# Libro Credit Union Limited

## Financial statements
## December 31, 2025

## Management's Responsibility for Financial Reporting

The accompanying financial statements of Libro Credit Union Limited and all the information in this annual report are the responsibility of Management and have been approved by the Board of Directors (the "Board").

The financial statements have been prepared by Management in accordance with IFRS Accounting Standards and the Credit Union and Caisses Populaires Act, 2020 (Ontario). When alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances. Financial statements include estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial information presented in the financial statements.

Libro maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the credit union's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit and Finance Committee. The Audit and Finance Committee is appointed by the Board. The Audit and Finance Committee meets periodically with Management, and the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Audit and Finance Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the members.

The Financial Services Regulatory Authority of Ontario conducts periodic examinations of the financial conditions and affairs of Libro. The examination includes review of Libro's compliance with the provisions of the Act.

The financial statements have been audited by KPMG LLP, the external auditor, in accordance with Canadian generally accepted auditing standards on behalf of the members. KPMG LLP has full and free access to the Audit and Finance Committee.

| | |
|---|---|
| Shawn L. Good<br>President and<br>Chief Executive Officer | Janet Johnson<br>Chief Financial Officer |

March 3, 2026

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# INDEPENDENT AUDITOR'S REPORT

To the Members of Libro Credit Union Limited

## *Opinion*

We have audited the financial statements of Libro Credit Union Limited (the "Credit Union"), which comprise:

- the balance sheets as at December 31, 2025
- the statements of income for the year then ended
- the statements of comprehensive income for the year then ended
- the statements of equity for the year then ended
- the statements of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

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

## *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## *Other Information*

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in the Annual Report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

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

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

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

March 3, 2026

## Balance Sheets

**As at December 31**

| [thousands of dollars] | Note | 2025 | 2024 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | **11,519** | 50,512 |
| Accrued interest receivable | | **13,866** | 14,221 |
| Investments | **4** | **506,473** | 579,556 |
| Other assets | **9** | **62,208** | 46,158 |
| Loans to members | **5, 6** | **6,135,897** | 5,470,210 |
| Derivative financial instruments | **15** | **4,122** | 6,563 |
| Property and equipment | **7** | **62,846** | 61,337 |
| Intangible assets | **8** | **360** | 140 |
| Pension assets, net | **13** | **7,736** | 778 |
| Deferred tax asset | **19** | **739** | 1,578 |
| **Total assets** | | **6,805,766** | 6,231,053 |
| **Liabilities and equity** | | | |
| Members' deposits | **16** | **5,717,687** | 5,376,838 |
| Accrued interest payable | | **42,894** | 47,282 |
| Accrued and other liabilities | **22** | **27,942** | 31,822 |
| Income taxes payable | | **3,712** | 3,478 |
| Derivative financial instruments | **15** | **880** | 493 |
| Loans payable | **10** | **90,000** | - |
| Securitization liabilities | **20[a]** | **287,889** | 195,697 |
| | | **6,171,004** | 5,655,610 |
| **Liabilities qualifying as regulatory capital** | **12** | | |
| Members' capital accounts | **11** | **306,074** | 297,097 |
| Stock dividends payable | **11** | **16,619** | 16,838 |
| | | **322,693** | 313,935 |
| **Total liabilities** | | **6,493,697** | 5,969,545 |
| Contributed surplus | | **-** | 60,998 |
| Retained earnings | | **288,275** | 182,849 |
| Accumulated other comprehensive income | | **23,794** | 17,661 |
| | | **312,069** | 261,508 |
| **Total liabilities and equity** | | **6,805,766** | 6,231,053 |

*See accompanying notes*

On behalf of the Board of Directors:

Mr. G Vanderwyst, Chair of the Board

Jacquie Davison

Ms. J Davison, Chair of the Audit and Finance Committee

## Statements of Income

**Years ended December 31**

| [thousands of dollars] | Note | 2025 | 2024 |
|---|---|---|---|
| **Interest income** | | | |
| Interest on loans | 17[a] | **291,912** | 276,637 |
| Investment income | | **19,996** | 32,183 |
| | | **311,908** | 308,820 |
| **Interest expense** | | | |
| Interest on members' deposits | 17[a] | **123,848** | 148,884 |
| Dividends on Class I Investment shares | 11 | **10,882** | 11,710 |
| Interest on borrowings | 10, 20[a] | **10,850** | 8,552 |
| | | **145,580** | 169,146 |
| **Net interest income** | | **166,328** | 139,674 |
| Non-interest income | 17[b] | **34,573** | 21,492 |
| **Total revenue** | | **200,901** | 161,166 |
| Provision for credit losses | 6 | **2,692** | 2,361 |
| **Non-interest expenses** | | | |
| Salaries and employee benefits | | **90,100** | 83,563 |
| Administration | | **22,144** | 20,755 |
| Systems and technology | | **12,628** | 12,324 |
| Occupancy | | **9,256** | 9,863 |
| Marketing and business development | | **3,966** | 3,745 |
| | | **138,094** | 130,250 |
| **Income before the undernoted** | | **60,115** | 28,555 |
| Dividends and profit sharing distributions | 11 | **5,790** | 5,119 |
| **Income before income taxes** | | **54,325** | 23,436 |
| **Provision for (recovery of) income taxes** | | | |
| Current | 19 | **10,383** | 5,200 |
| Deferred | 19 | **(486)** | (1,347) |
| | | **9,897** | 3,853 |
| **Net income for the year** | | **44,428** | 19,583 |

*See accompanying notes*

## Statements of Comprehensive Income

**Years ended December 31**

| [thousands of dollars] | Note | 2025 | 2024 |
|---|---|---|---|
| **Net income for the year** | | **44,428** | 19,583 |
| **Other comprehensive income (loss)** | | | |
| Items that will not be reclassified to income: | | | |
| Actuarial gain in employee defined benefit plans | **13** | **7,282** | 5,622 |
| Related income taxes | **19** | **(1,325)** | (1,023) |
| | | **5,957** | 4,599 |
| Items that may be subsequently reclassified to income: | | | |
| Unrealized gain on investments | | **215** | 4,413 |
| Related income taxes | **19** | **(39)** | (803) |
| | | **176** | 3,610 |
| **Other comprehensive income for the year, net of income taxes** | | **6,133** | 8,209 |
| **Total comprehensive income for the year, net of income taxes** | | **50,561** | 27,792 |

*See accompanying notes*

## Statements of Equity

**Years ended December 31**

| [thousands of dollars] | 2025 | 2024 |
|---|---|---|
| **Contributed surplus** | **-** | 60,998 |
| **Retained earnings** | | |
| Balance as at beginning of year | **182,849** | 163,266 |
| Reclassify contributed surplus to retained earnings [(1)] | **60,998** | - |
| Net income for the year | **44,428** | 19,583 |
| Balance as at end of year | **288,275** | 182,849 |
| **Accumulated other comprehensive income, net of income taxes** | | |
| Balance as at beginning of year | **17,661** | 9,452 |
| Other comprehensive income for the year | **6,133** | 8,209 |
| Balance as at end of year | **23,794** | 17,661 |
| **Total equity as at end of year** | **312,069** | 261,508 |

[(1)] *Contributed surplus has been reclassified to retained earnings*

*See accompanying notes*

## Libro Credit Union Limited



## Statements of Cash Flows

**Years ended December 31**

| [thousands of dollars] | Note | 2025 | 2024 |
|---|---|---|---|
| **Cash provided by (used in)** | | | |
| **Operating activities** | | | |
| Net income for the year | | **44,428** | 19,583 |
| Add (deduct) non-cash items: | | | |
| Depreciation and amortization | | **6,314** | 8,071 |
| Provision for credit losses | **6** | **2,692** | 2,361 |
| Income tax expense | **19** | **9,897** | 3,853 |
| Unrealized loss on derivative financial instruments | **15** | **2,828** | 8,619 |
| Net change in accrued employee retirement obligations | | **324** | 681 |
| Net interest income | | **(166,328)** | (139,674) |
| Changes in operating assets and liabilities: | | | |
| Increase in other assets | | **(16,050)** | (27,719) |
| Increase in loans to members | | **(668,379)** | (235,421) |
| Increase in members' deposits | | **340,849** | 214,388 |
| Decrease in accrued and other liabilities | | **(2,442)** | (381) |
| Interest received | | **312,263** | 306,390 |
| Interest paid | | **(150,187)** | (166,157) |
| Income tax refunded (paid) | | **(10,188)** | 820 |
| **Cash used in operating activities** | | **(293,979)** | (4,586) |
| **Financing activities** | | | |
| Increase in members' capital accounts | | **8,977** | 1,774 |
| Increase in loans payable | | **90,000** | - |
| Principal payments on leases | **22** | **(1,438)** | (1,411) |
| Net proceeds from securitization | **20** | **151,642** | 39,940 |
| Repayments of securitization liabilities | | **(59,450)** | (42,151) |
| **Cash provided by (used in) financing activities** | | **189,731** | (1,848) |
| **Investing activities** | | | |
| Decrease in investments | | **73,298** | 27,339 |
| Net purchases of property and equipment | **7** | **(7,704)** | (6,190) |
| Purchase of intangible assets | **8** | **(339)** | (816) |
| **Cash provided by investing activities** | | **65,255** | 20,333 |
| **Net (decrease) increase in Cash and cash equivalents during the year** | | **(38,993)** | 13,899 |
| Cash and cash equivalents as at beginning of year | | **50,512** | 36,613 |
| **Cash and cash equivalents as at end of year** | | **11,519** | 50,512 |

*See accompanying notes*

**1) REPORTING ENTITY**

Libro Credit Union Limited ("Libro" or the "credit union") is incorporated under the *Credit Unions and Caisses Populaires Act* (Ontario) (the "Act") in Canada, is a member of Central 1 Credit Union ("Central 1") and the activities of the credit union are regulated by the Financial Services Regulatory Authority of Ontario ("FSRA"). The corporate office is located at 217 York Street in London, Ontario.

The credit union is primarily involved in providing a full range of retail, commercial and agricultural financial services to its members in southwestern Ontario.

**2) BASIS OF PREPARATION**

**[a] Statement of compliance**

Libro follows accounting policies appropriate to its activities and governing legislation, which conform, in all material respects, to IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on March 3, 2026.

**[b] Basis of measurement**

The financial statements have been prepared on a going concern and historical cost basis, except for the following:

**(i)** Derivative financial instruments, fair value through profit or loss ("FVTPL") financial assets and fair value through other comprehensive income ("FVOCI") financial assets are measured at fair value; and

**(ii)** The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets.

**[c] Currency**

The financial statements are presented in Canadian dollars, which is the credit union's functional currency. All values are rounded to the nearest thousand dollars, except where otherwise indicated.

**3) SUMMARY OF MATERIAL ACCOUNTING POLICIES**

The material accounting policies adopted by the credit union are summarized below.

**[a] Use of estimates and judgments**

The preparation of these financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the reporting years. Actual results may differ from those estimates. Estimates and judgments are continually evaluated and are made based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances.

The most significant uses of estimates and judgments include the following:

**(i) Fair value of financial instruments**

Where the fair value of financial assets and liabilities cannot be derived from active markets, Libro uses valuation techniques that include inputs derived from either observable market data or management's judgment. Note 18 provides detailed information about the determination of the fair value of financial instruments.

**(ii) Impairment losses on financial assets**

The measurement of impairment losses under IFRS 9, Financial Instruments ("IFRS 9") requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The credit union's ECL allowance calculations are outputs of a complex model with a number of underlying assumptions. Note 3[d] and Note 6 further describe elements of the ECL model that require judgments and estimates.

**(iii) Retirement benefit obligations**

Libro estimates the present value of employee retirement benefit obligations that depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The actuarial valuation involves assumptions including discount rates, future salary increases, mortality rates, and other cost increases. Note 13 provides detailed information about the employee retirement benefit obligations.

