

Cascadia Credit Union
Consolidated Financial Statements
December 31, 2025

Cascadia Credit Union Contents

For the year ended December 31, 2025

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Management's Responsibility

To the Members of Cascadia Credit Union:

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

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

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP is appointed by the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

February 19, 2026

e-Signed by Kelly Marshall

2026-02-19 16:12:16:16 PST

Chief Executive Officer

e-Signed by Erica Fairley

2026-02-19 15:54:49:49 PST

VP Finance

To the Members of Cascadia Credit Union:

Opinion

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

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Kelowna, British Columbia

February 19, 2026

MNP LLP

Chartered Professional Accountants

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

	2025	2024
Assets		
Cash and cash equivalents <i>(Note 5)</i>	31,297,776	23,058,478
Receivables and other assets	3,446,316	199,744
Investments <i>(Note 6)</i>	134,419,891	50,213,211
Member loans receivable <i>(Note 19)</i>	717,751,063	325,221,560
Income taxes recoverable	481,558	-
Property and equipment <i>(Note 7)</i>	11,552,413	2,901,947
Intangible assets and goodwill <i>(Note 8)</i>	1,193,337	346,538
Deferred tax asset <i>(Note 12)</i>	166,692	-
Derivative financial instruments	18,323	-
Investment properties	704,479	539,792
	901,031,848	402,481,270
Liabilities		
Member deposits <i>(Note 9)</i>	828,309,083	367,315,007
Payables and other liabilities <i>(Note 10)</i>	4,230,143	1,214,933
Income taxes payable	-	111,747
Lease liabilities	85,517	-
Deferred tax liability <i>(Note 12)</i>	-	138,553
Member shares <i>(Note 14)</i>	622,341	75,568
	833,247,084	368,855,808
Commitments <i>(Note 19)</i>		
Members' equity		
Member shares <i>(Note 14)</i>	81,248	164,472
Retained earnings	36,074,093	32,826,546
Contributed surplus	30,782,522	-
Accumulated other comprehensive income	846,901	634,444
	67,784,764	33,625,462
	901,031,848	402,481,270

Approved on behalf of the Board

e-Signed by Alan Chell
2026-02-19 17:44:03:03 PST
Director

e-Signed by Abhishek Lekhi
2026-02-19 17:38:44:44 PST
Director

Cascadia Credit Union
Consolidated Statement of Income
For the year ended December 31, 2025

	2025	2024
Interest income		
Member loans	23,371,795	14,110,208
Investments	4,035,364	2,319,930
	27,407,159	16,430,138
Interest expense		
Member deposits	13,364,909	10,372,914
Net interest income	14,042,250	6,057,224
Provision for (recovery of) credit losses (Note 19)	356,228	(4,125)
Net interest income after provision for (recovery of) credit losses	13,686,022	6,061,349
Other income (Note 16)	2,873,288	1,206,819
Net interest and other income, after provision for (recovery of) credit losses	16,559,310	7,268,168
Operating expenses		
Salaries and benefits	7,075,394	3,494,929
Office	2,549,304	1,203,423
Other operating and administrative expenses	1,743,193	758,067
Professional fees	628,547	182,375
Advertising and promotion	95,254	75,078
Depreciation and amortization	727,085	271,803
	12,818,777	5,985,675
Net income, before other items and taxes	3,740,533	1,282,493
Other items		
Patronage and dividends	-	69,235
Donations	34,958	28,440
	34,958	97,675
Net income, before taxes	3,705,575	1,184,818
Provision for (recovery of) income taxes (Note 12)		
Current	355,423	467,943
Deferred	(229,895)	(5,809)
	125,528	462,134
Net income	3,580,047	722,684

The accompanying notes are an integral part of these financial statements

Cascadia Credit Union
Consolidated Statement of Comprehensive Income
For the year ended December 31, 2025

	2025	2024
Net income	3,580,047	722,684
Other comprehensive income (loss)		
Items that will be reclassified subsequently to profit or loss		
Unrealized fair value gains (losses) on portfolio investments, net of income tax	(128,247)	1,054,875
Unrealized fair value gains on derivative financial instruments, net of income tax	8,330	-
Other comprehensive (loss) income for the year, net of income tax	(119,917)	1,054,875
Total comprehensive income for the year	3,460,130	1,777,559

The accompanying notes are an integral part of these financial statements

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

	<i>Member shares</i>	<i>Contributed surplus</i>	<i>Retained earnings</i>	<i>Accumulated other comprehensive income (loss)</i>	<i>Total equity</i>
Balance January 1, 2024	156,843	-	32,103,862	(420,648)	31,840,057
Net income	-	-	722,684	-	722,684
Change in member shares, net	7,629	-	-	-	7,629
Unrealized fair value gains on portfolio investments, net of income tax	-	-	-	1,054,875	1,054,875
Foreign exchange adjustment	-	-	-	217	217
Balance December 31, 2024	164,472	-	32,826,546	634,444	33,625,462
Net income	-	-	3,580,047	-	3,580,047
Change in member shares, net	(578,016)	-	-	-	(578,016)
Unrealized fair value losses on portfolio investments, net of income tax	-	-	-	(128,247)	(128,247)
Unrealized fair value gain on derivative financial instruments, net of income tax	-	-	-	8,330	8,330
Foreign exchange adjustment	-	-	-	(126)	(126)
Transfer to retained earnings	-	-	(332,500)	332,500	-
Issued in a business combination	494,792	30,782,522	-	-	31,277,314
Balance December 31, 2025	81,248	30,782,522	36,074,093	846,901	67,784,764

