplus shares, beginning of year	**2,310**	2,389
Issued during the year, net of redemptions	**(78)**	(79)
	2,232	2,310

13. Supplemental cash flow information

Interest and income taxes received (paid):

	2025	*2024*
Interest on members' deposits	**(4,027,784)**	(2,994,667)
Income taxes	**(248,321)**	(315,135)
Dividends and interest on investments	**1,636,113**	1,846,177
Interest on loans to members	**9,094,846**	8,762,088
Right-of-use assets acquired through lease during the year	**39,466**	37,765

14. Capital management

The Credit Union’s objectives when managing capital is to safeguard the entity’s ability to continue as a going concern, so that it can continue to provide returns for members and benefits for other stakeholders.

The Credit Union manages its capital through a set of formalized management policies and through corporate governance at the level of the Board of Directors and related committees. Due to the nature of the Credit Union, capital is also managed by maintaining of liquidity deposits at Atlantic Central.

The Credit Union is required to maintain a prescribed capital base, consisting of membership and surplus shares and retained earnings of 5% of total assets. At year end the Credit Union had a capital base equal to 7.59% (2024 – 7.03%).

15. Related party transactions

Key management compensation of the Credit Union

Key management of the Credit Union was revised and includes the CEO, Manager of Operations, Manager of Information Technology, Manager of Human Resources, Manager of Marketing and Community Engagement, Branch Managers and members of the Board of Directors. Key management personnel (KMP) remuneration includes the following expenses:

	2025	*2024*
Salaries	**1,131,655**	1,045,909
Post employment benefits	**98,817**	93,057
Short-term employment benefits	**44,341**	35,490
Total remuneration	**1,274,813**	1,174,456

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

Transactions with key management personnel

There are no benefits or concessional terms and conditions applicable to the family members of Key Management Personnel. There are no loans that are impaired in relation to the loan balances with family or relatives of KMP.

	2025	2024
The total value of member deposits from the Directors and KMP as at the year-end:		
Loans to members	**568,374**	737,389
Members' deposits	**245,516**	686,426
Members' shares	**852**	1,470

Directors, management and staff

Deposit accounts are maintained under the same terms and conditions as accounts of other members, and are included in members' deposits on the statement of financial position.

Loans made to key management personnel were made in the normal course of operations with interest rates at regular rates offered to all members of the Credit Union. Interest rates on deposits and dividends on shares were at identical rates offered to all members of the Credit Union.

Directors' fees

	2025	2024
Directors' fees and committee remuneration	**44,373**	51,333

16. Financial instruments

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

Accordingly, 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 risk management policies approved by its Board of Directors.

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

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

Various Board of Directors committees are involved in financial instrument risk management oversight, including the Audit Committee and Credit Committee.

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.

16. Financial instruments *(Continued from previous page)*

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. Credit risk primarily arises from loans to members and the Credit Union's lending activity.

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[and related parties]
- 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
- Overdraft control and administration processes
- Loan syndication 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.

To meet the needs of its members and to manage its own exposure to fluctuations in interest rates, the Credit Union participates in various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of customers. These are subject to normal credit standards, financial controls, risk management and monitoring procedures.

The Credit Union makes the following instruments available to its members:

- Guarantees and standby letters of credit representing irrevocable assurances that the Credit Union will pay if a member cannot meet their obligations to a third party
- Commitments to extend credit representing unused portions of authorizations to extend credit in the form of loans (including lines of credit and credit cards), guarantees or letters of credit. Details of loan commitments are outlined in Note 6.

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.

16. Financial instruments *(Continued from previous page)*

Credit Risk *(Continued from previous page)*

The Credit Union considers loans to members and advances 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. 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.

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). The Credit Union considers there not to have been a significant increase in credit risk despite contractual payments being more than 30 days past due when they have interviewed the borrower and determined that payment is forthcoming.

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its members. Credit-impaired financial assets are typically placed on the Credit Union's watch list based on its internal credit risk policies. In making this assessment, the Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings.

