

MERIDIAN CREDIT UNION LIMITED

Consolidated Financial Statements

For the year ended December 31, 2025

MERIDIAN CREDIT UNION LIMITED**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2025

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Independent auditor's report

To the Members of Meridian Credit Union Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Meridian Credit Union Limited and its subsidiaries (together, the Credit Union) as at December 31, 2025 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Credit Union's consolidated financial statements comprise:

- the consolidated balance sheet as at December 31, 2025;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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, 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 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 12, 2026

CONSOLIDATED BALANCE SHEET

As at December 31 (thousands of Canadian dollars)	Note	2025	2024
ASSETS			
Cash ¹		16,988	19,021
Interest-bearing deposits with financial institutions ¹		1,222,903	515,293
	5	1,239,891	534,314
Debt securities	6	2,133,464	2,384,438
Loans	7		
Residential mortgages		12,771,867	12,487,740
Personal loans		1,424,018	1,433,576
Commercial mortgages and loans		7,884,398	7,502,055
Equipment financing	7.1	1,655,346	1,799,394
		23,735,629	23,222,765
Allowance for credit losses		(166,650)	(128,111)
		23,568,979	23,094,654
Derivative financial assets ²	8	38,275	39,840
Goodwill and intangible assets	9	631	85,780
Premises and equipment	10	86,406	81,940
Equity investments	11	66,408	67,689
Deferred tax assets	12	78,166	53,188
Other assets	13	101,642	81,768
Assets held for sale	14	-	64,461
Total assets		27,313,862	26,488,072
LIABILITIES			
Deposits	15		
Personal		14,358,874	13,899,842
Commercial and institutional		5,091,549	5,037,827
		19,450,423	18,937,669
Securitization liabilities	16	5,361,109	4,892,793
Funding facilities	17	300,007	300,020
Subordinated debt	18	74,687	201,276
Right-of-use lease liabilities	10	64,457	59,135
Derivative financial liabilities ²	8	14,633	20,551
Other liabilities	19	240,468	249,600
Liabilities directly associated with assets held for sale	14	-	18,105
Total liabilities		25,505,784	24,679,149
MEMBERS' EQUITY			
Share capital	21	829,208	799,243
Contributed surplus		104,761	104,761
Retained earnings		859,528	887,498
Accumulated other comprehensive income		14,581	17,421
Total Members' equity		1,808,078	1,808,923
Total liabilities and Members' equity		27,313,862	26,488,072

¹ \$29,412 of the restricted funds balance in 2024 previously presented in cash is now presented in interest-bearing deposits.

² In 2025, the Credit Union reevaluated the presentation of foreign exchange swaps and began presenting both currency legs as a single asset or liability. \$161,401 of the 2024 balance previously presented in derivative financial assets is now presented in derivative financial liabilities.

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

CONSOLIDATED INCOME STATEMENT

For the year ended December 31 (thousands of Canadian dollars)	Note	2025	2024
INTEREST INCOME			
Loans		1,174,523	1,226,397
Debt securities		71,972	84,795
Cash and deposits		21,246	39,277
		1,267,741	1,350,469
INTEREST EXPENSE			
Deposits		565,964	690,819
Securitization liabilities		180,308	187,002
Funding facilities and subordinated debt		24,414	32,154
Other		2,440	2,161
		773,126	912,136
NET INTEREST INCOME		494,615	438,333
NON-INTEREST INCOME			
Fee and other income	22	105,258	94,352
Net gain on financial instruments	23	4,246	6,138
TOTAL REVENUE		604,119	538,823
Provision for credit losses	7	95,556	67,342
		508,563	471,481
NON-INTEREST EXPENSES			
Salaries and employee benefits	20	263,365	237,849
Administration		123,358	117,190
Occupancy		10,512	9,958
Amortization	9.2	3,052	3,887
Depreciation	10	15,612	16,675
Community and social impact		3,267	3,287
		419,166	388,846
Impairment of goodwill and intangible assets	9	82,484	-
Income before income taxes		6,913	82,635
Income taxes	24	(7,829)	4,911
NET INCOME		14,742	77,724
Investment share dividends		42,735	46,128
NET INCOME (LOSS) ATTRIBUTABLE TO MEMBERSHIP SHARES		(27,993)	31,596

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31 (thousands of Canadian dollars)	Note	2025	2024
Net income		14,742	77,724
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to net income			
Actuarial losses on defined benefit plans and other post-retirement obligations	20	(66)	(3)
Unrealized gains (losses) on equity investments measured at fair value through other comprehensive income		143	311
Related income tax (expense) recovery	24	(16)	(56)
		61	252
Items that may be subsequently reclassified to net income			
Cash flow hedges - effective portion of changes in fair value	8	3,839	(5,288)
Cash flow hedges - reclassified to net income	8	(1,385)	(5,317)
Unrealized gains (losses) on debt securities measured at fair value through other comprehensive income		(5,954)	36,693
Related income tax (expense) recovery	8, 24	622	(4,247)
		(2,878)	21,841
Other comprehensive income (loss) for the year, net of income taxes		(2,817)	22,093
Total comprehensive income for the year		11,925	99,817

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of Canadian dollars)	Note	Investment shares	Membership shares	Contributed surplus	Retained earnings	Fair value reserve	Hedging reserve	Total equity
Balance as at January 1, 2025		798,850	393	104,761	887,498	19,449	(2,028)	1,808,923
Dividends	21	-	-	-	(42,735)	-	-	(42,735)
Shares issued as dividends	21	35,832	-	-	-	-	-	35,832
Shares issued	21	-	28	-	-	-	-	28
Shares redeemed	21	(5,877)	(18)	-	-	-	-	(5,895)
Transactions with owners		29,955	10	-	(42,735)	-	-	(12,770)
Net income		-	-	-	14,742	-	-	14,742
Transfers		-	-	-	78	(78)	-	-
Other comprehensive income (loss) for the year, net of income taxes:								
Actuarial losses in defined benefit pension plans and other post-retirement obligations	20	-	-	-	(55)	-	-	(55)
Cash flow hedges - effective portion of changes in fair value	8	-	-	-	-	-	3,116	3,116
Cash flow hedges - reclassified to net income	8	-	-	-	-	-	(1,123)	(1,123)
Gain on investments designated as fair value through other comprehensive income		-	-	-	-	(4,755)	-	(4,755)
Total comprehensive income (loss) for the year		-	-	-	14,765	(4,833)	1,993	11,925
Balance as at December 31, 2025		828,805	403	104,761	859,528	14,616	(35)	1,808,078

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of Canadian dollars)	Note	Investment shares	Membership shares	Contributed surplus	Retained earnings	Fair value reserve	Hedging reserve	Total equity
Balance as at January 1, 2024		765,436	389	104,761	855,904	(10,820)	6,146	1,721,816
Dividends	21	-	-	-	(46,128)	-	-	(46,128)
Shares issued as dividends	21	38,779	-	-	-	-	-	38,779
Shares issued	21	-	20	-	-	-	-	20
Shares redeemed	21	(5,365)	(16)	-	-	-	-	(5,381)
Transactions with owners		33,414	4	-	(46,128)	-	-	(12,710)
Net income		-	-	-	77,724	-	-	77,724
Other comprehensive income (loss) for the year, net of income taxes:								
Actuarial losses in defined benefit pension plans and other post-retirement obligations	20	-	-	-	(2)	-	-	(2)
Cash flow hedges - effective portion of changes in fair value	8	-	-	-	-	-	(3,861)	(3,861)
Cash flow hedges - reclassified to net income	8	-	-	-	-	-	(4,313)	(4,313)
Gain on investments designated as fair value through other comprehensive income		-	-	-	-	30,269	-	30,269
Total comprehensive income (loss) for the year		-	-	-	77,722	30,269	(8,174)	99,817
Balance as at December 31, 2024		798,850	393	104,761	887,498	19,449	(2,028)	1,808,923

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31 (thousands of Canadian dollars)	Note	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		14,742	77,724
Adjustments for non-cash items and others:			
Accrued interest, net		(39,882)	(26,209)
Amortization and depreciation		18,697	20,563
Provision for credit losses		38,539	28,802
Deferred taxes, net	12	(25,430)	(14,989)
Gains or losses on financial instruments, net		7,482	18,347
Impairment of goodwill and intangible assets		82,484	-
Net change in operating assets and liabilities:			
Loans		(389,132)	550,450
Deposits		543,720	(701,309)
Securitization liabilities		451,228	(491,824)
Other assets and liabilities		(159,656)	(7,427)
Net cash flows from (used in) operating activities		542,792	(545,872)
CASH FLOWS FROM FINANCING ACTIVITIES			
Funding facilities and subordinated debt issued		7,500	328,000
Funding facilities and subordinated debt redeemed		(132,500)	(303,000)
Membership shares issued		28	20
Membership shares redeemed		(18)	(16)
Investment shares redeemed		(5,877)	(5,365)
Dividends paid on investment shares		(7,685)	(8,950)
Repayments of lease liabilities		(7,532)	(7,275)
Net cash flows from (used in) financing activities		(146,084)	3,414
CASH FLOWS FROM INVESTING ACTIVITIES			
Securities purchased		(4,650,545)	(4,020,103)
Securities sold		4,966,893	3,617,909
Securities purchases under reverse repurchase agreements ¹		-	492,527
Purchase of intangible assets	9.2	(387)	(573)
Purchase of premises and equipment	10	(7,092)	(4,785)
Net cash flows from investing activities		308,869	84,975
Change in cash and interest-bearing deposits		705,577	(457,483)
Cash and interest-bearing deposits at beginning of year		534,314	991,797
Cash and interest-bearing deposits at end of year ²	5	1,239,891	534,314
SUPPLEMENTAL INFORMATION FOR CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		1,366,155	1,374,587
Interest paid		(956,604)	(962,990)
Dividends received		333	329
Income tax paid		(12,052)	(15,360)

¹ In 2025, the Credit Union reevaluated the presentation of cash flows from securities purchases under reverse repurchase agreements. Previously presented as cash flows from operating activities, these cash flows are now presented under investing activities.

² Cash and interest-bearing deposits include restricted funds in the amount of \$140,558 (2024 – \$61,059).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate information

Meridian Credit Union Limited ("Meridian" or the "Credit Union") is a financial institution incorporated in Canada under the Credit Unions and Caisses Populaires Act of Ontario (the "Act"). The head and registered office is located at 75 Corporate Park Drive, St. Catharines, Ontario. It is a member of Central 1 Credit Union ("Central 1"), which provides clearing, lending facilities and other services to it. More information on the Credit Union's relationship with Central 1 is provided in Note 11.

Meridian is a member-owned, community-based, full-service financial institution with 85 branches and 15 business banking centres across Ontario. Meridian and its predecessors have operated in Ontario since 1942.

Meridian is regulated by the Financial Services Regulatory Authority of Ontario ("FSRA"), which also insures member deposits.

Meridian conducts its lease finance business through its wholly owned subsidiary Meridian OneCap Credit Corp. ("OneCap"). Motus Bank ("Motus") is an indirect, wholly owned subsidiary of Meridian incorporated under the Bank Act (Canada) and is regulated by the federal Office of the Superintendent of Financial Institutions ("OSFI"). Motus had been primarily involved in deposit taking and lending using an online platform. During the year, Motus sold its loan and deposit portfolios as part of the Credit Union's plan to wind down Motus's banking operations. More information is provided in Note 14.

2 Basis of presentation

2.1 Statement of compliance

The consolidated financial statements of the Credit Union have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and legislation for Ontario's Credit Unions and Caisses Populaires. There were no modifications as required by FSRA regulations to the preparation of the consolidated financial statements.

Unless otherwise indicated, all amounts except for per share figures are expressed in thousands of Canadian dollars.

2.2 Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, net income and related disclosures. Actual results could differ from such estimates. Estimates and judgments are continually evaluated and are made based on historical experience and expectations of future events that are reasonable under the circumstances.

Economic uncertainty remains elevated, which could affect the Credit Union's future results, liquidity and financial condition. Evolving risks include ongoing trade disputes, demand for real estate, geopolitical conflicts, among others. The effect of these risks on the Credit Union's business and Members depends on future developments that are unknown at this time. Due to the nature of this volatility, the estimates and judgments made for the purposes of preparing the consolidated financial statements are inherently uncertain.

The items subject to the most significant application of judgment and estimates are as follows:

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities cannot be derived from active markets, the Credit Union may use valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Judgments involve the use of internal inputs and estimates that consider the specific characteristics of the financial instrument and all other factors relevant to its measurement.

Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Note 28.4 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments.

Allowance for expected credit losses ("ECL") on financial assets

Allowances for ECL are applied to financial assets measured at amortized cost or non-equity instruments measured at fair value through other comprehensive income ("FVTOCI"). The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of Members defaulting and the resulting losses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Basis of presentation (continued)

2.2 Use of estimates and judgments (continued)

Allowance for expected credit losses ("ECL") on financial assets (continued)

Several other significant judgments and estimates are required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for credit impairment;
- Determining the value and timing of receipts from collateral and other credit risk enhancements;
- Determining the criteria for a significant increase in credit risk ("SICR");
- Establishing appropriate levels of aggregation for products and business lines for the purposes of expected credit loss modelling;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number, design and relative weightings of forward-looking scenarios to be incorporated into the measurement of ECL.

The approach used for measuring allowances for ECL and the use of significant estimates and judgments is disclosed in more detail in note 28.1.

Impairment of non-financial assets

The Credit Union assesses its intangible assets and goodwill at each consolidated balance sheet date to determine whether an impairment loss should be recorded in the consolidated income statement. Broker and vendor relationships comprise most of the Credit Union's intangible assets.

The carrying value of broker and vendor relationships is significantly impacted by estimates about the future earnings expected from new lease originations relating to the relationship with pre-acquisition vendors and brokers. Management assesses the recoverability of the carrying value at least annually.

Management assesses the carrying amount of goodwill for impairment at least annually. The estimation of the recoverable amount for the cash-generating unit ("CGU") requires the use of significant judgment; and the models are sensitive to changes in future cash flows, discount rates, and terminal growth rates. In determining the recoverable amount, Management may also consider the value ascribed to similar businesses in observable market transactions. The economic environment is rapidly evolving and as a result, management's economic outlook has a higher than usual degree of uncertainty, which may, in future periods, materially change the expected future cash flows of the CGU and result in an impairment charge. Actual experience may differ materially from current expectations, including the duration and severity of a potential economic contraction and the ultimate timing and extent of a future recovery.

Further details on impairment testing of goodwill and intangible assets are found in note 3.10 and note 9.1.

Recognition and derecognition of securitization arrangements

As part of its liquidity, capital and interest rate risk management programs, the Credit Union funds assets by entering securitization arrangements. As a result of these transactions and depending on the nature of the arrangement, the Credit Union may be subject to the recognition of the funds received as securitization liabilities and the continued recognition of the securitized assets. Other securitization arrangements may meet the criteria for derecognition. Judgment is required in determining the requirements for continued recognition or derecognition of financial assets under such arrangements. Where securitization arrangements result in the derecognition of financial assets, estimation is required in determining the fair value of new assets recognized relating to residual interests and the fair value of associated liabilities.

Further details of securitization arrangements are disclosed in note 16.1.

Deferred taxes

Deferred tax assets are recognized relating to unused tax losses or deductible temporary differences to the extent it is probable that taxable income will be available against which to use them. Judgment is required in determining the amount of deferred tax assets that can be recognized or written off, based on the likely timing and level of future taxable profits, together with future tax planning strategies.

Further details on deferred income taxes are included in note 3.13 and note 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Basis of presentation (continued)

2.2 Use of estimates and judgments (continued)

Valuation of right-of-use assets and lease liabilities

The valuation of right-of-use assets and lease liabilities require assumptions about the lease term and the interest rate used for discounting future cash flows. Given that contractual terms of lease contracts often contain renewal options, judgment is required to determine the likelihood that these options will be exercised. Where implicit interest rates are not determinable from a lease contract, judgment is used to determine an appropriate discount rate that is reflective of the rate that would be incurred if the Credit Union were to purchase the assets outright.

Further details on leased assets and liabilities are included in note 3.11 and note 10.

Recognition of interests in subsidiaries, associates and joint arrangements

The Credit Union has ownership interests in entities that give rise to control, joint control, or significant influence. These can be classified as investments in associates, subsidiaries or joint ventures. The definitions of control, joint control and significant influence as pronounced in IFRS 3, IFRS 11 and IAS 28 guide the Credit Union in making these determinations. Management balances qualitative and quantitative factors to determine the presence of control, joint control or significant influence at each reporting date to determine the appropriate classification for these interests.

Assets held for sale

Management applies judgment in determining whether an asset or disposal group meets the criteria to be held for sale. This involves assessing whether the asset is available for immediate sale in its present condition and whether its sale is highly probable. The criteria include management's plan to sell the asset, the initiation of an active program to locate a buyer, and the expectation that the sale will be completed within a year from the date of classification.

2.3 Regulatory compliance

Regulations to the Act specify that certain items are required to be disclosed in the consolidated financial statements that are presented at annual meetings of Members. This information has been integrated into these consolidated financial statements and notes. When necessary, reasonable estimates and interpretations have been made in presenting this information.

Note 27 contains additional information disclosed to support regulatory compliance.

3 Material accounting policies

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities at fair value.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. Except for the changes explained in note 4, the Credit Union has consistently applied the following accounting policies to all periods presented in the consolidated financial statements.

3.1 Basis of consolidation

The financial results of wholly owned subsidiaries of the Credit Union are included within these consolidated financial statements. All intercompany balances and transactions have been eliminated on consolidation.

Investments in which the Credit Union exerts joint control or significant influence but not control over operating and financing decisions are accounted for using the equity method. Under equity accounting, investments are initially recorded at cost and adjusted for the Credit Union's proportionate share of the net income or loss which is recorded in the consolidated income statement.

3.2 Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is the Credit Union's functional and presentation currency.

Monetary assets and liabilities denominated in foreign currencies, primarily United States ("U.S.") dollars, are translated into Canadian dollars at prevailing exchange rates on the consolidated balance sheet date. Income and expenses are translated at the exchange rates in effect on the date of the transaction. Exchange gains and losses arising on the translation of monetary items are included in non-interest income for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Material accounting policies (continued)

3.3 Financial instruments

Classification and measurement of financial assets

Financial assets are initially recognized at fair value, and are classified and subsequently measured at (i) amortized cost, (ii) fair value through profit or loss ("FVTPL"), or (iii) FVTOCI. The classification and measurement of financial assets is based on the type of financial asset, the business model to which it belongs, and its contractual cash flow characteristics.