The accompanying notes are an integral part of these financial statements

Cascadia Credit Union
Consolidated Statement of Cash Flows
For the year ended December 31, 2025

	2025	2024
Cash provided by (used for) the following activities		
Operating activities		
Net income	3,580,047	722,684
Depreciation and amortization	727,085	271,803
Provision for (recovery of) impaired loans	356,228	(4,125)
Provision for income taxes	125,528	462,134
Change in derivative financial instruments	28,932	-
	4,817,820	1,452,496
Changes in working capital accounts		
Receivables and other assets	(2,175,366)	(8,937)
Income taxes paid, net	(1,507,525)	(254,900)
Payables and other liabilities	(10,132,541)	(697,507)
Net (increase) decrease in member loans receivable	(32,021,054)	2,354,204
Net increase in member deposits	3,309,590	14,747,245
	(37,709,076)	17,592,601
Financing activities		
Repayments of lease liabilities	(37,110)	-
Change in member shares, net	(31,243)	(8,455)
Patronage distributions paid	-	(114,733)
	(68,353)	(123,188)
Investing activities		
Change in investments, net	4,622,612	(1,546,917)
Purchases of property and equipment and investment properties	(78,500)	(142,312)
Purchases of intangible assets	(6,469)	(100,627)
Cash acquired on business combination <i>(Note 4)</i>	41,479,084	-
	46,016,727	(1,789,856)
Increase in cash and cash equivalents	8,239,298	15,679,557
Cash and cash equivalents, beginning of year	23,058,478	7,378,921
Cash and cash equivalents, end of year	31,297,776	23,058,478

The accompanying notes are an integral part of these financial statements

1. Nature of operations

Reporting entity

Cascadia Credit Union (the "Credit Union") was formed upon the amalgamation of Summerland Credit Union, Osoyoos Credit Union and Revelstoke Credit Union under the Credit Union Incorporations Act of British Columbia on July 1, 2025. The Credit Union is subject to the Financial Institutions Act of British Columbia ("the Act").

The Credit Union serves members in Summerland, Osoyoos and Revelstoke, BC and the surrounding communities. The products and services offered to its members include personal, commercial and other loans and mortgages; chequing and savings accounts; term, demand and other deposits, insurance and investments. The Credit Union's head office is located at 13601 Victoria Road North, PO Box 750, Summerland, BC.

Basis of presentation

These consolidated financial statements include, in addition to the accounts of the Credit Union, the accounts of its wholly owned subsidiary RCU Insurance Services Ltd. All intercompany balances and transactions have been eliminated.

Statement of compliance

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

These consolidated financial statements for the year ended December 31, 2025 were approved and authorized for issue by the Board of Directors on 1.

Basis of measurement

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

Functional and presentation currency

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

2. Significant accounting judgments, estimates and assumptions

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

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

Allowance for expected credit losses

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

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

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

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

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

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

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

- Interest rates
- Unemployment rates
- Gross domestic product
- Loan to value ratios
- Vacancy rates
- Bankruptcy rates
- Inflation

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

Impact of current and expected interest rate and inflationary environment

Following a period of elevated interest rates and inflation, recent declines are influencing the Credit Union's assessment of credit risk associated with the fair values of its financial instruments. Although rates have decreased, they remain above recent historical averages, which may continue to pressure borrowers. Consequently, there remains a potential impact on credit risk that could necessitate an increase in the Credit Union's estimate of its allowance for loan impairment.

The current environment is subject to rapid change and to the extent that certain effects of inflation and interest rates are not fully incorporated into the model calculations, increased temporary quantitative and qualitative adjustments have been considered and applied where necessary. The Credit Union has performed certain additional qualitative portfolio and loan level assessment if significant changes in credit risk were identified.

Financial instruments not traded in active markets

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

Impairment of non-financial assets

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

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

Income tax

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

Classification of financial assets

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

3. Material accounting policy information

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits with Central 1, other short-term highly liquid investments with original maturities of three months or less, and for the purpose of the statement of cash flows, bank overdrafts that are repayable on demand.

Investments

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

Member loans receivable

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

Property and equipment

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

	Rate
Buildings	8 - 50 years
Computer equipment	1 - 4 years
Furniture and fixtures	1 - 15 years
Leasehold improvements	Lease term
Parking lot	20 years
Right-of-use buildings	Lease term

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary. Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in earnings.

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

Intangible assets

Intangible asset consists of computer software which is not integral to the computer hardware owned by the Credit Union, CUSO fees, book of business and ICBC licenses which are required to sell car insurance within British Columbia. Intangible assets are initially recorded at cost and are subsequently measured at cost less accumulated amortization and any accumulated impairment losses. ICBC licenses are recorded at cost and are not subject to amortization. Additionally, assets that are not yet in use are not amortized. Computer software is amortized on a straight-line basis over its estimated useful life of four to ten years.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, are intended for future Credit Union use, and are accounted for initially at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation on buildings is recognized in earnings and is provided on a straight line basis over the estimated useful life of 50 years. Land is not depreciated. Rental income and operating expenses from investment property are reported within other income and operating expenses respectively.