Measurement of expected credit losses

The Credit Union measures expected credit losses for loans to members on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type. Otherwise, expected credit losses are measured on an individual basis.

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 members 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.

The Credit Union has taken into consideration the macroeconomic impacts on its collective allowance. Based on information and facts available at December 31, 2025 and 2024, management provided a risk adjustment of 10% to 25% to increase its collective allowance for 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.

16. Financial instruments *(Continued from previous page)*

Credit Risk *(Continued from previous page)*

Exposure to credit risk

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 *Financial instruments*. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

Except as noted below, the gross carrying amount of financial assets and exposure amount of loan commitments and financial guarantee contracts represents the maximum exposure to credit risk for that class of financial asset.

		2025		
	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Personal loans				
Low-fair risk	6,780,349	-	-	6,780,349
Watch list	-	892,326	-	892,326
Doubtful or impaired	-	-	38,408	38,408
Total gross carrying amount	6,780,349	892,326	38,408	7,711,083
Less: loss allowance	52,822	87,243	-	140,065
Total carrying amount	6,727,527	805,083	38,408	7,571,018
Mortgages				
Low-fair risk	98,214,678	-	-	98,214,678
Watch list	-	10,940,636	-	10,940,636
Doubtful or impaired	-	-	549,154	549,154
Total gross carrying amount	98,214,678	10,940,636	549,154	109,704,468
Less: loss allowance	26,331	31,870	74,465	132,666
Total carrying amount	98,188,347	10,908,766	474,689	109,571,802
Commerical loans				
Low-fair risk	43,684,744	-	-	43,684,744
Watch list	-	6,602,313	-	6,602,313
Doubtful or impaired	-	-	345,060	345,060
Total gross carrying amount	43,684,744	6,602,313	345,060	50,632,117
Less: loss allowance	24,885	58,625	73,382	156,892
Total carrying amount	43,659,859	6,543,688	271,678	50,475,225
Lines of credit and overdrafts				
Low-fair risk	17,270,533	-	-	17,270,533
Watch list	-	2,199,359	-	2,199,359
Doubtful or impaired	-	-	175,142	175,142
Total gross carrying amount	17,270,533	2,199,359	175,142	19,645,034
Less: loss allowance	-	-	155,443	155,443
Total carrying amount	17,270,533	2,199,359	19,699	19,489,591

16. Financial instruments *(Continued from previous page)*

Credit Risk *(Continued from previous page)*

	12-month ECL	***2025 Lifetime ECL (not credit impaired)***	***Lifetime ECL (credit impaired)***	***Total***
Loan commitments				
Low-fair risk	**29,418,842**	**-**	**-**	**29,418,842**
Watch list	**-**	**1,226,501**	**-**	**1,226,501**
Doubtful or impaired	**-**	**-**	**-**	**-**
Total gross carrying amount	**29,418,842**	**1,226,501**	**-**	**30,645,343**
Less: loss allowance	**-**	**-**	**-**	**-**
Total carrying amount	**29,418,842**	**1,226,501**	**-**	**30,645,343**
Total				
Low-fair risk	**195,369,146**	**-**	**-**	**195,369,146**
Watch list	**-**	**21,861,135**	**-**	**21,861,135**
Doubtful or impaired	**-**	**-**	**1,107,764**	**1,107,764**
Total gross carrying amount	**195,369,146**	**21,861,135**	**1,107,764**	**218,338,045**
Less: loss allowance	**104,038**	**177,738**	**303,290**	**585,066**
Total carrying amount	**195,265,108**	**21,683,397**	**804,474**	**217,752,979**

