

**Northern Savings Credit Union**  
**Consolidated Financial Statements**  
*December 31, 2025*

# Northern Savings Credit Union Contents

*For the year ended December 31, 2025*

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## Management's Responsibility

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To the Members of Northern Savings Credit Union:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles 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 consolidated 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 consolidated financial statements.

The Board of Directors and Audit & Operational Risk Committee are 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 & Operational Risk Committee fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, internal auditors, and external auditors. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP is appointed by the Members to audit the consolidated 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 Committee and management to discuss their audit findings.

February 26, 2026

e-Signed by Stefan Delloch  
2026-02-26 14:30:37:37 PST

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Chief Executive Officer

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To the Members of Northern Savings Credit Union:

## Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Credit Union as at December 31, 2025, and its consolidated financial performance and its consolidated 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 Consolidated 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 consolidated 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.

## Other Matter

The consolidated financial statements for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on February 27, 2025.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Credit Union as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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.

Kelowna, British Columbia

February 26, 2026

*MNP* LLP

Chartered Professional Accountants

# Northern Savings Credit Union Consolidated Statement of Financial Position

*As at December 31, 2025*

	<b>2025</b>	<b>2024</b>
<b>Assets</b>		
Cash and cash equivalents <i>(Note 4)</i>	9,257,914	36,167,045
Investments <i>(Note 5)</i>	275,366,811	277,842,535
Loans to members <i>(Note 17)</i>	573,869,685	462,404,770
Property and equipment <i>(Note 6)</i>	13,764,739	12,923,387
Intangible assets and goodwill <i>(Note 7)</i>	4,383,806	4,709,071
Income taxes recoverable	468,525	-
Other assets	3,386,920	2,907,190
	<b>880,498,400</b>	<b>796,953,998</b>
<b>Liabilities</b>		
Member deposits <i>(Note 8)</i>	802,700,313	724,440,228
Accounts payable and accrued liabilities	2,986,385	2,828,827
Derivative financial liability <i>(Note 9)</i>	162,992	571,140
Income taxes payable	-	309,097
Deferred tax liabilities <i>(Note 11)</i>	1,052,413	994,746
	<b>806,902,103</b>	<b>729,144,038</b>
 <b>Commitments</b> <i>(Note 17)</i>		
 <b>Members' equity</b>		
Contributed surplus	1,009,446	1,009,446
Retained earnings	72,771,865	67,252,073
Accumulated other comprehensive loss	(185,014)	(451,559)
	<b>73,596,297</b>	<b>67,809,960</b>
	<b>880,498,400</b>	<b>796,953,998</b>

**Approved on behalf of the Board of Directors**

e-Signed by Joseph Lavoie  
2026-02-26 19:00:07:07 PST  
**Board Chair**

  
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**Chair, Audit & Operational Risk Committee**

## Northern Savings Credit Union Consolidated Statement of Comprehensive Income

*For the year ended December 31, 2025*

	<b>2025</b>	<b>2024</b>
<b>Interest income</b>		
Interest on loans to members	22,498,346	18,707,976
Other interest revenue	11,516,907	12,986,699
	34,015,253	31,694,675
<b>Interest expense</b>		
Interest on member deposits	14,159,026	13,852,849
	19,856,227	17,841,826
<b>Financial margin</b>	19,856,227	17,841,826
<b>Provision for (recovery of) loan impairment (Note 17)</b>	(137,244)	93,338
	19,993,471	17,748,488
<b>Financial margin after provision for (recovery of) loan impairment</b>	19,993,471	17,748,488
<b>Other income (Note 13)</b>	9,068,298	9,686,539
	29,061,769	27,435,027
<b>Operating income</b>	29,061,769	27,435,027
<b>Operating expenses (Note 14)</b>	21,985,564	20,639,529
<b>Distributions to members and donations (Note 12)</b>	139,873	109,751
	6,936,332	6,685,747
<b>Income before income taxes</b>	6,936,332	6,685,747
<b>Provision for (recovery of) income taxes (Note 11)</b>		
Current	1,358,873	1,829,477
Deferred	57,667	(55,777)
	1,416,540	1,773,700
<b>Net income</b>	5,519,792	4,912,047
<b>Other comprehensive income</b>		
<b>Items that will be reclassified subsequently to profit or loss</b>		
Unrealized gain on derivative financial liability, net of income tax	266,545	591,125
<b>Total comprehensive income for the year</b>	5,786,337	5,503,172

*The accompanying notes are an integral part of these financial statements*

**Northern Savings Credit Union**  
**Consolidated Statement of Changes in Members' Equity**  
*For the year ended December 31, 2025*

	<i>Contributed Surplus</i>	<i>Retained earnings</i>	<i>Accumulated other comprehensive loss</i>	<i>Total equity</i>
<b>Balance December 31, 2023</b>	<b>1,009,446</b>	<b>62,340,026</b>	<b>(1,042,684)</b>	<b>62,306,788</b>
Net income	-	4,912,047	-	4,912,047
Unrealized gain on derivative financial liability, net of income tax	-	-	591,125	591,125
<b>Balance December 31, 2024</b>	<b>1,009,446</b>	<b>67,252,073</b>	<b>(451,559)</b>	<b>67,809,960</b>
Net income	-	5,519,792	-	5,519,792
Unrealized gain on derivative financial liability, net of income tax	-	-	266,545	266,545
<b>Balance December 31, 2025</b>	<b>1,009,446</b>	<b>72,771,865</b>	<b>(185,014)</b>	<b>73,596,297</b>