**(iv) Classification of financial assets**

Determining the appropriate business model for financial assets and assessing whether cash flows generated by an asset constitute solely payments of principal and interest ("SPPI") can be complex and may require significant judgment.

**(v) Hedging and securitizations**

Libro enters into hedging and securitization transactions which require management's best estimates of key assumptions that market participants would use in determining fair value. For more information relating to these estimates, refer to Note 20 for securitizations and Note 3 [e] and Note 15 for hedging.

**[b] Revenue recognition**

Dividend income is recognized when the right to receive payment is established. Dividends are included in investment income on the Statements of Income. Other fees and commission income include account service fees and investment management fees with members and is measured based on the consideration specified in a contract with a member. Unless included in the effective interest calculation, fees are recognized on an accrual basis as the service is provided and reported on the Statements of Income as non-interest income. The credit union recognizes revenue when it delivers a service to a member and there are no remaining performance obligations.

**[c] Interest income and expense**

Interest income and expense is recognized in the Statements of Income for all interest-bearing financial instruments using the effective interest rate ("EIR") method.

The EIR method is a method of calculating the amortized cost of a financial asset or liability and allocating the interest income or expense over the relevant period. The EIR is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument. The application of this method has the effect of recognizing income and expense on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating the effective interest, the credit union estimates cash flows (using projections based on its experience of members' behaviour) considering all contractual terms of the financial instruments but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the EIR. Where it is not possible or practical to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated using the payments or receipts specified in the contract, and the full contractual term.

**[d] Financial assets and financial liabilities**

**(i) Classification**

**Financial assets**
All financial instruments are initially recorded at fair value and subsequently classified as measured at amortized cost, FVOCI or FVTPL. A financial asset is measured at amortized cost if it meets the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments carried at FVOCI are recorded at fair value at initial recognition. Subsequent remeasurement in fair value is recorded in other comprehensive income ("OCI"), except for interest recognized using the effective interest rate method or the remeasurement of ECL, both of which are recognized in profit and loss. A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments are measured at FVTPL unless an irrevocable election is made to designate them at FVOCI upon purchase. All other financial assets are classified as measured at FVTPL.

The details of the business model assessment and contractual term conditions referenced above are outlined below:

**Business model assessment**
The credit union assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the business model and the way those risks are managed;
- How managers of the business are compensated; and
- The expected frequency, value and timing of sales.

**Contractual cash flow characteristics**
The credit union assesses the contractual terms of financial assets to identify whether the contractual cash flows are solely principal and interest. Management assesses whether the terms indicate a basic lending arrangement, where the most significant elements of interest are typically the consideration for the time value of money and credit risk. If contractual terms introduce an exposure to risks or volatility in

the contractual cash flows that are unrelated to a basic lending arrangement, the financial asset is measured at FVTPL.

**Financial liabilities**

The credit union classifies its financial liabilities as measured at amortized cost or at FVTPL. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR.

**Financial assets and liabilities at FVTPL**

Financial assets and financial liabilities measured at FVTPL are those that are designated by management upon initial recognition, assets part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest. Financial assets and financial liabilities at FVTPL are recorded in the Balance Sheets at fair value. Changes in fair value are recorded in profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

**(ii) Derecognition of financial assets**

**Derecognition due to substantial modification of terms and conditions**

The credit union derecognizes a financial asset, such as a loan to a member, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes. If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the credit union records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

**Derecognition other than for substantial modification**

A financial asset is derecognized when the rights to receive cash flows from the financial asset have expired. The credit union also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition. The credit union has transferred the financial asset if the credit union has transferred its contractual rights to receive cash flows from the financial asset or it retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement.

When the credit union has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the credit union’s continuing involvement, in which case, the credit union also recognizes an associated liability.

**(iii) Impairment on financial assets**

The credit union recognizes an ECL allowance on all financial instruments not recorded at FVTPL, which includes loans to members, investments and certain loan commitments. Equity instruments are not subject to impairment under IFRS 9. The credit union measures ECL at an amount equal to lifetime ECL or 12-month ECL. The portion of ECL that results from the default events on a financial instrument that are possible within the 12 months after the reporting date are referred to as the 12-month ECL.

The impairment model measures ECL using a three-stage approach as described below:

- Stage 1: When a financial asset has not shown a significant increase in credit risk since origination, the credit union records a 12-month ECL.
- Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the credit union records a lifetime ECL.
- Stage 3: When a financial asset is credit-impaired, the credit union records a lifetime ECL or the asset is written off.

The interest income is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the gross carrying amount net of impairment allowance for financial assets in Stage 3.

**Significant increase in credit risk**
The assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The credit union has established thresholds for significant increases in credit risk based on both a risk rating and change in probability of default relative to its initial recognition. In addition, instruments that are 30 days past due are also considered to have experienced a significant increase in credit risk.

**The measurement of ECL**
The credit union measures ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The ECL is based primarily on the product of the following variables:

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. The PD for each instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions.
- The Loss Given Default ("LGD") is an estimate of the amount that may not be recovered in the event of default. LGD takes into consideration the amount and quality of any collateral held as well as reasonable and supportable information about future economic conditions.
- The Exposure at Default ("EAD") is an estimate of the outstanding amount of credit at a future default date.

**Expected life**
When measuring ECL, the credit union considers the maximum contractual period over which it is exposed to credit risk. For facilities without a maximum contractual period, the credit union uses the period that the entity is expected to be exposed to credit risk and the expected losses are not mitigated by credit risk management actions.

**Definition of default**
The credit union considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) in all cases when the borrower becomes 90 days past due on its contractual payments. The credit union also considers a variety of qualitative characteristics that may indicate an unlikeliness to pay, in which case the credit union may determine a loan defaulted before contractually past due.

**Forward-looking information**
The credit union relies on a broad range of forward-looking information as economic inputs, such as unemployment rates, Central Bank base rates, and house price indices. The estimation and application of forward-looking information requires significant judgment.

**Purchased or originated credit impaired financial assets ("POCI")**
POCI financial assets are initially recognized at fair value with no initial ECL allowance. Changes in lifetime ECL since initial recognition are recorded in the allowance for credit losses.

**Write-offs**
Financial assets are written off either partially or in their entirety only when the credit union has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to loan provision expense.

**[e] Derivatives and hedge accounting**
Derivative financial instruments are contracts that require or provide the opportunity to exchange cash flows or payments determined by applying certain rates, indices or changes therein to notional contract amounts. Libro uses derivative financial instruments, primarily interest rate swaps, in order to manage interest rate risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; and

- Cash flow hedges when hedging the exposure to variability of cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, Libro formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how Libro will assess whether the hedging relationship meets the hedge effectiveness requirements.

Hedges that meet all of the qualifying criteria for hedge accounting are accounted for, as described below:

**Fair value hedges**
The changes in fair value of a hedging instrument are recognized in the Statements of Income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the Statements of Income.

For fair value hedges relating to items carried at amortized cost, any adjustments to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedge is re-recognized, the unamortized fair value is recognized immediately in profit or loss.

**Cash flow hedges**
Applying cash flow hedge accounting enables the credit union to reduce the cash flow fluctuations arising from interest rate risk on loans. The effective portion of the gain or loss on the hedging instrument is recognized in OCI,

while any ineffective portion is recognized immediately in the Statements of Income as an offset to investment income. The amounts and timing of future cash flows are projected for each portfolio of financial assets and liabilities on the basis of their contractual terms and other relevant factors, including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows across all portfolios over time form the basis for identifying the effective portion of gains and losses on the derivatives designated as cash flow hedges.

If a cash flow hedge is discontinued, the amount that has been accumulated in OCI must remain in accumulated other comprehensive income ("AOCI") if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in AOCI must be accounted for depending on the nature of the underlying transaction as described above.

Certain derivatives embedded in other financial instruments, such as the embedded option in an index-linked term deposit, are treated as separate derivatives when they can be separated from the host contract. These embedded derivatives are separately accounted for at fair value as derivative assets and liabilities with changes in fair market value recognized in the Statements of Income.

**[f] Property and equipment**

Property and equipment are carried at cost less accumulated depreciation. Assets are generally depreciated on the following basis:

| | |
|---|---|
| Buildings | 40 to 50 years straight-line |
| Building components | 15 to 30 years straight-line |
| Leasehold improvements | 5 to 20 years straight-line |
| Furniture and equipment | 2 to 10 years straight-line |

Depreciation in the first year is prorated based on the number of months the asset is in service. Depreciation methods, useful lives and residual value are reviewed annually and adjusted if necessary.

**Impairment of non-financial assets**

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

Impairment charges are included in the Statements of Income, except to the extent they reverse gains previously recognized in OCI.

**[g] Intangible assets**

Intangible assets are carried at cost less accumulated amortization. Amortization in the first year is prorated based on the number of months the asset is in service. Intangible assets are amortized over their expected lives on the following basis:

| | |
|---|---|
| Computer software | 1 to 3 years straight-line |

Intangible assets are subject to impairment review as described under note 3[f].

**[h] Income taxes**

The credit union follows the asset and liability method of tax allocation used in accounting for income taxes. Under this method, deferred tax benefits and obligations are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Tax expense recognized in the Statements of Income comprises the sum of deferred tax and current tax not recognized in OCI or directly in equity.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income, based on the credit union's forecast of future operating results. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the credit union has a right and intention to set off current tax assets and liabilities for the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in the Statements of Income, except where they relate to items that are recognized in OCI or directly in equity, in which case the related deferred tax is also recognized in OCI or equity, respectively.

**[i] Employee benefit plans**

Libro maintains three pension plans for current employees and retirees, and one sick leave benefit plan. The pension plans consist of a Defined Benefit Plan ("DB"), a Supplementary Employee Retirement Plan ("SERP"), and a Defined Contribution Plan ("DC").

Full actuarial valuations of the DB, SERP, and sick leave benefit plans are conducted no less frequently than every three years. The most recent valuation of these plans was prepared as at December 31, 2022.

**(i) Defined benefit plans**

For the DB pension plan, the SERP and the sick leave plan assets are valued at fair market values. Benefit costs and accrued benefits are determined based upon actuarial valuations using the projected benefit method prorated on service and management's best estimates. The expected return on plan assets is based on the fair value of plan assets. Actuarial gains and losses are recognized immediately through OCI.

Service cost is the change in the present value of the defined benefit obligation resulting from employee service in either the current year or prior years and from any gain or loss on settlement. Net interest is the change in the net defined benefit liability or asset that arises from the passage of time. Both service cost and net interest are recognized immediately in salaries and employee benefits.

Remeasurements of the net defined benefit liability include actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets excluding amounts included in net interest and changes in the effect of any asset ceilings. Remeasurements are recognized immediately in OCI.

Net defined benefit assets recognized by the credit union are subject to a ceiling which limits the asset recognized on the Balance Sheets to the amount that is recoverable through refunds of contribution holidays. In addition, where a regulatory funding deficit exists related to a defined benefit plan, the credit union is required to record a liability equal to the present value of all future cash payments required to eliminate that deficit.

**[j] Leases**

Libro identifies whether a contract is a lease by whether it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Libro applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Libro recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**(i) Right-of-use assets**

Libro recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are recorded in Property and equipment on the Balance Sheets and are depreciated over the earlier of the useful life of the underlying asset or the lease term. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 3[f].

**(ii) Lease liabilities**

At the commencement date of the lease, Libro recognizes lease liabilities in Accrued and other liabilities on the Balance Sheets and are measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under any residual value guarantees. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by Libro and payments of penalties for terminating the lease, if the lease term reflects Libro exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

The lease term is determined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Libro has lease contracts that include extension and termination options. Judgment is applied in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease based on an assessment of all relevant factors. After the commencement date, the lease term is reassessed if there is a significant event or change in circumstances that is within Libro’s control and affects Libro’s ability to exercise or not to exercise the option to renew or to terminate.

