BAY
CREDIT UNION LIMITED

Financial Statements

Year Ended September 30, 2026

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These financial statements form the basis for all of the financial information that appears in this annual report.

The financial statements and all of the information in this annual report are the responsibility of the management of Bay Credit Union Limited and have been reviewed and approved by the Board of Directors. The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities. LCPS Professional Corporation Chartered Professional Accountants, has audited the financial statements.

Management has prepared the financial statements according to International Financial Reporting Standards (IFRS). Under IFRS, management has made certain estimates and assumptions that are reflected in the financial statements and notes. Management believes that these financial statements fairly present Bay Credit Union Limited's statement of financial position, the statement of comprehensive income, changes in members' equity and the statement of cash flows.

Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. Management believes that the internal controls provide reasonable assurance that our financial records are reliable and form a proper basis for preparing the financial statements, and that our assets are properly accounted for and safeguarded.

The Board of Directors has appointed an Audit Committee, which is made up of unrelated and independent directors. The Audit Committee's responsibilities include reviewing the financial statements and other information in this annual report, and recommending them to the board of directors for approval. The internal auditors and the members' auditors have free and independent access to the Audit Committee.

President

CEO

Thunder Bay, ON
November 02, 2026

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bay Credit Union Limited

Opinion

We have audited the financial information of Bay Credit Union Limited (the "company"), which comprise the balance sheet as at September 30, 2026, and the statements of income, retained earnings and cash flows for the year then ended, and notes to the financial information, including a summary of significant accounting policies (the "financial information").

In our opinion, the accompanying financial information present fairly, in all material respects, the financial position of the company as at September 30, 2026, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises (ASPE).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Information

Management is responsible for the preparation and fair presentation of the financial information in accordance with ASPE, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

In preparing the financial information, management is responsible for assessing the company'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 company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is 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 this financial information.

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 information, 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 company'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 company'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 information 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represent the underlying transactions and events in a manner that achieves fair presentation.

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



Thunder Bay, ON
November 2, 2026

LCPS
Chartered Professional Accountants LLP
Licensed Public Accountants

BAY CREDIT UNION LIMITED
Statement of Financial Position
September 30, 2026

	2026	2025
ASSETS		
Cash *(Note 4)*	**$ 14,144,397**	$ 20,648,207
Investments *(Note 5)*	**5,530,540**	5,354,004
Current income taxes recoverable *(Note 13)*	**-**	-
Derivative financial instruments *(Note 6)*	**56,519**	95,168
Other assets *(Note 10)*	**297,398**	262,788
Loans to members *(Note 7)*	**81,037,079**	76,173,294
Intangible assets *(Note 9)*	**151,680**	145,511
Property and equipment *(Note 9)*	**899,914**	807,520
	$ 102,117,527	$ 103,486,492
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Accounts payable and accruals	**$ 474,096**	$ 448,418
Income taxes payable *(Note 13)*	**1,906**	17,011
Deferred income tax liability *(Note 13)*	**10,858**	10,261
Derivative financial instruments *(Note 6)*	**56,519**	95,168
Members' deposits *(Note 11)*	**95,616,963**	97,264,406
Total Liabilities	**96,160,341**	97,835,264
Members' equity		
Membership shares *(Note 14)*	**782,232**	850,378
Retained earnings	**5,174,954**	4,800,850
Total Members' Equity	**5,957,186**	5,651,228
	$ 102,117,527	$ 103,486,492

ON BEHALF OF THE BOARD:

President
Erick Bruce

CEO
Kerry Morden

(see also notes to financial statements)

BAY CREDIT UNION LIMITED
Statement of Comprehensive Income
Year Ended September 30, 2026

	2026	2025
INTEREST REVENUE		
Interest on personal loans	$ 201,173	$ 221,309
Interest on mortgages	3,142,028	2,950,455
Interest on investments	540,533	590,137
	3,883,734	3,761,901
INTEREST AND LOAN RELATED EXPENSES (RECOVERIES)		
Interest on members' deposits *(Note 11)*	1,198,922	1,414,977
Distribution to members' *(Note 14)*	93,280	70,790
Allowance for impaired loans *(Note 8)*	40,689	11,576
	1,332,891	1,497,343
OPERATING MARGIN BEFORE THE FOLLOWING	2,550,842	2,264,558
OTHER INCOME *(Note 15)*	436,386	481,962
OPERATING MARGIN	2,987,227	2,746,520
OPERATING EXPENDITURES (see schedules)		
Administration	450,054	399,664
Advertising and communications	78,170	71,732
Computer and equipment	318,820	274,747
Member security	159,868	144,107
Occupancy	113,054	121,694
Other	93,797	81,514
Salaries and benefits	1,347,879	1,226,901
	2,561,642	2,320,359
OPERATING INCOME BEFORE THE FOLLOWING	425,586	426,161
Current income tax expense *(Note 13)*	(50,885)	(53,745)
Deferred income tax recovery *(Note 13)*	(597)	2,351
NET COMPREHENSIVE INCOME	$ 374,104	$ 374,767