*The accompanying notes are an integral part of these financial statements*

# Northern Savings Credit Union

## Consolidated Statement of Cash Flows

*For the year ended December 31, 2025*

	<b>2025</b>	<b>2024</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Net income	5,519,792	4,912,047
Amortization and depreciation	1,722,690	1,668,775
Provision for income taxes	1,416,540	1,773,700
Provision for (recovery of) impaired loans	(137,244)	93,338
Interest revenue	(34,015,253)	(31,694,675)
Interest expense	14,159,026	13,852,849
	<b>(11,334,449)</b>	<b>(9,393,966)</b>
Changes in working capital accounts		
Other assets	(479,729)	(80,648)
Income taxes paid	(2,136,495)	(2,485,692)
Accounts payable and accrued liabilities	157,576	(283,797)
Net increase in loans to members	(111,074,047)	(37,185,510)
Net increase (decrease) in member deposits	81,233,975	(1,159,675)
Interest received on loans to members and investments	33,610,861	31,525,351
Interest paid on deposits	(17,132,917)	(11,317,885)
	<b>(27,155,225)</b>	<b>(30,381,822)</b>
<b>Investing activities</b>		
Change in investments, net	2,484,871	(10,490,933)
Purchases of property and equipment	(1,859,147)	(1,563,666)
Purchase of intangible assets	(379,630)	(395,326)
	<b>246,094</b>	<b>(12,449,925)</b>
<b>Decrease in cash resources</b>	<b>(26,909,131)</b>	<b>(42,831,747)</b>
<b>Cash resources, beginning of year</b>	<b>36,167,045</b>	<b>78,998,792</b>
<b>Cash resources, end of year</b>	<b>9,257,914</b>	<b>36,167,045</b>

*The accompanying notes are an integral part of these financial statements*

# Northern Savings Credit Union

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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### 1. Nature of operations

Northern Savings Credit Union (the "Credit Union") is incorporated under the Credit Union Incorporation Act of British Columbia and is a member of Central 1 Credit Union Limited ("Central 1"). The Credit Union's operations are subject to the Financial Institutions Act of British Columbia. The Credit Union serves its members in British Columbia by providing personal and business banking, insurance services and investment solutions. The Credit Union's head office is located at 138 Third Ave West, Prince Rupert, British Columbia.

#### **Basis of presentation**

The consolidated financial statements include, in addition to the accounts of the Credit Union, the accounts of its wholly owned subsidiaries, Northern Savings Financial Services Ltd. and Northern Savings Insurance Services Ltd. All intercompany balances and transactions have been eliminated.

#### **Statement of compliance**

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB") as at December 31, 2025.

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on February 26, 2026.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.

#### **Basis of measurement**

These consolidated financial statements are prepared under the historical cost convention except for the revaluation of certain financial instruments.

#### **Functional and presentation currency**

The Credit Union's functional and presentation currency is the Canadian dollar.

### 2. Significant accounting judgments, estimates and assumptions

As the precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements for a period necessarily involves the use of estimates and approximations which have been made using careful judgment. These estimates are based on management's best knowledge of current events and actions that the Credit Union may undertake in the future.

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

#### **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, 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

# Northern Savings Credit Union

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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### 2. Significant accounting judgments, estimates and assumptions *(Continued from previous page)*

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
- Loan to value ratios
- Vacancy rates
- Bankruptcy rates
- 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.

#### ***Financial instruments not traded in active markets***

For financial instruments not traded in active markets, fair values are determined using valuation techniques such as the discounted cash flow model that rely on assumptions that are based on observable active markets or rates. Certain assumptions take into consideration liquidity risk, credit risk and volatility.

#### ***Impairment of non-financial assets***

At each reporting date, the Credit Union assesses whether there are any indicators of impairment for non-financial assets. Non-financial assets that have an indefinite useful life or are not subject to amortization, such as goodwill, are tested annually for impairment or more frequently if impairment indicators exist. Other non-financial assets are tested for impairment if there are indicators that their carrying amounts may not be recoverable.

#### ***Income tax***

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax asset or liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax assets or liabilities.

**Northern Savings Credit Union**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2025*

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**2. Significant accounting judgments, estimates and assumptions** *(Continued from previous page)*

**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 members do 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. Material accounting policy information**

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

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, operating deposits with financial institutions, and for the purpose of the consolidated statement of cash flows, bank overdrafts that are repayable on demand.

**Investments**

Investments which meet the definition of financial instruments are measured and recorded on a basis consistent with the appropriate financial instrument designation.

**Loans to members**

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

**Property and equipment**

Property and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recognized in net income and is provided on a straight-line basis over the estimated useful life of the assets as follows:

	<b>Rate</b>
Buildings	40-60 years
Building components	10-20 years
Computer hardware	3-5 years
Furniture and fixtures	5-10 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

**Intangible assets**

Intangible assets represent finite-lived and indefinite-lived intangible assets. Finite-lived intangible assets consists of software and licenses which are amortized over their estimated useful lives of 5-10 years. Amortization is included in net income. Finite-lived intangible assets are tested for impairment by management whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Indefinite-lived intangible assets consist of insurance licenses and are tested by management annually for impairment and between annual tests when an event or circumstance occurs that more likely than not reduces the fair value of the intangible assets below their carrying value.

**Goodwill**

Goodwill arising in a business combination is recognized as an asset at the date of control (acquisition date). Goodwill is measured as the excess of the cost of the acquisition over the Credit Union's interests in the net fair value of the identifiable net assets, liabilities and contingent liabilities of the acquiree recognized at the date of acquisition.

**3. Material accounting policy information** *(Continued from previous page)*

***Impairment of non-financial assets***

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less cost to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs, for which there are separately identifiable cash flows.

Impairment charges are included in net income, except to the extent they reverse gains previously recognized in other comprehensive income.

***Pension plan and employee benefits***

The Credit Union participates in a multi-employer defined contribution pension plan and recognizes contributions as an expense in the year to which they relate.

The Credit Union provides a defined contribution pension plan to its employees. Under this plan, employees each receive a specified flat rate as the employer's contribution. The Credit Union has no further payment obligations once these contributions have been made. The contributions are recognized as salaries and benefits expenses in the period during which services are rendered by the employees.

Short-term employee benefits, including holiday entitlement, are included in 'other liabilities' and are measured at the undiscounted amount that the Credit Union expects to pay as a result of the unused entitlement.