For real estate leases, Libro cannot readily determine the interest rate implicit in the lease and, therefore, uses the incremental borrowing rate (“IBR”) to measure lease liabilities. For vehicle leases, Libro uses the rate implicit in the lease. The IBR is the rate of interest that Libro would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Libro estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

**(iii) Short-term leases and leases of low-value assets**

Libro applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

**[k] Transfer of financial assets**

**(i) Securitization**

When Libro transfers loans in a securitization transaction, loans are derecognized only when the contractual rights to receive the cash flows from the assets have ceased to exist or substantially all the risks and rewards of the loan have been transferred. If the criteria for derecognition have not been met, the securitization is reflected as a financing transaction and the related liability is initially recorded at fair value and subsequently measured at amortized cost, using the EIR method.

Securitized residential mortgages generally do not meet the derecognition requirements of IFRS 9 and as a result, all loans are measured at amortized cost in the Balance Sheets. The securitization is reflected as a financing transaction and the related liability is initially recorded at fair value and subsequently measured at amortized cost, using the EIR method. The credit union retains mortgage servicing responsibilities but does not receive an explicit servicing fee.

**[l] Members' capital accounts**

All members’ capital accounts have been designated as financial liabilities. Incremental costs directly attributable to the issue of new shares are deducted from the proceeds.

Although members’ shares are regarded as capital for regulatory purposes, they impose a contractual obligation on Libro to pay cash in certain defined future circumstances and have, therefore, been classified as liabilities for the purposes of these financial statements. Correspondingly, dividends paid on those shares have been included in the Statements of Income as a charge to income.

**[m] Other receivables**

The credit union acquired a portfolio of credit card receivables from a third party originator and assessed that the substantial risks and rewards in relation to the underlying credit card accounts were not transferred to Libro. As a result, Libro recognized an investment in the underlying aggregate credit card portfolio for the Credit Union's rights to receive contractual cashflows from the originator of credit cards based on the individual credit card accounts. The balances are measured based on the individual credit card accounts exposures that comprise the aggregated interest in the portfolio and are included in Other assets on the Balance Sheets.

The credit risk exposure for the interest in receivables from a legal and regulatory perspective is determined to be a retail credit exposure arising on account of underlying credit card accounts. Libro also assessed credit risk on the counterparty based on the terms of the agreement. See Note 21 for discussion on Libro's risks arising from financial instruments.

**[n] New Standards and Interpretations not yet effective**

The following new and amended standards are effective for annual periods beginning on or after January 1, 2026:

**(i) Classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7)**

In May 2024, the International Accounting Standards Board (IASB) issued *Amendments to the classification and Measurement of Financial Instruments* which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted, and are related to:

- settling financial liabilities using electronic payments systems; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Credit Union is in the process of assessing the impact of the new amendments.

**(ii) IFRS 18 Presentation and Disclosures in Financial Statements**

IFRS 18 will replace *IAS 1 Presentation of Financial Statements* and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements:

- entities are required to classify all income and expenses into five categories in the statements of income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements.
- enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The credit union is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the credit union's statements of income, statement of cash flows and the additional disclosure required for MPMs. The credit union is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

[in thousands of dollars, except as noted or per share]

## 4) INVESTMENTS

Investments consist of the following:

| | | December 31, 2025 | | December 31, 2024 | |
|---|---|---|---|---|---|
| | | **$** | **Effective Rate** | **$** | **Effective Rate** |
| **Short-term investments (due within 1 year):** | | | | | |
| Deposits with financial institutions | i | **131,630** | **2.60%** | 215,786 | 3.57% |
| Marketable securities | iii | **86,072** | **3.02%** | 105,873 | 3.42% |
| | | **217,702** | **2.77%** | 321,659 | 3.52% |
| **Long-term investments (due beyond 1 year):** | | | | | |
| Deposits with financial institutions | i | **18,706** | **4.06%** | 19,389 | 4.07% |
| Marketable securities | iii | **258,535** | **3.34%** | 227,267 | 3.66% |
| Central 1 Class A shares | ii | **1,637** | **-** | 1,577 | - |
| Central 1 Class E shares | ii | **6,487** | **-** | 6,487 | - |
| Other investments | ii | **3,406** | **-** | 3,177 | - |
| | | **288,771** | **3.46%** | 257,897 | 3.28% |
| | | **506,473** | **3.16%** | 579,556 | 3.41% |

**Financial instrument classifications:**

- i Amortized cost
- ii FVTPL
- iii FVOCI

**Marketable securities**

The credit union maintains a liquidity reserve portfolio consisting of a number of marketable securities with varying terms and maturities. All securities must meet the definition of High Quality Liquid Assets. The investments are classified as financial assets valued at FVOCI. The terms and conditions of these instruments are consistent with a lending contract whereby cash flows are invested with a commitment to repay the credit union at a specified rate of interest according to pre-set maturity dates.

**Shares in Central 1**

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

Central 1 Class A shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. 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.

Central 1 Class E shares are carried at cost, which is considered to be the best representation of fair value given the wide range of possible fair value measurements. These shares are not subject to annual rebalancing. There is no active market for these shares, as they are issued only as a condition of membership in Central 1, and the fair value cannot be reliably measured until such time as a transaction occurs. The fair value of Class E shares cannot be measured reliably as the timing of redemption of these shares cannot be determined; therefore, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

[in thousands of dollars, except as noted or per share]

The credit union is not intending to voluntarily dispose of any Central 1 shares as the services supplied by Central 1 are relevant to the day-to-day activities of the credit union. Dividends on these shares are at the discretion of the Board of Directors of Central 1.

## 5) LOANS TO MEMBERS

Loans to members consist of the following:

| | December 31, 2025 | | | |
|---|---|---|---|---|
| | **Principal Balance** | **Impaired Loans** | **Allowance for Credit Losses** | **Net Loans** |
| Residential mortgage loans | **2,476,028** | **5,866** | **2,289** | **2,473,739** |
| Personal loans | **332,507** | **282** | **1,648** | **330,859** |
| Agricultural loans | **1,298,345** | **6,718** | **495** | **1,297,850** |
| Commercial loans | **2,044,625** | **31,298** | **11,176** | **2,033,449** |
| | **6,151,505** | **44,164** | **15,608** | **6,135,897** |

| | December 31, 2024 | | | |
|---|---|---|---|---|
| | **Principal Balance** | **Impaired Loans** | **Allowance for Credit Losses** | **Net Loans** |
| Residential mortgage loans | 2,221,557 | 1,279 | 2,043 | 2,219,514 |
| Personal loans | 302,692 | 79 | 1,214 | 301,478 |
| Agricultural loans | 1,226,552 | 22 | 162 | 1,226,390 |
| Commercial loans | 1,734,161 | 11,214 | 11,333 | 1,722,828 |
| | 5,484,962 | 12,594 | 14,752 | 5,470,210 |

Loans to members can have either a variable or fixed rate of interest and mature within 10 years. Variable rate loans are based on a “prime rate plus/minus” formula with the rate above or below prime being determined by the size of the loan, the type of collateral offered, the purpose of the loan and the member’s creditworthiness. Interest rates offered on fixed rate loans vary depending on the size of the loan, the type of collateral offered, the purpose of the loan, the member’s creditworthiness, and the loan term. All loans to members are recorded at amortized cost. Of the residential mortgages above, $281,795 [$228,209 in 2024] are securitized as of December 31st. See Note 20 for more information on securitization activity.

[in thousands of dollars, except as noted or per share]

As at December 31, the balances of loans in arrears within the portfolio were as follows:

| | December 31, 2025 | | | | |
|---|---|---|---|---|---|
| | Residential Mortgage Loans | Personal Loans | Agricultural Loans | Commercial Loans | Total |
| Current | **2,455,355** | **330,787** | **1,287,062** | **1,978,867** | **6,052,071** |
| Less than 30 days arrears | **18,098** | **588** | **7,763** | **36,071** | **62,520** |
| 30–89 days arrears | **998** | **850** | **3,253** | **11,880** | **16,981** |
| 90–179 days arrears | **1,201** | **232** | **267** | **10,885** | **12,585** |
| 180–365 days arrears | **-** | **36** | **-** | **2,665** | **2,701** |
| More than 365 days arrears | **376** | **14** | **-** | **4,257** | **4,647** |
| | **2,476,028** | **332,507** | **1,298,345** | **2,044,625** | **6,151,505** |

| | December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Residential Mortgage Loans | Personal Loans | Agricultural Loans | Commercial Loans | Total |
| Current | 2,206,673 | 301,676 | 1,219,672 | 1,690,723 | 5,418,744 |
| Less than 30 days arrears | 12,545 | 664 | 6,819 | 17,030 | 37,058 |
| 30–89 days arrears | 1,060 | 277 | 61 | 17,165 | 18,563 |
| 90–179 days arrears | 350 | 14 | - | 2,411 | 2,775 |
| 180–365 days arrears | 929 | 61 | - | 3,427 | 4,417 |
| More than 365 days arrears | - | - | - | 3,405 | 3,405 |
| | 2,221,557 | 302,692 | 1,226,552 | 1,734,161 | 5,484,962 |

As at December 31, the term to maturity and effective interest rates of the loan portfolio were as follows:

| | December 31, 2025 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Maturity (in years)** | **Variable** | **Less than 1** | **1 to 2** | **2 to 3** | **3 to 4** | **4 to 5** | **5 to 7** | **7 to 10** | **Total** |
| **Total loans** | **1,681,518** | **1,594,927** | **1,160,317** | **738,986** | **466,799** | **440,346** | **63,394** | **5,218** | **6,151,505** |
| **Effective interest rate** | **5.61%** | **4.13%** | **4.57%** | **5.04%** | **5.08%** | **4.53%** | **3.69%** | **5.46%** | **4.83%** |

| | December 31, 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Maturity (in years)** | **Variable** | **Less than 1** | **1 to 2** | **2 to 3** | **3 to 4** | **4 to 5** | **5 to 7** | **7 to 10** | **Total** |
| **Total loans** | 1,418,840 | 1,241,469 | 1,131,994 | 966,899 | 342,791 | 303,415 | 56,900 | 22,654 | 5,484,962 |
| **Effective interest rate** | 6.38% | 4.83% | 3.66% | 4.50% | 5.37% | 5.19% | 3.47% | 4.30% | 4.97% |

**[in thousands of dollars, except as noted or per share]**

## 6) ALLOWANCE FOR CREDIT LOSSES

The carrying amount of loans and the balance of their respective allowance as at December 31, according to the stage in which they are classified are listed below:

| | December 31, 2025 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Gross Carrying Amount | Allowance for Credit Losses | Gross Carrying Amount | Allowance for Credit Losses | Gross Carrying Amount | Allowance for Credit Losses | Gross Carrying Amount | Allowance for Credit Losses |
| Residential mortgage loans | **2,389,558** | **1,345** | **80,604** | **797** | **5,866** | **147** | **2,476,028** | **2,289** |
| Personal loans | **319,482** | **827** | **12,743** | **760** | **282** | **61** | **332,507** | **1,648** |
| Agricultural loans | **1,258,578** | **136** | **33,049** | **18** | **6,718** | **341** | **1,298,345** | **495** |
| Commercial loans | **1,828,390** | **3,839** | **184,937** | **6,042** | **31,298** | **1,295** | **2,044,625** | **11,176** |
| **Total** | **5,796,008** | **6,147** | **311,333** | **7,617** | **44,164** | **1,844** | **6,151,505** | **15,608** |

| | December 31, 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Gross Carrying Amount | Allowance for Credit Losses | Gross Carrying Amount | Allowance for Credit Losses | Gross Carrying Amount | Allowance for Credit Losses | Gross Carrying Amount | Allowance for Credit Losses |
| Residential mortgage loans | 2,129,781 | 935 | 90,497 | 991 | 1,279 | 117 | 2,221,557 | 2,043 |
| Personal loans | 294,682 | 719 | 7,931 | 477 | 79 | 18 | 302,692 | 1,214 |
| Agricultural loans | 1,143,834 | 133 | 82,696 | 29 | 22 | - | 1,226,552 | 162 |
| Commercial loans | 1,487,906 | 2,269 | 235,041 | 7,950 | 11,214 | 1,114 | 1,734,161 | 11,333 |
| Total | 5,056,203 | 4,056 | 416,165 | 9,447 | 12,594 | 1,249 | 5,484,962 | 14,752 |