Impairment of non-financial assets

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

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

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

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

Payables and other liabilities

Payables and other liabilities are initially recorded at fair value and are subsequently carried at amortized cost, which approximates fair value due to the short term nature of these liabilities.

Member deposits

Member deposits are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method.

Member shares

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

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

Distributions to members

Patronage rebates and dividends on shares classified as liabilities/equity are charged against earnings/equity, respectively, when approved by the Board of Directors.

Post employment benefit and short-term employee benefits

The Credit Union participates in a multi-employer defined benefit pension plan, however, sufficient information is not available to use defined benefit accounting. Therefore, the Credit Union accounts for the plan as if it were a defined contribution plan, recognizing contributions as an expense in the year to which they relate.

Income taxes

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled. The calculation of deferred tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

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

Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Credit Union using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from re-measurement of monetary items at year-end exchange rates are recognized in earnings.

Financial Instruments

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

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

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of receivables, term deposits and accrued interest, and member loans receivable.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Financial assets measured at fair value through other comprehensive income are comprised of portfolio investments and derivative financial instruments.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash and equity investments.
- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Credit Union does not hold any financial assets designated to be measured at fair value through profit or loss.

Refer to Note 19 for more information about financial instruments held by the Credit Union, their measurement basis, and their carrying amount.

Business model assessment

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives, how performance of the portfolio is evaluated, risks affecting the performance of the business model, how managers of the business are compensated, the significance and frequency of sales in prior periods.

Contractual cash flow assessment

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

Reclassifications

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

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

Impairment

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

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

The Credit Union applies the simplified approach for trade receivables that do not contain a significant financing component. Using the simplified approach, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include loan delinquency of 90 days or more, breaches of borrowing contracts such as default events or breaches of borrowing covenants, and available borrower specific information indicating financial difficulty of the borrower that is expected to have a detrimental effect on future cash flow. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

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

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial asset;
- For loan commitments and financial guarantee contracts, as a provision;
- For facilities with both a drawn and undrawn component where the Credit Union cannot separately identify expected credit losses between the two components, as a deduction from the carrying amount of the drawn component. Any excess of the loss allowance over the carrying amount of the drawn component is presented as a provision;

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

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

Derecognition of financial assets

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

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

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

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

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

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

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

Modification of financial assets

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

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

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

Financial liabilities

Recognition and initial measurement

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

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

Classification and subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at amortized cost or fair value through profit or loss.

When the transfer of a financial asset does not qualify for derecognition because the Credit Union has retained substantially all of the risks and rewards of ownership, a liability is recognized for the consideration received. Subsequently, any expense incurred on the financial liability is recognized in profit or loss.

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

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

Financial liabilities are not reclassified subsequent to initial recognition.

Derecognition of financial liabilities

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

Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date the Credit Union becomes party to the provisions of the contract, and are subsequently remeasured at fair value at the end of each reporting period. Changes in the fair value of derivatives not designated as a hedging instrument are recognized in profit or loss.

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

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

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

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

Fair value hedges

The Credit Union, in accordance with its risk management strategies, manages interest rate risk through interest rate swaps.

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

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

Changes in the fair value of the hedging instrument are recognized immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the risks being hedged. Where the hedged item is an equity investment for which the Credit Union has elected to present changes in fair value in other comprehensive income, the changes in the fair value of the hedged item and the hedging instrument are recognized in other comprehensive income.

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

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

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

Cash flow hedges

The Credit Union uses cash flow hedges to hedge its exposure to the variability of cash flows related to variable interest bearing instruments or the forecasted assurance of fixed rate liabilities.

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

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

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

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

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

Rebalancing and discontinuation of hedging relationships

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

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

Revenue recognition

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

Interest income

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

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

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

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

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

Other income

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

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

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

Fair value measurements

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

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and

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

Fair value measurements *(Continued from previous page)*

- Level 3: Unobservable inputs in which there is little or no market data, which require the Credit Union to develop its own assumptions.

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

Business combinations

Acquisitions of businesses are accounted for using the acquisition method.

The consideration for each acquisition is measured at the aggregated of the fair values, at the date of exchange, of assets transferred, liabilities assumed, and equity instruments issued by the Credit Union in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value (the date in which the Credit Union acquired control of the acquiree). Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognized in profit or loss. Changes in the fair value of contingent consideration classified as equity are not recognized.

The Credit Union recognizes any non-controlling interests in its subsidiaries either at fair value or at the non-controlling interest's proportionate share of the subsidiaries assets.

The acquired identifiable assets, and liabilities are recognized at their acquisition date fair values if they meet the definitions of assets and liabilities in the Framework for the preparation and presentation of consolidated financial statements at acquisition date and they were exchanged as part of the business combination rather than as the result of separate transactions.