***Accounts payable and accrued liabilities***

Accounts payable and accrued liabilities are initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

***Member deposits***

All member deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument and are subsequently measured at amortized cost, using the effective interest rate method.

***Distributions to members***

Member dividends approved by the Board of Directors are recognized in net income in the year that they are declared.

***Income taxes***

Income tax expense is comprised of current and deferred taxes which are recognized in net income except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

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 nor taxable net 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 to 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.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities (assets) are settled (recovered).

**3. Material accounting policy information** *(Continued from previous page)*

***Fair value measurements***

The Credit Union classifies fair value measurements recognized in the consolidated 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; and
- Level 3: Unobservable inputs in which there is little or no market data, 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 significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

***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.

The best evidence of fair value at initial recognition is normally the transaction price. If a difference exists between fair value at initial recognition and the transaction price, and fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (i.e., a level 1 input) nor based on a valuation technique that uses only data from observable markets, then the measurement at initial recognition is adjusted to defer the difference between fair value and the transaction price.

**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.

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 term and other deposits, debt securities, loans to members, and receivables.
- **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. Financial assets measured at fair value through other comprehensive income are comprised of derivative financial instruments.

**3. Material accounting policy information** *(Continued from previous page)*

- 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 mandatorily measured at fair value through profit or loss are comprised of cash and equity investments.
- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate a 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. The Credit Union does not hold any financial assets designated to be measured at fair value through profit or loss.

*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, how performance of the portfolio is evaluated, risks affecting the performance of the business model, how managers of the business are compensated, the significance and frequency of sales in prior periods.

*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 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. 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.

The date the Credit Union commits to purchasing a financial asset is considered the date of initial recognition for the purpose of applying the Credit Union's accounting policies for impairment of financial assets.

For member and other 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, unless there has been a significant increase in credit risk since initial recognition. 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 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.

**Northern Savings Credit Union**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2025*

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**3. Material accounting policy information** *(Continued from previous page)*

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 loan delinquency of 90 days or more, breaches of borrowing contracts such as default events or breaches of borrowing covenants, and available borrower specific information indicating financial difficulty of the borrower that is expected to have a detrimental effect on future cash flow. 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 consolidated statement of financial position as follows:

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

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

**Derecognition of financial assets**

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.

The Credit Union engages in securitization transactions resulting in transfers not qualifying for derecognition, where substantially all risks and rewards of ownership have been retained. For these transactions, the transferred asset continues to be recognized in its entirety and a financial liability is recognized for the consideration received. Income on the transferred asset and expenses incurred on the financial liability are recognized in subsequent periods.

Where substantially all risks and rewards of ownership have been transferred, or risks and rewards have neither been transferred nor retained and control of the financial asset has not been retained, the Credit Union derecognizes the financial asset. At the same time, the Credit Union separately recognizes as assets or liabilities the fair value of any rights and obligations created or retained in the transfer. Any difference between the carrying amount measured at the date of recognition and the consideration received is recognized in profit or loss.

**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.

**3. Material accounting policy information** *(Continued from previous page)*

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, financial liabilities are measured at amortized cost or fair value through profit or loss.

All other financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities measured at amortized cost include member deposits, accounts payable and accrued liabilities, and member shares.

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. Changes in the fair value of derivatives not designated as a hedging instrument are recognized in profit or loss.

The Credit Union designates certain 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 consolidated 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

**3. Material accounting policy information** *(Continued from previous page)*

- 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. Where the hedged item is an equity investment for which the Credit Union has elected to present changes in fair value in other comprehensive income, the changes in the fair value of the hedged item and the hedging instrument are recognized in other comprehensive income.

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 consolidated 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 consolidated statement of income in other interest revenue/expense.

When the hedged item is a financial instrument measured at amortized cost, adjustments to the hedged item are amortized to profit or loss. Amortization may begin as soon as a hedging adjustment exists but no later than when the hedged item ceases to be adjusted for hedging gains and losses. Amortization is based on a recalculated effective interest rate calculated at the date that amortization begins.

**Cash flow hedges**

The Credit Union uses cash flow hedges to hedge its exposure to the variability of cash flows related to variable interest bearing instruments or the forecasted assurance of fixed rate liabilities. The Credit Union's cash flow hedges include hedges of floating rate loans, embedded derivatives and other derivatives related to index-linked deposits.

The Credit Union accumulates changes in fair value related to the effective portion of the hedging instrument in the cash flow hedge reserve within equity. The effective portion of the hedge is equal to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item from inception of the hedge. The ineffective portion of changes in the fair value of the hedging instrument is recognized immediately in profit or loss.

When the hedged item is a forecast transaction that subsequently results in recognition of a non-financial asset or liability, the amounts accumulated in the cash flow hedge reserve are removed from equity and included directly in the initial cost or other carrying amount of the asset or liability. This adjustment does not affect other comprehensive income, unless that amount is a loss and the Credit Union expects that all or a portion of the loss will not be recovered in future periods. In this case, the Credit Union immediately reclassifies the amount not expected to be recovered to profit or loss as a reclassification adjustment.

Otherwise, amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period(s) during which the hedged expected future cash flows affect profit or loss. The amounts reclassified to profit or loss are presented in the same line item as the underlying hedged transaction.

When hedge accounting is discontinued for a cash flow hedge and the hedged future cash flows are still expected to occur, accumulated hedging gains or losses remain in the cash flow hedge reserve until such time as the future cash flows occur and are then accounted for as described above. If the hedged future cash flows are no longer expected to occur, accumulated hedging gains and losses are immediately reclassified to profit or loss.

**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.

**3. Material accounting policy information** *(Continued from previous page)*

**Revenue recognition**

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

**Interest**

Interest income and expense are recognized in net income 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 income**

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.

Management has not made any judgments in determining the amount of costs incurred to obtain or fulfill a contract with a member as it does not expect these costs to be recovered. Such costs are expensed in the period in which they are incurred.