[in thousands of dollars, except as noted or per share]

The following table shows the continuity of the allowance for credit losses:

| | December 31, 2025 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Opening balance** | **4,056** | **9,447** | **1,249** | **14,752** |
| Transfer to Stage 1 ECL | **1,647** | **(1,642)** | **(5)** | **-** |
| Transfer to Stage 2 ECL | **(146)** | **157** | **(11)** | **-** |
| Transfer to Stage 3 ECL | **(27)** | **(694)** | **721** | **-** |
| Net remeasurement of loss allowance | **(714)** | **1,197** | **422** | **905** |
| New financial assets originated or purchased | **1,996** | **560** | **141** | **2,697** |
| Financial assets derecognized | **(665)** | **(1,408)** | **(673)** | **(2,746)** |
| **As at December 31, 2025** | **6,147** | **7,617** | **1,844** | **15,608** |

| | December 31, 2024 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Opening balance | 5,029 | 6,309 | 1,904 | 13,242 |
| Transfer to Stage 1 ECL | 1,254 | (757) | (497) | - |
| Transfer to Stage 2 ECL | (270) | 272 | (2) | - |
| Transfer to Stage 3 ECL | (7) | (159) | 166 | - |
| Net remeasurement of loss allowance | (1,776) | 4,634 | 584 | 3,442 |
| New financial assets originated or purchased | 1,120 | 557 | 170 | 1,847 |
| Financial assets derecognized | (1,294) | (1,409) | (1,076) | (3,779) |
| As at December 31, 2024 | 4,056 | 9,447 | 1,249 | 14,752 |

The following table further details the continuity of the ECL by loan category:

| | December 31, 2025 | | | | |
|---|---|---|---|---|---|
| | **Residential Mortgage Loans** | **Personal Loans** | **Agricultural Loans** | **Commercial Loans** | **Total Allowance** |
| Balance, January 1, 2025 | **2,043** | **1,214** | **162** | **11,333** | **14,752** |
| Collection of accounts previously written off | **-** | **63** | **8** | **39** | **110** |
| Accounts written off | **(418)** | **(829)** | **-** | **(699)** | **(1,946)** |
| Provision for credit losses | **664** | **1,200** | **325** | **503** | **2,692** |
| **Balance, December 31, 2025** | **2,289** | **1,648** | **495** | **11,176** | **15,608** |

| | December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | **Residential Mortgage Loans** | **Personal Loans** | **Agricultural Loans** | **Commercial Loans** | **Total Allowance** |
| Balance, January 1, 2024 | 2,285 | 943 | 173 | 9,841 | 13,242 |
| Collection of accounts previously written off | - | 56 | 1 | 6 | 63 |
| Accounts written off | - | (651) | - | (263) | (914) |
| Provision for credit losses | (242) | 866 | (12) | 1,749 | 2,361 |
| Balance, December 31, 2024 | 2,043 | 1,214 | 162 | 11,333 | 14,752 |

**[in thousands of dollars, except as noted or per share]**

The following table shows the ECL by credit quality and stage:

| | December 31, 2025 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Residential Mortgage Loans** | | | | |
| Above standard | **783** | **4** | **-** | **787** |
| Standard | **518** | **186** | **19** | **723** |
| Below standard | **44** | **607** | **128** | **779** |
| **Personal Loans** | | | | |
| Above standard | **707** | **15** | **2** | **724** |
| Standard | **22** | **522** | **59** | **603** |
| Below standard | **98** | **223** | **-** | **321** |
| **Agricultural Loans** | | | | |
| Above standard | **62** | **4** | **37** | **103** |
| Standard | **74** | **7** | **304** | **385** |
| Below standard | **-** | **7** | **-** | **7** |
| **Commercial Loans** | | | | |
| Above standard | **245** | **1** | **-** | **246** |
| Standard | **3,594** | **881** | **109** | **4,584** |
| Below standard | **-** | **5,160** | **1,186** | **6,346** |
| | **6,147** | **7,617** | **1,844** | **15,608** |

| | December 31, 2024 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Residential Mortgage Loans** | | | | |
| Above standard | 441 | 16 | 16 | 473 |
| Standard | 445 | 277 | 9 | 731 |
| Below standard | 49 | 698 | 92 | 839 |
| **Personal Loans** | | | | |
| Above standard | 542 | 37 | 1 | 580 |
| Standard | 132 | 173 | 14 | 319 |
| Below standard | 45 | 267 | 3 | 315 |
| **Agricultural Loans** | | | | |
| Above standard | 57 | 13 | - | 70 |
| Standard | 75 | 4 | - | 79 |
| Below standard | 1 | 12 | - | 13 |
| **Commercial Loans** | | | | |
| Above standard | 151 | 1 | - | 152 |
| Standard | 2,118 | 616 | 281 | 3,015 |
| Below standard | - | 7,333 | 833 | 8,166 |
| | 4,056 | 9,447 | 1,249 | 14,752 |

Standard is defined as loans with a credit score between 600 and 649 or C commercial paper.

**Collateral**

There are documented policies and procedures in place for the valuation of financial and non-financial collateral. The fair value of non-financial collateral is updated if there has been a significant change in the terms and conditions of the loan or the loan is considered impaired. For impaired loans, an assessment of the collateral is taken into consideration when estimating the expected future cash flows and net realizable amount of the loan.

**[in thousands of dollars, except as noted or per share]**

The amount and type of collateral and other credit enhancements required depend upon Libro's assessment of counterparty credit quality and repayment capacity. Libro's policy is to follow industry standards for collateral valuation, frequency of recalculation of the collateral requirements, documentation, registration and monitoring. Non-financial assets accepted as collateral include vehicles, residential real estate, real estate under development, commercial real estate and certain business assets (accounts receivable, inventory, and fixed assets). Financial collateral includes cash and negotiable securities issued by governments and investment grade issuers. Guarantees are also accepted to reduce credit risk.

The fair value of collateral held with respect to assets that are either past due and/or impaired is $253,060 [$140,707 in 2024].

Loans by security type are as follows:

| | December 31, 2025 | | | |
|---|---|---|---|---|
| | **Secured by Real Estate** | **Secured by Non-Real Estate** | **Unsecured** | **Total Loans** |
| Residential mortgage loans[1] | **2,476,028** | **-** | **-** | **2,476,028** |
| Personal loans | **232,118** | **97,912** | **2,477** | **332,507** |
| Agricultural loans | **1,189,935** | **106,309** | **2,101** | **1,298,345** |
| Commercial loans | **1,884,882** | **156,038** | **3,705** | **2,044,625** |
| | **5,782,963** | **360,259** | **8,283** | **6,151,505** |

| | December 31, 2024 | | | |
|---|---|---|---|---|
| | **Secured by Real Estate** | **Secured by Non-Real Estate** | **Unsecured** | **Total Loans** |
| Residential mortgage loans[1] | 2,221,557 | - | - | 2,221,557 |
| Personal loans | 211,757 | 88,521 | 2,414 | 302,692 |
| Agricultural loans | 1,132,528 | 92,431 | 1,593 | 1,226,552 |
| Commercial loans | 1,580,011 | 150,944 | 3,206 | 1,734,161 |
| | 5,145,853 | 331,896 | 7,213 | 5,484,962 |

[1]Residential mortgage loans include $368,663 of loans insured by Canada Mortgage and Housing Corporation or Sagen [$312,242 in 2024].

In accordance with the Act, personal loans secured by collateral first mortgages on members' residential property have been designated as residential mortgage loans for the purposes of risk-weighted capital requirements [Note 12].

**Economic scenarios**

Libro determines ECL using multiple probability-weighted forward-looking scenarios. Libro considers both internal and external sources of information in order to achieve an unbiased, probability-weighted measure of the scenarios used. Libro relies on macroeconomic factors such as housing price index, unemployment, and 3-month banker's acceptance. The "base case" represents the most likely outcome and is given a probability weighting of 80%. The other scenarios represent more optimistic or more pessimistic outcomes and are each given a weighting of 10%.

**[in thousands of dollars, except as noted or per share]**

**7) PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

| | December 31, 2025 | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and Components | Land | Leasehold Improvements | Furniture and Equipment | Right-of-use Assets | Total |
| **Cost:** | | | | | | |
| Opening balance | **61,141** | **5,509** | **12,607** | **31,832** | **14,972** | **126,061** |
| Additions | **4,383** | **-** | **1,871** | **1,365** | **85** | **7,704** |
| Disposals | **-** | **-** | **-** | **(364)** | **-** | **(364)** |
| **As at December 31, 2025** | **65,524** | **5,509** | **14,478** | **32,833** | **15,057** | **133,401** |
| **Accumulated depreciation:** | | | | | | |
| Opening balance | **(27,162)** | **-** | **(4,851)** | **(26,869)** | **(5,842)** | **(64,724)** |
| Depreciation | **(2,454)** | **-** | **(799)** | **(1,745)** | **(1,197)** | **(6,195)** |
| Disposals | **-** | **-** | **-** | **364** | **-** | **364** |
| **As at December 31, 2025** | **(29,616)** | **-** | **(5,650)** | **(28,250)** | **(7,039)** | **(70,555)** |
| **Net book value** | **35,908** | **5,509** | **8,828** | **4,583** | **8,018** | **62,846** |

| | December 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and Components | Land | Leasehold Improvements | Furniture and Equipment | Right-of-use Assets | Total |
| **Cost:** | | | | | | |
| Opening balance | 57,928 | 5,554 | 12,543 | 29,770 | 14,684 | 120,479 |
| Additions | 3,834 | - | 64 | 2,154 | 372 | 6,424 |
| Disposals | (621) | (45) | - | (92) | (84) | (842) |
| **As at December 31, 2024** | 61,141 | 5,509 | 12,607 | 31,832 | 14,972 | 126,061 |
| **Accumulated depreciation:** | | | | | | |
| Opening balance | (25,237) | - | (4,069) | (25,256) | (4,735) | (59,297) |
| Depreciation | (2,357) | - | (782) | (1,705) | (1,191) | (6,035) |
| Disposals | 432 | - | - | 92 | 84 | 608 |
| **As at December 31, 2024** | (27,162) | - | (4,851) | (26,869) | (5,842) | (64,724) |
| **Net book value** | 33,979 | 5,509 | 7,756 | 4,963 | 9,130 | 61,337 |

Right-of-use assets consist of 14 real estate leases [14 in 2024]. There are no leases with residual value guarantees and no leases not yet commenced to which Libro is committed.

[in thousands of dollars, except as noted or per share]

## 8) INTANGIBLE ASSETS

Intangible assets consist of the following:

| | December 31, 2025 | | |
|---|---|---|---|
| | Computer Software | Banking System Software | Total |
| **Cost:** | | | |
| Opening balance | **14,039** | **4,154** | **18,193** |
| Additions | **-** | **339** | **339** |
| **As at December 31, 2025** | **14,039** | **4,493** | **18,532** |
| | | | |
| **Accumulated amortization:** | | | |
| Opening balance | **(13,965)** | **(4,088)** | **(18,053)** |
| Amortization | **(74)** | **(45)** | **(119)** |
| **As at December 31, 2025** | **(14,039)** | **(4,133)** | **(18,172)** |
| **Net book value** | **-** | **360** | **360** |

| | December 31, 2024 | | |
|---|---|---|---|
| | Computer Software | Banking System Software | Total |
| **Cost:** | | | |
| Opening balance | 13,293 | 4,086 | 17,379 |
| Additions | 748 | 68 | 816 |
| Disposals and fully amortized assets written off | (2) | - | (2) |
| **As at December 31, 2024** | 14,039 | 4,154 | 18,193 |
| | | | |
| **Accumulated amortization:** | | | |
| Opening balance | (11,933) | (4,086) | (16,019) |
| Amortization | (2,034) | (2) | (2,036) |
| Disposals, adjustments and fully amortized assets written off | 2 | - | 2 |
| **As at December 31, 2024** | (13,965) | (4,088) | (18,053) |
| **Net book value** | 74 | 66 | 140 |

## 9) OTHER ASSETS

Other assets consist of the following:

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Prepaid items | **8,508** | 4,192 |
| Other receivables | **50,025** | 36,779 |
| Deferred securitization fees | **3,675** | 5,187 |
| | **62,208** | 46,158 |

**[in thousands of dollars, except as noted or per share]**

Other receivables includes $44,094 investment in third party originated credit card receivables [$29,957 in 2024]. $2,692 of income earned on the receivables was recorded in Non-interest income [$202 in 2024]. The contract has a revolving limit up to $50,000. Refer to Note 3[m] for accounting policy.