The following are exceptions to this recognition and measurement principle:

- Deferred tax assets or liabilities are recognized and measured in accordance with IAS 12 *Income taxes*;
- Liabilities or assets related to the acquiree's employee benefit arrangements are recognized and measured in accordance with IAS 19 *Employee benefits*;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with those of the Credit Union are measured in accordance with IFRS 2 *Share-based payments* at the acquisition date;
- Asset and disposal groups that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured at fair value less costs to sell.
- Contingent liabilities are recognised at the acquisition date even if is not probable that an outflow of economic benefits will be required to settle the obligation;
- Indemnification assets are recognised at the same time and measured at the same basis as the indemnified item, subject to a valuation allowance for uncollectable amounts. This may lead to exceptions if the indemnified item is itself an exception; and
- The value of a reacquired right is measured as an intangible asset on the basis of the remaining contractual term regardless of whether market participants would consider potential contractual renewals in determining its fair value.

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

Standards issued but not yet effective

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

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

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

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

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

4. Business combinations

On July 1, 2025, Summerland Credit Union, Osoyoos Credit Union and Revelstoke Credit Union amalgamated, combining their respective operations building on the strengths of each credit union to recognize operational synergies and to capture economies of scale as a combined entity.

The business combination was accounted for using the acquisition method under IFRS 3 *Business Combinations* with Summerland Credit Union determined to be the acquirer.

Cascadia Credit Union
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

4. Business combinations *(Continued from previous page)*

The acquisition of Osoyoos Credit Union had the following effect on the Credit Union's assets and liabilities on acquisition date:

	Pre-acquisition carrying amount	Fair-value adjustment	Fair value at the acquisition date
Acquired assets and assumed liabilities			
Cash and cash equivalents	5,734,662	-	5,734,662
Investments	62,031,799	-	62,031,799
Member loans receivable	137,222,178	(623,350)	136,598,828
Income taxes recoverable	32,438	-	32,438
Receivables and other assets	267,592	-	267,592
Deferred taxes	(46,266)	206,333	160,067
Property and equipment	2,347,104	179,437	2,526,541
Investment properties	203,242	-	203,242
Intangible assets	182,245	-	182,245
Member deposits	(196,369,901)	(583,790)	(196,953,691)
Payables and other liabilities	(1,262,435)	-	(1,262,435)
Lease liabilities	(99,097)	-	(99,097)
Derivative liability	(23,322)	-	(23,322)
Net identifiable asset and liabilities	10,220,239	(821,370)	9,398,869
Member shares issued on acquisition			407,705
Contributed surplus on acquisition recognized			8,991,164

The acquisition of Revelstoke Credit Union had the following effect on the Credit Union's assets and liabilities on acquisition date:

	Pre-acquisition carrying amount	Fair-value adjustment	Fair value at the acquisition date
Acquired assets and assumed liabilities			
Cash and cash equivalents	35,744,422	-	35,744,422
Investments	26,865,830	-	26,865,830
Member loans receivable	225,031,809	(765,960)	224,265,849
Receivables and other assets	803,614	-	803,614
Deferred taxes	(24,281)	(80,909)	(105,190)
Property and equipment	4,266,094	2,319,248	6,585,342
Intangible assets	926,594	(119,896)	806,698
Member deposits	(260,170,942)	(866,140)	(261,037,082)
Payables and other liabilities	(11,884,900)	-	(11,884,900)
Lease liabilities	(23,530)	-	(23,530)
Income taxes payable	(142,608)	-	(142,608)
Net identifiable assets and liabilities	21,392,102	486,343	21,878,445
Member shares issued on acquisition			87,087
Contributed surplus on acquisition recognized			21,791,358

Cascadia Credit Union
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

4. Business combinations *(Continued from previous page)*

Fair values in determining the financial assets acquired and liabilities assumed were determined based on the same criteria as outlined in Note 18. The fair value of certain property and equipment was estimated using property assessments while the remainder was estimated using cost less accumulated depreciation.

Acquisition-related costs totaling \$1,006,368 have been excluded from the consideration transferred and have been recognized as other operating and administrative expenses and professional fees in the consolidated statement of income.

5. Cash and cash equivalents

The Credit Union's cash and cash equivalents are held with Central 1 and Concentra Bank. Term deposits and accrued interest includes callable deposits or deposits with original maturity of three months or less.

	2025	2024
Cash and current accounts	31,297,776	20,017,768
Term deposits and accrued interest	-	3,040,710
	31,297,776	23,058,478

6. Investments

The following table provides information on the investments by financial instrument classification, type, and issuer. The maximum exposure to credit risk would be the carrying value in Note 18.

	2025	2024
Investments		
Measured at fair value through other comprehensive income		
Portfolio investments	129,838,642	43,092,173
Measured at amortized cost		
Term deposits and accrued interest	4,341,679	7,013,833
Equity investments		
Measured at fair value through profit or loss		
Shares, Central 1	233,960	101,897
Shares, CUPP Services Ltd.	5,051	5,051
Shares, Stabilization Central Credit Union	503	201
Other	56	56
	239,570	107,205
	134,419,891	50,213,211

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

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1.

There is no separately quoted market value for these shares however, fair value is determined to be equivalent to the par value due to the fact that transactions occur at par value on a regular and recurring basis.