**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 consolidated financial statements.

**Northern Savings Credit Union**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2025*

3. **Material accounting policy information** *(Continued from previous page)*

**Standards issued but not yet effective** *(Continued from previous page)*

**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 consolidated financial statements.

4. **Cash and cash equivalents**

	2025	2024
Cash and current accounts	9,257,914	19,603,632
Term deposits and accrued interest	-	16,563,413
	<b>9,257,914</b>	<b>36,167,045</b>

5. **Investments**

The following table provides information on the investments by financial instrument classification, type, and issuer. The maximum exposure to credit risk would be the carrying value in Note 17.

	2025	2024
<b>Term and other deposits</b>		
Measured at amortized cost		
Central 1	144,878,232	185,869,707
Other term deposits	59,171,098	22,073,342
	<b>204,049,330</b>	<b>207,943,049</b>
<b>Equity investments</b>		
Measured at fair value through profit or loss		
Central 1	209,492	208,687
Co-operators Group Ltd.	24,500	24,500
Other shares and investments	2,079,731	3,397,751
	<b>2,313,723</b>	<b>3,630,938</b>
<b>Debt securities</b>		
Measured at amortized cost		
Mandatory liquidity pool	69,003,758	66,268,548
	<b>275,366,811</b>	<b>277,842,535</b>

The Credit Union must maintain mandatory liquidity investments as required by governing legislation. The investments can be withdrawn only if there is a sufficient reduction in the Credit Union's member deposits.

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors of Central 1.

**Northern Savings Credit Union**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2025*

**6. Property and equipment**

	<i>Land</i>	<i>Buildings</i>	<i>Furniture, fixtures &amp; equipment</i>	<i>Total</i>
<b>Cost</b>				
Balance at December 31, 2023	2,670,320	16,365,517	2,784,802	21,820,639
Additions	425,831	544,395	593,440	1,563,666
<hr/>				
Balance at December 31, 2024	3,096,151	16,909,912	3,378,242	23,384,305
Additions	2,087	1,706,781	150,279	1,859,147
<hr/>				
Balance at December 31, 2025	3,098,238	18,616,693	3,528,521	25,243,452
<hr/>				
<b>Depreciation</b>				
Balance at December 31, 2023	-	6,893,489	2,605,752	9,499,241
Depreciation expense	-	839,699	121,978	961,677
<hr/>				
Balance at December 31, 2024	-	7,733,188	2,727,730	10,460,918
Depreciation expense	-	845,249	172,546	1,017,795
<hr/>				
Balance at December 31, 2025	-	8,578,437	2,900,276	11,478,713
<hr/>				
<b>Net book value</b>				
At December 31, 2024	3,096,151	9,176,724	650,512	12,923,387
<b>At December 31, 2025</b>	<b>3,098,238</b>	<b>10,038,256</b>	<b>628,245</b>	<b>13,764,739</b>

Included under Buildings are costs incurred for a building that is currently under construction, totaling \$2,787,804 in 2025 (2024 - \$1,300,442).

**Northern Savings Credit Union**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2025*

**7. Intangible assets and goodwill**

	<i>Non- depreciable licenses</i>	<i>Goodwill</i>	<i>Depreciable licenses</i>	<i>Software</i>	<i>Total</i>
<b>Cost</b>					
Balance at December 31, 2023	799,897	134,224	222,984	5,295,255	6,452,360
Additions	-	-	-	395,326	395,326
Balance at December 31, 2024	799,897	134,224	222,984	5,690,581	6,847,686
Additions	-	-	-	379,630	379,630
Balance at December 31, 2025	799,897	134,224	222,984	6,070,211	7,227,316
<b>Amortization</b>					
Balance at December 31, 2023	-	-	190,313	1,277,910	1,468,223
Amortization expense	-	-	20,634	649,758	670,392
Balance at December 31, 2024	-	-	210,947	1,927,668	2,138,615
Amortization expense	-	-	12,037	692,858	704,895
Balance at December 31, 2025	-	-	222,984	2,620,526	2,843,510
<b>Carrying amounts</b>					
At December 31, 2024	799,897	134,224	12,037	3,762,913	4,709,071
<b>At December 31, 2025</b>	<b>799,897</b>	<b>134,224</b>	<b>-</b>	<b>3,449,685</b>	<b>4,383,806</b>

**8. Member deposits**

	<b>2025</b>	<b>2024</b>
Demand	414,663,129	362,036,662
Term	266,503,823	240,490,446
Registered plans	115,800,638	113,200,063
Member shares ( <i>Note 12</i> )	1,029,977	1,036,420
Accrued interest and dividends	4,702,746	7,676,637
	<b>802,700,313</b>	<b>724,440,228</b>

Included in registered savings plans are education savings plans, tax free savings accounts, first home savings accounts, retirement savings plans and retirement income funds.

**Northern Savings Credit Union**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2025*

**9. Derivative financial liability**

The Credit Union enters into derivative financial instruments for risk management purposes. Derivative financial instruments used by the Credit Union include:

- Interest rate swaps, which are used to hedge the Credit Union's exposure to interest rate risk.

The notional amounts of these derivative financial instruments are not recorded in the consolidated financial statements. Derivatives are recorded at fair value on the consolidated statement of financial position. The fair value of the derivative financial instrument liabilities at December 31, 2025 are disclosed in the table below.

	<i>Within 1 year</i>	<i>Notional amounts</i>		<i>Fair values</i>	
		<b>2025</b>	2024	<b>2025</b>	2024
Interest rate swaps	<b>20,000,000</b>	<b>20,000,000</b>	20,000,000	<b>(162,992)</b>	(571,140)

**10. Pension plan**

**BC Credit Union Employees' Pension Plan**

The Credit Union principally provides pension benefits to its eligible employees through the BC Credit Union Employees' Pension Plan. The Plan is a contributory, multiemployer, multidivisional registered pension plan governed by a Board of Trustees which is responsible for overseeing the management of the Plan, including the investment of the assets and administration of the benefits.

**Northern Savings Credit Union Pension Plan**

The Credit Union participates in a defined contribution pension plan. Employees are eligible to enrol in the pension plan after one year of fulltime employment. Employee contributions are based on a percentage of salary and matched by the Credit Union.