Financial assets and financial liabilities, including derivative financial instruments, are recognized on the consolidated balance sheet of the Credit Union at the time the Credit Union becomes a party to the contractual provisions of the instrument. The Credit Union recognizes financial instruments on the trade date.

(a) Debt instruments

Financial assets that are debt instruments include loans, and bonds. Classification and subsequent measurement of debt instruments depends on: (i) the Credit Union's business model for managing the financial asset and (ii) its contractual cash flow characteristics. Equipment financing is outside the scope of IFRS 9 classification and measurement requirements and is not subject to the policies outlined below.

Business model evaluation:

The business model reflects how the Credit Union manages a portfolio of assets to generate returns. That is, whether the Credit Union's objective for the portfolio of financial assets is to generate returns through the collection of contractual cash flows, through both the collection of contractual cash flows and selling, or through active trading. Factors considered by the Credit Union in determining the business model of a portfolio of financial assets include: past experience on the collection of contractual cash flows and selling within the portfolio, how the portfolio's performance is evaluated and reported to management, and how the portfolio's risks are assessed and managed. For example, the Credit Union's business model for residential mortgages is to collect the associated contractual cash flows.

Cash flow characteristics evaluation:

Once the business model of a portfolio of financial assets is assessed, individual financial assets therein are evaluated for their cash flow characteristics and whether these represent solely payments of principal and interest ("SPPI"). In making this assessment, the Credit Union considers whether contractual cash flows are consistent with a basic lending arrangement (e.g. interest including only consideration for the time value of money, other basic lending risks, and a profit margin that is consistent with a basic lending arrangement).

Amortized cost:

Where a debt instrument is managed in a business model where returns are generated through the collection of contractual cash flows which represent SPPI, it is measured at amortized cost. Debt instruments measured at amortized cost are recorded at fair value at initial recognition plus or minus directly attributable transaction costs and provisions for ECL. Interest income is recognized using the effective interest rate method and is recorded in total interest income. Impairment losses are recognized in profit or loss at each balance sheet date in accordance with the three-stage impairment model outlined in note 3.7. Upon derecognition of financial assets measured at amortized cost, any difference between disposal proceeds and the carrying value is recognized immediately in profit or loss. The Credit Union has classified its cash and interest-bearing deposits with financial institutions, receivables, loans and certain investments in debt securities as amortized cost.

FVTPL:

Where a debt instrument is managed in a business model that is held for trading or its cash flows do not represent SPPI, it is measured at FVTPL. Debt instruments measured at FVTPL are recorded at fair value at initial recognition with all subsequent re-measurements being recognized in profit or loss. At the reporting date, the Credit Union had not classified any debt instruments as FVTPL.

FVTOCI:

Where a debt instrument is managed in a business model where returns are generated both through the collection of contractual cash flows and through selling, and its contractual cash flows represent SPPI, it is classified as FVTOCI. Debt instruments measured at FVTOCI are recorded at fair value plus directly attributable transaction costs at initial recognition. Subsequent re-measurements in fair value are recorded in other comprehensive income, except for interest recognized using the effective interest rate method or the re-measurement of ECL, both of which are recognized in profit or loss. Impairment losses are recognized in profit or loss in accordance with the three-stage impairment model outlined in note 3.7. Upon derecognition of debt securities measured at FVTOCI, cumulative fair value movements recognized in OCI are recycled to profit or loss. The Credit Union holds a portfolio of debt securities which are measured at FVTOCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Material accounting policies (continued)

3.3 Financial instruments (continued)

(b) Equity instruments

Equity instruments are financial assets that do not contain a contractual obligation to pay, evidence a residual interest in the issuer's net assets, and are considered equity from the perspective of the issuer. Examples of equity instruments include common shares.

Equity instruments are classified as FVTPL unless they are not held for trading purposes and an irrevocable election is made at inception to designate the asset as FVTOCI. Equity instruments measured at FVTOCI are recorded at fair value at initial recognition. Subsequent re-measurements of fair value are recorded in OCI. Dividends are recorded directly in profit or loss. Upon derecognition of equity investments measured at FVTOCI, cumulative fair value movements are not recycled and remain permanently in equity. The Credit Union holds investments in preferred shares which it has elected to designate as FVTOCI. Other investments in equity instruments held by the Credit Union are private equity investments and units of limited partnerships which are classified as FVTPL.

Classification and measurement of financial assets and financial liabilities

Derivative financial instruments:

Derivative financial instruments are contracts, such as options, swaps, and forward contracts, where the value of the contract is derived from the price of an underlying variable. The most common underlying variables include stocks, bonds, commodities, currencies, interest rates and other market rates. The Credit Union enters derivative contracts to manage financial risks associated with movements in interest rates, foreign exchange rates, etc, as well as to meet the requirements to participate in the Canada Mortgage Bond Program ("CMB Program") for securitization purposes as discussed in note 16.1. The Credit Union's policy is not to use derivative financial instruments for trading or speculative purposes.

Assets or liabilities in this category are measured at fair value. Gains or losses are recognized in profit or loss in net gain (loss) on financial instruments, unless the derivative is designated as a hedging instrument. For designated hedging instruments, the recognition of the gain or loss will depend on the hedge accounting rules described below. Gains or losses on derivative financial instruments are based on changes in fair value determined by reference to active market transactions or using a valuation technique where no active market exists.

Embedded derivatives:

Certain derivatives embedded in other financial liabilities, such as the embedded option in an index-linked term deposit product, are treated as separate derivative financial instruments when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not measured at FVTPL. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in profit or loss.

Hedge accounting:

The Credit Union documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as the risk management objectives and strategies for undertaking various hedge transactions. The Credit Union also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative financial instruments used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk.

In a cash flow hedge, the effective portion of changes in fair value of the hedging instrument is recognized in OCI. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss in net gain (loss) on financial instruments. Amounts accumulated in OCI are reclassified to profit or loss in the periods when the hedged item affects profit or loss and are recorded within net interest income. The Credit Union uses cash flow hedges primarily to convert variable rate assets and liabilities to fixed rates.

When a hedging instrument in a cash flow hedging relationship expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in AOCI at that time remains in AOCI and is recognized in the statement of comprehensive income as the hedged item affects earnings. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the income statement within net gain (loss) on financial instruments. If a forecast transaction is no longer highly probable of occurring, but is still likely to occur, hedge accounting will be discontinued and the cumulative gain or loss existing in AOCI at that time remains in AOCI and is amortized to net interest income in the statement of comprehensive income at the same time the hedged item affects earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Material accounting policies (continued)

3.3 Financial instruments (continued)

In a fair value hedge, the full change in the fair value of derivatives is recognized in profit or loss. Where derivatives are designated and qualify as fair value hedges, the carrying value of the hedged item is adjusted to reflect its change in fair value since the inception of the hedge relationship. The full amount of the fair value adjustment is also taken to profit or loss to offset fair value changes on the derivative. Any difference between the change in fair value of the derivatives and fair value adjustments on the hedged items are recognized within net gain (loss) on financial instruments.

When a hedging instrument in a fair value hedging relationship expires or is sold, it no longer meets the criteria for hedge accounting, or the hedging relationship is voluntarily discontinued, any cumulative fair value adjustment is recognized in profit or loss over the remaining life of the hedged item by adjusting its effective interest rate. Where the hedged item is derecognized prior to the end of the hedging relationship, any cumulative fair value adjustment recognized is immediately recognized in profit or loss.

At the reporting date, the Credit Union had not elected to adopt the hedge accounting aspects of IFRS 9 and continues to apply hedge accounting per IAS 39. Although IFRS 9 hedge accounting has not been adopted, the Credit Union has implemented the IFRS 7 hedge accounting disclosure requirements that became effective concurrently with IFRS 9.

Classification and measurement of financial liabilities

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost, except for derivative financial liabilities which are subsequently measured at FVTPL. Financial liabilities measured at amortized cost include: deposits, securitization liabilities, funding facilities and subordinated debt.

Obligations related to securities sold under repurchase agreements

Securities sold under agreements to repurchase at a specified future date and price are not derecognized from the consolidated balance sheet. The cash received from the security is recognized in the consolidated balance sheet with a corresponding obligation to return it, including accrued interest. The difference between the sale and repurchase price is treated as interest and recognized over the life of the agreement using the effective interest method. These agreements are classified as financial liabilities at amortized cost.

Derecognition of financial instruments

Financial assets are derecognized when contractual rights to the cash flows from the asset have expired, or when substantially all the risks and rewards of ownership are transferred. If the Credit Union has neither transferred nor retained substantially all the risks and rewards of ownership, it assesses whether it has retained control over the transferred asset. Control is represented by the practical ability to sell the transferred asset without the need to impose additional restrictions. If the Credit Union retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement. When a financial asset is derecognized, a gain or loss is recognized in net income for an amount equal to the difference between the carrying value of the asset and the value of the consideration received, including any new assets and / or liabilities recognized.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Reclassifications

The Credit Union reclassifies debt instruments only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Although such changes are expected to be infrequent, they may be appropriate when an entity begins or ceases to perform an activity that is significant to its operations. Details on the reclassification of loans in Motus Bank can be found in note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Material accounting policies (continued)

3.3 Financial instruments (continued)

Modification of financial assets measured at amortized cost

The Credit Union sometimes renegotiates or otherwise modifies the contractual cash flows of loans. When this occurs, the Credit Union assesses whether the new terms are substantially different from the original terms by considering the following factors:

- If the borrower is in financial difficulty or whether the modifications merely reduce the contractual cash flows to an amount the borrower is expected to pay
- Whether any substantial new terms are introduced, such as profit sharing or equity-based returns, that substantially affect the risk profile of the loan
- Significant extension of the loan term when the borrower is not in financial difficulty
- Significant change in interest rate
- Addition of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan

If the terms are substantially different, the Credit Union derecognizes the original financial asset, recognizes a new financial asset with a new effective interest rate. The date of renegotiation is consequently considered to be the date of initial recognition for the purpose of measuring the allowance for expected credit losses. The Credit Union also assesses whether the new financial asset recognized is credit impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor's financial difficulties. Differences in the carrying amount are recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition. The Credit Union recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

3.4 Interest income and expense

Interest-bearing financial instruments

Interest income and expense for all interest-bearing financial instruments, except those classified as FVTPL, and equipment financing, are recognized within interest income or interest expense in the consolidated income statement using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability to its fair value at inception. The effective interest rate is established at the initial recognition of the financial asset or liability and incorporates any fees or transaction costs that are integral to establishing the contract.

Equipment financing

Through its wholly owned subsidiary OneCap, Meridian provides financing to customers through loans and direct financing leases.

Retail loans and dealer financing loans are recorded at amortized cost using the effective interest rate method. Interest income is allocated over the expected term of the loan by applying the effective interest rate to the carrying amount of the loan.

Direct financing leases, which are contracts under terms that provide for the transfer of substantially all the benefits and risks of the equipment ownership to customers, are measured at amortized cost. These leases are recorded at the value of aggregate minimum payments, plus residual values, less unearned finance income. Revenue is recognized in interest income.

Contractual residual values of finance leases represent an estimate of the values of the equipment at the end of the lease contracts. During the term of each lease, management evaluates the adequacy of its estimate of the residual value and makes allowances to the extent the fair value at lease maturity is estimated to be less than the contractual lease residual value.

Initial direct costs that relate to the origination of the equipment financing are capitalized and amortized as part of effective interest rate. These costs are incremental to individual leases or loans and comprise certain specific activities related to processing requests for financing, such as underwriting costs and commissions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Material accounting policies (continued)

3.5 Assets held for sale

Non-current assets and disposals groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are customary for sales of such assets, and its sale must be highly probable.

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Certain types of assets, such as financial assets, are excluded from the remeasurement requirements for held for sale assets under IFRS 5. However, an assessment should be made as to whether there has been a change in business model for the purposes of classification and measurement under IFRS 9.

Assets classified as held for sale are presented separately from other assets on the balance sheet. The liabilities of a disposal group classified as held for sale are also presented separately from other liabilities.

3.6 Fee and commission income

Fee and commission income not directly attributable to the acquisition of financial instruments is recognized as the related performance obligation is satisfied, either over time or at a point in time.

Revenue is recognized by determining the transaction price of distinct goods or services and allocating the price to the satisfaction of each performance obligation (i.e. the delivery of each distinct good or service). The result is to recognize revenue in a manner that depicts the amount of consideration due to the transfer of each good or service.

Fees and commissions that are directly attributable to acquiring financial assets or issuing financial liabilities not measured at FVTPL are added to or deducted from the initial carrying value of the related financial instruments. Such fees and commissions are then included in the calculation of the effective interest rate and amortized through profit or loss over the term of the financial asset or financial liability. For financial instruments measured at FVTPL, transaction costs are immediately recognized in profit or loss on initial recognition.

3.7 Impairment of financial assets

At initial recognition, the Credit Union recognizes allowances for ECL on all debt securities measured at amortized cost or FVTOCI. ECL are also recognized for equipment financing, contract assets, loan commitments and financial guarantees. In the section below, the use of the term "financial asset" should be assumed to apply to all assets and exposures within the scope of the IFRS 9 impairment framework.

At each reporting date, the Credit Union measures the loss allowance for a financial asset at an amount equal to its lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition and it was not originated as credit impaired, the Credit Union measures the loss allowance for the financial asset at an amount equal to its 12-month ECL.

The Credit Union's measurement of ECL incorporates an assessment of the following parameters:

- Probability of default ("PD")
- Exposure at default ("EAD")
- Loss given default ("LGD")

The Credit Union's measurement of ECL also reflects:

- An unbiased and probability-weighted amount determined by evaluating a range of outcomes
- The time value of money
- Information about past events, current conditions and forward-looking information

Note 28.1 includes more detailed descriptions of the Credit Union's methodologies for determining PD, EAD and LGD. The note also includes descriptions of how the Credit Union determines a SICR, the definition of default, the approach for incorporating forward-looking information, and other information pertaining to the measurement of ECL.

A three-stage framework is used for the establishment of ECL based on changes in a financial asset's credit quality since initial recognition. The measurement of ECL and recognition of interest revenue is dependent on the stage to which the financial asset belongs.

Stage 1 includes all financial assets that, at the reporting date, have not had a SICR since initial recognition and were not originated as credit impaired. Loss allowances at an amount equal to 12-month ECL are recognized on all financial assets in stage 1 with interest income recognized using the effective interest rate on the financial asset's gross carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Material accounting policies (continued)

3.7 Impairment of financial assets (continued)

Stage 2 includes all financial assets that, at the reporting date, have had a SICR since initial recognition, but are not credit impaired. Loss allowances at an amount equal to lifetime ECL are recognized on all financial assets in stage 2 with interest income recognized using the effective interest rate on the financial asset's gross carrying amount.

Stage 3 includes all financial assets for which a default event has occurred (i.e. the asset has become credit impaired). Loss allowances at an amount equal to lifetime ECL are recognized on all financial assets in stage 3 with interest income recognized using the effective interest rate on the financial asset's amortized cost carrying amount (i.e. net of the loss allowance). In determining whether a default event has occurred, the Credit Union considers evidence such as delinquency, bankruptcy, breach of covenants, or other evidence as determined by management.

Stage 3 loss allowances on financial assets are assessed on an individual basis. They are measured at the amount required to reduce the carrying value of the impaired asset to its estimated realizable amount. This is generally the fair value of the underlying security of the asset, net of expected costs of realization. Expected costs of realization are determined by discounting the security at the financial asset's original effective interest rate.

Write offs

The Credit Union directly reduces the gross carrying amount of a financial asset along with the associated impairment allowance when it has no reasonable expectations of recovering the financial asset either partly or in full.

3.8 Goodwill and intangible assets

Goodwill

Goodwill is initially measured at cost and is calculated as the excess of the purchase price for an acquired business over the fair value of acquired net identifiable assets and liabilities and is allocated to the cash-generating units ("CGU") to which it relates.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Subsequent reversals of goodwill impairment are prohibited.

Goodwill is subject to impairment review as described in note 3.10.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately include computer software other than that which is integral to premises and equipment. Intangible assets acquired separately are recorded at cost. Cost includes expenditures that are directly attributable to bringing the asset to its state of intended use.

Intangible assets acquired through business combinations

Intangible assets acquired through business combinations have limited lives and include broker and vendor relationships.

Broker and vendor relationships represent the fair value of future earnings expected to be generated from new lease originations with equipment vendors and brokers at the time of acquisition. This intangible is amortized as earnings are realized based on forecasted originations, anticipated annual retention rates and earnings projections over a twenty-three-year period.

Other intangible assets are amortized to income on a straight-line basis over the period during which the assets are anticipated to provide economic benefit, which currently ranges from three to ten years.

Intangible assets are subject to impairment review as described in note 3.10.

The Credit Union does not have any intangible assets with indefinite lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Material accounting policies (continued)

3.9 Property and equipment

Recognition and measurement

Land is carried at cost less impairment losses. Buildings and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the computer hardware.

Depreciation

Land is not depreciated. Depreciation of other assets commences when the asset is available for use and is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and improvements	5-40 years
Furniture and office equipment	5-10 years
Computer hardware and software	3-5 years
Leasehold improvements	lease term to a maximum of 10 years

Where components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Residual value estimates and estimates of useful life are reviewed, and adjusted if appropriate, at each consolidated balance sheet date.

Assets are subject to impairment review as described under note 3.10.

3.10 Impairment of non-financial assets

Non-financial assets that are subject to amortization or depreciation, and goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount.

To assess impairment, Credit Union assets are grouped at branch level, which is considered to be the lowest level or CGU for which they are separately identifiable. Meridian's wholly owned subsidiary OneCap is considered to be the CGU for non-financial assets relating to that business. The recoverable amount of a CGU is determined based on the higher of value in use or fair value less costs to sell.

For broker and vendor relationship intangibles, current assumptions about future lease originations, retention rates and earnings projections of OneCap are used to assess whether future cash flows on leases generated through acquired brokers and vendors are in excess of the carrying value of the intangible asset.

For other non-financial assets, the recoverable amount is the higher of an asset's fair value less costs to sell and the value in use of the CGU to which the asset relates.

Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill is evaluated for impairment against the carrying amount of the CGU at least annually. The carrying amount of the CGU includes the carrying amounts of assets, liabilities and allocated goodwill. If the recoverable amount is less than the carrying value, the impairment loss is first allocated to reduce the carrying amount of any allocated goodwill and then to the other non-financial assets of the CGU proportionally based on the carrying amount of each asset. Any impairment loss is charged to profit or loss in the period when the impairment is identified.

As at the balance sheet date, OneCap assesses for impairment triggers that have taken place since the last impairment test that may indicate further impairment has occurred. Details of the goodwill impairment analysis are included in note 9.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Material accounting policies (continued)

3.11 Leases

At inception, the Credit Union assesses whether a contract is or contains a lease. A lease arrangement conveys to the user the right to control the use of an identified asset for a period of time in exchange for consideration.