Cascadia Credit Union
Notes to the Consolidated Financial Statements
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7. Property and equipment

	<i>Land</i>	<i>Buildings</i>	<i>Computer equipment</i>	<i>Furniture and fixtures</i>	<i>Leasehold improvements</i>	<i>Right-of-use building</i>	<i>Parking lot</i>	<i>Total</i>
Cost								
Balance at December 31, 2023	97,211	4,410,730	479,017	652,047	-	-	-	5,639,005
Additions	-	6,199	22,184	113,929	-	-	-	142,312
Disposals	-	-	(76,326)	(218,650)	-	-	-	(294,976)
Change in use	(42,211)	(147,403)	-	-	-	-	-	(189,614)
Balance at December 31, 2024	55,000	4,269,526	424,875	547,326	-	-	-	5,296,727
Additions	-	11,423	-	30,672	-	-	-	42,095
Impact of business combination (Note 4)	988,240	11,185,480	45,472	2,566,453	94,847	144,697	38,457	15,063,646
Balance at December 31, 2025	1,043,240	15,466,429	470,347	3,144,451	94,847	144,697	38,457	20,402,468
Depreciation								
Balance at December 31, 2023	-	1,671,549	298,840	517,660	-	-	-	2,488,049
Depreciation	-	110,481	52,006	27,552	-	-	-	190,039
Disposals	-	-	(75,946)	(192,655)	-	-	-	(268,601)
Change in use	-	(14,707)	-	-	-	-	-	(14,707)
Balance at December 31, 2024	-	1,767,323	274,900	352,557	-	-	-	2,394,780
Depreciation	-	232,150	52,340	180,346	9,749	28,163	764	503,512
Impact of business combination (Note 4)	-	3,775,224	45,472	2,014,658	46,863	33,253	36,293	5,951,763
Balance at December 31, 2024	-	5,774,697	372,712	2,547,561	56,612	61,416	37,057	8,850,055
Net book value								
At December 31, 2024	55,000	2,502,203	149,975	194,769	-	-	-	2,901,947
At December 31, 2025	1,043,240	9,691,732	97,635	596,890	38,235	83,281	1,400	11,552,413

Cascadia Credit Union
Notes to the Consolidated Financial Statements
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8. Intangible assets

	<i>Computer software</i>	<i>CUSO fees</i>	<i>Book of business</i>	<i>ICBC licence</i>	<i>Goodwill</i>	<i>Total</i>
Cost						
Balance at December 31, 2023	736,200	-	-	-	-	736,200
Additions	100,627	-	-	-	-	100,627
Disposals	(16,584)	-	-	-	-	(16,584)
Balance at December 31, 2024	820,243	-	-	-	-	820,243
Additions	6,469	-	-	-	-	6,469
Impact of business combination (Note 4)	1,174,299	109,900	210,000	600,000	65,000	2,159,199
Balance at December 31, 2025	2,001,011	109,900	210,000	600,000	65,000	2,985,911
Accumulated Amortization						
Balance at December 31, 2023	408,525	-	-	-	-	408,525
Amortization	81,764	-	-	-	-	81,764
Disposals	(16,584)	-	-	-	-	(16,584)
Balance at December 31, 2024	473,705	-	-	-	-	473,705
Amortization	148,613	-	-	-	-	148,613
Impact of business combination (Note 4)	850,356	109,900	210,000	-	-	1,170,256
Balance at December 31, 2025	1,472,674	109,900	210,000	-	-	1,792,574
Net book value						
At December 31, 2024	346,538	-	-	-	-	346,538
At December 31, 2025	528,337	-	-	600,000	65,000	1,193,337

9. Member deposits

	2025	2024
Term deposits	342,649,304	150,578,211
Demand deposits	299,570,838	136,036,335
Tax free savings accounts	108,926,282	43,332,219
Registered savings plans	68,721,007	31,935,870
First home savings accounts	476,097	277,102
Accrued interest	7,965,555	5,155,270
	828,309,083	367,315,007

Cascadia Credit Union
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

10. Payables and other liabilities

	2025	2024
Trade payables	2,799,482	262,775
Accrued payroll liabilities	1,430,661	856,924
Patronage and dividends	-	95,234
	4,230,143	1,214,933

11. Pension plan and other employee benefits

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

BC Credit Union Employees' Pension Plan

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

The amount contributed to the plan for 2025 was \$299,625 (2024 - \$259,770). The contributions were made for current service and have been recognized in earnings.

Defined Contribution Pension Plan ("DC")

Employees are required to contribute 3% to 4.5% of their salary to the DC plan depending on their years of continuous service. The Credit Union contributes 6% to 9% of an employee's eligible earnings to the DC plan depending on their years of continuous service.

The amount contributed to the plan for 2025 was \$123,554. The contributions were made for current service and have been recognized in earnings.

12. Income taxes

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

	2025	2024
Current income tax expense		
Based on current year taxable income	355,423	467,943
Deferred income tax recovery		
Origination and reversal of temporary differences	(229,895)	(5,809)
	125,528	462,134

Cascadia Credit Union
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

12. Income taxes (Continued from previous page)

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 27.00% (2024 - 27.00%) are as follows:

	2025	2024
Income before income taxes	3,705,575	1,184,818
Income tax expense based on the statutory rate	1,000,505	319,901
Preferred rate deduction for Credit Unions	(42,891)	(76,054)
Small business deduction	-	(41,559)
Items not taxable/deductible for tax purposes	(602,191)	265,655
	355,423	467,943

The components of deferred income taxes are as follows:

	2025	2024
Deferred income tax assets:		
Allowance for impaired loans	146,298	19,061
Other liabilities	101,835	50,213
Fair value differentials on business combination	73,720	-
	321,853	69,274
Deferred income tax liabilities:		
Property and equipment, investment properties and intangible assets	(155,161)	(207,827)
	166,692	(138,553)

13. Borrowings

The Credit Union has available to it, through the Central 1 Credit Union, an operating line facilities of \$CAD 9,000,000 and \$USD 500,000 secured by an assignment of loan to members, accounts receivable and a demand debenture in favour of Central 1 Credit Union. At year end, the balance outstanding was \$nil (2024 - \$nil).