The Credit Union's contribution to the two plans during the year was \$513,056 (2024 - \$505,739).

**11. Income taxes**

The significant components of income tax expense included in net income are comprised of:

	<b>2025</b>	2024
<b>Current income tax expense</b>		
Based on current year taxable income	<b>1,358,873</b>	1,829,477
<b>Deferred income tax expense</b>		
Origination and reversal of temporary differences	<b>57,667</b>	(55,777)
	<b>1,416,540</b>	1,773,700

**Northern Savings Credit Union**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2025*

**11. Income taxes** *(Continued from previous page)*

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 27% (2024 - 27%) are as follows:

	2025	2024
Income before income taxes	6,936,332	6,685,747
Income tax expense based on the statutory rate	1,872,810	1,805,151
Preferred rate deduction for credit unions	(527,563)	-
Items not deductible or taxable for tax purposes	13,626	24,326
	1,358,873	1,829,477

The components of deferred income taxes are as follows:

	2025	2024
<b>Deferred income tax assets:</b>		
Allowance for impaired loans	313,799	345,590
<b>Deferred income tax liabilities:</b>		
Property and equipment	(1,366,212)	(1,340,336)
	(1,052,413)	(994,746)

**12. Member shares**

	Authorized	2025		2024	
		Equity	Liability	Equity	Liability
Class A membership shares	Unlimited	-	1,029,977	-	1,036,420

Member shares are recognized as a liability, equity or compound instrument based on the terms and in accordance with *IAS 32 Financial Instrument Presentation* and *IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments*. If they are classified as equity, they are recognized at cost. If they are classified as a liability, they are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

**Class A membership shares**

As a condition of membership, which is required to use the services of the Credit Union, each member is required to own at least \$5 of membership equity shares. This \$5 membership is redeemable at par only upon withdrawal of membership. Dividends are at the discretion of the Board of Directors.

Funds invested by members in member shares are not insured by the Credit Union Deposit Insurance Corporation of British Columbia. All membership shares are available for redemption and are classified as a liability.

Dividends are declared by the Board of Directors and paid out annually. The 2025 amount is \$45,600 (2024 - \$34,953) and is included within distributions to members and donations in the statement of comprehensive income.

**Northern Savings Credit Union**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2025*

**13. Other income**

	2025	2024
Account and merchant services fees	1,562,859	1,978,667
Foreign exchange	240,500	336,109
Insurance, commissions and fees	6,461,413	6,124,414
Loan administration fees	307,449	852,526
Loan penalty income	213,429	104,854
Other investment income	282,648	289,969
	<b>9,068,298</b>	<b>9,686,539</b>

**14. Operating expenses**

	2025	2024
Advertising and promotion	423,628	378,625
Amortization and depreciation	1,722,690	1,668,775
Data processing and information technology	2,295,327	1,816,746
Other expenses	2,577,292	3,001,370
Premises and equipment	1,015,463	935,804
Professional services	1,106,813	783,727
Salaries and benefits	12,844,351	12,054,482
	<b>21,985,564</b>	<b>20,639,529</b>

**15. Related party transactions**

***Transactions with key management personnel ("KMP")***

The Credit Union entered into the following transactions with key management personnel and directors, which are defined by IAS 24, *Related Party Disclosures*, as those persons that have 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.

Compensation for related parties

	2025	2024
Salaries, and other short-term employee benefits	1,470,824	1,320,346
Total pension and other post-employment benefits	78,680	70,919
	<b>1,549,504</b>	<b>1,391,265</b>

***Loans to related parties***

The Credit Union's policy for lending to directors and KMP is that the loans are approved and accepted on the same terms and conditions which apply to members for each class of loan. There are no loans that are impaired in relation to loan balances with directors and KMP.

There are no benefits or concessional terms and conditions applicable to the family members of Key Management Personnel.

**Northern Savings Credit Union**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2025*

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

	2025	2024
Aggregate value of loans advanced	9,305,139	8,280,545
Aggregate value of unadvanced loans	353,000	487,431
	9,658,139	8,767,976

	2025	2024
Interest collected on loans	381,576	395,422
Interest paid on deposits	132,183	159,492

	2025	2024
<b>Deposits</b>		
Aggregate value of term and savings deposits	6,419,107	7,001,441

The Credit Union's policy for receiving deposits from directors and KMP is that all transactions are approved and deposits accepted on the same terms and conditions which apply to members for each type of deposit.

**16. Fair value measurements**

**Assets and liabilities measured at fair value**

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

<i>(in thousands)</i>	<i>Fair value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2025 Level 3</i>
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
Cash and cash equivalents	9,258	9,258	-	-
Equity investments	2,314	-	-	2,314
	11,572	9,258	-	2,314
<b>Liabilities</b>				
<b>Financial liabilities at fair value through other comprehensive income</b>				
Derivative financial liability	163	-	163	-

<i>(in thousands)</i>	<i>Fair value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2024 Level 3</i>
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
Cash and cash equivalents	19,604	19,604	-	-
Equity investments	3,631	-	-	3,631
	23,235	19,604	-	3,631

**Northern Savings Credit Union**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2025*

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

<i>(in thousands)</i>	<i>Fair value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2024 Level 3</i>
<b>Liabilities</b>				
<b>Financial liabilities at fair value through other comprehensive income</b>				
Derivative financial liability	571	-	571	-

**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 consolidated statement of financial position are as follows:

<i>(in thousands)</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2025 Level 3</i>
<b>Assets</b>					
<b>Amortized cost</b>					
Term and other deposits	204,049	204,049	-	204,049	-
Debt securities	69,004	72,554	72,554	-	-
Loans to members	573,870	571,291	-	571,291	-
Other assets	1,918	1,918	-	1,918	-
	<b>848,841</b>	<b>849,812</b>	<b>72,554</b>	<b>777,258</b>	<b>-</b>