Meridian as Lessee:

The Credit Union recognizes a right-of-use ("ROU") asset and lease liability at the commencement of the lease.

The ROU asset is initially measured at cost, which comprises:

- the initial measurement of the lease liability as described below;
- any lease payments made at or before commencement date, less any lease incentives received that are not considered compensation for leasehold improvements;
- any initial direct costs incurred; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset to the condition required by the terms and conditions of the lease if there is an obligation for those costs.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term and is subject to impairment testing if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if the rate cannot be readily determined, the Credit Union's incremental borrowing rate. Generally, the Credit Union uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability include the following:

- all contractual payments such as fixed payments, less any lease incentives receivable that are not considered compensation for leasehold improvements;
- variable lease payments that depend on an index or rate;
- residual value guarantees; and
- exercise price of purchase if it is reasonably certain that the option will be exercised

When the lease contains a renewal option that the Credit Union considers reasonably certain to be exercised, the cost of one renewal option period is included in the lease payments.

The lease liability is subsequently measured at amortized cost using the effective interest method. The liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the Credit Union's assessment of whether it will exercise a renewal option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

For leases with terms not exceeding twelve months and for leases of low-value assets, the Credit Union has elected not to recognize ROU assets and liabilities. The lease payments under these contracts are recognized on a straight-line basis over the lease term within non-interest expenses.

Meridian as Lessor:

When the Credit Union acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards of owning the underlying asset.

When the Credit Union is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. The classification of a sub-lease should follow from the classification of the head lease. If the head lease has been classified as an operating lease, the sub-lease will also be classified as an operating lease. Otherwise, the sub-lease will be classified by reference to the right-of-use asset arising from the head lease.

Lease classification is only reassessed if there is a lease modification. Changes in estimates or circumstances do not give rise to a new classification.

Lease payments from operating leases are recognized as income on either a straight-line basis or another systematic basis if it is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Material accounting policies (continued)

3.12 Provisions

Provisions are recognized when the Credit Union has a present legal or constructive obligation from past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Credit Union expects a provision to be reimbursed, the reimbursement is recognized as an asset only when the reimbursement is virtually certain. At each consolidated balance sheet date, the Credit Union assesses the adequacy of its pre-existing provisions and adjusts the amounts as necessary based on actual experience and changes in future estimates.

Provisions are measured at the present value of the estimated expenditure required to settle the present obligation and are recorded within operating expenses on the consolidated income statement.

3.13 Income taxes

Income tax expense on the consolidated income statement comprises current and deferred income taxes. Income taxes are recognized in profit or loss, except to the extent they relate to items recognized directly in OCI, in which case they are recognized in OCI.

Current income taxes are the expected taxes refundable or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the consolidated balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are recognized using the liability method, providing for temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying value of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be used.

Dividends paid by the Credit Union are treated as a reduction to retained earnings but are deductible for tax purposes. As such, these are reflected as a reduction to current tax expense.

3.14 Share capital

(a) Membership and investment shares

Where shares are redeemable at the discretion of the Credit Union's Board of Directors or where they represent a claim on the residual interest of the Credit Union's net assets, they are classified as equity.

(b) Distributions to Members

Dividends on shares classified as equity are charged to retained earnings. Members may elect to receive dividends declared on Class A shares by way of cash or newly issued fully paid equity shares of the same class. Dividends payable in cash are recorded in the period in which they are declared by the Credit Union's Board of Directors. Dividends payable by way of newly issued shares are recorded in the period in which the shares are issued.

(c) Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of income taxes, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Changes in accounting policies

Issued standards not yet effective

In May 2024, the IASB issued "Amendments to the Classification and Measurement of Financial Instruments", which amended IFRS 9 and IFRS 7. These amendments introduce an accounting policy choice to derecognize financial liabilities that are settled through an electronic payment system before the settlement date when they meet specific conditions. Additionally, there are clarifications on how to assess the contractual cash flow characteristics of financial assets based on contingent events such as environmental, social and governance ("ESG") targets. Lastly, the amendments introduce changes to the disclosure requirements for equity instruments designated as fair value through other comprehensive income. These amendments will be effective for periods beginning on or after January 1, 2026. Management has assessed the impact of these changes and does not believe they will have a significant impact on the Credit Union.

In April 2024, the IASB issued a new standard, IFRS 18 "Presentation and Disclosure in Financial Statements". IFRS 18 will be the new presentation and disclosure standard replacing IAS 1. It focuses on updates to the presentation of the income statement, required disclosures for certain performance metrics, and outlines enhanced principles for aggregation and disaggregation of financial statement line items and related notes. It will not impact recognition or measurement of items in the financial statements. This standard will be effective for periods beginning on or after January 1, 2027. Management is currently evaluating the impact of the adoption of this standard and its effect on the consolidated financial statements.

5 Cash and interest-bearing deposits

	2025	2024
Cash on hand	16,988	19,021
Interest-bearing deposits with financial institutions	1,082,345	454,234
Restricted funds	140,558	61,059
Total interest-bearing deposits with financial institutions	1,222,903	515,293
Total cash and interest-bearing deposits	1,239,891	534,314

Restricted funds include reserve accounts of \$107,173 (2024 - \$21,912) which are held in trust as security for equipment finance securitization liabilities and \$9,000 (2024 - \$7,500) held as collateral for asset-backed commercial paper. Additionally, \$24,385 (2024 - \$31,647) is held as an unscheduled prepayment cash reserve, which is a requirement of the Credit Union's participation in the National Housing Act Mortgage-Backed Securities ("NHA MBS") program. \$29,412 of restricted funds in 2024 previously presented in cash are now presented in interest-bearing deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Debt securities

	2025	2024
Amortized cost:		
Government issued or guaranteed securities	647,434	-
Non-government securities	10,008	9,708
Term deposits with other financial institutions	130,650	35,050
Other	1,081	1,041
Accrued interest	3,741	1,011
Fair value through other comprehensive income:		
Government issued or guaranteed securities	1,094,897	2,048,397
Non-government securities	245,653	289,231
Total debt securities	2,133,464	2,384,438

Non-government securities represent restricted reserve accounts which are held in trust as security for equipment finance securitization liabilities described in Note 16.2.

Term deposits with other financial institutions includes restricted funds of \$30,500 related to collateral placed with Coast Capital Savings Federal Credit Union as part of the asset sale agreement described in Note 26.

7 Loans

	2025	2024
Residential mortgages	12,771,867	12,487,740
Personal loans	1,424,018	1,433,576
Commercial mortgages and loans	7,884,398	7,502,055
Equipment financing	1,655,346	1,799,394
	23,735,629	23,222,765
Allowance for credit losses	(166,650)	(128,111)
Total net loans	23,568,979	23,094,654

Residential mortgage loans are repayable in monthly instalments of blended principal and interest. Most residential mortgages have a term of five years or less and amortization periods of 25 years, although terms and amortization periods may be longer in some cases. Open mortgages may be paid off at any time without notice or penalty and closed mortgages may be paid off at the discretion of the borrowers but are subject to penalty. Commercial loans and personal loans are generally repayable in monthly instalments of blended principal and interest over a maximum amortization period of 30 years, except for line of credit and dealer floorplan loans, which are repayable on a revolving credit basis and require minimum monthly payments. Outstanding balances on credit card loans, included in personal and commercial loans, may be repaid with any amount equal to or exceeding the minimum required payment. The minimum required payment is based on a percentage of the outstanding balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Movements in Loss Allowance

Allowances for credit losses are impacted by a variety of factors. The following tables describe the movement in allowances for credit losses by loan category:

Residential Mortgages	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
Balance as at January 1, 2025	355	915	225	1,495
Transfers:				
Transfer to Stage 1	208	(208)	-	-
Transfer to Stage 2	(36)	36	-	-
Transfer to Stage 3	(1)	(113)	114	-
Remeasurement on transfer into stage	(169)	231	345	407
New originations	235	267	-	502
Derecognized loans	(52)	(84)	-	(136)
Changes to risks, parameters and models	32	44	254	330
Write-offs	-	-	(221)	(221)
Balance as at December 31, 2025	572	1,088	717	2,377
Movement in loss allowance	217	173	492	882
Recoveries	-	-	(17)	(17)
Write-offs	-	-	221	221
Charge to income statement for the period	217	173	696	1,086

Personal Loans	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
Balance as at January 1, 2025	1,801	7,411	1,179	10,391
Transfers:				
Transfer to Stage 1	1,707	(1,685)	(22)	-
Transfer to Stage 2	(363)	490	(127)	-
Transfer to Stage 3	(42)	(558)	600	-
Remeasurement on transfer into stage	(1,505)	1,928	3,104	3,527
New originations	471	817	261	1,549
Derecognized loans	(133)	(530)	(101)	(764)
Changes to risks, parameters and models	423	(735)	(13)	(325)
Write-offs	-	-	(3,660)	(3,660)
Balance as at December 31, 2025	2,359	7,138	1,221	10,718
Movement in loss allowance	558	(273)	42	327
Recoveries	-	-	(504)	(504)
Write-offs	-	-	3,660	3,660
Charge to income statement for the period	558	(273)	3,198	3,483

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Commercial Mortgages and Loans	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
Balance as at January 1, 2025	23,473	12,540	33,152	69,165
Transfers:				
Transfers to Stage 1	519	(515)	(4)	-
Transfers to Stage 2	(850)	850	-	-
Transfers to Stage 3	(122)	(444)	566	-
Remeasurement on transfer into stage	(304)	1,936	27,461	29,093
New originations	4,662	751	1,697	7,110
Derecognized loans	(2,771)	(731)	(824)	(4,326)
Changes to risks, parameters and models	4,114	6,168	16,899	27,181
Write-offs	-	-	(11,108)	(11,108)
Balance as at December 31, 2025	28,721	20,555	67,839	117,115
Movement in loss allowance	5,248	8,015	34,687	47,950
Recoveries	-	-	(68)	(68)
Write-offs	-	-	11,108	11,108
Charge to income statement for the period	5,248	8,015	45,727	58,990

Residential Mortgages	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
Balance as at January 1, 2024	5	912	33	950
Transfers:				
Transfers to Stage 1	5	(5)	-	-
Transfers to Stage 2	(1)	1	-	-
Remeasurement on transfer into stage	64	370	-	434
New originations	126	160	-	286
Derecognized loans	(1)	(1)	-	(2)
Changes to risks, parameters and models	157	(522)	229	(136)
Write-offs	-	-	(37)	(37)
Balance as at December 31, 2024	355	915	225	1,495
Movement in loss allowance	350	3	192	545
Recoveries	-	-	(28)	(28)
Write-offs	-	-	37	37
Charge to income statement for the period	350	3	201	554

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Personal Loans	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2024	1,071	8,681	927	10,679
Transfers:				
Transfers to Stage 1	3,351	(3,332)	(19)	-
Transfers to Stage 2	(113)	238	(125)	-
Transfers to Stage 3	(11)	(501)	512	-
Remeasurement on transfer into stage	(2,908)	1,940	3,225	2,257
New originations	274	465	177	916
Derecognized loans	(100)	(662)	(123)	(885)
Changes to risks, parameters and models	239	678	149	1,066
Write-offs	-	-	(3,461)	(3,461)
Reclassification to assets held for sale	(2)	(96)	(83)	(181)
Balance as at December 31, 2024	1,801	7,411	1,179	10,391
Movement in loss allowance	730	(1,270)	252	(288)
Recoveries	-	-	(482)	(482)
Write-offs	-	-	3,461	3,461
Movement due to reclassification	2	96	83	181
Charge to income statement for the period	732	(1,174)	3,314	2,872

Commercial Mortgages and Loans	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2024	19,531	18,151	21,811	59,493
Transfers:				
Transfers to Stage 1	2,851	(2,851)	-	-
Transfers to Stage 2	(966)	1,043	(77)	-
Transfers to Stage 3	(14)	(119)	133	-
Remeasurement on transfer into stage	(1,901)	598	7,141	5,838
New originations	4,791	408	1,004	6,203
Derecognized loans	(4,175)	(5,737)	(3,367)	(13,279)
Changes to risks, parameters and models	3,356	1,047	12,077	16,480
Write-offs	-	-	(5,570)	(5,570)
Balance as at December 31, 2024	23,473	12,540	33,152	69,165
Movement in loss allowance	3,942	(5,611)	11,341	9,672
Recoveries	-	-	(27)	(27)
Write-offs	-	-	5,570	5,570
Charge to income statement for the period	3,942	(5,611)	16,884	15,215

All loans except those originated as credit impaired begin in stage 1. However, to the extent that loans were originated in the year and subsequently moved to another stage, they will show on the new originations line in the stage where they ended the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Residential mortgages	Personal loans	Commercial mortgages and loans	Total
Gross impaired loans	30,041	2,543	234,068	266,652
Related security, net of expected costs	(29,324)	(1,322)	(166,229)	(196,875)
Allowance on impaired loans at December 31, 2025	717	1,221	67,839	69,777
Interest income recognized on impaired loans				11,895

	Residential mortgages	Personal loans	Commercial mortgages and loans	Total
Gross impaired loans	25,099	1,982	155,502	182,583
Related security, net of expected costs	(24,874)	(803)	(122,350)	(148,027)
Allowance on impaired loans at December 31, 2024	225	1,179	33,152	34,556
Interest income recognized on impaired loans				15,100

Maximum exposure to credit risk

The following tables contain an analysis of the credit risk exposure of loans. The gross carrying amount of the loans below also represent the Credit Union's maximum exposure to credit risk on these loans.

Residential Mortgages	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Credit grade				
Unrated	2,720	-	-	2,720
A+	8,958,570	110,646	-	9,069,216
A	1,977,281	158,526	-	2,135,807
B	375,537	411,375	-	786,912
C	154,180	280,231	-	434,411
D	45,125	174,801	-	219,926
E	7,459	85,375	-	92,834
Defaulted	-	-	30,041	30,041
Gross carrying amount	11,520,872	1,220,954	30,041	12,771,867
Allowance for credit losses	572	1,088	717	2,377
Carrying amount as at December 31, 2025	11,520,300	1,219,866	29,324	12,769,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Personal Loans	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Credit grade				
Unrated	533	1,347	-	1,880
A+	957,672	13,138	-	970,810
A	254,925	22,369	-	277,294
B	35,837	63,942	-	99,779
C	6,257	36,333	-	42,590
D	841	17,850	-	18,691
E	246	10,185	-	10,431
Defaulted	-	-	2,543	2,543
Gross carrying amount	1,256,311	165,164	2,543	1,424,018
Allowance for credit losses	2,359	7,138	1,221	10,718
Carrying amount as at December 31, 2025	1,253,952	158,026	1,322	1,413,300

Commercial Mortgages and Loans	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Credit grade				
Unrated	2,082	94	-	2,176
Very low	1,482	9	-	1,491
Low	41,517	3,263	-	44,780
Better	1,507,585	12,614	-	1,520,199
Average	2,696,690	215,793	-	2,912,483
Higher	2,259,327	525,929	-	2,785,256
Watch List	-	213,658	-	213,658
Distressed	-	170,287	-	170,287
Defaulted	-	-	234,068	234,068
Gross carrying amount	6,508,683	1,141,647	234,068	7,884,398
Allowance for credit losses	28,721	20,555	67,839	117,115
Carrying amount as at December 31, 2025	6,479,962	1,121,092	166,229	7,767,283

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Residential Mortgages	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Credit grade				
Unrated	5,104	-	-	5,104
A+	8,495,034	121,484	-	8,616,518
A	2,102,400	190,129	-	2,292,529
B	409,341	405,992	-	815,333
C	160,562	262,530	-	423,092
D	50,343	170,623	-	220,966
E	7,985	81,114	-	89,099
Defaulted	-	-	25,099	25,099
Gross carrying amount	11,230,769	1,231,872	25,099	12,487,740
Allowance for credit losses	355	915	225	1,495
Carrying amount as at December 31, 2024	11,230,414	1,230,957	24,874	12,486,245

Personal Loans	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Credit grade				
Unrated	2,653	300	-	2,953
A+	943,760	16,425	-	960,185
A	255,974	37,066	-	293,040
B	38,948	60,283	-	99,231
C	7,421	36,190	-	43,611
D	1,488	21,030	-	22,518
E	373	9,683	-	10,056
Defaulted	-	-	1,982	1,982
Gross carrying amount	1,250,617	180,977	1,982	1,433,576
Allowance for credit losses	1,801	7,411	1,179	10,391
Carrying amount as at December 31, 2024	1,248,816	173,566	803	1,423,185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Commercial Mortgages and Loans	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Credit grade				
Unrated	7,667	179	-	7,846
Very low	196	14	-	210
Low	29,542	2,544	-	32,086
Better	1,464,403	12,041	-	1,476,444
Average	2,417,956	232,619	-	2,650,575
Higher	2,244,698	718,132	-	2,962,830
Watch List	202	166,314	-	166,516
Distressed	78	49,968	-	50,046
Defaulted	-	-	155,502	155,502
Gross carrying amount	6,164,742	1,181,811	155,502	7,502,055
Allowance for credit losses	23,473	12,540	33,152	69,165
Carrying amount as at December 31, 2024	6,141,269	1,169,271	122,350	7,432,890

Loans past due but not impaired

	< 30 days	30-59 days	60-89 days
Residential mortgages	173,028	40,733	7,777
Personal loans	61,434	7,442	648
Commercial mortgages and loans	50,171	6,838	26
Total as at December 31, 2025	284,633	55,013	8,451

	< 30 days	30-59 days	60-89 days
Residential mortgages	170,430	35,636	11,859
Personal loans	76,734	9,367	893
Commercial mortgages and loans	41,824	519	205
Total as at December 31, 2024	288,988	45,522	12,957

Collateral

Documented policies and procedures govern the valuation of financial and non-financial collateral. Non-financial collateral is revalued when there is a significant change in the loan's terms and conditions or when a loan is determined to be impaired. For impaired loans, the valuation of collateral is considered when estimating the loan's net realizable amount.

The Credit Union's assessment of the counterparty's credit quality and repayment capacity informs the nature and amount of collateral or other credit risk enhancements it requires. Non-financial collateral is obtained for both Commercial and Retail exposures. The Credit Union maintains standards regarding collateral valuation, the frequency of reassessment, documentation requirements, registration and perfection processes, and ongoing monitoring. Non-financial collateral typically includes vehicles, residential real estate, real estate under development, commercial real estate, and business assets such as accounts receivable, inventory, and fixed assets. Financial collateral generally includes cash, negotiable securities issued by governments and investment-grade entities, and assignments of life insurance. Guarantees may also be used to mitigate credit exposure.