**10) LOANS PAYABLE**

Libro has access to credit facilities at Central 1:

| | **2025** | | | **2024** | | |
|---|---|---|---|---|---|---|
| Central 1 Credit Facilities | **Limit** | **Drawn** | **Borrowing Cost** | **Limit** | **Drawn** | **Borrowing Cost** |
| Revolving operating credit facilities, bearing a weighted average interest rate of 3.32% [4.30% in 2024] | **93,000** | **25,000** | **694** | 93,000 | **-** | 317 |
| Term credit facility, bearing an interest rate of 3.05% [4.00% in 2024] | **65,000** | **65,000** | **1,062** | 65,000 | **-** | - |
| | **158,000** | **90,000** | **1,756** | 158,000 | - | 317 |

The revolving operating credit facilities contain a $3,000 USD limit and $90,000 CDN limit, all are due on demand and subject to renewal on September 30, 2026. The other term credit facilities bear a fixed rate depending on the term ranging from seven days to one year. Libro has given a promissory note and pledged an assignment of its assets as collateral.

**11) MEMBERS' CAPITAL ACCOUNTS**

**Membership shares**
An unlimited number of membership shares have been authorized with a stated value of $1 per share. Members are required to have a minimum of 5 shares effective January 1, 2024. Members who joined prior to 2024 hold 50 shares. These shares are redeemable at their stated value only when the member withdraws from membership in Libro. As at December 31, 2025, Libro had 122,275 members [119,416 in 2024] who held a total of 5,174,864 membership shares [5,356,655 in 2024]. Each member who is age 16 and over is entitled to one vote.

**Class P shares**
An unlimited number of Class P non-cumulative, non-voting, non-participating special shares have been authorized having an issue price of $1. As at December 31, 2025, there were 59,707,639 Class P shares outstanding [58,019,041 in 2024].

**Class I shares**
An unlimited number of Class I non-cumulative, non-voting, non-participating special shares have been authorized to be issued in series at a price of $1. As at December 31, 2025, there were a total of 241,191,361 Class I shares outstanding [233,782,833 in 2024].

As at December 31, 2025, the number of Class I shares outstanding by series were as follows:

| [number of shares in thousands] | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Series 1 | **3,587** | 3,698 |
| Series 2 | **3,315** | 3,181 |
| Series 3 | **9,279** | 9,098 |
| Series 4 | **24,106** | 23,707 |
| Series 5 | **92,564** | 90,597 |
| Series 6 | **108,340** | 103,502 |
| **Total** | **241,191** | 233,783 |

Class P and Class I shares are redeemable by the holder only under certain restricted conditions. The aggregate maximum amount that can be redeemed in any year cannot exceed 10% of the outstanding balance of each class of either the Class P or each series of the Class I shares, provided regulatory capital requirements are met. As at December 31, 2025, the aggregate maximum amount that could be redeemed is $5,971 in Class P shares and $13,285 in Class I shares.

The continuity of outstanding shares is as follows:

| | Membership Shares | Class P Shares | Class I Shares | Total |
|---|---|---|---|---|
| **Outstanding, January 1, 2025** | **5,357** | **58,019** | **233,783** | **297,159** |
| New shares issued | **62** | **3,750** | **-** | **3,812** |
| Shares redeemed | **(244)** | **(3,466)** | **(4,277)** | **(7,987)** |
| Shares issued as dividends | **-** | **1,405** | **11,685** | **13,090** |
| **Outstanding, December 31, 2025** | **5,175** | **59,708** | **241,191** | **306,074** |
| | | | | |
| **Outstanding, January 1, 2024** | 5,571 | 58,070 | 231,768 | 295,409 |
| New shares issued | 158 | 1,978 | - | 2,136 |
| Shares redeemed | (372) | (3,548) | (10,729) | (14,649) |
| Shares issued as dividends | - | 1,519 | 12,744 | 14,263 |
| **Outstanding, December 31, 2024** | **5,357** | **58,019** | **233,783** | **297,159** |
| Less share issuance costs | **-** | **-** | **(62)** | **(62)** |
| **Total carrying value of shares** | **5,357** | **58,019** | **233,721** | **297,097** |

All members' capital accounts have been designated as financial liabilities. Incremental costs directly attributable to the issue of new shares are deducted from the proceeds.

The credit union harmonized its dividend policy for all six series of Class I Investment Shares to pay a dividend rate equal to or greater than the rate that exceeds by 1.25% the simple average of the yield on the monthly series of the Government of Canada five-year bonds. In 2025, Libro declared a dividend of 4.50% [5.00% in 2024].

**[in thousands of dollars, except as noted or per share]**

Prior to the fiscal year-end, the Board of Directors approved its intent to distribute a portion of the current year's income in the form of stock dividends to be paid in the subsequent year, as follows:

| **Class I share dividends** | **December 31, 2025** | **December 31, 2024** |
|---|---|---|
| Series 1 | **161** | 185 |
| Series 2 | **149** | 159 |
| Series 3 | **416** | 455 |
| Series 4 | **1,082** | 1,185 |
| Series 5 | **4,154** | 4,530 |
| Series 6 | **4,862** | 5,175 |
| **Stock dividends payable at year-end** | **10,824** | 11,689 |
| Accrued dividends from prior years | **58** | 21 |
| **Dividend expense** | **10,882** | 11,710 |

| | **December 31, 2025** | **December 31, 2024** |
|---|---|---|
| Class P Profit share distribution - calculated as $0.40 for every $1,000 of average deposit and loan balances [$0.36 in 2024] | **4,635** | 3,725 |
| Class P Profit share dividend - calculated as 2.00% on Member Class P Profit share holdings as at year-end [2.50% in 2024] | **1,160** | 1,424 |
| **Profit shares payable at year-end** | **5,795** | 5,149 |
| Accrued dividends from prior years | **(5)** | (30) |
| **Dividend and proft sharing distributions** | **5,790** | 5,119 |

Although members' shares are regarded as capital for regulatory purposes, they impose a contractual obligation on Libro to pay cash in certain defined future circumstances and have, therefore, been classified as liabilities for the purposes of these financial statements. Correspondingly, dividends paid on those shares have been included in the Statements of Income as a charge to income.

## 12) REGULATORY INFORMATION

**[a] Regulatory capital**

Libro's capital management plan is designed to establish a strong base for future growth, the payment of dividends and profit sharing, as well as provide a cushion in the event of market volatility. Libro's capital plan is designed to comply with the Act, which requires Libro to maintain regulatory capital of not less than 3% of a net assets measure and 8% of a risk-weighted equivalent value. The risk-weighted equivalent value is calculated by applying risk-weighted percentages as prescribed by the FSRA Capital Adequacy Requirements Rule (the "Capital Rule") to various assets, operational and interest rate risk criteria. As at December 31, 2025, the total risk-weighted equivalent value for Libro was $4,609,946 [$4,118,004 in 2024] and net assets was $7,187,235 [$6,592,020 in 2024].

**[in thousands of dollars, except as noted or per share]**

The composition of Tier 1 and Tier 2 capital is as follows:

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| **Tier 1 capital** | | |
| Membership shares | **5,175** | 5,357 |
| Investment and patronage shares | **300,899** | 291,740 |
| Stock dividends payable | **16,619** | 16,838 |
| Redeemable portion of shares | **(19,256)** | (18,830) |
| Retained earnings | **288,275** | 182,849 |
| Contributed surplus | **-** | 60,998 |
| Accumulated other comprehensive income | **23,794** | 17,661 |
| Pension assets | **(7,736)** | (778) |
| **Total Tier 1 capital** | **607,770** | 555,835 |
| **Tier 2 capital** | | |
| Redeemable portion of shares | **19,256** | 18,830 |
| Stage 1 and Stage 2 allowance for credit losses | **13,764** | 13,503 |
| **Total Tier 2 capital** | **33,020** | 32,333 |
| **Total regulatory capital** | **640,790** | 588,168 |

Libro is in compliance with the Act and regulations and the Capital Rule regarding regulatory capital as follows:

| | Minimum Required | December 31, 2025 | December 31, 2024 |
|---|---|---|---|
| **Capital required per the Act** | | | |
| Leverage ratio | 3.00% | 8.92% | 8.92% |
| Total capital ratio | 8.00% | 13.90% | 14.28% |
| | | | |
| **Additional capital required per the Capital Rule** | | | |
| Retained earnings ratio | 3.00% | 6.25% | 5.92% |
| Tier 1 capital ratio | 6.50% | 13.18% | 13.50% |
| Capital conservation buffer ratio | 2.50% | 5.90% | 6.28% |
| Total supervisory capital ratio | 10.50% | 13.90% | 14.28% |

**[b] Restricted party transactions**

As at December 31, 2025, the aggregate value of loans, lines of credit, overdrafts and letters of credit outstanding to directors, officers, their spouses and related corporations amounted to $3,301 [$6,787 in 2024]. There was no impairment for credit losses required in respect of these credit facilities. Interest rates and other terms and conditions relating to loans to directors are the same as those offered to all members of Libro. Interest income on the loans with restricted parties was $129 [$310 in 2024]. Terms and rates of loans offered to officers are the same as all terms and rates offered to all Libro staff. Loans committed to restricted parties were $nil [$nil in 2024]. Deposits held by restricted parties totaled $5,876 [$6,673 in 2024] and interest paid on those deposits was $22 [$87 in 2024].

The total remuneration paid to officers of the credit union, board directors, and elected representatives was $4,130 [$2,639 in 2024]. In addition to this remuneration, total reimbursement to directors and committee members for travel and out-of-pocket expenses for attendance at meetings was $270 [$328 in 2024].

**[in thousands of dollars, except as noted or per share]**

**[c] Executive compensation**

The Act requires disclosure of the five highest paid officers and employees where the remuneration paid during the year exceeded $175. The names, positions and remuneration paid during the year of these officers and employees are as follows:

| | | December 31, 2025 | | |
|---|---|---|---|---|
| **Name** | **Title** | **Salary** | **Variable Compensation** | **Monetary Value of Benefits** |
| Shawn Good | President & CEO | **563** | **506** | **51** |
| Diane Dou | Chief Operating Officer | **343** | **65** | **43** |
| Janet Johnson | Chief Financial Officer | **301** | **191** | **40** |
| Chris Palmer | Chief Information and Technology Officer | **291** | **35** | **45** |
| Silvia Brudar | Chief Risk Officer | **274** | **159** | **38** |

| | | December 31, 2024 | | |
|---|---|---|---|---|
| **Name** | **Title** | **Salary** | **Variable Compensation** | **Monetary Value of Benefits** |
| Shawn Good | President & CEO | 522 | 162 | 47 |
| Janet Johnson | Chief Financial Officer | 290 | 98 | 38 |
| Michael Smit | Chief Experience & Transformation Officer | 203 | 42 | 45 |
| Brian Aalbers | Chief People & Governance Officer | 203 | 42 | 30 |
| Silvia Brudar | Chief Risk Officer | 175 | - | 23 |

On an annual basis, the Board of Directors reviews executive compensation and considers market expectations for similar roles in comparable organizations nationally. Variable compensation is based on corporate performance against strategic targets in the previous year. The monetary value of benefits includes a pension plan, dental plan, health plan and life and disability insurance.