<b>Liabilities</b>					
<b>Amortized cost</b>					
Member deposits	801,670	802,104	-	802,104	-
Accounts payable and accrued liabilities	2,986	2,986	-	2,986	-
Member shares	1,030	1,030	-	1,030	-
	<b>805,686</b>	<b>806,120</b>	<b>-</b>	<b>806,120</b>	<b>-</b>

<i>(in thousands)</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2024 Level 3</i>
<b>Assets</b>					
<b>Amortized cost</b>					
Term and other deposits	224,506	224,506	-	224,506	-
Debt securities	66,269	66,269	66,269	-	-
Loans to members	462,405	467,699	-	467,699	-
Other assets	1,768	1,768	-	1,768	-
	<b>754,948</b>	<b>760,242</b>	<b>66,269</b>	<b>693,973</b>	<b>-</b>

<b>Liabilities</b>					
<b>Amortized cost</b>					
Member deposits	723,404	725,122	-	725,122	-
Accounts payable and accrued liabilities	2,829	2,829	-	2,829	-
Member shares	1,036	1,036	-	1,036	-
	<b>727,269</b>	<b>728,987</b>	<b>-</b>	<b>728,987</b>	<b>-</b>

**16. 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:

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

As there is no observable market data for all fair values disclosed and categorized within Level 3 of the hierarchy, the Credit Union has assumed that the fair value of the amounts is comparable to the amortized cost.

**17. Financial instruments**

All significant financial assets, financial liabilities and equity instruments of the Credit Union are either recognized or disclosed in the consolidated financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit 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 consolidated statement of financial position assets such as loans, as well as off consolidated statement of financial position assets such as commitments and letters of credit.

**Risk management process**

Credit risk management is integral to the Credit Union's activities. The Board of Directors ensure that management has a framework, policies, and processes in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level. The Board and senior management are responsible for developing and implementing the credit risk management practices of the Credit Union by approving and reviewing lending policies on a regular basis, establishing lending limits for the Credit Union, delegating lending limits and reviewing quarterly reports prepared by management on watch list loans, impaired loans, diversification of the portfolio and other policy compliance requirements. The risk management process starts at the time of a member credit application and continues until the loan is fully repaid. The Audit and Operational Risk Committee reviews the adequacy of the allowance for impaired loans. The primary credit risk management policies and procedures include the following:

- Lending policy statements including approval of lending policies, eligibility for loans, exceptions to policy and policy administration.
- Delegated lending authorities, which are clearly communicated to personnel engaged in the credit granting process and a defined approval process for loans in excess of those limits.
- Loan collateral security classifications which set loan classifications, advance ratios and amortization periods.
- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations.
- Early recognition of problem accounts, loan delinquency controls and procedures for loans in arrears.
- Appointment of personnel engaged in credit granting who are qualified.
- Management of growth within quality objectives.
- Audit procedures and processes in existence for all levels of Credit Union lending activities.
- 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:

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

- 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), guarantees or letters of credit.

The amounts shown on the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded.

As at year-end, the Credit Union had the following outstanding financial instruments subject to credit risk:

	<b>2025</b>	<b>2024</b>
Unadvanced loans	<b>21,779,734</b>	38,038,275
Unused lines of credit	<b>37,805,498</b>	38,738,828
Letters of credit	<b>864,194</b>	854,194
	<b>60,449,426</b>	77,631,297

**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 loans 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;
- Facts or conditions are present indicating a borrower's inability to meet its debt obligations;
- The probability of default at the reporting date has increased significantly from the time of recognition.

When a financial instrument is considered to have low credit risk and does not fall within the risk management process, it is assumed that there has not been a significant increase in credit risk since initial recognition. Financial instruments considered to have low credit risk include investments and derivative financial instruments.

When the contractual terms of a financial asset have been modified or renegotiated and the financial asset has not been derecognized, the Credit Union assesses for significant increases in credit risk by consideration of its ability to collect interest and principal payments on the modified financial asset, the reason for the modifications, the borrower's payment performance compared to the modified contractual terms and whether such modifications increase the borrower's ability to meet its contractual obligations.

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

Where the contractual cash flows of a financial asset have been modified while the loss allowance of that asset is measured at an amount equal to lifetime expected credit losses, the Credit Union determines whether the credit risk of that financial asset has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month expected credit losses. The Credit Union makes this determination by evaluating the credit risk of the modified financial asset and comparing with documentation of the borrower's initial credit assessment at the time of the initial borrowing. The Credit Union considers the credit risk to have decreased when there is evidence that the quantitative or qualitative indicator for a significant increase in credit risk no longer exists for a particular financial asset. Subsequently, management monitors these assets to determine the extent to which expected credit losses revert to being measured at an amount equal to lifetime expected credit losses.

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its customers. 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 observable data about the following events:

- Significant financial difficulty of the borrower;
- A breach of contract, such as a default or past due event;
- The credit union, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the credit union would not otherwise consider; and
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

As it may not be possible to identify a single discrete event, a combined effect of several events may result in a financial asset to become credit-impaired.

*Measurement of expected credit losses*

The Credit Union measures expected credit losses ("ECL") for member loans 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 and security held. 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 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.

*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.

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17. **Financial instruments** (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.

The gross carrying amount of financial assets represents the maximum exposure to credit risk for that class of financial asset.