14. Member shares

Member shares issued:

	2025	2024
Member shares classified as equity		
Class A, par value \$1 each	81,248	164,472
Member shares classified as liability		
Class A, par value \$1 each	622,341	75,568
	703,589	240,040

Cascadia Credit Union
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

14. Member shares *(Continued from previous page)*

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

Class A Membership shares

As a condition of membership, which is required to use the services of the Credit Union, each standard member is required to hold \$5 in membership shares. These membership shares are redeemable at par only when a membership is withdrawn. Dividends are at the discretion of the Board of Directors.

Class B Investment Equity shares

Shares may only be issued to members of the Credit Union. They are non-voting and redeemable at par at the discretion of the Board of Directors. No shares of this type have been issued during the current year.

Class C Investment Equity shares

Shares may only be issued to members of the Credit Union. They are non-voting and redeemable at par at the discretion of the Board of Directors. No shares of this type have been issued during the current year.

During the year, the Credit Union declared patronage distribution of \$nil (2024 - \$69,235) and dividends on membership shares of \$nil (2024 - \$nil).

15. Related party transactions

Key management compensation of the Credit Union

Key management personnel ("KMP") are defined by IAS 24 Related Party Disclosures as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including the Board of Directors, executives and senior management.

	2025	2024
Salaries and other short-term employee benefits	1,092,829	973,332
Total pension and other post-employment benefits	301,022	73,886
Total remuneration	1,393,851	1,047,218

Transactions with key management personnel

Loans made to Directors and KMP are approved under the same lending criteria applicable to members. KMP may receive concessional rates of interest on their loans and facilities. There are no loans that are impaired in relation to loan balances with Directors and KMP.

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

	2025	2024
Aggregate of loans to Directors and KMP	7,538,004	5,500,175
Interest received on loans to Directors and KMP	217,504	215,086
Aggregate value of un-advanced loans and unused lines of credit	1,727,196	415,911

Cascadia Credit Union
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

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

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

	2025	2024
Deposits from the Directors and KMP		
Aggregate value of term and savings deposits	2,863,315	2,010,958
Total interest paid on term and savings deposits	37,263	63,616

16. Other income

	2025	2024
Account service fees	713,153	405,139
Agency bill	650,986	-
Commissions	433,232	-
Dividend income	-	116,025
Foreign exchange	121,664	107,084
Interest, rent and other income	256,736	247,823
Loan administration fees	659,932	299,217
Safety deposit rentals	37,585	31,531
	2,873,288	1,206,819

17. Capital management

The Financial Institutions Act requires the Credit Union to maintain, at all times, a capital base which is adequate in relation to the business carried on. The level of capital required is based on a prescribed percentage of the total value of risk-weighted assets, each asset of the Credit Union being assigned a risk factor based on the probability that a loss may be incurred on the ultimate realization of that asset. Management considers capital to be comprised of the net assets of the Credit Union and all components of member equity on the same risk weighted basis as is prescribed by the Financial Institutions Act and which amounts to \$388,901,333 as at December 31, 2025 (December 31, 2024 - \$158,804,327).

The Financial Institutions Act regulations prescribe that the minimum required capital ratio of 8%. As at December 31, 2025, the Credit Union has a capital ratio of 19.16% (December 31, 2024 - 22.96%).

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

Cascadia Credit Union
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

18. Fair value measurements

Assets and liabilities measured at fair value

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

	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2025 Level 3</i>
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	31,297,776	31,297,776	-	-
Equity investments	239,570	-	-	239,570
	31,537,346	31,297,776	-	239,570
Financial assets at fair value through other comprehensive income				
Portfolio investments	129,838,642	129,838,642	-	-
Derivative financial instruments	18,323	-	18,323	-
	129,856,965	129,838,642	18,323	-
	161,394,311	161,136,418	18,323	239,570
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	20,017,768	20,017,768	-	-
Equity investments	107,205	-	-	107,205
	20,124,973	20,017,768	-	107,205
Financial assets at fair value through other comprehensive income				
Portfolio investments	43,092,173	43,092,173	-	-
	63,217,146	63,109,941	-	107,205

Cascadia Credit Union
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

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

Financial instruments not measured at fair value

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

	<i>Carrying amount</i>	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
2025					
Assets					
Amortized cost					
Receivables	2,699,387	2,699,387	-	2,699,387	-
Term deposits and accrued interest	4,341,679	4,341,679	-	4,341,679	-
Member loans receivable	717,751,063	716,704,303	-	716,704,303	-
	724,792,129	723,745,369	-	723,745,369	-
Liabilities					
Amortized cost					
Member deposits	828,309,083	831,037,585	-	831,037,585	-
Payables and other liabilities	4,230,143	4,230,143	-	4,230,143	-
Member shares - liability	622,341	622,341	-	-	622,341
	833,161,567	835,890,069	-	835,267,728	622,341
2024					
Assets					
Amortized cost					
Receivables	25,668	25,668	-	25,668	-
Term deposits and accrued interest	10,054,543	10,054,543	-	10,054,543	-
Member loans receivable	325,221,560	325,217,253	-	325,217,253	-
	335,301,771	335,297,464	-	335,297,464	-
Liabilities					
Amortized cost					
Member deposits	367,315,007	367,317,479	-	367,317,479	-
Payables and other liabilities	1,214,933	1,214,933	-	1,214,933	-
Member shares - liability	75,568	75,568	-	-	75,568
	368,605,508	368,607,980	-	368,532,412	75,568