	2025	2024
Fair value of collateral held on assets either past due >30 days or impaired	380,192	309,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1 Equipment financing

	2025	2024
Gross investment in finance leases	1,615,064	1,777,428
Unearned revenue	(182,496)	(212,097)
Unguaranteed residual values on finance leases	316	410
Net investment	1,432,884	1,565,741
Retail and dealer loans	242,489	251,468
Unamortized deferred costs and subsidies	9,123	10,553
Security deposits	(29,150)	(28,368)
Allowance for credit losses	(36,440)	(47,060)
Total equipment financing	1,618,906	1,752,334

Contractual maturities of finance leases, retail loans and dealer financing loans

The contractual maturities of finance leases and retail loans and dealer financing loans are summarized as follows:

	Finance leases	Retail and dealer loans	Total
0 to 12 months	91,871	36,318	128,189
1 to 3 years	583,571	98,709	682,280
3 to 5 years	649,446	89,165	738,611
Over 5 years	107,996	18,297	126,293
Balance as at December 31, 2025	1,432,884	242,489	1,675,373

	Finance leases	Retail and dealer loans	Total
0 to 12 months	76,845	43,578	120,423
1 to 3 years	570,838	90,707	661,545
3 to 5 years	788,769	98,261	887,030
Over 5 years	129,289	18,922	148,211
Balance as at December 31, 2024	1,565,741	251,468	1,817,209

Finance leases and retail and dealer loans past due

The following table is an analysis of equipment financing receivables that are past due as at the statement of financial position date but not impaired:

	< 30 days	30-59 days	60-89 days
Finance leases	14,155	6,565	2,471
Retail and dealer loans	39	480	53
Total as at December 31, 2025	14,194	7,045	2,524

	< 30 days	30-59 days	60-89 days
Finance leases	30,222	9,950	6,366
Retail and dealer loans	102	248	348
Total as at December 31, 2024	30,324	10,198	6,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1 Equipment financing (continued)

Movements in Loss Allowance

Allowances for credit losses are impacted by a variety of factors. The following tables describe the movement in allowances for credit losses on equipment financing:

Equipment financing	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
Balance as at January 1, 2025	18,098	9,283	19,679	47,060
Transfers:				
Transfers to Stage 1	1,122	(1,122)	-	-
Transfers to Stage 2	(1,167)	2,012	(845)	-
Transfers to Stage 3	(278)	(1,131)	1,409	-
Remeasurement on transfer into stage	(944)	935	31,725	31,716
New originations	6,422	2,210	2,451	11,083
Derecognized loans	(1,175)	(469)	(20)	(1,664)
Changes to risks, parameters and models	(6,990)	171	2,920	(3,899)
Write-offs	-	-	(47,856)	(47,856)
Balance as at December 31, 2025	15,088	11,889	9,463	36,440
Movement in loss allowance	(3,010)	2,606	(10,216)	(10,620)
Recoveries	-	-	(5,239)	(5,239)
Write-offs	-	-	47,856	47,856
Charge to income statement for the period	(3,010)	2,606	32,401	31,997

Equipment financing	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
Balance as at January 1, 2024	12,910	7,713	7,745	28,368
Transfers:				
Transfer to Stage 1	658	(621)	(37)	-
Transfer to Stage 2	(634)	744	(110)	-
Transfer to Stage 3	(227)	(785)	1,012	-
Remeasurement on transfer into stage	(490)	2,288	38,617	40,415
New originations	8,889	1,268	2,000	12,157
Derecognized loans	(671)	(305)	(63)	(1,039)
Changes to risks, parameters and models	(2,337)	(1,019)	1,789	(1,567)
Write-offs	-	-	(31,274)	(31,274)
Balance as at December 31, 2024	18,098	9,283	19,679	47,060
Movement in loss allowance	5,188	1,570	11,934	18,692
Recoveries	-	-	(1,265)	(1,265)
Write-offs	-	-	31,274	31,274
Charge to income statement for the period	5,188	1,570	41,943	48,701

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1 Equipment financing (continued)

Movements in Loss Allowance (continued)

All equipment financing except those originated as credit impaired begin in stage 1. However, to the extent that equipment financing were originated in the year and subsequently moved to another stage, they will show on the new originations line in the stage where they ended the year.

Maximum exposure to credit risk

The following tables contain an analysis of the credit risk exposure of equipment financing. The gross carrying amount of equipment financing below also represent the Credit Union's maximum exposure to credit risk on equipment financing. The Credit Union has not purchased any credit-impaired equipment financing.

Equipment financing				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Standard monitoring	1,478,708	164,782	-	1,643,490
Default	-	-	11,856	11,856
Gross carrying amount	1,478,708	164,782	11,856	1,655,346
Loss allowance	(15,088)	(11,889)	(9,463)	(36,440)
Carrying amount at December 31, 2025	1,463,620	152,893	2,393	1,618,906

Equipment financing				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Standard monitoring	1,588,316	200,091	-	1,788,407
Default	-	-	27,699	27,699
Gross carrying amount	1,588,316	200,091	27,699	1,816,106
Loss allowance	(18,098)	(9,283)	(19,679)	(47,060)
Carrying amount at December 31, 2024	1,570,218	190,808	8,020	1,769,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Derivative financial instruments

The tables below provide a summary of the Credit Union's derivative portfolio and the notional value of the financial assets or financial liabilities to which the derivatives relate.

	Maturities of derivatives (notional amount)				Fair value	
	Within 1 year	1 to 5 years	More than 5 years	Total	Derivative instrument assets	Derivative instrument liabilities
Year ended December 31, 2025						
Foreign exchange derivatives:						
Forward contracts	1,325	-	-	1,325	37	(31)
Foreign exchange swaps	73,500	-	-	73,500	1,005	-
Equity index-linked options:						
Purchased equity options	37,680	69,285	-	106,965	22,979	-
Interest rate swaps:						
Designated cash flow hedges	1,011,769	684,616	228,173	1,924,558	4,671	(2,823)
Economic hedges	475,000	794,723	593,161	1,862,884	9,583	(11,775)
Bond forwards:						
Designated cash flow hedges	30,000	-	-	30,000	-	(4)
Total derivative contracts as at December 31, 2025	1,629,274	1,548,624	821,334	3,999,232	38,275	(14,633)
	Maturities of derivatives (notional amount)				Fair value	
	Within 1 year	1 to 5 years	More than 5 years	Total	Derivative instrument assets	Derivative instrument liabilities
Year ended December 31, 2024						
Foreign exchange derivatives:						
Forward contracts	4,100	-	-	4,100	143	(147)
Foreign exchange swaps ¹	113,999	-	-	113,999	-	(2,575)
Equity index-linked options:						
Purchased equity options	33,935	82,961	-	116,896	19,316	-
Interest rate swaps:						
Designated cash flow hedges	352,480	344,058	220,811	917,349	5,160	(3,377)
Economic hedges	377,900	777,801	636,694	1,792,395	15,195	(14,231)
Bond forwards:						
Designated cash flow hedges	30,000	-	-	30,000	-	(221)
Economic hedges	4,600	-	-	4,600	26	-
Total derivative contracts as at December 31, 2024	917,014	1,204,820	857,505	2,979,339	39,840	(20,551)

¹ In 2025, the Credit Union reevaluated the presentation of foreign exchange swaps and began presenting both currency legs as a single asset or liability. 2024 balances are now presented as a single asset or liability for consistency.

The notional amounts are used as the basis for determining payments under the contracts and are not actually exchanged between the Credit Union and its counterparties. They do not represent credit exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Derivative financial instruments (continued)

The Credit Union has credit risk which arises from the possibility that its counterparty to a derivative contract could default on their obligation to the Credit Union. However, credit risk associated with derivative contracts is normally a small fraction of the notional principal amount of the contract. Derivative contracts expose the Credit Union to credit losses where there is a favourable change in the derivative's value from the Credit Union's perspective and the counterparty fails to perform. The Credit Union only enters derivative contracts with counterparties it has determined to be creditworthy.

Foreign exchange derivatives

As part of its ongoing program for managing foreign currency exposure, the Credit Union enters foreign exchange forward contracts and foreign exchange swaps. Forward contracts are commitments to purchase or sell U.S. dollars at a future date, based on a rate agreed upon by both parties at inception. Foreign exchange swaps involve parties exchanging principal amounts at the start of the transaction and again at maturity. These agreements function as an economic hedge against the Credit Union's net U.S. dollar exposures. Gains or losses on foreign exchange contracts are included in non-interest income.

Equity index-linked options

The Credit Union has \$106,965 (2024 - \$116,896) of equity index-linked term deposit products outstanding to its Members. These term deposits have maturities of up to five years and pay a return to the depositors, at the end of the term, based on the performance of various market indices. The Credit Union has purchased index-linked options to offset the exposure to the indices associated with these products. The Credit Union pays a fixed amount based on the notional amount at the inception of the index-linked option contract. At the end of the term the Credit Union receives from the counterparties payments equal to the amount that will be paid to the depositors based on the performance of the respective indices.

The purpose of the option agreements is to provide an economic hedge against market fluctuations. These option agreements have fair values that vary based on changes in commodity and equity indices. The fair value of these option agreements amounted to \$22,979 as at December 31, 2025 (2024 - \$19,316). The fair value of the embedded written option in the equity index-linked term deposit products amounted to \$22,617 as at December 31, 2025 (2024 - \$18,306) and is included as part of Members' deposits (see note 15). Although hedge accounting is not applied, these agreements are effective as economic hedges.

Interest rate swaps

As part of its interest rate risk management process, the Credit Union uses interest rate swaps to maintain interest rate exposure within the preset limits defined by the Board of Directors' (the "Board") approved policy.

Designated cash flow hedges are interest rate swap agreements which qualify as hedging relationships for accounting purposes under IAS 39, Financial Instruments: Recognition and Measurement. All other interest rate swaps agreements are considered economic hedges. Cash flow hedging relationships have been designated for interest rate swaps used to hedge variable rates of interest on loans, deposits, securitization liabilities, funding facilities, and subordinated debt.

Interest rate swap agreements are valued by discounting projected future cash flows for the time value of money and applying a credit adjustment. Variable cash flows are estimated using implied relationship between relevant indices (e.g. CORRA) and terms. Fixed cash flows are calculated based on the rates stated in the agreements. Cash flows are discounted using the forward points on the swap curve for the relevant index. As at December 31, 2025, the fixed interest rates on the Credit Union's interest rate swaps are between 0.7% and 5.0% (2024 - 0.6% and 4.7%).

Bond forward contracts

As part of its interest rate risk management process, the Credit Union uses bond forwards to maintain its interest rate exposure on forecast sale of mortgage-backed securities into the Canada Mortgage Bond program. These hedging relationships are designated as cash flow hedges. The effective portion of realized gains (losses) on these derivatives are deferred and amortized in accordance with the effective interest rate method along with the debt originated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Derivative financial instruments (continued)

The following tables present the effects of derivatives in hedging relationships on the consolidated statements of income and the consolidated statements of comprehensive income:

Year ended December 31, 2025	Change in fair value of the hedged item	Change in fair value of the hedging instrument	Hedge ineffectiveness gain (loss)	Hedging gain (loss) recognized in OCI	Amount reclassified from AOCI to net income	Effect on OCI (before tax)
Cash flow hedges						
Interest rate risk						
Loans	611	(473)	138	(611)	(156)	(767)
Deposits	69	(66)	3	(69)	(202)	(271)
Securitization liabilities	(2,225)	2,160	(65)	2,225	928	3,153
Subordinated debt	(2,294)	2,294	-	2,294	(1,955)	339
Total cash flow hedges	(3,839)	3,915	76	3,839	(1,385)	2,454
Year ended December 31, 2024	Change in fair value of the hedged item	Change in fair value of the hedging instrument	Hedge ineffectiveness gain (loss)	Hedging gain (loss) recognized in OCI	Amount reclassified from AOCI to net income	Effect on OCI (before tax)
Cash flow hedges						
Interest rate risk						
Loans	(4,980)	5,131	151	4,832	-	4,832
Deposits	225	(220)	5	(225)	(557)	(782)
Securitization liabilities	7,555	(7,701)	(146)	(7,407)	2,942	(4,465)
Funding facilities	543	(543)	-	(543)	(8,117)	(8,660)
Subordinated debt	1,945	(1,606)	339	(1,945)	415	(1,530)
Total cash flow hedges	5,288	(4,939)	349	(5,288)	(5,317)	(10,605)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Derivative financial instruments (continued)

The following tables provides a reconciliation of AOCI related to cash flow hedges (before tax):

Year ended December 31, 2025	Opening AOCI	Other comprehensive income (loss)	Closing AOCI	AOCI on designated hedges	AOCI on de-designated hedges
Cash flow hedges					
Interest rate risk					
Loans	4,410	(767)	3,643	3,643	-
Deposits	279	(271)	8	8	-
Securitization liabilities	(6,437)	3,153	(3,284)	(2,270)	(1,014)
Subordinated debt	(981)	339	(642)	-	(642)
Total cash flow hedges	(2,729)	2,454	(275)	1,381	(1,656)
Year ended December 31, 2024	Opening AOCI	Other comprehensive income (loss)	Closing AOCI	AOCI on designated hedges	AOCI on de-designated hedges
Cash flow hedges					
Interest rate risk					
Loans	(422)	4,832	4,410	4,410	-
Deposits	1,061	(782)	279	109	170
Securitization liabilities	(1,972)	(4,465)	(6,437)	(2,599)	(3,838)
Funding facilities	8,660	(8,660)	-	-	-
Subordinated debt	549	(1,530)	(981)	-	(981)
Total cash flow hedges	7,876	(10,605)	(2,729)	1,920	(4,649)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Goodwill and intangible assets

	2025	2024
Goodwill	-	73,232
Intangible assets	631	12,548
Total goodwill and intangible assets	631	85,780

The Credit Union recognizes goodwill and intangible assets related to the acquisition of OneCap in 2016 as well as small amounts related to internally developed or separately acquired computer software. Acquisition-related balances originally amounted to \$73,232 for goodwill and \$51,300 for intangible assets related to broker and vendor relationships. Broker and vendor related intangible assets subsequently amortized down to \$9,252. Acquisition-related goodwill and intangible assets are tested annually for impairment. The whole business is treated as the cash generating unit ("CGU") for impairment testing purposes. Since acquisition, the recoverable amount of the CGU was determined using a value-in-use model. Given greater volatility in both the economic environment and in expected credit losses, Management reassessed its impairment assumptions over the course of 2025 and determined that fair value less cost to dispose was more indicative of the CGU's recoverable amount. Observations of external market transactions for similar entities, together with internally modelled valuations, indicate that the recoverable amount of the CGU is primarily supported by the fair value of the recognized financial assets, with no incremental value attributable to goodwill or other intangible assets. Accordingly, goodwill and intangible assets have been fully impaired. The remaining assets are substantially all financial assets that are subject to impairment assessment under IFRS 9, see note 28.1.

9.1 Goodwill

As at January 1, 2025, net carrying value	73,232
Impairment	(73,232)
As at December 31, 2025, net carrying value	-

Over the course of 2025, Management concluded that the entire \$73,232 goodwill balance was impaired. See note 9.

9.2 Intangible assets

	Broker and vendor relationships	Software	Other	Total
As at January 1, 2025, net carrying value	11,102	1,446	-	12,548
Additions	-	387	-	387
Amortization	(1,850)	(1,202)	-	(3,052)
Impairment	(9,252)	-	-	(9,252)
As at December 31, 2025, net carrying value	-	631	-	631
As at December 31, 2025				
Cost	51,300	5,953	1	57,254
Accumulated amortization	(42,048)	(5,322)	(1)	(47,371)
Impairment	(9,252)	-	-	(9,252)
Net carrying value	-	631	-	631

Over the course of 2025, Management concluded that the remaining \$9,252 balance of broker and vendor relationship intangible assets was impaired. See note 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9.2 Intangible assets (continued)

	Broker and vendor relationships	Software	Other	Total
As at January 1, 2024, net carrying value	13,322	2,490	50	15,862
Additions	-	573	-	573
Amortization	(2,220)	(1,617)	(50)	(3,887)
As at December 31, 2024, net carrying value	11,102	1,446	-	12,548
As at December 31, 2024				
Cost	51,300	6,594	240	58,134
Accumulated amortization	(40,198)	(5,148)	(240)	(45,586)
Net carrying value	11,102	1,446	-	12,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Premises and equipment

	2025	2024
Property and equipment	27,616	28,966
Right-of-use leased assets	58,790	52,974
Total premises and equipment	86,406	81,940

Property and equipment	Land	Building and improvements	Furniture and office equipment	Computer hardware and software	Leasehold improvements	Total
As at January 1, 2025, net carrying value	2,337	6,655	4,536	8,290	7,148	28,966
Additions	-	223	2,606	3,264	999	7,092
Disposals	-	-	(2)	(4)	(27)	(33)
Depreciation	-	(831)	(1,451)	(3,638)	(2,489)	(8,409)
As at December 31, 2025, net carrying value	2,337	6,047	5,689	7,912	5,631	27,616
As at December 31, 2025						
Cost	2,337	18,215	16,171	21,978	26,679	85,380
Accumulated depreciation	-	(12,168)	(10,482)	(14,066)	(21,048)	(57,764)
Net carrying value	2,337	6,047	5,689	7,912	5,631	27,616

Property and equipment	Land	Building and improvements	Furniture and office equipment	Computer hardware and software	Leasehold improvements	Total
As at January 1, 2024, net carrying value	2,337	6,915	4,617	10,499	8,770	33,138
Additions	-	658	1,468	1,577	1,245	4,948
Disposals	-	(7)	-	-	-	(7)
Depreciation	-	(911)	(1,549)	(3,786)	(2,867)	(9,113)
As at December 31, 2024, net carrying value	2,337	6,655	4,536	8,290	7,148	28,966
As at December 31, 2024						
Cost	2,337	18,795	15,603	23,138	26,400	86,273
Accumulated depreciation	-	(12,140)	(11,067)	(14,848)	(19,252)	(57,307)
Net carrying value	2,337	6,655	4,536	8,290	7,148	28,966

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Premises and equipment (continued)

Right-of-use leased assets	Property
As at January 1, 2025, net carrying value	52,974
Additions	16,492
Disposals	(3,473)
Depreciation	(7,203)
As at December 31, 2025, net carrying value	58,790
As at December 31, 2025	
Cost	112,371
Accumulated depreciation	(53,581)
Net carrying value	58,790
Right-of-use leased assets	Property
As at January 1, 2024, net carrying value	54,816
Additions	5,720
Depreciation	(7,562)
As at December 31, 2024, net carrying value	52,974
As at December 31, 2024	
Cost	100,029
Accumulated depreciation	(47,055)
Net carrying value	52,974

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Equity investments

	2025	2024
Fair value through profit or loss:		
Central 1 shares	22,070	22,325
Real estate participations	10,886	14,361
Private equity funds	27,280	24,961
Other	72	266
Fair value through other comprehensive income:		
Preferred shares	5,548	5,405
Joint venture	552	371
Total equity investments	66,408	67,689

Central 1:

Central 1 Credit Union ("Central 1"), as a credit union central, provides access to the Canadian payment clearing and settlement system through its membership in the Canadian Payments Association and acts as a liquidity provider for its members. Membership in Central 1 is restricted to credit unions and cooperative associations.