**[d] Deposit insurance**

The premium paid to FSRA for 2025 deposit insurance and prudential regulation assessment was $4,562 [$4,430 in 2024].

**[e] Central 1 fees**

The total fees paid to Central 1 amounted to $1,519 in the current year [$1,457 in 2024]. These fees were primarily in respect of banking and clearing services.

## 13) EMPLOYEE FUTURE BENEFITS

Libro sponsors a defined benefit pension plan, a defined contribution pension plan, a supplementary employee retirement plan, and a sick leave benefit plan providing pension and sick leave benefits to eligible employees. The defined contribution pension plan is for staff who were formerly employed by United Communities Credit Union, who were given the option to either remain in the plan or join the defined benefit pension plan. The defined contribution pension plan was closed to new entrants in 2014. The credit union employees' defined benefit pension plan is administered by Co-operators Life Insurance Company, while the defined contribution pension plan is administered by Canada Life.

The defined benefit pension plan is operated under the *Pension Benefits Act* (Ontario) (the "Pension Benefits Act"). The Pension Benefits Act is administered by the Superintendent of Financial Services appointed by FSRA. Plan valuations must be filed with both FSRA and with the Canada Revenue Agency.

**[in thousands of dollars, except as noted or per share]**

The Pension Benefits Act prescribes the minimum contributions that the credit union must make to the plan. The *Income Tax Act* (Canada) places a maximum limit on the amount of employer contributions. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies with the credit union.

During 2009, the credit union amended its sick leave benefit plan whereby after December 31, 2008, staff members can no longer accrue a benefit to be paid out on termination or retirement. Existing members had their accumulated sick leave days capped at the level achieved as at December 31, 2008.

**Defined benefit plans**

Actuarial valuations of the plans are made based on market-rated discount rates. The following table presents information related to Libro's benefit plans as at December 31, 2025 including the amounts recorded on the Balance Sheets, and the components of net benefit expense:

| | **December 31, 2025** | | **December 31, 2024** | |
|---|---|---|---|---|
| | **Pension Benefits** | **Sick Leave Benefits** | **Pension Benefits** | **Sick Leave Benefits** |
| **Accrued benefit obligation** | | | | |
| Balance as at beginning of year | **60,618** | **1,049** | 71,821 | 1,303 |
| Current service cost | **5,083** | **-** | 5,119 | - |
| Interest cost | **3,124** | **48** | 3,491 | 53 |
| Benefits paid | **(1,569)** | **(115)** | (2,383) | (291) |
| Employee contributions | **148** | **-** | 146 | - |
| Annuity discharge | **-** | **-** | (17,045) | **-** |
| Actuarial gain on assets | **(4,329)** | **(21)** | (531) | (16) |
| Balance as at end of year | **63,075** | **961** | 60,618 | 1,049 |
| **Plan assets** | | | | |
| Fair value at beginning of year | **62,445** | **-** | 68,961 | - |
| Expected return on plan assets | **3,077** | **-** | 3,222 | - |
| Employer contributions | **4,739** | **115** | 4,469 | 291 |
| Employee contributions | **148** | **-** | 146 | - |
| Benefits paid | **(1,569)** | **(115)** | (2,383) | (291) |
| Annuity discharge | **-** | **-** | (17,045) | **-** |
| Actuarial gain on assets | **2,932** | **-** | 5,075 | - |
| Fair value as at end of year | **71,772** | **-** | 62,445 | - |
| **Funded status - plan surplus (deficit)** | **8,697** | **(961)** | 1,827 | (1,049) |

The supplementary employee retirement plan is included in the defined benefit pension plan. The weighted average duration of liabilities is 22.6 years [22.8 in 2024] for the defined benefit plan, 8.7 years [8.9 in 2024] for the supplementary employee retirement plan, and 7.2 years [7.4 in 2024] for the sick leave plan.

Assets held within the pension plan consist of balances in the units of the Co-operators Sustainable Balanced Fund (24%), Co-operators Mawer Balanced Fund (51%) and Co-operators Northwest Ethical Investments Select Balanced RS Portfolio (25%).

Contributions for the upcoming year are anticipated to be approximately $4,929 for the defined benefit plans, and $200 for the sick leave plan.

In 2024, Libro purchased an annuity contract to discharge $17,045 of pension liabilities from the defined benefit plan to reduce the interest rate exposure of the pension plan. The transaction removed the liability and previous annuity asset from the net pension liability. There was no impact to the Income Statement as a result of the transaction.

**[in thousands of dollars, except as noted or per share]**

Libro's net defined benefit plan expenses recognized in the Statements of Income were as follows:

| | December 31, 2025 | | December 31, 2024 | |
|---|---|---|---|---|
| | Pension Benefits | Sick Leave Benefits | Pension Benefits | Sick Leave Benefits |
| Current service cost | **5,083** | **-** | 5,119 | - |
| Net interest cost | **47** | **48** | 268 | 53 |
| **Total included in salaries and employee benefits expense** | **5,130** | **48** | 5,387 | 53 |

Libro's net defined benefit plan expenses recognized in OCI were as follows:

| | December 31, 2025 | | December 31, 2024 | |
|---|---|---|---|---|
| | Pension Benefits | Sick Leave Benefits | Pension Benefits | Sick Leave Benefits |
| Actuarial gain on assets | **2,932** | **-** | 5,075 | - |
| Actuarial gain on liabilities | **4,329** | **21** | 531 | 16 |
| **Total gain recognized in OCI** | **7,261** | **21** | 5,606 | 16 |

Included in the above total actuarial gain (loss) on liabilities are the following:

| | December 31, 2025 | | December 31, 2024 | |
|---|---|---|---|---|
| | Pension Benefits | Sick Leave Benefits | Pension Benefits | Sick Leave Benefits |
| Change in discount rate | **4,329** | **21** | 2,779 | 16 |
| Other | **-** | **-** | (2,248) | - |
| **Total actuarial gain on liabilities** | **4,329** | **21** | 531 | 16 |

The assumptions used in the measurement of the benefit obligations are shown in the following table:

| | December 31, 2025 | | December 31, 2024 | |
|---|---|---|---|---|
| | Pension Benefits | Sick Leave Benefits | Pension Benefits | Sick Leave Benefits |
| Discount rate | **5.10%** | **5.10%** | 4.80% | 4.80% |
| Expected long-term rate of return on plan assets | **5.10%** | **-** | 4.80% | - |
| Rate of compensation increase | **2.75%** | **2.75%** | 2.75% | 2.75% |

A one percentage point change in assumed discount rates and salary costs would have the following impact on the defined benefit plans:

[in thousands of dollars, except as noted or per share]

| | December 31, 2025 | | December 31, 2024 | |
|---|---|---|---|---|
| **Change in Benefit Obligations** | **Pension Benefits** | **Sick Leave Benefits** | **Pension Benefits** | **Sick Leave Benefits** |
| 1% increase in discount rate | **(12,528)** | **14** | (12,160) | (74) |
| 1% decrease in discount rate | **15,661** | **169** | 15,239 | 81 |
| 1% increase in rate of compensation increase | **5,420** | **182** | 4,774 | 94 |
| 1% decrease in rate of compensation increase | **(6,798)** | **3** | (6,366) | (85) |

Through its defined benefit pension plans and post-employment plans, the credit union is exposed to a number of risks, the most significant of which are detailed below:

**(i) Equity risk**
The plans hold balanced funds, which include equity investments, and are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. However, due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the long-term strategy to manage the plans efficiently.

**(ii) Changes in bond yields**
The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's fixed income investments.

**(iii) Inflation risk**
The majority of the plan's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The plan's assets may or may not correlate with inflation, meaning that an increase in inflation may also increase the deficit.

**(iv) Life expectancy**
The majority of the plan's obligations are to provide benefits for the life of the employee, so increases in life expectancy will result in an increase in the plan's liabilities.

## 14) COMMITMENTS

**[a] Loan commitments**
As at December 31, 2025, Libro had commitments to advance loans totalling $288,119 [$241,319 in 2024]. The mix of loans committed is consistent with existing funded portfolio balances. In addition, the Credit Union has entered into a number of additional commitments with third party service providers for terms of varying lengths.

**[b] Undrawn lines of credit**
As at December 31, 2025, Libro had undrawn lines of credit outstanding on behalf of members amounting to $1,312,952 [$1,264,778 in 2024].

**[c] Letters of credit**
As at December 31, 2025, Libro had letters of credit outstanding on behalf of members amounting to $65,355 [$60,526 in 2024].

**[d] ECL on commitments**
Included in the ECL in Note 6 is $1,832 [$936 in 2024] related to undrawn lines of credit, refinancing commitments, and unused letters of credit.

**[in thousands of dollars, except as noted or per share]**

**15) DERIVATIVE FINANCIAL INSTRUMENTS**

The following table summarizes the derivative financial instruments held by Libro. The credit union only enters into derivative contracts with a counterparty it has determined to be creditworthy.

| | December 31, 2025 | | December 31, 2024 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Interest rate swap agreements | **3,737** | **495** | 6,084 | 14 |
| Index-linked term deposit hedge agreements | **385** | **385** | 479 | 479 |
| | **4,122** | **880** | 6,563 | 493 |

**Interest rate swap agreements**
Libro enters into interest rate swap agreements in order to hedge against exposure to interest rate fluctuations. As at December 31, 2025, Libro was party to six such agreements [five in 2024] with Central 1. The agreements, in aggregate, represent a notional principal amount of $350,000 [$250,000 in 2024]. The notional principal amounts are used as the basis for determining payments under the contracts and are not actually exchanged between Libro and its counterparties. Outstanding interest rate swaps have a weighted average maturity of 1.2 years [1.1 years in 2024].

Interest rate swap agreements are valued by netting the discounted variable and fixed cash flows. Variable cash flows are calculated using implied interest rates as determined by current the Canadian Overnight Repo Rate Average (CORRA) and swap interest rates, and term relationships. Fixed cash flows are calculated based on the rates stated in the agreements. These notional cash flows are discounted using the relevant points on the zero-interest curve as derived from the month-end CORRA or swap rates.

**Foreign exchange forward contracts**
Libro uses foreign exchange forward contracts to manage liquidity, interest income, and to hedge the exchange risk in products denominated in US dollars. As at December 31, 2025, Libro was not party to any such agreements [none in 2024] with Central 1.

From time to time, Libro enters into foreign exchange forward contracts with some of its members. Members enter into these contracts primarily to manage foreign exchange risk and hedge against US dollar exchange rates in their own operations. The notional value of these agreements in US dollars was $150 [$1,595 in 2024] at year-end. Libro enters into offsetting agreements with Central 1 to hedge the exchange risk with its members. The notional amount of these offsetting agreements in US dollars was $nil [$1,500 in 2024] at year-end. These agreements represent a fair market value on a combined basis of $5 [$1 in 2024] at year-end.

**Index-linked term deposit agreements**
Libro has outstanding $1,511 [$2,037 in 2024] in index-linked term deposits to its members. The index-linked term deposits are three and five-year deposits that pay interest at the end of the term, based on performance of a variety of indices. The embedded derivative associated with these deposits is presented in liabilities and has a fair value of $385 [$479 in 2024].

Libro has entered into agreements with Central 1 to offset the exposure to the indices associated with each product, whereby the credit union pays a fixed rate of interest for the term of each index-linked deposit on the face value of the deposits sold. At the end of the term, the credit union receives an amount equal to the amount that will be paid to depositors based on the performance of the indices. As at December 31, 2025, Libro had entered into such contracts in the amount of $1,511 [$2,037 in 2024]. The agreements are secured by a general security agreement covering all assets of the credit union. The embedded derivative associated with these agreements is presented in assets and has a fair value of $385 [$479 in 2024].