	12-month ECL	*2024 Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Personal loans				
Low-fair risk	5,940,084	-	-	5,940,084
Watch list	-	711,934	-	711,934
Doubtful or impaired	-	-	77,918	77,918
Total gross carrying amount	5,940,084	711,934	77,918	6,729,936
Less: loss allowance	48,748	75,196	71,782	195,726
Total carrying amount	5,891,336	636,738	6,136	6,534,210
Mortgages				
Low-fair risk	89,299,759	-	-	89,299,759
Watch list	-	9,654,797	-	9,654,797
Doubtful or impaired	-	-	376,914	376,914
Total gross carrying amount	89,299,759	9,654,797	376,914	99,331,470
Less: loss allowance	20,549	25,279	20,730	66,558
Total carrying amount	89,279,210	9,629,518	356,184	99,264,912
Commerical loans				
Low-fair risk	45,095,605	-	-	45,095,605
Watch list	-	6,469,052	-	6,469,052
Doubtful or impaired	-	-	922,686	922,686
Total gross carrying amount	45,095,605	6,469,052	922,686	52,487,343
Less: loss allowance	25,290	54,061	132,292	211,643
Total carrying amount	45,070,315	6,414,991	790,394	52,275,700

16. Financial instruments *(Continued from previous page)*

Credit Risk *(Continued from previous page)*

	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Lines of credit and overdrafts				
Low-fair risk	14,967,091	-	-	14,967,091
Watch list	-	2,001,030	-	2,001,030
Doubtful or impaired	-	-	10,387	10,387
Total gross carrying amount	14,967,091	2,001,030	10,387	16,978,508
Less: loss allowance	-	-	-	-
Total carrying amount	14,967,091	2,001,030	10,387	16,978,508
Loan commitments				
Low-fair risk	27,377,667	-	-	27,377,667
Watch list	-	759,573	-	759,573
Doubtful or impaired	-	-	-	-
Total gross carrying amount	27,377,667	759,573	-	28,137,240
Less: loss allowance	-	-	-	-
Total carrying amount	27,377,667	759,573	-	28,137,240
Total				
Low-fair risk	182,680,206	-	-	182,680,206
Watch list	-	19,596,386	-	19,596,386
Doubtful or impaired	-	-	1,387,905	1,387,905
Total gross carrying amount	182,680,206	19,596,386	1,387,905	203,664,497
Less: loss allowance	94,587	154,536	224,804	473,927
Total carrying amount	182,585,619	19,441,850	1,163,101	203,190,570

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 primary service area being Yarmouth, Nova Scotia and surrounding areas.

Financial instruments for which the impairment requirements of IFRS 9 do not apply

The carrying amount of Atlantic Central and League Data Limited shares, as disclosed in Note 5, best represents the Credit Union's maximum exposure to credit risk for those items. The Credit Union holds no collateral or other credit enhancements for these balances.

16. Financial instruments *(Continued from previous page)*

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of the Credit Union’s financial instruments will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in prevailing market interest rates. Interest margins reported in the profit or loss may increase or decrease in response to changes in market interest rates. The Credit Union incurs interest rate risk on its loans and other interest bearing financial instruments.

In managing interest rate risk, the Credit Union relies primarily upon use of asset - liability and interest rate sensitivity simulation models, which is monitored by the management and reported to the Board of Directors which is responsible for managing interest rate risk.

Sensitivity analysis is used to assess the change in value of the Credit Union’s financial instruments against a range of incremental basis point changes in interest rates over a twelve month period. Interest rate shock analysis is calculated in a similar manner to sensitivity analysis but involves a more significant change of 100 basis points or greater in interest rates. Sensitivity analysis and interest rate shock analysis are calculated on a quarterly basis and are reported to the Board of Directors. Based on current differences between financial assets and financial liabilities as at year-end, the Credit Union estimates that an immediate and sustained 100 basis point increase in interest rates would increase net after tax interest income by $185,900 (2024 - $98,000), over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would decrease net after tax interest income by $192,900 (2024 - $98,700) over the next 12 months.

Other types of interest rate risk are the risk of loss arising from changes in the relationship of interest rates which have similar but not identical characteristics; for example, the difference between prime rates and the Canadian Deposit Offering Rate and prepayment risk (the risk of loss of interest income arising from early repayment of fixed rate mortgages and loans), both of which are monitored on a regular basis and are reported to the Board of Directors.