Meridian, as a credit union, is a member of Central 1. Central 1 provides Meridian payment clearing and settlement, liquidity facilities, custody and other services.

As a member of Central 1, Meridian is required to maintain an equity investment in Central 1 shares. These shares are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. Member credit unions are subject to additional capital calls at the discretion of the Board of Directors of Central 1.

As the share holding is integral to the Credit Union's relationship with Central 1, it does not intend to dispose of these shares. Dividends on these shares are at the discretion of the Board of Directors of Central 1.

Shares in Central 1 are measured at fair value. There is no secondary market for these shares. Fair value is considered to approximate par value or redemption value based on the terms of the shares. Meridian monitors this investment for any indication that adjustment to the carrying value is required. Any change in fair value would be recognized through profit or loss.

Real estate participations:

Meridian has invested in several residential real estate development projects in Canada, primarily through limited partnership interests. Meridian has committed an additional \$4.3 million (2024 - \$8.2 million) to fund completion of these projects.

Private equity funds:

Meridian holds portfolio investments in several private equity funds managed by external asset managers. These funds make debt and equity investments in emerging, small and mid-sized private companies in Canada and the United States. Meridian has committed an additional \$11.4 million (2024 - \$15.9 million) to these funds.

Preferred shares:

Meridian invests in publicly traded preferred shares of Canadian financial institutions. These investments are designated as fair value through other comprehensive income.

Other:

Other comprises equity investments in affiliated cooperative and other entities that complement and support the credit union system.

Joint venture:

The joint venture investment is accounted for using the equity method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Deferred taxes

	2025	2024
Deferred tax assets	96,912	76,537
Deferred tax liabilities	18,746	23,349
Net deferred tax assets	78,166	53,188

The movement in the deferred tax asset is as follows:

	January 1, 2025	Profit or loss	OCI	Members' equity	December 31, 2025
Non-capital losses available for carryforward ¹	10,601	11,723	-	-	22,324
Allowance for credit losses	21,771	357	-	-	22,128
Premises and equipment	(6,963)	(580)	-	-	(7,543)
Goodwill and intangible assets	(4,242)	16,387	-	-	12,145
Equipment financing	20,365	(4,978)	-	-	15,387
Derivative	520	2,794	(464)	-	2,850
Other	11,136	(273)	12	-	10,875
Total	53,188	25,430	(452)	-	78,166

	January 1, 2024	Profit or loss	OCI	Members' equity	December 31, 2024
Non-capital losses available for carryforward	8,005	2,596	-	-	10,601
Allowance for credit losses	16,928	4,843	-	-	21,771
Premises and equipment	(8,948)	1,985	-	-	(6,963)
Goodwill and intangible assets	(3,841)	(401)	-	-	(4,242)
Equipment financing	20,878	(513)	-	-	20,365
Derivative	(5,943)	4,032	2,431	-	520
Other	10,041	1,094	1	-	11,136
Total	37,120	13,636	2,432	-	53,188

¹ A subsidiary of the Credit Union derecognized deferred tax assets related to non-capital loss carry forwards. These non-capital loss carry forwards total \$41,414 and expire as follows: \$6,367 - 2040, \$7,066 - 2041, \$6,314 - 2042, \$4,437 - 2043, \$3,154 - 2044, \$9,406 - 2045, \$4,670 - 2046.

13 Other assets

	2025	2024
Receivables	46,784	26,602
Employee discounts ¹	19,200	18,800
Deferred expenses	33,126	33,845
Other	2,532	2,521
Total other assets	101,642	81,768

¹ Employees are offered discounted rates on loans and mortgages that are recognized as an asset and amortized into salaries and employee benefits expense over the term of the products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Assets held for sale

In 2024, the Credit Union had committed to a plan to cease the banking operations of its wholly owned subsidiary, Motus Bank, and its financial assets were classified as held for sale.

On May 1, 2025 Motus Bank sold its non-securitized Ontario-based lending portfolio to its ultimate parent, Meridian Credit Union. On November 1, 2025, the bank's remaining loans and its portfolio of deposits and securitization liabilities were sold to Coast Capital Savings Federal Credit Union for consideration of \$31,383. This generated a \$770 loss in 2025, which is presented in net gains on financial instruments disclosed in Note 23. An impairment loss of \$2,592 had previously been recognized in 2024.

Management plans to submit an application to OSFI in 2026 to relinquish Motus Bank's banking license.

15 Deposits

	2025	2024
Personal	14,358,874	13,899,842
Commercial and institutional	5,091,549	5,037,827
Total deposits	19,450,423	18,937,669

	2025	2024
Demand deposits	7,128,929	6,844,745
Term deposits	8,180,526	7,956,520
Registered plans	4,140,968	4,136,404
Total deposits	19,450,423	18,937,669

Term deposits include equity index-linked deposits and the embedded derivatives as described in note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Securitization liabilities

	2025	2024
Mortgage securitization liabilities	4,008,169	3,445,077
Equipment finance securitization liabilities	1,352,940	1,447,716
	5,361,109	4,892,793

16.1 Mortgage securitization liabilities

	2025	2024
Mortgage-backed securities	3,409,347	2,953,726
Asset-backed commercial paper	598,822	491,351
Total mortgage securitization liabilities	4,008,169	3,445,077

Mortgage-backed securities:

As part of its program of liquidity, capital and interest rate risk management, the Credit Union funds the residential mortgage portfolio by entering mortgage securitization arrangements. These arrangements allow the Credit Union to transfer fully insured residential mortgages to third parties, generally by transferring these assets to multi-seller conduits which issue securities to investors.

These transactions are derecognized from the consolidated balance sheet when they meet the derecognition criteria described in note 3.3. In instances where these criteria are not met, the Credit Union continues to recognize the asset and records a securitization liability for the consideration received.

The Credit Union packages insured mortgages into NHA MBS and in turn sells the MBS to Canada Housing Trust ("CHT") directly through the Canada Mortgage Bond ("CMB") Program. CHT is financed through the issuance of government-guaranteed mortgage bonds, which are sold to third-party investors. Proceeds from the issuances are used by CHT to purchase the government-guaranteed MBS from approved issuers.

The Credit Union enters reinvestment swaps with third-party financial institutions to manage the reinvestment risk associated with the CMB program. All mortgages securitized by the Credit Union are fully insured prior to sale. As such, they pose minimal to no credit risk to the Credit Union immediately before or any time after the securitization transaction. On securitized mortgages that are open to prepayment, the Credit Union remains exposed to prepayment risk. As such, it has not transferred materially all the risks and rewards of the assets and continues to recognize them on its balance sheet with an associated securitization liability. Interest income and expense is recognized on the assets and liabilities respectively using the effective interest rate method.

The Credit Union also securitizes some mortgages that are closed to prepayment. Where replacement asset requirements are also outsourced, residual prepayment and reinvestment risks are immaterial and materially all the risks and rewards on the assets have been transferred. Therefore, the assets are derecognized and no liability is recognized. A gain on sale is recorded upon the derecognition of the assets, which is calculated by comparing the fair value of the assets at the point of sale versus the consideration received. An asset relating to the Credit Union's retained interest in the securitized mortgages is recognized at fair value and is subsequently measured at amortized cost. The Credit Union's retained interest in securitized mortgages is presented in other assets, with the associated income recognized in fees and other income.

Costs related to securitization transactions are amortized over the life of the liability through interest expense when derecognition is not achieved. In cases where derecognition is achieved, they are deducted from the gain on sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16.1 Mortgage securitization liabilities (continued)

The following table summarizes the carrying and fair values of the Credit Union's securitized assets and sold to third parties, but not derecognized, as well as the carrying and fair values of the corresponding mortgage securitization liabilities:

	2025		2024	
	Carrying value	Fair value	Carrying value	Fair value
Securitized mortgages sold via CMB Program	1,843,196	1,777,522	1,961,546	1,862,462
Sold MBS to third parties	1,588,480	1,528,526	1,022,664	960,789
Unscheduled principal payment reserve ¹	24,385	24,385	31,472	31,472
Total designated assets	3,456,061	3,330,433	3,015,682	2,854,723
Mortgage-backed securities	(3,409,347)	(3,473,250)	(2,953,726)	(2,963,285)
Net amount	46,714	(142,817)	61,956	(108,562)

¹ The unscheduled principal payment reserve is included in interest-bearing deposits with financial institutions.

Asset-backed commercial paper:

In accordance with a Mortgage Loan Co-Ownership and Servicing Agreement, the Credit Union transfers undivided co-ownership interests of certain eligible residential mortgages into a co-ownership asset portfolio. Co-owners are the Credit Union as the seller of interests and a Canadian bank sponsored securitization conduit (the "Trust") as the purchaser. Interests are purchased by the Trust through the issuance of asset-backed commercial paper ("ABCP") to investors, collateralized by the eligible conventional mortgages transferred to the co-ownership asset portfolio. The principal and interest on the ABCP outstanding is paid monthly from collections on the co-ownership asset portfolio. Mortgages sold into the ABCP vehicle do not meet the derecognition criteria.

The carrying value of mortgages that are pledged as collateral for the ABCP at December 31, 2025 is \$631,579 (2024 - \$526,316). In addition, the Credit Union has cash reserves of \$9,000 (2024 - \$7,500) held as collateral for the notes as disclosed in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16.2 Equipment finance securitization liabilities

	Maturity	2025	2024
Variable-rate notes	2026	1,126,241	1,148,100
Fixed-rate notes	Matured	226,699	299,616
Total equipment finance securitization liabilities		1,352,940	1,447,716

To raise funding for its equipment financing portfolio, the Credit Union sells lease contracts to a consolidated special purpose entity. Through the special purpose entity, the Credit Union enters securitized borrowing agreements with investors. The underlying loan and lease contracts in these arrangements do not meet the derecognition criteria.

In accordance with the Note Purchase Agreements, the Credit Union sells variable and fixed rate equipment contract backed notes to investors. The notes are collateralized by specific portfolios of lease contracts secured by equipment and originated in Canada. The principal and interest are paid regularly from collections on the related asset portfolios.

In February 2025, the securitization facilities temporarily ceased funding due to a breach of covenants related to the proportion of write-offs exceeding levels stipulated in the related agreements. As at December 31, 2025 the variable-rate note facility had been successfully renewed, extending its maturity to November 30, 2026. Funding under the fixed-rate note facility remains suspended and is subject to a forbearance arrangement, expiring May 31, 2026. The forbearance arrangement maintains funding at the same level as when the covenants breach was identified but does not advance additional funding. The Credit Union was in the process of negotiating a renewal of the fixed-rate note facility at the point these statements were approved. Other funding sources have sufficient capacity to replace the fixed-rate note facility in the event it is not renewed.

Variable-rate notes:

The Note Purchase Agreement has a commitment expiration date of November 30, 2026 (2024 - November 28, 2025). The carrying value of equipment financing that is pledged as collateral for variable-rate notes at December 31, 2025 is \$1,252,033 (2024 - \$1,235,224). In addition, The Credit Union has cash reserves of \$80,954 (2024 - \$15,139) and investment reserves of \$10,008 (2024 - \$9,708) held as collateral for the variable notes as disclosed in note 5.

Fixed-rate notes:

The Note Purchase Agreement matured on May 20, 2025 and is currently subject to a forbearance arrangement with an expiry date of May 31, 2026. The carrying value of equipment financing that is pledged as collateral for fixed-rate notes at December 31, 2025 is \$247,318 (2024 - \$326,970). In addition, the Credit Union has cash reserves of \$26,219 (2024 - \$6,773) held as collateral for the notes as disclosed in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Funding facilities

			2025		2024
	Maturity	Authorized	Balance	Authorized	Balance
Term funding					
Term funding	2026	300,000	300,000	300,000	300,000
Accrued interest		-	7	-	20
Total term facilities		300,000	300,007	300,000	300,020
			2025		2024
	Maturity	Authorized	Drawn	Authorized	Drawn
Credit and contingency facilities					
Secured					
Revolving credit	2026	100,000	-	100,000	-
Revolving credit	2027	300,000	-	300,000	-
Total secured		400,000	-	400,000	-
Unsecured					
Revolving credit	2026	311,711	-	355,374	-
Total unsecured		311,711	-	355,374	-
Total secured and unsecured facilities		711,711	-	755,374	-
Contingency facilities					
Contingent credit	2026	422,000	135,544	422,000	205,174

Term facility

The term funding facility is provided by a major Canadian financial institution, at variable rates, secured by uninsured residential mortgages. It has a two-year term that matures in 2026.

Secured facilities

The revolving credit facilities are provided by two major Canadian financial institutions, at variable rates, secured by uninsured residential mortgages. These facilities mature in 2026 and 2027.

Unsecured facilities

Central 1, as a credit union central, provides access to the payment clearing and settlement system and also acts as a liquidity provider to its members. Members are required to maintain an equity investment in Central 1. As part of that relationship, Central 1 provides various unsecured credit facilities, described below, which are subject to annual review and renewal. The Central 1 credit facilities are secured by a General Security Arrangement.

Revolving credit facilities

Central 1 provides various lines of credit and short-term credit facilities to Meridian for cash and liquidity management purposes.

Contingent credit facilities

Central 1 provides various contingent credit facilities in the form of letters of credit or guarantee. This contingent credit facility is used to provide letters of credit and guarantees to Members and therefore any drawn amounts are off balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Subordinated debt

Series	Redemption date	Maturity date	Basis	Interest rate	2025	2024
2024	December 31, 2029	December 31, 2034	Variable	6.76 %	74,687	74,640
2020 Series A	February 21, 2025	Redeemed	Fixed	4.87 %	-	76,295
2020 Series B	April 23, 2025	Redeemed	Fixed	3.90 %	-	50,341
Total subordinated debt					74,687	201,276

Each series of subordinated debt has a term to maturity of ten years. The Credit Union has the option to redeem after five years. The 2020 series notes were repaid at the redemption dates.

The 2024 series notes have variable rate of interest which at December 31, 2025 was 6.76% (2024 - 7.07%).

19 Other liabilities

	2025	2024
Accounts payable and accrued liabilities	176,413	200,739
Salaries and employee benefits	62,109	46,157
Cheques and other items in transit	1,946	2,704
Total other liabilities	240,468	249,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Salaries and employee benefits

The Credit Union provides several pension and other retirement benefits to its current and retired employees. These plans include the following:

Defined Contribution Pension Plan ("DC")

Employees are required to contribute 3% of their salary to the DC Plan. The Credit Union contributes from 3% to 10% of an employee's eligible earnings to the DC Plan depending on their years of continuous service and seniority.

Unfunded Supplemental Executive Retirement Plan

This plan mirrors the structure of the DC Plan and contains employer pension contributions to all DC Plan members who reach the maximum permitted under the Income Tax Act (Canada) during the year. Plan members accrue contributions and investment returns on a notional basis. Benefits are paid to employees upon termination or retirement. Members are neither required nor permitted to make contributions to this plan.

Defined Benefit Supplemental Executive Retirement Plan

This plan was a defined benefit retirement plan which provided benefits to certain former employees who were members of a previous contributory defined benefit plan. Under the contributory plan, benefits were restricted to the maximum permitted under the Income Tax Act (Canada), and this plan provided additional benefits. This plan was wound up on September 30, 2025 and lump sum payments were made to members on November 28, 2025.

Post-Employment Benefits

The Credit Union provides a post-employment benefits program to eligible retired employees who are at least 55 years of age with a minimum of 10 years of service and who worked at least 15 hours per week. The plan includes healthcare coverage that ceases at age 65 and a lump sum payment based on years of service upon retirement.

Additionally, the Credit Union maintains two legacy retiree benefit programs for former employees of previously acquired credit unions, which include healthcare and dental coverage. These plans were closed to new entrants several years ago.

	2025	2024
Balance sheet obligations included in other liabilities for:		
Salaries and other employee benefits	54,121	37,688
Pension benefits	935	1,521
Post-employment benefits	7,053	6,948
Total salaries and employee benefits	62,109	46,157
Income statement charged to salaries and employee benefits for:		
Salaries and other employee benefits	252,355	227,198
Pension benefits	10,410	10,078
Post-employment benefits	600	573
Total salaries and employee benefits	263,365	237,849

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Membership and investment shares

Authorized share capital:

The authorized share capital of Meridian consists of:

- (a) an unlimited number of Membership shares;
- (b) an unlimited number of Class A shares, issuable in series; and
- (c) an unlimited number of Class B shares, issuable in series.

Class A shares rank in priority to Membership shares and Class B shares in the payment of dividends and in the event of the liquidation, dissolution or winding up of the Credit Union.

Class B shares rank in priority to Membership shares in the payment of dividends and in the event of the liquidation, dissolution or winding up of the Credit Union. There are no Class B shares outstanding.

Membership shares are entitled to the remaining property of the Credit Union in the event of liquidation, dissolution or winding-up.

Membership shares

Membership shares have a par value and redemption value of \$1 each. Membership shares are voting participating, non-transferable, redeemable shares.

Membership in the Credit Union requires each Member to own one Membership share. Membership shares are voting shares, but Members are restricted to one vote regardless of the number of Membership shares held by the Member.

Membership shares are entitled to receive dividends as and when declared by the Board in their sole discretion. As a Credit Union, dividends on Membership shares are taxed as interest, and not as dividends.

Membership shares are redeemable at par value on withdrawal from Membership in the Credit Union and subject to applicable law.

Investment shares

Class A Special shares ("Class A shares") have a par value and redemption value of \$1 each. Class A shares are non-participating, redeemable and non-cumulative special shares (except for the Series 96 which is cumulative).

Transfer and redemption privileges:

Class A shares are redeemable at the sole and absolute discretion of the Board of Directors and subject to applicable law. No redemptions may occur until the fifth anniversary of the issue date of the particular Series, except upon death or expulsion from membership.

Total redemptions of a series of Class A shares in any fiscal year may not exceed 10% of the total outstanding Class A shares of that series at the end of the previous fiscal year.

Class A shares may not be transferred except to another Member of Meridian, subject to the approval of the Board and Applicable Law.