[in thousands of dollars, except as noted or per share]

**Hedge accounting for interest rate swaps**

As part of its risk management strategy for interest rate risk, the credit union uses interest rate swaps to reduce its exposure. A discussion of the credit union's approach to management of interest rate risk is in Note 21[c].

As at December 31, 2025, Libro had no financial instruments designated for hedge accounting.

## 16) MEMBERS' DEPOSITS

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Demand deposits | **2,766,557** | 2,663,255 |
| Term deposits | **1,743,171** | 1,550,785 |
| Registered deposits | **1,207,959** | 1,162,798 |
| | **5,717,687** | 5,376,838 |

Members' deposits are either redeemable on demand or have a fixed date of maturity up to five years. Interest rates are set based upon the type, size and term to maturity of the deposit. All members' deposits are financial liabilities and measured at amortized cost.

The term to maturity and effective interest rates of Libro members' deposit portfolio were as follows:

| | December 31, 2025 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Maturity** | **Demand** | **1 year or Less** | **Over 1 to 2 Years** | **Over 2 to 3 Years** | **Over 3 to 4 Years** | **Over 4 to 7 Years** | **Total** |
| **Total deposits** | **2,937,296** | **1,859,860** | **437,786** | **297,420** | **124,577** | **60,748** | **5,717,687** |
| **Effective interest rate** | **0.70%** | **3.43%** | **3.92%** | **4.16%** | **4.13%** | **3.54%** | **2.12%** |

| | December 31, 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Maturity** | **Demand** | **1 year or Less** | **Over 1 to 2 Years** | **Over 2 to 3 Years** | **Over 3 to 4 Years** | **Over 4 to 7 Years** | **Total** |
| **Total deposits** | 3,179,510 | 1,320,088 | 390,976 | 215,604 | 168,572 | 102,088 | 5,376,838 |
| **Effective interest rate** | 1.31% | 4.22% | 4.12% | 4.21% | 4.56% | 4.25% | 2.51% |

**[in thousands of dollars, except as noted or per share]**

## 17) STATEMENTS OF INCOME DISCLOSURES

**[a] Interest income and expense**

The amount of income earned from each loan class and interest expense for each type of deposit was as follows:

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| **Interest Income** | | |
| Residential mortgage loans | **86,548** | 71,425 |
| Personal loans | **21,023** | 21,968 |
| Agricultural loans | **60,994** | 59,177 |
| Commercial loans | **123,347** | 124,067 |
| | **291,912** | 276,637 |

| | | |
|---|---|---|
| **Interest Expense** | | |
| Demand deposits | **22,030** | 37,916 |
| Term deposits | **59,667** | 66,004 |
| Registered plans | **42,151** | 44,964 |
| | **123,848** | 148,884 |

**[b] Non-interest income**

Non-interest income consists of the following:

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Service fees | **22,443** | 17,020 |
| Commissions | **12,357** | 8,987 |
| Foreign exchange | **2,562** | 2,832 |
| Losses on derivatives | **(2,801)** | (7,492) |
| Other | **12** | 145 |
| | **34,573** | 21,492 |

## 18) FINANCIAL INSTRUMENTS

The following table represents the fair values of Libro's financial instruments. The fair values disclosed do not include the value of assets that are not considered financial instruments. While the fair value amounts are intended to represent estimates of the amounts at which these instruments could be exchanged in a current transaction between willing parties, some of Libro's financial instruments lack an available trading market. Consequently, the fair values presented are estimates derived using present value and other valuation techniques and may not be indicative of the net realizable values. The calculation of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

[in thousands of dollars, except as noted or per share]

| | December 31, 2025 | | | December 31, 2024 | | |
|---|---|---|---|---|---|---|
| | **Book Value** | **Fair Value** | **Difference** | **Book Value** | **Fair Value** | **Difference** |
| Amortized Cost | | | | | | |
| Loans to Members | **6,151,505** | **6,118,836** | **(32,669)** | 5,484,962 | 5,573,260 | 88,298 |
| Investments | **150,336** | **150,560** | **224** | 235,208 | 235,317 | 109 |
| Fair Value through Profit or Loss | | | | | | |
| Investments | **11,530** | **11,530** | **-** | 11,208 | 11,208 | - |
| Index-linked deposits | **385** | **385** | **-** | 479 | 479 | - |
| Derivative financial instruments | **3,737** | **3,737** | **-** | 6,084 | 6,084 | - |
| Fair Value through OCI | | | | | | |
| Investments | **344,607** | **344,607** | **-** | 333,140 | 333,140 | - |
| **Total financial assets** | **6,662,100** | **6,629,655** | **(32,445)** | 6,071,081 | 6,159,488 | 88,407 |
| Amortized Cost | | | | | | |
| Members' deposits | **5,717,687** | **5,730,935** | **(13,248)** | 5,376,838 | 5,739,788 | (362,950) |
| Accrued and other liabilities | **27,942** | **27,942** | **-** | 31,822 | 31,822 | - |
| Securitization liabilities | **287,889** | **289,503** | **(1,614)** | 195,697 | 196,637 | (940) |
| Fair Value through Profit or Loss | | | | | | |
| Index-linked deposits | **385** | **385** | **-** | 479 | 479 | - |
| Derivative financial instruments | **495** | **495** | **-** | 14 | 14 | - |
| **Total financial liabilities** | **6,034,398** | **6,049,260** | **(14,862)** | 5,604,850 | 5,968,740 | (363,890) |

(i) Fair values for items that are short-term in nature approximate their book value. These include cash and cash equivalents, accrued interest receivable, other assets, accrued and other liabilities and accrued interest payable. Fair values for floating rate financial instruments are equal to book values as the interest rates automatically reprice to market.
(ii) Investments are valued using quoted market prices. Cost is used where no ready market values are available.
(iii) Fixed-rate loans are valued by discounting the contractual future cash flows at current market rates for loans with similar credit risks.
(iv) Fixed-rate deposits are valued by discounting the contractual future cash flows using market rates currently being offered for deposits with similar terms.

Fair values are determined based on a three-level fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels of the hierarchy are as follows:
(i) Level 1 - Unadjusted quoted prices in active markets for identical financial assets and financial liabilities;
(ii) Level 2 - Inputs other than quoted prices that are observable for the financial asset or financial liability either directly or indirectly; and
(iii) Level 3 - Inputs that are not based on observable market data.

**[in thousands of dollars, except as noted or per share]**

The following table illustrates the classification of Libro's financial instruments within the fair value hierarchy:

| | December 31, 2025 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Recorded at Fair Value** | | | | |
| Assets | | | | |
| Index-linked deposits | - | 385 | - | 385 |
| Central 1 Class E shares | - | - | 6,487 | 6,487 |
| Central 1 Class A shares | - | - | 1,637 | 1,637 |
| Marketable securities | 344,607 | - | - | 344,607 |
| Other investments | - | - | 3,406 | 3,406 |
| Derivative financial instruments | - | 3,737 | - | 3,737 |
| **Total assets held at fair value** | 344,607 | 4,122 | 11,530 | 360,259 |
| Liabilities | | | | |
| Index-linked deposits | - | 385 | - | 385 |
| Derivative financial instruments | - | 495 | - | 495 |
| **Total liabilities held at fair value** | - | 880 | - | 880 |
| **Fair Value Disclosed** | | | | |
| Assets | | | | |
| Loans to Members | - | - | 6,118,836 | 6,118,836 |
| Investments | - | 150,560 | - | 150,560 |
| **Total assets disclosed at fair value** | - | 150,560 | 6,118,836 | 6,269,396 |
| Liabilities | | | | |
| Members' deposits | - | 5,730,935 | - | 5,730,935 |
| Securitization liabilities | - | 289,503 | - | 289,503 |
| **Total liabilities disclosed at fair value** | - | 6,020,438 | - | 6,020,438 |

[in thousands of dollars, except as noted or per share]

| | December 31, 2024 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Recorded at Fair Value** | | | | |
| Assets | | | | |
| Index-linked deposits | - | 479 | - | 479 |
| Central 1 Class E shares | - | - | 6,487 | 6,487 |
| Central 1 Class A shares | - | - | 1,577 | 1,577 |
| Marketable securities | 333,140 | - | - | 333,140 |
| Other investments | - | - | 3,144 | 3,144 |
| Derivative financial instruments | - | 6,084 | - | 6,084 |
| **Total assets held at fair value** | **333,140** | **6,563** | **11,208** | **350,911** |
| Liabilities | | | | |
| Index-linked deposits | - | 479 | - | 479 |
| Derivative financial instruments | - | 14 | - | 14 |
| **Total liabilities held at fair value** | **-** | **493** | **-** | **493** |
| | | | | |
| **Fair Value Disclosed** | | | | |
| Assets | | | | |
| Loans to Members | - | - | 5,573,260 | 5,573,260 |
| Investments | - | 235,317 | - | 235,317 |
| **Total assets disclosed at fair value** | **-** | **235,317** | **5,573,260** | **5,808,577** |
| Liabilities | | | | |
| Members' deposits | - | 5,739,788 | - | 5,739,788 |
| Securitization liabilities | - | 196,637 | - | 196,637 |
| **Total liabilities disclosed at fair value** | **-** | **5,936,425** | **-** | **5,936,425** |

## 19) INCOME TAXES

Significant components of the net deferred tax assets are as follows:

| | January 1, 2025 | Statement of Income | OCI | December 31, 2025 |
|---|---|---|---|---|
| Allowance for credit losses | **2,480** | **58** | **-** | **2,538** |
| Employee future benefits | **(141)** | **58** | **(1,325)** | **(1,408)** |
| Property and equipment | **(183)** | **(47)** | **-** | **(230)** |
| Deferred revenue | **547** | **211** | **-** | **758** |
| Prepaid expenses | **(1,125)** | **206** | **-** | **(919)** |
| | **1,578** | **486** | **(1,325)** | **739** |

| | January 1, 2024 | Statement of Income | OCI | December 31, 2024 |
|---|---|---|---|---|
| Allowance for credit losses | 2,098 | 382 | - | 2,480 |
| Employee future benefits | 758 | 124 | (1,023) | (141) |
| Property and equipment | (439) | 256 | - | (183) |
| Deferred revenue | 537 | 10 | - | 547 |
| Prepaid expenses | (1,700) | 575 | - | (1,125) |
| | **1,254** | **1,347** | **(1,023)** | **1,578** |

**[in thousands of dollars, except as noted or per share]**

The reconciliation of income tax computed at the statutory rates to the provision for income taxes is as follows:

| | December 31, 2025 | | December 31, 2024 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| Expected provision for income taxes based on combined federal and provincial rate | **14,396** | **26.5%** | 6,245 | 26.6% |
| Credit union deduction | **(4,509)** | **(8.3%)** | (1,979) | (8.4%) |
| Permanent differences | **50** | **0.1%** | 60 | 0.3% |
| Other | **(40)** | **(0.1%)** | (473) | (2.0%) |
| **Provision for income taxes** | **9,897** | **18.2%** | 3,853 | 16.4% |

Tax amounts related to current year OCI are as follows:

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Tax on actuarial loss | **(1,325)** | (1,023) |
| Tax on unrealized loss on investments | **(39)** | (803) |
| **Net tax recorded in OCI** | **(1,364)** | (1,826) |

## 20) TRANSFER OF FINANCIAL ASSETS

**[a] Securitization activity**

Libro periodically may securitize mortgages through the transfer of mortgage loans to a special purpose entity as described in Note 3[l] through programs sponsored by the Canada Mortgage and Housing Corporation. The following table summarizes Libro's securitization activity in the year:

| | 2025 | 2024 |
|---|---|---|
| Securitized residential mortgages sold | **153,229** | 40,311 |
| Net cash proceeds received | **151,642** | 39,940 |
| Outstanding balance of securitized mortgages sold | **281,795** | 192,706 |

There were $nil mortgage loans that were delinquent as at year-end [$nil in 2024]. In addition, there were no credit losses incurred on the mortgages transferred in 2025 or 2024.