	12-month ECL (stage 1)	2025 Lifetime ECL (not credit impaired) (stage 2)	Lifetime ECL (credit impaired) (stage 3)	Total
<b>Residential mortgages and personal loans</b>				
Low risk	386,071,768	-	-	386,071,768
Medium risk	-	11,710,854	-	11,710,854
Default	-	-	1,451,477	1,451,477
Gross carrying amount	386,071,768	11,710,854	1,451,477	399,234,099
Less: loss allowance	341,797	77,716	181,570	601,083
Carrying amount	385,729,971	11,633,138	1,269,907	398,633,016
<b>Commercial mortgages and loans</b>				
Low risk	163,781,639	-	-	163,781,639
Medium risk	-	11,646,253	-	11,646,253
Default	-	-	348,869	348,869
Gross carrying amount	163,781,639	11,646,253	348,869	175,776,761
Less: loss allowance	376,164	135,059	28,869	540,092
Carrying amount	163,405,475	11,511,194	320,000	175,236,669
<b>Total loans to members</b>				
Total gross carrying amount, per above	549,853,407	23,357,107	1,800,346	575,010,860
Less: loss allowance	717,961	212,775	210,439	1,141,175
Total carrying amount	549,135,446	23,144,332	1,589,907	573,869,685

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

	12-month ECL (stage 1)	2024 Lifetime ECL (not credit impaired) (stage 2)	Lifetime ECL (credit impaired) (stage 3)	Total
<b>Residential mortgages and personal loans</b>				
Low risk	309,965,423	-	-	309,965,423
Medium risk	-	2,216,862	-	2,216,862
Default	-	-	1,799,873	1,799,873
Gross carrying amount	309,965,423	2,216,862	1,799,873	313,982,158
Less: loss allowance	280,983	12,775	37,225	330,983
Carrying amount	309,684,440	2,204,087	1,762,648	313,651,175
<b>Commercial mortgages and loans</b>				
Low risk	131,154,262	-	-	131,154,262
Medium risk	-	17,780,533	-	17,780,533
Default	-	-	772,806	772,806
Gross carrying amount	131,154,262	17,780,533	772,806	149,707,601
Less: loss allowance	157,830	577,819	218,357	954,006
Carrying amount	130,996,432	17,202,714	554,449	148,753,595
<b>Total loans to members</b>				
Total gross carrying amount, per above	441,119,685	19,997,395	2,572,679	463,689,759
Less: loss allowance	438,813	590,594	255,582	1,284,989
Total carrying amount	440,680,872	19,406,801	2,317,097	462,404,770

As at December 31, 2025, the maximum exposure to credit risk with respect to financial assets without taking into account collateral held or other credit enhancements is \$920,085,011 (2024 - \$854,045,647). The principal collateral and other credit enhancement held by the Credit Union as security for loans include i) insurance, ii) mortgages over residential lots and properties, iii) recourse to the business assets such as real estate, equipment, inventory and accounts receivable, iv) recourse to the commercial real estate properties being financed, and v) recourse to liquid assets, guarantees and securities.

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

**Amounts arising from expected credit losses**

*Reconciliation of the loss allowance*

The following tables show a reconciliation of the opening to the closing balance of the loss allowance by class of financial instrument.

	<i>12-month ECL</i>	<i>Lifetime ECL (not credit impaired)</i>	<i>Lifetime ECL (credit impaired)</i>	<i>Total</i>
<b>Loans to members allowance</b>				
Balance at December 31, 2023	412,890	651,643	128,149	1,192,682
Provision for impaired loans	93,338	-	-	93,338
Write-offs, net of recoveries	(67,415)	(61,049)	127,433	(1,031)
Balance at December 31, 2024	438,813	590,594	255,582	1,284,989
Recovery of loan impairment	(137,244)	-	-	(137,244)
Write-offs, net of recoveries	416,392	(377,819)	(45,143)	(6,570)
Balance at December 31, 2025	717,961	212,775	210,439	1,141,175

**Market risk**

Market risk is the risk of a loss that may arise from financial market factors such as interest rates, foreign exchange rates, and equity or commodity prices. The Credit Union is exposed to market risk when making loans, taking deposits and making investments, which are all part of its asset/liability management activities. The level of market risk to which the Credit Union is exposed varies depending on market conditions and expectation of future price and yield movements. The Credit Union's material market risks are confined to interest rates and, to a limited extent, foreign exchange, as discussed below.

**Interest rate risk**

Interest rate risk arises mainly from the different re-pricing dates of cash flows associated with interest sensitive assets and liabilities. Certain products have embedded options, such as loan prepayment and deposit redemption, which also impact interest rate risk.

**Risk Measurement**

The Credit Union measures its interest rate risk on a quarterly basis. Measures include the sensitivity of financial margin and equity value to changes in rates, duration parameters, as well as simulation modelling.

**Objectives, Policies and Processes**

Senior management meets regularly to monitor the Credit Union's position as set by Board policy and operational guidelines, to decide future strategy. These policies and guidelines define the standards and limits within which the risks to net interest income and the value of equity are contained. An asset/liability risk report is prepared quarterly for senior management and reviewed on a quarterly basis by the Board. Interest rate risk policies are reviewed annually by the Board.

The Credit Union's potential risk due to an immediate parallel shift in interest rates is provided below. All interest rate risk measures are based upon interest rate exposure at a specific time and continuously change as a result of business activities and the Credit Union's risk management initiatives.

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

	2025	2024
1% increase in interest rates		
Impact on financial margin for the next 12 months	333,000	85,000
1% decrease in interest rates		
Impact on financial margin for the next 12 months	(1,224,000)	(597,000)

**Interest rate sensitivity**

Interest rate risk is the sensitivity of the Credit Union's financial condition to movements in interest rates. The carrying amounts of financial instruments are presented in the periods in which they next re-price to market rates or mature and are summed to show the net interest rate sensitivity gap.