Dividends:

The holders of Class A shares are entitled to receive dividends, if, as and when declared by the Board in its absolute discretion, in cash or additional shares. The dividend rate and payment date vary by series, as described below. As a Credit Union, dividends on Class A shares are taxed as interest, and not as dividends.

For all series of Class A shares, the Board will set a minimum dividend rate for the next ensuing five-year period based on the criteria set forth for each series. The current minimum dividend rates and reset mechanisms are set out below. The dividend rates can be higher than the minimum rate, except for the Series 96 shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Membership and investment shares (continued)

50th Anniversary Series

Dividends, if as and when declared by the Board, are payable on January 1 of the following fiscal year.

The dividend rate is the greater of:

- the Minimum Dividend Rate set by the Board every five years; and
- the average chartered bank prime rate during the fiscal year for which the dividends are declared as published by the Bank of Canada.

The Minimum Dividend Rate shall not be set at less than the average chartered bank five-year GIC rate published by the Bank of Canada for the first week of October at each reset year.

The Minimum Dividend Rate for the five-year period beginning on January 1, 2021 and ending on December 31, 2025 was set at 4.00%. The Minimum Dividend Rate for the next five-year period beginning on January 1, 2026 and ending on December 31, 2030 was set at 3.50%.

Series 96

Dividends, if as and when declared by the Board, are payable on September 26 of each year. Series 96 shares are entitled to a cumulative dividend, if the dividends otherwise due are not paid in full.

The dividend rate is fixed to the Dividend Rate set by the Board every five years.

The Dividend Rate shall not be set at less than 1.00% above the average chartered bank five-year GIC rate published by the Bank of Canada for the week immediately preceding each reset date.

The Dividend Rate for the five-year period beginning on September 27, 2021 and ending on September 26, 2026 was set at 4.00%.

Series 98

Dividends, if as and when declared by the Board, are payable on January 1 of the following fiscal year.

The dividend rate is not less than the Minimum Dividend Rate set by the Board every five years.

The Minimum Dividend Rate for the five-year period beginning on January 1, 2021 and ending on December 31, 2025 was set at 4.00%. The Minimum Dividend Rate for the next five-year period beginning on January 1, 2026 and ending on December 31, 2030 was set at 3.50%.

Series 01

Dividends, if as and when declared by the Board, are payable on December 12 of each year.

The dividend rate is not less than the Minimum Dividend Rate set by the Board every five years.

The Minimum Dividend Rate shall not be set at less than 1.00% above the average chartered bank five-year GIC rate published by the Bank of Canada thirty days immediately preceding each reset date.

The Minimum Dividend Rate for the five-year period beginning on December 13, 2021 and ending on December 12, 2026 was set at 4.45%.

Series 09

Dividends, if as and when declared by the Board, are payable on January 1 of the following fiscal year.

The dividend rate is not less than the Minimum Dividend Rate set by the Board every five years.

The Minimum Dividend Rate shall not be set at less than 1.25% above the yield on the Government of Canada five-year bond published by the Bank of Canada for the month immediately preceding the final Board meeting at each reset year.

The Minimum Dividend Rate for the five-year period beginning on January 1, 2025 and ending on December 31, 2029 was set at 4.30%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Membership and investment shares (continued)

Series 15

Dividends, if as and when declared by the Board, are payable on January 1 of the following fiscal year.

The dividend rate is not less than the Minimum Dividend Rate set by the Board every five years.

The Minimum Dividend Rate shall not be set at less than 1.25% above the yield on the Government of Canada five-year bond published by the Bank of Canada for the month immediately preceding the final Board meeting at each reset year.

The Minimum Dividend Rate for the five-year period beginning on January 1, 2025 and ending on December 31, 2029 was set at 4.30%.

Series 17

Dividends, if as and when declared by the Board, are payable on January 1 of the following fiscal year.

The dividend rate is not less than the Minimum Dividend Rate set by the Board every five years.

The Minimum Dividend Rate shall not be set at less than 3.00% above the yield on the Government of Canada five-year bond published by the Bank of Canada for the month immediately preceding the final Board meeting at each reset year.

The Minimum Dividend Rate for the five-year period beginning on January 1, 2022 and ending on December 31, 2026 was set at 4.45%.

Series 23

Dividends, if as and when declared by the Board, are payable on October 1 of each year.

The dividend rate is not less than the Minimum Dividend Rate set by the Board every five years.

The Minimum Dividend Rate shall not be set at less than 2.00% above the yield on the Government of Canada five-year bond published by the Bank of Canada for the month immediately preceding the third quarter Board meeting at each reset year.

The Minimum Dividend Rate for the period beginning on November 25, 2023 and ending on September 30, 2028 was set at 6.50%.

Issued and outstanding Membership shares and investment shares as at December 31 are as follows:

	2024	Issued	Redeemed	Dividend reinvested	2025
Class A Shares					
50th Anniversary	79,505	-	(571)	4,773	83,707
Series 96	27,529	-	(123)	933	28,339
Series 98	5,078	-	(102)	214	5,190
Series 01	64,284	-	(252)	2,361	66,393
Series 09	93,086	-	(2,105)	3,968	94,949
Series 15	153,231	-	(1,740)	6,306	157,797
Series 17	207,943	-	(984)	8,644	215,603
Series 23	168,194	-	-	8,633	176,827
Investment shares	798,850	-	(5,877)	35,832	828,805
Membership shares	393	28	(18)	-	403
Share capital	799,243	28	(5,895)	35,832	829,208

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Membership and investment shares (continued)

	2023	Issued	Redeemed	Dividend reinvested	2024
Class A Shares					
50th Anniversary	75,234	-	(266)	4,537	79,505
Series 96	29,075	-	(2,495)	949	27,529
Series 98	4,867	-	(70)	281	5,078
Series 01	61,986	-	(274)	2,572	64,284
Series 09	89,139	-	(1,004)	4,951	93,086
Series 15	146,096	-	(763)	7,898	153,231
Series 17	197,826	-	(493)	10,610	207,943
Series 23	161,213	-	-	6,981	168,194
Investment shares	765,436	-	(5,365)	38,779	798,850
Membership shares	389	20	(16)	-	393
Share capital	765,825	20	(5,381)	38,779	799,243

Payment of dividends is at the sole discretion of the Board.

2025	Dividend rate		Dividends		
Dividends	Minimum	Actual	Paid in cash	Paid in shares	Total
Series					
50th Anniversary	4.00 %	5.13 %	595	4,773	5,368
Series 96	4.00 %	4.00 %	165	933	1,098
Series 98	4.00 %	4.45 %	35	214	249
Series 01	4.45 %	4.45 %	489	2,361	2,850
Series 09	4.30 %	4.45 %	575	3,968	4,543
Series 15	4.30 %	4.45 %	1,166	6,306	7,472
Series 17	4.45 %	4.45 %	1,542	8,644	10,186
Series 23	6.50 %	6.50 %	2,336	8,633	10,969
Total			6,903	35,832	42,735

2024	Dividend rate		Dividends		
Dividends	Minimum	Actual	Paid in cash	Paid in shares	Total
Series					
50th Anniversary	4.00 %	6.99 %	786	4,537	5,323
Series 96	4.00 %	4.00 %	158	949	1,107
Series 98	4.00 %	5.00 %	40	281	321
Series 01	4.45 %	5.00 %	516	2,572	3,088
Series 09	4.00 %	5.00 %	699	4,951	5,650
Series 15	4.00 %	5.00 %	1,373	7,898	9,271
Series 17	4.45 %	5.00 %	1,797	10,610	12,407
Series 23	6.50 %	6.50 %	1,980	6,981	8,961
Total			7,349	38,779	46,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Fee and other income

	2025	2024
Wealth management revenue	39,451	33,132
Account service fees	22,891	23,957
Loan and lease servicing fees	16,395	16,932
Insurance	7,993	7,037
Foreign exchange	4,601	4,001
Other	13,927	9,293
Total fee and other income	105,258	94,352

\$1,914 of insurance-related income in 2024 previously presented in other is now presented in insurance.

23 Net gain on financial instruments

	2025	2024
Unrealized loss on derivatives	(3,514)	(15,240)
Realized (loss) gain on derivatives	(2)	23,234
Hedge ineffectiveness	76	349
Unrealized loss on investments	(6,636)	(863)
Realized gain on investments	13,053	1,250
Recovery of (impairment loss) on assets held for sale	2,592	(2,592)
Realized loss on sale of loans and deposits	(1,323)	-
Net gain on financial instruments	4,246	6,138

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Income tax expense

	2025	2024
Current income tax expense	17,601	18,547
Future income tax recovery	(25,430)	(13,636)
Total income tax expense	(7,829)	4,911

Note 12 provides information on the Credit Union's deferred tax assets and liabilities, including amounts recognized directly in OCI.

The tax on the Credit Union's consolidated operating earnings before income taxes differs from the amount that would arise using the Canadian federal and provincial statutorily enacted tax rates as follows:

	2025		2024	
	Tax provision	% of Pre-tax income	Tax provision	% of Pre-tax income
Income before taxes	6,913	n/a	82,635	n/a
Income tax expense at statutory rates	2,462	26.5 %	21,572	26.5 %
Credit union rate reduction	(8,878)	(128.4)%	(10,907)	(13.2)%
Deductible dividend payments ¹	(7,343)	(106.2)%	(7,598)	(9.2)%
Goodwill and intangible asset impairment ¹	4,797	69.4 %	-	- %
Deferred tax asset allowance	1,196	17.3 %	2,505	3.0 %
Other	(63)	8.2 %	(661)	(1.2)%
Income tax expense (recovery)	(7,829)	(113.2)%	4,911	5.9 %
Other comprehensive income (loss) for the year, before tax	(3,423)	n/a	26,396	n/a
Income tax expense (recovery), recognized directly in other comprehensive income	(606)	17.7 %	4,303	16.3 %

¹ The Credit Union pays dividends on investment shares which are deductible for income tax purposes.

The amount of income taxes relating to each component of income or OCI can be summarized as follows:

	2025		
	Before income taxes	Income tax expense	Net of income taxes
Net loss on cash flow hedges	3,839	(723)	3,116
Net gain on cash flow hedges transferred to net income	(1,385)	262	(1,123)
Actuarial loss in defined benefit pension plans	(66)	11	(55)
Unrealized gains on FVOCI financial assets	(5,811)	1,056	(4,755)
Other comprehensive income (loss) for the year ended December 31, 2025	(3,423)	606	(2,817)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Income tax expense (continued)

	2024		
	Before income taxes	Income tax expense	Net of income taxes
Net loss on cash flow hedges	(5,288)	1,427	(3,861)
Net loss on cash flow hedges transferred to net income	(5,317)	1,004	(4,313)
Actuarial loss in defined benefit pension plans	(3)	1	(2)
Unrealized gains on FVOCI financial assets	37,004	(6,735)	30,269
Other comprehensive income for the year ended December 31, 2024	26,396	(4,303)	22,093

25 Related party transactions

The Credit Union's related parties, as defined in IAS 24, include its subsidiaries, joint venture, key management personnel and their close family members, as well as entities controlled or significantly influenced by them. Key management personnel include all members of the Board, officers of the Credit Union and members of the Executive Leadership Team of the Credit Union.

Unless otherwise noted, transactions with related parties include no special terms and conditions and no guarantees were given to or received from the related parties. Outstanding balances are usually settled in cash.

Transactions with related parties

Compensation

The compensation paid or payable to key management personnel for director or employee services is shown below:

	2025	2024
Salaries and employee benefits	7,120	5,845
Post-employment benefits	232	214
Total compensation	7,352	6,059

Related party balances and transactions are detailed below:

Loans advanced and revolving credit facilities granted to related parties

	2025		2024	
	Authorized	Balance	Authorized	Balance
Loans	3,050	3,050	5,635	5,635
Revolving credit facilities	4,961	1,886	5,006	1,995
Total loans and revolving credit facilities as at December 31	8,011	4,936	10,641	7,630
Total interest revenue earned on loans and revolving credit facilities		196		316

Deposit balances held for related parties

	2025	2024
Deposit balance as at December 31	20,360	15,637
Total interest expense on deposits	597	551

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Related party transactions (continued)

Other transactions with related parties

Sales/purchases of goods and services

Key management personnel and parties related to them did not provide any goods or services to the Credit Union in the current or prior year.

Shares and dividends

As at December 31, 2025 related parties hold share capital valued at \$372 (2024 - \$370). During the year, dividends of \$23 (2024 - \$21) were paid on these shares.

Restricted party transactions

The Credit Union uses the definition of restricted party contained in the Act. A restricted party includes a person who is, or has been within the preceding twelve months, a director, officer or auditor of the Credit Union, any corporation in which the person owns more than 10% of the voting shares, his or her spouse, their dependent relatives who live in the same household as the person, and any corporation controlled by such spouse or dependent relative.

As at December 31, 2025 the aggregate value of loans issued to restricted parties was \$3,365 (2024 - \$6,221). These loans have been advanced on the same terms and conditions as have been accorded to all Members of the Credit Union, unless the restricted party is an employee, in which case they received the standard employee discount. There was no stage 3 allowance for expected credit losses required in respect of these loans.

Directors received \$1,088 (2024 - \$1,183) for annual retainer and per diem and \$65 (2024 - \$97) for reimbursement of travel and out-of-pocket expenses.

26 Contingent liabilities and commitments

(a) Legal proceedings

The Credit Union is subject to litigation from time to time in the normal course of business. The Credit Union enters legal proceedings primarily relating to the recovery of delinquent loans. As a result, various counterclaims or proceedings have been or may be instituted against the Credit Union. The disposition of matters that are pending or asserted is not expected to have a material effect on the financial position of the Credit Union.

(b) Regulatory oversight

In the ordinary course of business, the Credit Union is involved in various regulatory actions, such as regulatory examinations, investigations, audits, and requests for information by governmental and regulatory agencies, in respect of its business and compliance programs. The Credit Union establishes provisions for potential penalties or fines related to such regulatory actions when it becomes probable that it will incur a loss that can be reasonably estimated.

(c) NHA MBS commitments

The Credit Union is required to remit the NHA MBS principal and interest amounts due on outstanding securities in the following month. The total NHA MBS principal and interest amounts due as at December 31, 2025 on NHA MBS that Meridian retains ownership of, either directly or through participation in the CMB Program, are \$105,323 (2024 - \$135,419).

The Credit Union is required to fund an additional unscheduled prepayment cash reserve, calculated based on the outstanding principal balance of all outstanding NHA MBS as at December 31, 2025. As at December 31, 2025 the expected amount of the cash reserve required for 2025 is \$28,431 (2024 - \$24,444).

The NHA MBS commitment amounts as at December 31, 2024 have been revised to reflect updated information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Contingent liabilities and commitments (continued)

(d) Commitments for loans

In the normal course of business, the Credit Union enters into various commitments to meet the credit requirements of its Members. Such commitments, which are not included in the consolidated balance sheet, include documentary and commercial letters of credit, which require the Credit Union to honour drafts presented by third parties on completion of specific activities; and commitments to extend credit, which represent undertakings to make credit available in the form of loans or other financings, subject to certain conditions.

These credit arrangements are subject to the Credit Union's normal credit standards, financial controls and monitoring procedures and collateral may be obtained where appropriate. The contract amounts for these commitments set out in the table below represent the Credit Union's maximum exposure to credit risk should the contracts be fully drawn, the counterparty default and any collateral held prove to be of no value. As many of these arrangements will expire or terminate without being drawn on, the contract amounts do not necessarily represent future cash requirements.

	2025	2024
Undrawn revolving credit facilities ¹	3,610,490	3,581,946
Standby and commercial letters of credit	162,379	194,872
Undrawn term credit facilities:		
Residential mortgages	23,106	98,315
Personal loans	140	135
Commercial loans ¹	2,038,445	2,066,233
Total loan commitments as at December 31	5,834,560	5,941,501

¹ The commitment for undrawn revolving credit facilities and undrawn commercial loans as at December 31, 2024 has been revised from the previous year disclosure to reflect updated information.

(e) Guarantees

In the normal course of business, the Credit Union enters agreements that meet the definition of a guarantee under IFRS. In the event of a default by the guaranteed party, payments related to such agreements represent a credit exposure to the Credit Union.

(f) Indemnities

In connection with its sale of assets and transfer of liabilities to Coast Capital Savings Federal Credit Union, Motus has provided them with capped and time limited indemnities for specified matters, including breaches of representations and warranties. The potential exposure is limited to a maximum of \$30,500, subject to claims arising within three years. The indemnity is secured by a term deposit, which is presented as term deposits with other financial institutions within debt securities (note 6).

(g) Meridian's Commitment to Communities

As part of Meridian's Commitment to Communities program, the Credit Union has entered several contracts resulting in commitments for contributions and sponsorships. These primarily relate to arts, recreation and community facilities across Ontario.

Future payments for all contributions and sponsorship contracts are as follows:

	2025	2024
Within 1 year	2,717	2,717
1 to 5 years	13,707	13,695
Over 5 years	7,029	9,758
Total	23,453	26,170

Total payments made during 2025 were \$2,717 (2024 - \$2,792) of which \$2,685 (2024 - \$2,655) are included on the consolidated income statement within administration expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Contingent liabilities and commitments (continued)

(h) Equity investments

The Credit Union made equity investments in six Limited Partnerships focused on real estate development, and seven Limited partnerships focused on strategic private equity investments. To the extent that the General Partners are unable to arrange outside funds to meet the requirements of the business of the Partnerships, the Credit Union may also be required to pay any unfunded portion of its committed amount after the expected commitment period, or return any distributions from the partnerships received to date (No such distributions have yet been received). The related investments are recognized on the consolidated balance sheet in investments in equity instruments, details of which can be found in note 11.

The commitment to fund these equity investments is as follows:

	2025			2024		
	Commitment	Funded	Unfunded	Commitment	Funded	Unfunded
Real estate participations	24,699	20,382	4,317	26,250	18,085	8,165
Private equity funds	37,015	25,611	11,404	39,212	23,271	15,941
	61,714	45,993	15,721	65,462	41,356	24,106

27 Supplementary regulatory information

The Act and FSRA regulations require certain supplementary information be provided in the audited financial statements.

Remuneration of officers and employees

The Act requires credit unions to disclose the total remuneration paid during the year to the five highest paid officers and employees whose total cash-based remuneration for the year exceeded \$150. The table below provides this information for the current year:

	Salaries	Bonuses	Benefits	Total
Jay-Ann Gilfoy, President & Chief Executive Officer	696	784	107	1,587
Wade Stayzer, Chief Operating Officer	397	354	71	822
Sunny Sodhi, Chief Legal & Corporate Affairs Officer	364	349	68	781
Patty Johns, Chief People & Culture Officer	373	305	66	744
John Trivieri, Chief Risk Officer	361	302	68	731

Deposit insurance

The annual premium paid to FSRA and CDIC for insuring deposits during the year ended December 31, 2025 was \$15,688 (2024 - \$15,718). The premium rates are based on relative risk to the insurance fund as measured by an overall composite risk score encompassing financial and other risk based factors.