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

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

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

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

19. Financial instruments

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

Credit risk

Credit risk is the risk that a Credit Union member or counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the statement of financial position date. Significant changes in the economy of British Columbia and the Okanagan and Columbia-Shuswap regions of BC or deteriorations in lending sectors which represent a concentration within the Credit Union's loan portfolio may result in losses that are different from those provided for at year end.

Overall monitoring and processes will change as deemed necessary in response to the ongoing economic impact of the rapid changes in interest rates and high inflation environment. This has and will include changes to the current processes to ensure that the overall portfolio is secured and the Credit Union will continue to support members and find their optimal credit solutions. The stages of expected credit loss within the loan portfolio, if affected by these items, will be adjusted as necessary as we progress through the pandemic and resulting economic impacts.

Risk management process

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

- General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity, and loan administration;
- Loan lending limit including Board of Director limits, schedule of assigned limits and exemptions from aggregate indebtedness;
- Loan collateral security classifications which set loan classifications, advance ratios and amortization periods;
- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations;
- Loan delinquency controls regarding procedures followed for loans in arrears; and
- Audit procedures and processes are in existence for the Credit Union's lending activities.

With respect to credit risk, the Board of Directors receives monthly reports summarizing new loans and delinquent loans. The Board of Directors also receives an analysis of bad debts and allowance for doubtful loans quarterly.

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

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

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

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

Cascadia Credit Union
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

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

Credit risk *(Continued from previous page)*

The amounts shown on the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded. In addition, the off-balance sheet loans granted through Canada Emergency Business Account are funded and guaranteed by the Government of Canada, therefore are subject to very low credit risk.

	2025	2024
Commitments to extend credit	20,345,405	8,970,094
Guarantees and standby letters of credit	1,319,786	355,694
Unadvanced lines of credit	77,615,716	34,928,640
Canada Emergency Business Account Loans (CEBA)	795,890	519,646
	100,076,797	44,774,074

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

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

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

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

The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when contractual payments have exceeded 30 days past due, or other information becomes available to management (e.g., through the course of regular credit reviews, communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers). The Credit Union considers there not to have been a significant increase in credit risk despite contractual payments being more than 30 days past due when they have interviewed the borrower and determined that payment is forthcoming.

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

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

Credit risk *(Continued from previous page)*

Where the contractual cash flows of a financial asset have been modified while the loss allowance of that asset is measured at an amount equal to lifetime expected credit losses, the Credit Union determines whether the credit risk of that financial asset has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month expected credit losses. The Credit Union makes this determination by evaluating the credit risk of the modified financial asset and comparing with documentation of the borrower's initial credit assessment at the time of the initial borrowing. The Credit Union considers the credit risk to have decreased when the borrower has demonstrated consistently good payment behaviour for 2 – 3 months against the modified contractual terms. Subsequently, management monitors these assets to determine the extent to which expected credit losses revert to being measured at an amount equal to lifetime expected credit losses.

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

Measurement of expected credit losses

The Credit Union measures expected credit losses for financial assets on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type and security held. The expected credit losses for credit-impaired member loans are measured on an individual basis.

When measuring 12-month and lifetime expected credit losses, the Credit Union considers items such as relative changes in probability of default since origination, and certain other criteria, such as 30-day past due and delinquency status. Forward-looking information is incorporated into the determination of expected credit loss by collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

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

Write-offs

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

Cascadia Credit Union
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

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

Credit risk (Continued from previous page)

Exposure to credit risk

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

	12-month ECL (Stage 1)	2025 Lifetime ECL (not credit impaired) (Stage 2)	Lifetime ECL (credit impaired) (Stage 3)	Total
Residential mortgages				
Low risk	523,551,046	-	-	523,551,046
Medium risk	-	-	-	-
Default	-	-	334,602	334,602
Total gross carrying amount	523,551,046	-	334,602	523,885,648
Less: loss allowance	291,209	-	-	291,209
Total carrying amount	523,259,837	-	334,602	523,594,439
Commercial loans				
Low risk	172,973,520	-	-	172,973,520
Medium risk	-	6,575,817	-	6,575,817
Default	-	-	-	-
Total gross carrying amount	172,973,520	6,575,817	-	179,549,337
Less: loss allowance	378,074	21,839	-	399,913
Total carrying amount	172,595,446	6,553,978	-	179,149,424
Personal loans and lines of credit				
Low risk	14,774,177	-	-	14,774,177
Medium risk	-	222,381	-	222,381
Default	-	-	51,596	51,596
Total gross carrying amount	14,774,177	222,381	51,596	15,048,154
Less: loss allowance	39,113	1,193	650	40,956
Total carrying amount	14,735,064	221,188	50,946	15,007,198
Total members' loans receivable				
Low risk	711,298,743	-	-	711,298,743
Medium risk	-	6,798,198	-	6,798,198
Default	-	-	386,198	386,198
Total gross carrying amount	711,298,743	6,798,198	386,198	718,483,139
Less: loss allowance	708,395	23,031	650	732,076
Total carrying amount	710,590,348	6,775,167	385,548	717,751,063