Libro retains a securitization liability for mortgages transferred. The liability bears an average fixed interest rate of 3.41% [3.77% in 2024] and bears a weighted average maturity date of 2028 [2027 in 2024]. As at December 31, 2025, the liability was $287,889 [$195,697 in 2024]. In 2025, total cost of securitized borrowing was $8,957 [$8,235 in 2024].

**[b] Loans sales**

Libro has a loan purchasing and servicing agreement with Farm Credit Canada to periodically sell loans. The aggregate outstanding value of loans transferred in 2025 was $nil [$nil in 2024] and the servicing fees received were $110 [$152 in 2024].

## 21) RISK MANAGEMENT

**[a] Liquidity risk**

Liquidity risk is defined as the risk that the credit union will be unable to pay obligations when they fall due, or become unable to repay depositors when funds are withdrawn, or become unable to meet commitments to lend money. Libro manages liquidity risk within Board of Directors' Policy limits to ensure the credit union has sufficient liquidity to meet its obligations. This is managed by monitoring cash flows and cash forecasts, maintaining a portfolio of high-quality liquid financial assets [Note 4], monitoring and managing the remaining contractual term to maturity of its loan and deposit portfolios [Notes 5 and 16], and maintaining access to credit facilities through Central 1 [Note 10]. Libro achieves this through a combination of active management of organic balance sheet growth, borrowing, whole loan sales, and loan securitization. Since the credit union does not issue redeemable long-term deposit products, liquidity risk will not increase as a result of unexpected prepayments or changing deposit maturity forecasts.

**[in thousands of dollars, except as noted or per share]**

As at year-end, Libro's liquidity coverage ratio was 175% [576% in 2024] and assets held for liquidity purposes totaled $510,098 [$598,087 in 2024], consisting of $344,314 in high quality liquid assets [$368,644 in 2024] and $165,784 in other qualifying investments [$229,443 in 2024].

**[b] Credit risk**

Credit risk is defined as the risk of financial loss due to a borrower or counterparty failing to meet its obligations in accordance with contractual terms and arises from the credit union's direct lending, trading, investment and hedging activities. Granting loans to members is one of the credit union's primary sources of income and Libro grants credit through consideration of an member's credit history, character, collateral, and capacity for debt. members' financial situations are monitored through the life of the loan and all current receivables are expected to be collected. Debt that appears to be in arrears is impaired to the extent that a loss is expected. Libro uses internal risk scoring measures to assess the credit quality of commercial and agricultural borrowers. These measures are derived from the underlying credit experience, collateral, management expertise, and other objective financial measures.

**Credit quality**

Credit quality of retail borrowers is measured in part by a standardized credit rating system, which considers payment history, current debt, age of accounts, type of credit and credit inquiries. Standard is defined as loans with a credit score between 600 and 649 or C commercial paper.

The application of these scoring measures is as follows:

| | December 31, 2025 | | | | |
|---|---|---|---|---|---|
| | **Residential Mortgage Loans** | **Personal Loans** | **Agricultural Loans** | **Commercial Loans** | **Total** |
| Above standard | **2,356,721** | **314,074** | **583,680** | **499,042** | **3,753,517** |
| Standard | **70,762** | **11,466** | **675,589** | **1,410,980** | **2,168,797** |
| Below standard | **48,545** | **6,967** | **39,076** | **134,603** | **229,191** |
| | **2,476,028** | **332,507** | **1,298,345** | **2,044,625** | **6,151,505** |

| | December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | **Residential Mortgage Loans** | **Personal Loans** | **Agricultural Loans** | **Commercial Loans** | **Total** |
| Above standard | 1,860,772 | 288,251 | 614,002 | 526,999 | 3,290,024 |
| Standard | 324,890 | 10,926 | 530,288 | 1,068,782 | 1,934,886 |
| Below standard | 35,895 | 3,515 | 82,262 | 138,380 | 260,052 |
| | 2,221,557 | 302,692 | 1,226,552 | 1,734,161 | 5,484,962 |

To manage credit risk, Libro secures collateral against all types of loans. In the event that an member is unwilling or unable to meet their obligations as a borrower, security is liquidated to repay the obligation to Libro. Collateral is taken on each loan funded with regard to the member's overall creditworthiness including credit history, character, capacity for debt, and type of loan granted. Note 6 provides detail on collateral held against loans.

[in thousands of dollars, except as noted or per share]

**[c] Market risk**

Market risk is defined as the risk that the credit union's ability to meet business objectives will be adversely affected by volatility in market rates. Libro manages market risk using an earnings at risk approach. The primary objective of this approach is to maximize earnings on a consistent basis while minimizing reductions to net income resulting from changes in future interest rates.

Interest rate risk is the impact that changes in interest rates could have on the credit union's margins, profit or loss, and equity. Interest rate risk arises from the difference between interest paid related to the credit union's liabilities and the interest earned on its assets. As part of the credit union's risk management strategy, the Board of Directors has established limits on the interest rate exposures that are consistent with the credit union's risk appetite.

The below table summarizes Libro's interest rate gap on Balance Sheets items based on contractual repricing and maturity dates:

| | December 31, 2025 | | | | |
|---|---|---|---|---|---|
| | **Within 1 year** | **1 to 5 years** | **Over 5 years** | **Non Interest Sensitive** | **Total** |
| Assets | | | | | |
| Loans and advances | **3,276,445** | **2,806,448** | **68,612** | **-** | **6,151,505** |
| Cash and cash equivalents | **-** | **-** | **-** | **11,519** | **11,519** |
| Investments | **217,702** | **277,241** | **-** | **11,530** | **506,473** |
| Other | **-** | **-** | **-** | **136,269** | **136,269** |
| Total assets | **3,494,147** | **3,083,689** | **68,612** | **159,318** | **6,805,766** |
| Liabilities | | | | | |
| Deposits | **3,053,985** | **920,531** | **-** | **1,743,171** | **5,717,687** |
| Securitization liabilities | **66,504** | **221,385** | **-** | **-** | **287,889** |
| Equity and other | **-** | **241,191** | **-** | **558,999** | **800,190** |
| Total liabilities | **3,120,489** | **1,383,107** | **-** | **2,302,170** | **6,805,766** |
| Interest rate gap - Financial position | **373,658** | **1,700,582** | **68,612** | **(2,142,852)** | **-** |
| Derivatives | **(75,000)** | **75,000** | **-** | **-** | **-** |
| **Interest rate gap** | **448,658** | **1,625,582** | **68,612** | **(2,142,852)** | **-** |

**[in thousands of dollars, except as noted or per share]**

| | December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | **Within 1 year** | **1 to 5 years** | **Over 5 years** | **Non Interest Sensitive** | **Total** |
| Assets | | | | | |
| Loans and advances | **2,660,310** | **2,745,098** | **79,554** | **-** | **5,484,962** |
| Cash and cash equivalents | **-** | **-** | **-** | **50,512** | **50,512** |
| Investments | **321,659** | **246,656** | **-** | **11,241** | **579,556** |
| Other | **-** | **-** | **-** | **116,023** | **116,023** |
| Total assets | **2,981,969** | **2,991,754** | **79,554** | **177,776** | **6,231,053** |
| Liabilities | | | | | |
| Deposits | **2,874,422** | **877,241** | **-** | **1,625,175** | **5,376,838** |
| Securitization liabilities | **21,235** | **174,462** | **-** | **-** | **195,697** |
| Equity and other | **-** | **233,783** | **-** | **424,735** | **658,518** |
| Total liabilities | **2,895,657** | **1,285,486** | **-** | **2,049,910** | **6,231,053** |
| Interest rate gap - Financial position | **86,312** | **1,706,268** | **79,554** | **(1,872,134)** | **-** |
| Derivatives | **(150,000)** | **150,000** | **-** | **-** | **-** |
| **Interest rate gap** | **236,312** | **1,556,268** | **79,554** | **(1,872,134)** | **-** |

The credit union's policy is to monitor positions on a monthly basis. Libro uses income simulation modeling to measure exposure to changes in interest rates over short-term periods. Earnings at risk is calculated by forecasting the net interest margin for the next 12-month period using most likely assumptions, including existing hedging activities. Most likely assumptions include management's best estimates for planned growth rates and the use of future interest rates. Planned growth rates are recorded at the start of the fiscal period as initially set out in the budget and modified to actual experience through the fiscal period. Future interest rates on new business and product renewals are determined using the future interest rates derived mathematically based on the term structure of interest rates. The impact of rate shock scenarios are measured against the most likely forecast ("MLF") as defined above. The resulting change in the forecast as a result of interest rate shocks is then compared to the MLF to determine the earnings at risk amount. Maximum change limits under these interest rate scenarios have been set out by the Board of Directors. These scenarios are based on hypothetical simulations assuming the markets are shocked with 100 or 200 basis point volatility. At the current time, Libro is in compliance with all limits set by the Board of Directors' Policy.

The policy limits and most likely projections are as follows:

| **Asset Liability Management Limits** | **Maximum Change Limit** | **Projected Change to Earnings** | **Status** |
|---|---|---|---|
| Most Likely Shocked + 200 basis points | **-10%** | **0.72%** | **Compliant** |
| Most Likely Shocked + 100 basis points | **-5%** | **0.37%** | **Compliant** |
| Most Likely Forecast Scenario | **0%** | **0.00%** | **Compliant** |
| Most Likely Shocked - 100 basis points | **-5%** | **-2.25%** | **Compliant** |
| Most Likely Shocked - 200 basis points | **-10%** | **-7.96%** | **Compliant** |

**[d] Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign currency rates. Libro's net income is exposed to currency risk from US dollar investments and member US dollar deposits. Libro mitigates currency risk of US dollar financial assets and liabilities by investing in offsetting US dollar financial instruments with similar terms. Currency risk is managed in accordance with the Board of Directors’ Policy, which the Board of Directors reviews annually. For a 1% instantaneous increase or decrease in exchange rate, Libro’s net income would change by $1 [$1 in 2024].

**[in thousands of dollars, except as noted or per share]**

## 22) ACCRUED AND OTHER LIABILITIES

Accrued and other liabilities consist of the following:

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Member remittances to third parties | **5,588** | 11,192 |
| Salaries payable to employees | **12,704** | 10,117 |
| Accounts payable | **490** | 319 |
| Lease obligations | **9,160** | 10,194 |
| | **27,942** | 31,822 |

The lease obligations by year are as follows:

| | Lease Payments |
|---|---|
| 2026 | **1,464** |
| 2027 | **1,480** |
| 2028 | **1,299** |
| Thereafter | **6,436** |
| Less present value discount | **(1,519)** |
| **Lease obligations** | **9,160** |

Interest expense on all lease liabilities is $330 [$365 in 2024] and included in occupancy expense in the Statements of Income.
The continuity schedule for lease liabilities is as follows:

| | 2025 | 2024 |
|---|---|---|
| **Opening balance** | **10,194** | 10,799 |
| Principal repayments | **(1,438)** | (1,411) |
| Lease modifications | **404** | 806 |
| **Ending balance** | **9,160** | **10,194** |

## 23) SUBSEQUENT EVENT

On January 1, 2026, Libro completed an amalgamation with Kawartha Credit Union, creating a single, combined entity after a successful members vote of all shareholders of each credit union in November 2025. As a result of the amalgamation, all assets, liabilities, members, contracts, and operations of both predecessor credit unions were assumed by the newly merged credit union. Kawartha offers services to 57,855 members in Ontario. The merger was undertaken to enhance member value, operational scale, financial resilience, and long‑term strategic capacity. Because the amalgamation occurred after the financial statement reporting period but prior to the authorization of these financial statements for issue, it is considered a *non‑adjusting subsequent event*. Accordingly, the financial position and results of operations as at and for the year ended December 31, 2025, do not reflect any financial impacts of the transaction.

## 24) COMPARATIVE FIGURES

Certain comparative figures have been reclassified to reflect the presentation adopted in the current year.