The Credit Union's major source of income is financial margin which is the difference between interest earned on investments and loans to members' and interest paid to members' on their deposits. The objective of managing the financial margin is to match repricing or maturity dates of loans and investments and members' savings and deposits within policy limits. These limits are intended to limit the Credit Union's exposure to changing interest rates and to wide fluctuations of income during periods of changing interest rates. The differential represents the net mismatch between loans and investments and members' savings and deposits for those particular maturity dates. Certain items on the statement of financial position, such as non-interest bearing members' deposits and equity do not provide interest rate exposure to the Credit Union. These items are reported as non-interest rate sensitive in the table below.

A significant amount of members' loans receivable and members' savings and deposits can be settled before maturity on payment of a penalty. No adjustment has been made for repayments that may occur prior to maturity.

16. Financial instruments *(Continued from previous page)*

Interest rate risk *(Continued from previous page)*

Contractual repricing and maturity

All financial instruments are reported in the schedule below based on the earlier of their contractual re – pricing date or maturity date. The schedule below does not identify management's expectations of future events where re – pricing and maturity dates differ from contractual dates.

	Assets	*Average yield %*	Liabilities	*Average costs %*	***2025***	*2024*
0-6 months	87,112,304	*2.46 %*	(157,887,734)	*1.18 %*	**(70,775,430)**	258,777,835
6-12 months	36,681,498	*3.15 %*	(12,245,335)	*2.80 %*	**24,436,163**	50,348,205
1 to 2 years	48,029,990	*4.25 %*	(9,457,208)	*3.05 %*	**38,572,782**	46,945,264
2 to 3 years	33,226,385	*5.65 %*	(3,986,068)	*3.63 %*	**29,240,317**	45,622,872
3 to 4 years	15,937,267	*5.85 %*	(513,345)	*3.67 %*	**15,423,922**	26,075,949
4 to 5 years	24,888,359	*5.37 %*	(746,313)	*3.09 %*	**24,142,046**	12,503,125
Over 5 years	-	*- %*	(144,237)	*- %*	**(144,237)**	1,639,538
Non-interest sensitive	2,855,106	*- %*	(49,285,449)	*- %*	**(46,430,343)**	47,321,182
	248,730,909		**(234,265,689)**		**14,465,220**	489,233,970

Liquidity risk

Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligations as they come due. The Credit Union's management oversees the Credit Union's liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. To mitigate this risk, Atlantic Central requires the Credit Union to maintain, at all times, liquidity that is adequate in relation to the business carried on. The level of liquidity is based on a prescribed percentage of total deposit liabilities. At December 31, 2025, the prescribed liquidity requirement was 9% (2024 - 9%) and the actual liquidity was 23.9% (2024 - 29.6%)

The Credit Union manages its liquidity position from three perspectives:

- Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over reliance on short-term liabilities to fund long-term illiquid assets;
- Tactical liquidity risk, which addresses the day-to-day funding requirements that are managed by imposing prudential limits on net fund outflows;
- Contingent liquidity risk, which assess the impact of sudden stressful events and the Credit Union’s responses thereto.

The primary liquidity risk policies and procedures include the following:

- Liquidity risk management framework to measure and control liquidity risk exposure;
- Measurement of cashflows;
- Maintain a line of credit and borrowing facility with Atlantic Central
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits;
- Monitoring of term deposits.

16. Financial instruments *(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 rates, 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.

Market risk arises from changes in interest rates that affect the Credit Union's net interest income. Exposure to this risk directly impacts the Credit Union's income from its loan and deposit portfolios. The Credit Union's objective is to earn an acceptable net return on these portfolios, without taking unreasonable risk, while meeting member owner needs.

Risk measurement

The Credit Union's risk position is measured and monitored each month to ensure compliance with policy. Management provides monthly reports on these matters to the Credit Union's Board of Directors.

Objectives, policies and processes

Management is responsible for managing the Credit Union's interest rate risk, monitoring approved limits and compliance with policies. The Credit Union manages market risk by developing and implementing asset and liability management policies, which are approved and periodically reviewed by the Board.