Central 1 fees

The total fees paid to Central 1 amounted to \$2,923 (2024 - \$2,855) and are included within non-interest expense on the consolidated income statement. These fees were in respect of banking, clearing, and other services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial risk management

The Board of Directors has overall responsibility for establishing and overseeing the Credit Union's risk management framework. The Board has established a Risk Committee and charged it with the responsibility for, among other things, developing and monitoring risk management policies. The Risk Committee reports regularly to the Board on its activities.

28.1 Credit risk

Credit risk is the Credit Union's exposure to financial losses if a borrower or guarantor fails to meet payment obligations in accordance with agreed terms. Credit risk is one of the most significant and pervasive risks to a financial institution. Every loan, extension of credit or transaction that involves settlements between the Credit Union and other parties exposes the Credit Union to a degree of credit risk.

One of the Credit Union's primary objectives is maintain a methodological approach for credit risk assessment which allows it to effectively assess, select and manage exposures, allowing it to deliver stable earnings. The strategy establishes central oversight of credit risk and fosters a culture of accountability, independence and balance. The responsibility for credit risk management is organization wide in scope. The Board approves the Credit Risk Management Policy including, but not limited to, the following six areas:

- Credit risk assessment: Policies related to credit risk analysis, monitoring risk rating and scoring;
- Credit risk mitigation: Credit structuring, collateral and guarantees;
- Credit risk approval: Setting credit risk limits and exceptions;
- Credit processes: Ensuring documentation and administration through robust loan origination systems;
- Credit reviews: Portfolio monitoring focused on financial performance, covenant compliance and any other signs of deteriorating performance;
- Credit portfolio management: Managing sectoral, geographic, and overall risk concentration limits, risk quantification and trending.

The Board has delegated to the CEO the authority to establish a lending hierarchy, including a procedure for delegating lending authority. The Credit Union employs people who are trained in managing credit granting activities. Staff may be delegated certain authorities based on their experience and background. Designated staff whose primary accountabilities are managing the Credit Union's credit risk are granted the authority to use judgment and discretion consistent with Credit Union policies.

Management has the responsibility to:

- systematically identify, quantify, control and report on existing and potential credit risks in the loan portfolio;
- prudently manage the exposure to default and potential losses arising from those risks;
- employ and train personnel who can implement credit management techniques, as required by policy; and
- meet regulatory requirements.

The Board and the Board's Risk Committee receive regular summaries of credit risk metrics on the Credit Union's portfolios.

Risk assessments:

The Credit Union segments its portfolio for the purpose of managing credit risk. Different risk management processes are used for each portfolio. The primary portfolios are retail lending, commercial lending, and equipment finance lending. Credit risk rating systems are used to assess and quantify risks relevant to those portfolios in a consistent manner.

Risk diversification:

Credit risk is assessed along two dimensions: (i) probability of default, which is an estimate of the likelihood an obligor will default, and (ii) loss given default, which represents the loss expected in the event of default.

The Credit Union's credit risk portfolio is diversified with the objective of spreading risk. In the Retail portfolio, diversification areas include authorized loan types, forms of security, geographic concentrations, and sectoral groupings or other objective criteria as set by the Board. In the Commercial loan portfolio, concentration limits are set for industry sectors as well as individual borrowers and borrower groups. The top five industry sectors represent approximately 61% (2024 - 60%) of the total Commercial loan portfolio.

Equipment Financing is diversified based on geography and the asset classes of leased equipment. The top five asset classes represent 85% (2024 - 87%) of the portfolio.

Risk rating systems:

Risk rating frameworks have been established for each of the Credit Union's primary portfolios. These are used to assess the level of credit risk for individual exposures at inception. Retail and equipment finance exposures are managed on a pooled basis thereafter. Larger individual commercial exposures are reassessed on an ongoing basis for changes in credit risk. The Credit Union also uses an early warning system to identify changes in credit risk where regular reassessment otherwise may not have been performed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial risk management (continued)

28.1 Credit risk (continued)

Expected credit loss measurement:

IFRS 9 outlines a three-stage model for the impairment of in-scope financial assets and other off-balance sheet exposures as outlined in note 3. The term "financial asset" should be assumed to apply to all exposures covered by the IFRS 9 impairment model.

- All financial assets (other than those originated as credit impaired) start in stage 1 and receive an allowance for expected credit losses over the next 12 months. Financial assets in stage 1 are monitored for changes in credit risk thereafter.
- A financial asset is moved to stage 2 if a SICR is identified but the asset is not impaired. The allowance against stage 2 financial assets is increased to represent expected credit losses over their remaining lifetime.
- If the financial asset is credit impaired, it is moved to stage 3. Like stage 2, stage 3 financial assets receive an allowance for expected credit losses over their remaining lifetime. However, the allowance against stage 3 assets incorporates a more detailed analysis of the specific characteristics of the loan and its security.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired at initial recognition. Their ECL is always measured on a lifetime basis (stage 3).

For the purposes of expected credit loss modelling, the Credit Union has segregated in-scope financial assets into groupings consistent with internal credit risk management practices.

The key judgments and assumptions adopted by the Credit Union in addressing the requirements of the standard are discussed below:

Significant increase in credit risk:

The Credit Union assesses a range of both qualitative and quantitative factors when determining if there has been a SICR since initial recognition. A SICR is deemed to have occurred if any of the following criteria have been met:

- The loan is 30 days past due;
- External credit metrics, including rating agency and credit bureau scores, have deteriorated by an amount considered by management to be significant;
- Internal indicators, such as credit utilization or others, have deteriorated by collectively or in isolation by an amount considered by management to be significant.

The external credit metrics used in this assessment vary across the Credit Union's portfolios. Wherever possible, the thresholds have been set to align with those that would drive lending decisions such as loan approvals, limits, pricing, etc. Due to transactional volume, the staging decision for Retail and Equipment Financing portfolios relies primarily on external metrics. However, robust internal credit risk assessments are performed more regularly for Commercial Members.

The Credit Union has not applied the low credit risk exemption for any financial instruments in the year ended December 2025 or 2024.

Definition of default and credit-impaired assets:

The Credit Union's definition of default and credit impairment is consistent across credit management and accounting policies, with a financial asset considered to be credit impaired when it meets any of the following criteria:

- The loan is 90 days past due;
- The Member has filed for bankruptcy or consumer proposal in the current month or insolvency is expected to result in the member not meeting the contractual terms of the loan;
- The borrower has failed to meet the terms under which a loan has been granted and legal action has commenced;
- Based on other objective evidence, the borrower's internal risk rating has been set to 'Impaired' and Credit Recovery has taken over responsibility for the file.

The definition of default has been applied consistently across all the Credit Union's portfolios as well as in all aspects of the expected credit loss calculation.

Allowances for ECL are measured on either a 12-month or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is credit impaired. ECL are the discounted product of the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial risk management (continued)

28.1 Credit risk (continued)

Measurement of expected credit losses (ECL):

ECL allowances are determined on either a 12-month or lifetime basis depending on whether there has been a significant increase in credit risk (SICR) since initial recognition or if the asset is considered credit-impaired. ECL is calculated as the discounted product of three key components:

- Probability of default (PD): Reflects the likelihood of a borrower defaulting on its financial obligations over the relevant time horizon. Lifetime PDs are extrapolated from 12-month PDs using vintage loss analysis and time-to-default relationships.
- Exposure at default (EAD): Represents the expected outstanding balance at the time of default, incorporating anticipated drawdowns for revolving products and scheduled repayments for term loans, based on historical behavioral profiles.
- Loss given default (LGD): Estimates the proportion of EAD expected to be lost in the event of default, considering factors such as counterparty type, collateral, and claim seniority, and is determined using product groupings with similar risk characteristics.

The resulting ECL is discounted to present value using the effective interest rate of the financial asset. All assumptions, inputs, and model parameters used in the ECL calculation are reviewed and validated throughout the year to ensure continued relevance and reliability.

Impact of forward-looking information:

The Credit Union has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio. The relationship between historical credit losses and range of macroeconomic variables have been assessed for each of the Credit Union's portfolios to determine directional correlation and statistical strength. Models have been used to estimate loss levels under various alternative economic scenarios as measured by the chosen macroeconomic variables.

Six forward-looking scenarios have been applied in models with the following weightings:

	2025	2024
Baseline	10 %	46 %
4th percentile upside	- %	7 %
10th percentile upside	7 %	10 %
75th percentile downside	46 %	20 %
90th percentile downside	20 %	10 %
96th percentile downside	17 %	7 %

Each of these scenarios has been informed by Moody's Canada Macroeconomic Outlook. Moody's estimates high-level probability bands for each scenario which have been overlaid with management judgment to arrive at the weightings assigned to each scenario for the macroeconomic overlay. The other scenarios have been re-weighted in accordance with this change. Interest rate scenarios are based on expectations of ten-year Government of Canada bond yields.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial risk management (continued)

28.1 Credit risk (continued)

Economic variable assumptions:

The most significant period-end assumptions used for the ECL estimate as at December 31, 2025 are set out below. The ranges (where relevant) capture variability between Ontario versus national economic forecasts used for portfolios depending on their geographic footprint.

		2026	2027	2028	2029	2030
Real GDP	Baseline	0.4-0.5%	2.0-2.2%	1.9-2.1%	1.8-1.9%	1.8-2.0%
Growth	4th percentile upside	5.3-5.4%	2.2-2.3%	1.6%	1.5%	1.5%
	10th percentile upside	2.8%	2.6-2.8%	1.9-2.0%	1.4-1.5%	1.5%
	75th percentile downside	(1.8)-(1.6)%	1.7-2.0%	2.0-2.3%	2.1-2.3%	1.9%
	90th percentile downside	(4.7)-(4.3)%	1.2-1.4%	2.4-2.7%	2.8-3.0%	2.3%
	96th percentile downside	(8.1)-(7.6)%	0.2-0.5%	2.5-2.8%	3.0-3.3%	2.5-2.6%
Unemployment	Baseline	7.1-7.9%	6.7-7.3%	6.3-6.7%	6.1-6.4%	6.0-6.2%
	4th percentile upside	5.8-6.4%	5.0-5.5%	5.0-5.3%	5.2-5.5%	5.6-5.9%
	10th percentile upside	6.4-7.1%	5.7-6.3%	5.4-5.8%	5.5-5.8%	5.8-6.0%
	75th percentile downside	7.8-8.5%	7.6-8.2%	7.1-7.5%	6.5-6.8%	6.1-6.4%
	90th percentile downside	8.6-9.4%	9.3-10.0%	8.6-9.1%	7.4-7.8%	6.5-6.9%
	96th percentile downside	9.6-10.5%	11.7-12.5%	10.8-11.4%	9.0-9.5%	7.4-7.9%
Interest Rates	Baseline	3.4%	3.6%	3.6%	3.5%	3.6%
	4th percentile upside	3.9%	4.1%	3.8%	3.7%	3.7%
	10th percentile upside	3.7%	3.9%	3.7%	3.6%	3.7%
	75th percentile downside	3.1%	3.2%	3.4%	3.4%	3.5%
	90th percentile downside	2.8%	2.8%	3.2%	3.2%	3.5%
	96th percentile downside	2.7%	2.0%	2.7%	2.8%	3.4%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial risk management (continued)

28.1 Credit risk (continued)

The most significant period-end assumptions used for the ECL estimate as at December 31, 2024 are set out below. The ranges (where relevant) capture variability between Ontario versus national economic forecasts used for portfolios depending on their geographic footprint.

		2025	2026	2027	2028	2029
Real GDP	Baseline	1.9-2.2%	1.7-1.8%	2.2-2.3%	2.1%	2.0%
Growth	4th percentile upside	4.6-5.0%	2.9-3.0%	2.7%	2.0-2.1%	2.0%
	10th percentile upside	3.3-3.6%	2.6-2.7%	2.6%	2.0-2.1%	2.1%
	75th percentile downside	0.0-0.3%	1.6-1.7%	2.3-2.4%	2.4%	2.0-2.1%
	90th percentile downside	(1.9)-(1.7)%	1.1-1.2%	3.4-3.9%	2.8-2.9%	2.2-2.3%
	96th percentile downside	(3.7)-(3.5)%	(1.2)-(1.1)%	2.6-2.7%	3.3-3.4%	2.3-2.5%
Unemployment	Baseline	6.8-7.1%	6.7-6.9%	6.4-6.6%	6.2-6.4%	6.1-6.3%
	4th percentile upside	6.2-6.5%	5.6-5.9%	5.4-5.6%	5.4-5.5%	5.6-5.7%
	10th percentile upside	6.5-6.8%	6.1-6.3%	5.8-6.0%	5.7-5.9%	5.7-5.9%
	75th percentile downside	7.6-8.0%	8.0-8.3%	7.6-7.9%	6.9-7.2%	6.5-6.7%
	90th percentile downside	8.1-8.4%	9.6-9.9%	9.0-9.2%	7.7-7.9%	6.7-7.0%
	96th percentile downside	8.5-8.8%	11.6-11.9%	11.5-11.9%	9.3-9.6%	7.5-8.0%
Interest Rates	Baseline	3.5%	3.7%	3.8%	3.8%	3.8%
	4th percentile upside	3.9%	4.3%	4.1%	4.0%	4.0%
	10th percentile upside	3.7%	4.0%	4.0%	3.9%	3.9%
	75th percentile downside	2.2%	2.9%	3.6%	3.6%	3.7%
	90th percentile downside	1.7%	2.6%	3.2%	3.3%	3.6%
	96th percentile downside	1.6%	2.0%	2.7%	2.8%	3.3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial risk management (continued)

28.1 Credit risk (continued)

Given the sensitivity of allowances for ECL to estimates of future economic conditions the multiple forward-looking scenarios and probability assigned to each, an analysis has been undertaken to understand the impact of alternative scenarios and weightings. Moving the following economic metrics up or down 50 basis points results in the following changes in the allowance:

Economic scenario sensitivity	2025	2024
Real GDP growth		
Increase 50 bps	(1,598)	(319)
Decrease 50 bps	1,562	318
Unemployment		
Increase 50 bps	11,198	3,685
Decrease 50 bps	(9,358)	(3,690)
Interest rates		
Increase 50 bps	308	422
Decrease 50 bps	(309)	(425)
Probability weightings	2025	2024
75th percentile downside scenario +10% weighting	4,685	2,934
75th percentile downside scenario -10% weighting	(2,687)	(1,390)
96th percentile downside scenario weighted 100%	30,091	16,141
4th percentile upside scenario weighted 100%	(22,825)	(18,328)

28.2 Market risk

Interest rate risk:

Interest rate risk arises from mismatches in the timing of cash flows and repricing of assets and liabilities. The Credit Union is exposed to this risk through deposit-taking and lending activities. Repricing occurs due to contractual maturity, amortization or member options such as prepayment or conversion. The size of exposure depends on the magnitude and direction of interest rate changes, the maturity profile of mismatched positions and member behaviour.

Interest rate risk is managed under a Board-approved framework that complies with the Act and FSRA's standards. The Board oversees asset and liability management and delegates daily oversight to the Asset and Liability Committee (ALCO), chaired by the CFO and comprised of senior executives. ALCO meets monthly and monitors compliance with limits and guidelines on product structuring, derivative usage, and risk management. The Credit Union manages interest rate risk through a combination of asset-liability matching, and interest rate swaps.

Valuations of interest rate sensitive positions and derivatives are performed monthly. The objective is to maintain a balance sheet structure that supports stable net interest income and capital value through interest rate cycles. Interest rate sensitivity is disclosed through the gap analysis as presented below. Loans are adjusted for prepayment and redemption estimates. Further information related to the derivative financial instruments used to manage interest rate risk is included in note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial risk management (continued)

28.2 Market risk (continued)

December 31, 2025						
	Variable	Less than 1 year	1 to 5 years	Over 5 years	Non-Interest sensitive	Total
Assets						
Cash and interest-bearing deposits	1,211,126	-	-	-	28,765	1,239,891
Effective interest rate	2.27 %	-	-	-	-	2.22 %
Debt securities	10,008	467,387	1,404,561	242,222	9,286	2,133,464
Effective interest rate	2.60 %	2.55 %	2.87 %	3.50 %	-	2.86 %
Loans	5,381,366	7,386,012	10,608,961	54,660	137,980	23,568,979
Effective interest rate	5.52 %	4.02 %	4.93 %	6.22 %	-	4.75 %
Derivative financial assets	38,275	-	-	-	-	38,275
Effective interest rate	-	-	-	-	-	-
Equity investments	-	-	5,548	-	60,860	66,408
Effective interest rate	-	-	-	-	-	-
Other assets	-	2,052	6,853	1,039	256,901	266,845
Effective interest rate	-	1.69 %	1.56 %	0.60 %	-	0.06 %
Total assets	6,640,775	7,855,451	12,025,923	297,921	493,792	27,313,862
Liabilities and Members' equity						
Deposits	5,738,252	7,253,520	4,076,432	6,096	2,376,123	19,450,423
Effective interest rate	1.63 %	3.56 %	3.98 %	4.77 %	-	2.64 %
Securitization liabilities	1,130,921	1,404,678	2,843,823	1,226	(19,539)	5,361,109
Effective interest rate	3.20 %	1.81 %	2.99 %	-	-	1.82 %
Funding facilities	299,979	-	-	-	28	300,007
Effective interest rate	3.36 %	-	-	-	-	3.36 %
Subordinated debt	75,000	-	-	-	(313)	74,687
Effective interest rate	6.76 %	- %	-	-	-	6.79 %
Right-of-use lease liabilities	-	7,386	31,395	26,044	(368)	64,457
Effective interest rate	-	3.80 %	3.85 %	3.94 %	-	3.90 %
Derivative financial liabilities	14,633	-	-	-	-	14,633
Effective interest rate	-	-	-	-	-	-
Other liabilities and Members' equity	-	377	1,275	8	2,046,886	2,048,546
Effective interest rate	-	1.04 %	1.07 %	1.97 %	-	-
Total liabilities and Members' equity	7,258,785	8,665,961	6,952,925	33,374	4,402,817	27,313,862
Fixed pay swaps	1,157,442	(410,264)	(732,795)	(14,383)	-	-
Effective interest rate	2.44 %	1.82 %	3.42 %	3.28 %	-	-
Fixed receive swaps	(2,625,000)	1,450,000	1,175,000	-	-	-
Effective interest rate	2.26 %	2.50 %	2.89 %	-	-	-
Total derivatives	(1,467,558)	1,039,736	442,205	(14,383)	-	-
Interest sensitivity position	(2,085,568)	229,226	5,515,203	250,164	(3,909,025)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial risk management (continued)