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For the year ended December 31, 2025

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

Credit risk *(Continued from previous page)*

	12-month ECL (Stage 1)	2024 Lifetime ECL (not credit impaired) (Stage 2)	Lifetime ECL (credit impaired) (Stage 3)	Total
Residential mortgages				
Low risk	232,758,930	-	-	232,758,930
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	232,758,930	-	-	232,758,930
Less: loss allowance	51,432	-	-	51,432
Total carrying amount	232,707,498	-	-	232,707,498
Commercial loans				
Low risk	72,999,414	-	-	72,999,414
Medium risk	-	-	-	-
Default	-	-	21,805	21,805
Total gross carrying amount	72,999,414	-	21,805	73,021,219
Less: loss allowance	19,789	-	20,000	39,789
Total carrying amount	72,979,625	-	1,805	72,981,430
Personal loans and lines of credit				
Low risk	19,571,537	-	-	19,571,537
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	19,571,537	-	-	19,571,537
Less: loss allowance	38,905	-	-	38,905
Total carrying amount	19,532,632	-	-	19,532,632
Total members' loans receivable				
Low risk	325,329,881	-	-	325,329,881
Medium risk	-	-	-	-
Default	-	-	21,805	21,805
Total gross carrying amount	325,329,881	-	21,805	325,351,686
Less: loss allowance	110,126	-	20,000	130,126
Total carrying amount	325,219,755	-	1,805	325,221,560

As at December 31, 2025, the maximum exposure to credit risk with respect to members' loan receivable without taking into account collateral held or other credit enhancements is \$886,102,614 (2024 - \$398,388,790). The Credit Union holds senior-ranking general security claims and property backed personal financial guarantees with respect to members' loan receivable.

Cascadia Credit Union
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

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

Credit risk *(Continued from previous page)*

Amounts arising from expected credit losses

Reconciliation of the loss allowance

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

	<i>12-month ECL</i>	<i>Lifetime ECL (not credit impaired)</i>	<i>Lifetime ECL (credit impaired)</i>	<i>Total</i>
Member loans receivable				
Balance at December 31, 2023	106,768	-	-	106,768
Recovery of impaired loans	(24,125)	-	20,000	(4,125)
Write-offs, net of recoveries	27,483	-	-	27,483
Balance at December 31, 2024	110,126	-	20,000	130,126
Provision for impaired loans	333,197	23,031	-	356,228
Write-offs, net of recoveries	265,072	-	(19,350)	245,722
Balance at December 31, 2025	708,395	23,031	650	732,076

Market risk

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

Interest rate risk

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

Risk measurement

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

Objectives, policies and procedures

The Credit Union's major source of income is financial margin, the difference between interest earned on investments and members loans (assets) and interest paid on member deposits (liabilities). The objective of asset/liability management is to match interest-sensitive assets with interest-sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates.

Cascadia Credit Union
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

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

Interest rate risk

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management and reported to the Board.

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

An analysis of the Credit Union's risk due to changes in interest rates determined that an increase in interest rates of 1% could result in an increase to net earnings of \$713,000 (2024 - \$187,000) while a decrease in interest rates of 1% could result in a decrease to net earnings of \$1,186,000 (2024 - \$438,000).

	<i>(In thousands)</i>				2025	2024
	<i>Variable rate</i>	<i>Within one year</i>	<i>One to seven years</i>	<i>Non-Interest Sensitive</i>	<i>Total</i>	<i>Total</i>
Assets						
Cash and cash equivalents	23,831	-	-	7,466	31,297	23,058
Average yield %	2.38	-	-	-	2.03	3.32
Investments	7,218	24,774	102,428	-	134,420	50,213
Average yield %	2.47	3.58	3.49	-	3.43	3.48
Member loans	156,064	209,076	352,611	-	717,751	325,222
Average yield %	5.31	4.41	4.56	-	4.69	4.84
Receivables	-	-	-	2,699	2,699	26
Subtotal	187,113	233,850	455,039	10,165	886,167	398,493
Financial liabilities						
Deposits	45,607	380,074	126,312	276,316	828,309	367,315
Average yield %	0.60	3.00	3.45	-	2.02	2.68
Other	-	-	-	4,852	4,852	1,291
Subtotal	45,607	380,074	126,312	281,168	833,161	368,606
Mismatch	141,506	(146,224)	328,727	(271,003)	53,006	29,887
Derivatives notional amount	-	(2,000)	2,000	-	-	-
Net sensitivity	141,506	(148,224)	330,727	(271,003)	53,006	29,887

Foreign exchange risk

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

Foreign currency risk is not considered significant at this time as the Credit Union does not engage in any active trading of foreign currency positions or hold significant excess foreign currency denominated financed investments for an extended period.

At December 31, 2025, the Credit Union's exposure to foreign exchange risk was within policy.