The Credit Union's goal is to achieve adequate levels of profitability, liquidity and safety. The Board of Directors reviews the Credit Union's investment and asset liability management policies periodically to ensure they remain relevant and effective in managing and controlling risk. See Note link to additional information on the asset liability matching policy.

17. Fair value measurements

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.

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 beginning of the reporting period, 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.

In determining fair value measurements, the Credit Union uses valuation techniques including net present value techniques and inputs consisting of actual balances, actual results, market values (for similar instruments) and pay frequency

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

Financial assets and financial liabilities 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 measured at				
Fair value through profit and loss				
Investments - shares	**4,070,546**	**-**	**-**	**4,070,546**

				2024
	Fair Value	*Level 1*	*Level 2*	*Level 3*
Financial assets measured at				
Fair value through profit and loss				
Investments - shares	4,070,546	-	-	4,070,546

Financial instruments not measured at fair value

The carrying amount, fair value, and categorization into the fair value hierarchy of 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:

					2025
	Carrying amount	***Fair Value***	***Level 1***	***Level 2***	***Level 3***
Financial assets measured at amortized cost					
Cash and cash equivalents	**27,054,688**	**27,054,688**	**27,054,688**	**-**	**-**
Segregated liquidity deposits	**18,849,227**	**18,849,227**	**18,849,227**	**-**	**-**
Loans to members	**188,334,211**	**185,971,800**	**-**	**185,971,800**	**-**
Investments - debentures	**10,386,781**	**10,407,510**	**-**	**10,407,510**	**-**
Accounts receivable	**35,456**	**35,456**	**35,456**	**-**	**-**
Total financial assets	**244,660,363**	**242,318,681**	**45,939,371**	**196,379,310**	**-**
Financial liabilities measured at amortized cost					
Members' deposits	**233,871,724**	**234,081,844**	**-**	**234,081,844**	**-**
Trade payables and accrued liabilities	**203,269**	**203,269**	**203,269**	**-**	**-**
Lease liabilities	**190,696**	**190,696**	**190,696**	**-**	**-**
Total financial liabilities	**234,265,689**	**234,475,809**	**393,965**	**234,081,844**	**-**

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

2024

	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	37,060,404	37,060,404	37,060,404	-	-
Segregated liquidity deposits	18,291,837	18,291,837	18,291,837	-	-
Loans to members	176,327,650	173,824,400	-	173,824,400	-
Investments - debentures	15,150,106	14,991,746	-	14,991,746	-
Accounts receivable	168,286	168,286	168,286	-	-
Total financial assets	246,998,283	244,336,673	55,520,527	188,816,146	-
Financial liabilities measured at amortized cost					
Members' deposits	237,655,347	238,049,532	-	238,049,532	-
Trade payables and accrued liabilities	279,805	279,805	279,805	-	-
Lease liabilities	230,079	230,079	230,079	-	-
Total financial liabilities	238,165,231	238,559,416	509,884	238,049,532	-

18. Defined contribution retirement plan

On July 31, 2001, the Credit Union provided its employees with a defined contribution registered pension plan ("RPP") matching plan. As of December 31, 2025 and 2024, there were no required future contributions in respect of past service and all contributions required under the plan have been funded.

During the fiscal year, the Credit Union contributed $156,104 (2024 - $162,030) towards the pension plan.

19. Derivative financial instruments

The Credit Union has $163,158 (2024 - $271,522) outstanding in index linked term deposits to its members. The index linked term deposits are three and five year deposits that pay interest at the end of the term, based on the performance of a variety of indices. As at December 31, 2025, the embedded derivative associated with these deposits is presented in accrued interest on members' deposits and have a fair value of $41,319 (2024 - $35,006).

The Credit Union has entered into agreements with Central One, through Atlantic Central to offset the exposure to the indices associated with this product, whereby the Credit Union pays a fixed rate of interest for the term of each index linked term deposit on the face value of the deposits sold. At the end of the term, the Credit Union receives an amount equal to the amount that will be paid to the depositors, based on the performance of the indices. As at December 31, 2025, the Credit Union has entered into such contracts on index linked term deposits for a total of $41,319 (2024 - $35,006) and is presented in accrued interest on investments and deposits.