	<i>(In thousands)</i>					
	<i>Within 3 months</i>	<i>4-12 months</i>	<i>Over 1 year</i>	<i>Non-Interest Sensitive</i>	<i>2025 Total</i>	<i>2024 Total</i>
<b>Assets</b>						
Cash and cash equivalents	6,599	-	-	2,659	<b>9,258</b>	36,167
Average yield %	1.90	-	-	-	1.36	2.72
Investments	26,735	109,564	135,014	4,054	<b>275,367</b>	277,843
Average yield %	3.61	3.36	3.81	-	3.56	3.58
Loans to members	123,286	111,904	338,680	-	<b>573,870</b>	462,405
Average yield %	5.24	4.41	4.45	-	4.61	5.03
Other assets	-	-	-	1,918	<b>1,918</b>	1,768
	<b>156,620</b>	<b>221,468</b>	<b>473,694</b>	<b>8,631</b>	<b>860,413</b>	778,183
<b>Liabilities</b>						
Member deposits	206,321	114,858	179,637	300,854	<b>801,670</b>	723,404
Average yield %	1.33	2.90	2.86	-	1.49	1.81
Member shares	-	-	-	1,030	<b>1,030</b>	1,036
Accounts payable and accrued liabilities	-	-	-	2,986	<b>2,986</b>	2,829
	<b>206,321</b>	<b>114,858</b>	<b>179,637</b>	<b>304,870</b>	<b>805,686</b>	727,269
<b>Mismatch</b>	<b>(49,701)</b>	<b>106,610</b>	<b>294,057</b>	<b>(296,239)</b>	<b>54,727</b>	50,914
<b>Net derivative contracts - variable</b>	-	<b>(20,000)</b>	-	-	<b>(20,000)</b>	-
<b>Net derivative contracts - fixed</b>	-	<b>20,000</b>	-	-	<b>20,000</b>	-
<b>Net sensitivity</b>	<b>(49,701)</b>	<b>106,610</b>	<b>294,057</b>	<b>(296,239)</b>	<b>54,727</b>	50,914

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

**Foreign exchange risk**

Foreign exchange risk arises when there is a mismatch between assets and liabilities denominated in a foreign currency. In providing services to its members, the Credit Union maintains assets and liabilities denominated in foreign currency.

**Risk measurement**

The Credit Union's foreign exchange positions are measured and monitored regularly.

**Objectives, policies and processes**

The Credit Union's foreign exchange exposure is managed by a limit on the maximum allowable difference between assets and liabilities held which are denominated in foreign currency. Foreign exchange forward contracts may be used to hedge the Credit Union's exposure to foreign exchange risk. Policy with respect to foreign exchange exposure is reviewed and approved at least annually by the Board of Directors.

At December 31, 2025, the Credit Union's exposure to foreign exchange risk was not significant.

**Liquidity and funding risk**

Liquidity and funding risk is the risk that the Credit Union may not be able to gather sufficient cash resources in a timely and cost effective manner to meet its financial obligations as they become due. The Credit Union has a strong liquidity base and has a well-established contingency plan to access if required.

**Risk measurement**

The Credit Union measures and manages risk from different perspectives. The Credit Union monitors cash resources daily in order to address normal day-to-day funding requirements and ensure regulatory compliance. It also measures overall maturity of assets and liabilities, longer-term cash and funding needs and contingency planning. The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective conditions of the Credit Union, the markets and the related behaviour of members and counterparties.

**Objectives, policies and processes**

The Credit Union's liquidity management framework is monitored by senior management and policies are approved by the Board. This framework is in place to ensure that the Credit Union has sufficient cash resources to meet its current and future financial obligations under both normal and unusual conditions. Maintenance of a prudent liquidity base also provides flexibility to fund loan growth and react to other market opportunities. This includes ensuring adequate funding is available from Central 1 and alternate third party sources. As at December 31, 2025, the Credit Union has authorized lines of credit with Central 1 totaling \$23,633,989 (2024 - \$13,856,018). Of this, \$833,989 (2024 - \$833,989) is held as security for secured letters of credit. This credit facility is secured by a demand debenture and the general assignment of book debts.

Legislation requires that the Credit Union maintain liquid assets in a segregated trust of at least 8% of deposit and debt liabilities. Regulatory liquidity is reported to the Board monthly and the Board receives regular reporting of available cash resources and utilization rates. The Credit Union strives to maintain a stable volume of base deposits originating from its members, as well as diversified funding sources. The Credit Union was in compliance with the regulatory liquidity requirements throughout the year.

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

The following table shows the principal obligations related to financial liabilities significant in the management of liquidity risk as at December 31, 2025:

	<b>Demand &amp; Notice</b>	<b>Under 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>2025</b>	<b>2024</b>
Member deposits	<b>439,304,007</b>	<b>178,190,501</b>	<b>185,205,805</b>	-	<b>802,700,313</b>	724,440,228
Accounts payable and accrued liabilities	-	<b>2,986,385</b>	-	-	<b>2,986,385</b>	2,828,827
	<b>439,304,007</b>	<b>181,176,886</b>	<b>185,205,805</b>	-	<b>805,686,698</b>	727,269,055

**18. Capital management**

The Financial Institutions Act requires the Credit Union to maintain, at all times, a capital base which is adequate in relation to the business carried on. The level of capital required is based on a prescribed percentage of the total value of risk-weighted assets, each asset of the Credit Union being assigned a risk factor based on the probability that a loss may be incurred on the ultimate realization of that asset. Management considers capital to be comprised of the net assets of the Credit Union and all components of member equity on the same risk weighted basis as is prescribed by the Financial Institutions Act and which amounts to \$365,634,563 as at December 31, 2025 (December 31, 2024 - \$293,031,378).

The Financial Institutions Act regulations prescribe that the minimum required capital base ratio is 8%. As at December 31, 2025, the Credit Union has a capital base ratio of 21.85% (December 31, 2024 - 25.10%).

Capital is managed in accordance with policies established by the Board. Management regards a strong capital base as an integral part of the Credit Union's strategy. The Credit Union has a capital plan to provide a long-term forecast of capital requirements. All of the elements of capital are monitored throughout the period, and modifications of capital management strategies are made as appropriate. The Credit Union makes periodic dividend payments on eligible member shares, within the context of its overall capital management plan.

The BC Financial Services Authority is in the process of conducting a multi-year initiative to modernize the capital framework for B.C.'s credit unions. The goals of the Capital Modernization Project are to ensure that capital adequacy requirements for credit unions continue to reflect underlying risks and, as appropriate, reflect developments in international standards and best practices. The ultimate outcome of this initiative is expected to be a new Capital Rule that will replace portions of the existing Capital Requirements Regulation respecting credit unions. It is anticipated that the new Capital Rule will take effect on January 1, 2027.

**19. Comparative figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.