December 31, 2024						
	Variable	Less than 1 year	1 to 5 years	Over 5 years	Non-Interest sensitive	Total
Assets						
Cash and interest-bearing deposits	505,228	-	-	-	29,086	534,314
Effective interest rate	3.50 %	-	-	-	-	3.31 %
Debt securities	9,708	865,566	1,428,237	70,543	10,384	2,384,438
Effective interest rate	3.60 %	3.34 %	3.08 %	3.52 %	-	3.17 %
Loans	4,805,905	7,036,806	11,094,243	61,414	96,286	23,094,654
Effective interest rate	6.62 %	4.67 %	4.44 %	6.72 %	-	4.98 %
Derivative financial assets	39,840	-	-	-	-	39,840
Effective interest rate	-	-	-	-	-	-
Equity investments	-	-	5,405	-	62,284	67,689
Effective interest rate	-	-	-	-	-	-
Other assets	-	2,055	5,881	703	294,037	302,676
Effective interest rate	-	1.04 %	1.05 %	1.29 %	-	0.04 %
Assets held for sale ¹	10,738	16,817	36,958	-	(52)	64,461
Effective interest rate	6.12 %	2.52 %	2.10 %	-	-	2.88 %
Total assets	5,371,419	7,921,244	12,570,724	132,660	492,025	26,488,072
Liabilities and Members' equity						
Deposits	5,588,209	7,399,171	3,685,360	1,201	2,263,728	18,937,669
Effective interest rate	1.89 %	4.56 %	4.54 %	5.16 %	-	3.22 %
Securitization liabilities	1,153,624	1,069,176	2,702,395	2,298	(34,700)	4,892,793
Effective interest rate	1.58 %	1.92 %	2.78 %	-	-	1.98 %
Funding facilities	299,984	-	-	-	36	300,020
Effective interest rate	4.37 %	-	-	-	-	4.37 %
Subordinated debt	75,000	125,000	-	-	1,276	201,276
Effective interest rate	7.07 %	4.54 %	-	-	-	5.45 %
Right-of-use lease liabilities	-	8,014	28,738	22,383	-	59,135
Effective interest rate	-	3.64 %	3.76 %	4.03 %	-	3.84 %
Derivative financial liabilities	20,551	-	-	-	-	20,551
Effective interest rate	-	-	-	-	-	-
Liabilities directly associated with assets held for sale ¹	-	3,567	15,078	-	(540)	18,105
Effective interest rate	-	2.75 %	2.70 %	-	-	2.79 %
Other liabilities and Members' equity	-	385	1,463	197	2,056,478	2,058,523
Effective interest rate	-	1.04 %	1.05 %	1.63 %	-	-
Total liabilities and Members' equity	7,137,368	8,605,313	6,433,034	26,079	4,286,278	26,488,072
Fixed pay swaps	1,406,370	(591,449)	(800,654)	(14,267)	-	-
Effective interest rate	3.62 %	2.53 %	3.59 %	3.46 %	-	-
Fixed receive swaps	(1,300,000)	500,000	800,000	-	-	-
Effective interest rate	3.32 %	3.23 %	3.23 %	-	-	-
Total derivatives	106,370	(91,449)	(654)	(14,267)	-	-
Interest sensitivity position	(1,659,579)	(775,518)	6,137,036	92,314	(3,794,253)	-

¹ The assets held for sale and securitization liabilities held for sale have been categorized based upon the contractual maturities with the counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial risk management (continued)

During the reporting period, there were no significant changes in the methods or assumptions used to measure market risk. The sensitivity analysis continues to be based on parallel shifts in interest rates and foreign exchange rates.

Sensitivity to interest rate movements is assessed using the following measures:

- Earnings at Risk (EaR): Change in net income over 12 months due to a 100-bps interest rate shock.
- Economic Value of Equity at Risk (EVaR): Percentage change in present value of assets and liabilities from a 100-bps interest rate shock.

The estimated impact of a 100-bps adverse rate shock on these metrics is presented below.

	2025	2024
EaR: 100 bps exposure	(9,920)	(2,248)
EVaR: 100 bps exposure	(3.87)%	(3.72)%

Foreign currency risk:

Foreign currency risk arises from fluctuations in exchange rates affecting foreign currency-dominated deposits and transactions. The Credit Union manages this risk through Board approved policies and daily monitoring. U.S dollar liabilities are hedged using U.S. dollar investments and forward contracts, with net exposure limited to 1% of prior year Member’s equity. Forward contracts are used to offset member-related exposures. As of December 31, of both 2025 and 2024, a 10% exchange rate change would have an insignificant impact.

Other price risk:

Other price risk relates to changes in market prices excluding interest and currency risks. The Credit Union’s investment portfolio is managed under Board-approved policies emphasizing quality and diversification. Exposure to other price risks is limited and considered insignificant as of December 31, 2025, and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial risk management (continued)

28.3 Liquidity risk

Liquidity risk arises as a result of timing differences between the demand and maturity profiles of the Credit Union's assets and liabilities. It is the risk that the Credit Union is unable to meet its financial obligations in a timely manner or at reasonable prices.

Under FSRA regulations, the Credit Union establishes and maintains prudent levels and forms of liquidity that are sufficient to meet its cash flow needs, including depositor withdrawals and other obligations as they come due.

The Credit Union's liquidity risk management strategies seek to maintain sufficient liquidity to fund its balance sheet under both normal and stressed conditions.

The key elements of the Credit Union's liquidity risk management framework include:

- minimum requirements on the sources, quality and amount of liquid assets to meet normal operational requirements, regulatory requirements and contingency funding;
- portfolio management to achieve an acceptable yield on the operating liquidity investment portfolio within prudent risk management bounds;
- prudence tests for the quality and diversity of investments;
- deposit concentration limits to ensure the diversification and stability of deposit funding; and
- requirements for measuring, monitoring and reporting on risk position and exposure management.

The table below sets out the Credit Union's discounted non-derivative financial assets and financial liabilities in the period they will mature. In addition to the cash flows detailed below, the Credit Union is exposed to potential cash outflows in the form of commitments and contingencies, as set out in note 26.

December 31, 2025							
	Less than 1 month	2 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Not specified	Total
Financial assets							
Cash and interest-bearing deposits	1,239,886	-	-	-	-	5	1,239,891
Debt securities	60,256	415,908	487,385	917,313	242,221	10,381	2,133,464
Loans	1,661,756	9,257,107	9,112,830	3,156,538	214,707	166,041	23,568,979
Equity investments	-	-	-	-	-	65,856	65,856
Other assets	37,022	1,871	3,837	3,022	1,032	-	46,784
Total financial assets	2,998,920	9,674,886	9,604,052	4,076,873	457,960	242,283	27,054,974
Financial liabilities							
Deposits	8,901,501	6,177,163	3,489,401	710,857	6,096	165,405	19,450,423
Securitization liabilities	139,628	1,675,297	2,464,161	912,602	192,461	(23,040)	5,361,109
Funding facilities	-	299,979	-	-	-	28	300,007
Subordinated debt	-	-	-	75,000	-	(313)	74,687
Right-of-use lease liabilities	623	6,762	15,278	16,125	26,037	(368)	64,457
Other liabilities	229,626	346	732	543	8	-	231,255
Total financial liabilities	9,271,378	8,159,547	5,969,572	1,715,127	224,602	141,712	25,481,938
Net	(6,272,458)	1,515,339	3,634,480	2,361,746	233,358	100,571	1,573,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial risk management (continued)

28.3 Liquidity risk (continued)

December 31, 2024							
	Less than 1 month	2 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Not specified	Total
Financial assets							
Cash and interest-bearing deposits	534,314	-	-	-	-	-	534,314
Debt securities	111,421	763,475	564,823	863,791	70,543	10,385	2,384,438
Loans	1,659,512	6,985,551	10,487,085	3,731,004	87,560	143,942	23,094,654
Equity investments	-	-	-	-	-	67,318	67,318
Other assets	17,673	1,816	3,004	2,801	779	-	26,073
Assets held for sale ¹	5,160	59,301	-	-	-	-	64,461
Total financial assets	2,328,080	7,810,143	11,054,912	4,597,596	158,882	221,645	26,171,258
Financial liabilities							
Deposits	8,309,868	6,325,546	2,895,914	1,209,764	2,113	194,464	18,937,669
Securitization liabilities	59,943	1,088,969	2,316,485	1,250,407	216,396	(39,407)	4,892,793
Funding facilities	-	-	299,984	-	-	36	300,020
Subordinated debt	-	125,000	-	75,000	-	1,276	201,276
Right-of-use lease liabilities	660	7,354	14,251	18,569	18,301	-	59,135
Other liabilities	230,427	352	747	716	197	-	232,439
Liabilities directly associated with assets held for sale ¹	416	17,689	-	-	-	-	18,105
Total financial liabilities	8,601,314	7,564,910	5,527,381	2,554,456	237,007	156,369	24,641,437
Net	(6,273,234)	245,233	5,527,531	2,043,140	(78,125)	65,276	1,529,821

¹ Assets held for sale and securitization liabilities associated with assets held for sale have been presented based on the timing of expected cash flows rather than their contractual maturities as a result of the held for sale reclassification.

Presentation of 2024 comparatives have been updated to reflect only principal cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial risk management (continued)

28.4 Fair value

Fair values are determined based on a three-level hierarchy that reflects their observability. The levels of the hierarchy are as follows:

- Level 1 - Fair value is determined using unadjusted prices from active markets for identical financial assets or liabilities;
- Level 2 - Fair value is determined using models with observable inputs;
- Level 3 - Fair value is determined using models or other techniques with unobservable inputs.

While the fair value amounts are intended to represent estimates of the amounts at which these instruments could be exchanged in a current transaction between willing parties, many of the Credit Union's financial instruments lack an available trading market. Consequently, the fair values presented are estimates derived using present value and other valuation techniques and may not be indicative of the net realizable values.

Due to the significant judgment required in applying the wide range of valuation techniques used, fair values are not necessarily comparable across financial institutions. The calculation of estimated fair values is based on market conditions at a specific point in time and may not reflect future fair values.

December 31, 2025					
	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets at FVTPL:					
Derivative financial assets	-	38,275	-	38,275	38,275
Equity investments	-	22,142	38,166	60,308	60,308
Financial assets at FVTOCI:					
Debt securities	-	1,340,550	-	1,340,550	1,340,550
Equity investments	5,548	-	-	5,548	5,548
Amortized cost:					
Cash and interest-bearing deposits	1,239,891	-	-	1,239,891	1,239,891
Debt securities	-	792,821	-	792,821	792,914
Loans	-	-	23,416,824	23,416,824	23,568,979
Total financial assets	1,245,439	2,193,788	23,454,990	26,894,217	27,046,465
Financial liabilities at FVTPL:					
Embedded derivatives in index-linked deposits	-	22,617	-	22,617	22,617
Derivative financial liabilities	-	14,633	-	14,633	14,633
Other liabilities:					
Deposits	-	-	19,503,135	19,503,135	19,427,806
Securitization liabilities	-	5,420,610	-	5,420,610	5,361,109
Funding facilities	-	300,007	-	300,007	300,007
Subordinated debt	-	75,014	-	75,014	74,687
Total financial liabilities	-	5,832,881	19,503,135	25,336,016	25,200,859

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial risk management (continued)

28.4 Fair value (continued)

December 31, 2024					
	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets at FVTPL:					
Derivative financial assets	-	39,840	-	39,840	39,840
Equity investments	-	22,591	39,322	61,913	61,913
Financial assets at FVTOCI:					
Debt securities	-	2,337,628	-	2,337,628	2,337,628
Equity investments	5,405	-	-	5,405	5,405
Amortized cost:					
Cash and interest-bearing deposits	534,314	-	-	534,314	534,314
Debt securities	-	46,694	-	46,694	46,810
Loans	-	-	22,737,908	22,737,908	23,094,654
Other assets	-	26,215	-	26,215	26,602
Assets held for sale	-	-	64,461	64,461	64,461
Total financial assets	539,719	2,472,968	22,841,691	25,854,378	26,211,627
Financial liabilities at FVTPL:					
Embedded derivatives in index-linked deposits	-	18,307	-	18,307	18,307
Derivative financial liabilities	-	20,551	-	20,551	20,551
Other liabilities:					
Deposits	-	18,994,097	-	18,994,097	18,919,362
Securitization liabilities	-	4,892,640	-	4,892,640	4,892,793
Funding facilities	-	300,020	-	300,020	300,020
Subordinated debt	-	200,267	-	200,267	201,276
Other liabilities	-	232,274	-	232,274	232,377
Liabilities directly associated with assets held for sale	-	18,105	-	18,105	18,105
Total financial liabilities	-	24,676,261	-	24,676,261	24,602,791

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial risk management (continued)

Interest rate sensitivity is the main cause of changes in the fair values of the Credit Union's financial instruments. Except for financial assets and financial liabilities recorded at FVTPL and FVTOCI, the carrying values of the above financial instruments are not adjusted to reflect the fair value.

The following methods and assumptions were used to estimate the fair value of financial instruments:

- The fair value of cash and interest-bearing deposits are assumed to approximate their carrying values, due to their short-term nature.
- The fair value of debt securities is determined by using prices obtained from investor statements.
- The fair value of equity investments are determined by referencing market prices, or by taking fair values provided in investor statements. For some equity investments, particularly real estate participations and private equity funds, changes in fair value are unobservable in the early stages of the projects as cash flow generation has not yet begun. In such cases, the Credit Union reviews information available to investors to determine if there are material changes in circumstances from when the original investment was made and the extent to which these may impact the fair value of the investment. Information considered may include valuations provided in investor statements, the Credit Union's own estimates of the value of underlying assets, or other information as it may be relevant to the fair value of the equity investment.
- The estimated fair value of variable rate loans is assumed to be equal to carrying value. The interest rates on these loans reprice on a periodic basis with market fluctuation. The estimated fair value of fixed rate loans is determined by discounting the expected future cash flows of these loans at current market rates for products with similar terms and credit risks. Historical prepayment experience is considered along with current market conditions in determining expected future cash flows. Impairment allowances, which are included in the carrying value of loans, are assumed to capture changes in credit spreads.
- The fair value of other assets are assumed to approximate their carrying values when short-term in nature. In some instances, other valuation techniques may be applied.
- Assets held for sale includes both fixed and variable rate loans which are valued using the same techniques outlined for loans.
- The estimated fair value of variable rate deposits is assumed to equal their carrying value. The interest rates on these deposits reprice on a periodic basis with market fluctuation. The estimated fair value of fixed rate deposits is determined by discounting their expected future cash flows at current market rates for products with similar terms.
- The fair value of derivative financial instruments is estimated using valuation models that incorporate inputs on notional amounts, the underlying risk variables, interest rates, and the counterparty's credit risk.

Changes in Level 3 fair value measurements:

The Credit Union holds equity investments which are measured at fair value meet the criteria for level 3 disclosure. Changes in the value of level 3 equity investments are presented in the table below.

	2025	2024
Opening balance	39,322	29,706
Purchased or originated during the period	7,300	11,195
Disposals during the period	(2,185)	(1,570)
Fair value adjustments during the period	(6,271)	(9)
Ending balance	38,166	39,322

There have been no transfers between levels of the fair value hierarchy during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial risk management (continued)

28.5 Capital management

The Credit Union maintains policies and procedures relative to capital management to ensure capital levels are sufficient to cover business risks.

The Credit Union's objectives when managing capital are:

- to ensure the quantity, quality and composition of capital reflect the risk profile of the entity;
- to provide a safety net to absorb losses associated with these risks;
- to support current and planned business operations and the evolution of the Credit Union's portfolio;
- to provide confidence to Members and regulatory agencies; and
- to align with legal and regulatory obligations.

The Act requires credit unions to maintain minimum levels of regulatory capital. Key capital metrics include the Tier 1 capital ratio, total supervisory capital ratio, and leverage ratio. The Credit Union is required to calculate regulatory capital and capital ratios on a consolidated basis. Regulatory capital ratios are calculated as a percentage of exposure (adjusted net assets) and of risk-weighted assets. Risk-weighted assets are calculated by applying risk weightings, as prescribed by the Act, to various asset categories, as well as to interest rate and operational risks. The prescribed weightings depend on the asset's level of risk.

Tier 1 capital, otherwise known as core capital, is the highest quality. It is comprised of retained earnings, contributed surplus, accumulated other comprehensive income (excluding cash flow hedge gain or loss reserve), membership shares, investment shares (excluding the series 96 Class A shares), net of regulatory deductions. Class A investment shares (except Series 96) qualify as Tier 1 capital up to their maximum annual redemption limit. Tier 1 capital as at December 31, 2025 was \$1,702,687 (2024 - \$1,653,615).

Tier 2 capital, otherwise known as supplementary capital, contributes to the overall strength of a financial institution as a going concern, but is of a lesser quality than Tier 1 capital. It is comprised of the series 96 Class A shares and the maximum redeemable portion of all other series of Class A shares. It also includes subordinated debt, the eligible portion of stage 1 and 2 expected credit loss allowances, net of regulatory deductions. Tier 2 capital as at December 31, 2025 was \$245,113 (2024 - \$357,541).

Minimums associated with regulatory capital metrics are disclosed below alongside their actual values. The Credit Union has a stated policy that it will always maintain capital equal to the regulatory requirements plus a prudent cushion. Internal buffers above regulatory minimums are set by the Board. The Credit Union is in compliance with the Act as indicated by the capital requirements in the table below:

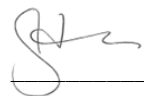
	2025	2024
Regulatory capital	1,947,800	2,011,156
Leverage ratio		
Actual	7.01 %	7.40 %
Minimum	3.00 %	3.00 %
Total capital ratio		
Actual	13.58 %	14.18 %
Minimum	8.00 %	8.00 %
Minimum total supervisory capital ratio	10.50 %	10.50 %
Tier 1 capital ratio		
Actual	11.87 %	11.66 %
Minimum	6.50 %	6.50 %
Minimum plus conservation buffer	9.00 %	9.00 %

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

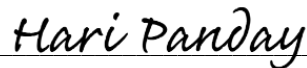
29 Authorization

The consolidated financial statements for the year ended December 31, 2025 were approved by the Board of Directors on March 12, 2026.

Approved on behalf of the Board:



Suanne Nielsen
Chair, Board of Directors



Hari Panday
Chair, Audit & Finance Committee