20. Commitments

The Board of Directors has approved the Credit Union to enter into a twenty year agreement with The Mariners Centre Management Authority for the exclusive naming rights of a new recreation campus. The Credit Union has agreed to the aggregate sum of $1,500,000, payable in ten annual instalments of $150,000. As of December 31, 2025, $150,000 of the total $1,500,000 has been paid.

21. Events after the reporting period

Subsequent to the reporting date, the Credit Union announced that its Wedgeport branch would be closing, effective September 29, 2026.

Coastal Financial Credit Union

Schedule 1 - Schedule of General Business Expenses

For the year ended December 31, 2025

	2025	*2024*
General business		
Central assessment and dues	**1,260,023**	924,197
Service contracts	**233,895**	263,106
Advertising and promotion	**268,198**	180,250
Central processing charge	**142,714**	138,381
Office	**164,535**	129,195
HST paid	**107,167**	103,642
Meetings	**39,459**	85,310
Miscellaneous	**61,265**	81,224
Professional fees	**68,427**	69,632
Service charge	**47,191**	53,752
Board honorarium	**44,373**	51,333
Education	**21,898**	36,299
Telephone	**26,720**	28,951
Interac fees	**17,672**	13,598
Meals and entertainment	**2,868**	6,988
Service bureau charge	**3,550**	1,400
Honey Bee contract costs	**134,373**	44,791
	2,644,328	2,212,049

Schedule 2 - Schedule of Members' Security Expenses

For the year ended December 31, 2025

	2025	*2024*
Members' security		
CUDIC assessment	**184,710**	177,988
Bonding	**47,902**	46,435
	232,612	224,423

Schedule 3 - Schedule of Occupancy Expenses

For the year ended December 31, 2025

	2025	*2024*
Occupancy		
Repairs and maintenance	**121,244**	118,649
Property taxes	**79,010**	86,832
Insurance	**30,276**	64,736
Utilities	**48,266**	41,404
	278,796	311,621

Coastal Financial Credit Union Limited
Schedule 4 – Property, Building and Equipment
For the year ended December 31, 2025

	Land	Buildings	ATM	Furniture and computers	Equipment	Leasehold improvements	Parking	Right-of-use asset	Total
COST									
Balance, December 31, 2023	$ 205,129	$ 4,274,853	$ 276,341	$ 789,671	$ 859,204	$ 187,597	$ 308,800	$ 409,872	$ 7,311,467
Additions	–	32,710	–	8,279	51,947	–	–	37,765	130,701
Disposals	–	(27,914)	–	–	–	–	–	(39,057)	(66,971)
Balance, December 31, 2024	205,129	4,279,649	276,341	797,950	911,151	187,597	308,800	408,580	7,375,197
Additions	**–**	**–**	**–**	**27,344**	**70,719**	**–**	**–**	**39,466**	**137,529**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(41,208)**	**(41,208)**
Balance, December 31, 2025	**205,129**	**4,279,649**	**276,341**	**823,523**	**981,870**	**187,597**	**308,800**	**406,838**	**7,471,518**
ACCUMULATED AMORTIZATION									
Balance, December 31, 2023	–	1,375,150	237,274	625,414	796,964	169,872	264,309	162,904	3,631,887
Depreciation	–	78,306	39,067	96,304	27,243	10,295	7,721	79,383	338,319
Disposals	–	(16,860)	–	–	–	–	–	(39,057)	(55,917)
Balance, December 31, 2024	–	1,436,596	276,341	721,718	824,207	180,167	272,030	203,230	3,914,289
Depreciation	**–**	**58,197**	**–**	**31,707**	**85,818**	**7,430**	**6,404**	**78,322**	**267,878**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(41,208)**	**(41,208)**
Balance, December 31, 2025	**–**	**1,494,793**	**276,341**	**753,425**	**910,025**	**187,597**	**278,434**	**240,344**	**4,140,959**