(see also notes to financial statements)

BAY CREDIT UNION LIMITED
Statement of Changes in Members' Equity
Year Ended September 30, 2026

	Membership shares	Retained Earnings	Total
Balance at October 1, 2024	922,575	4,426,083	$ 5,348,658
Net Income	-	374,767	374,767
Distributions to members *(Note 14)*	-	-	-
Issue of Members' shares	7,215	-	7,215
Redemption of Members' shares	(79,412)	-	(79,412)
Balance at September 30, 2025	$ 850,378	$ 4,800,850	$ 5,651,228
Net Income	$ -	$ 374,104	$ 374,104
Distributions to members *(Note 14)*	-	-	-
Issue of Members' shares	5,935	-	5,935
Redemption of Members' shares	(74,081)	-	(74,081)
Balance at September 30, 2026	**$ 782,232**	**$ 5,174,954**	**$ 5,957,186**

(see also notes to financial statements)

BAY CREDIT UNION LIMITED
Statement of Cash Flows
Year Ended September 30, 2026

	2026	2025
CASH PROVIDED BY (USED IN) ;		
OPERATING ACTIVITIES		
Net income	$ 374,104	$ 374,767
Adjustment for charges (income) not requiring a current payment or receipt		
Provision for loan impairment	40,689	11,576
Deferred income tax liability	597	(2,351)
Amortization of intangible assets	56,594	54,069
Amortization of property and equipment	29,808	34,603
	501,793	472,664
Changes in non-cash working capital components:		
Other assets	(34,610)	(59,920)
Derivative financial instruments	38,649	(33,730)
Current income taxes recoverable	-	-
Derivative financial liabilities	(38,649)	33,730
Accounts payable and accruals	25,678	(2,713)
Current income taxes payable	(15,105)	5,823
	477,756	415,853
INVESTING ACTIVITIES		
Investments	(176,537)	311,138
Loans to members'	(4,904,474)	(1,464,740)
Purchase of intangible assets	(62,763)	(39,086)
Purchase of property and equipment	(122,202)	(14,446)
	(5,265,977)	(1,207,134)
FINANCING ACTIVITIES		
Members' deposits - net of interest paid	(1,647,443)	12,405,331
Proceeds from issuance of membership shares	5,935	7,215
Redemptions of membership shares	(74,081)	(79,412)
	(1,715,589)	12,333,134
Net cash increase (decrease) during the year	(6,503,809)	11,541,853
Cash position, beginning of year	20,648,207	9,106,354
CASH POSITION, END OF YEAR *(Note 4)*	$ 14,144,397	$ 20,648,207
INTEREST AND INCOME TAXES PAID		
Interest received on loans and mortgages	$ 3,343,201	$ 3,171,763
Interest paid	$ 1,292,202	$ 1,485,767
Income taxes paid	$ 53,745	$ 36,566

(see also notes to financial statements)

1. NATURE OF OPERATIONS

Reporting Entity

Bay Credit Union Limited (the Credit Union) is incorporated under the Credit Unions and Caisses Populaires Act, 2020 ("The Act") of Ontario and is a member of Central 1 Credit Union Limited (Central 1). The Credit Union operates as one operating segment in the loans and deposit taking industry in Ontario. Products and services offered to its members include mortgages and personal loans, chequing and savings accounts, term deposits, RRSP's, debit and credit cards and internet banking and e.transfer services. The Credit Union has two branches with the head office located at 142 South Algoma Street, Thunder Bay, Ontario.

The authority to authorize the issuance of these financial statements rests with the Board of Directors. The Board of Directors have authorized these financial statements on November 2, 2026.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements were prepared under the historical cost convention, as modified by the revaluation of available -for-sale financial assets and derivative financial instruments measured at fair value.

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

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

Cash and Cash Equivalents

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

Cash and cash equivalents are classified as loans and receivables and are carried at amortized cost, which is equivalent to fair value.

Financial assets

The Credit Union designates financial assets as follows: loans and receivables, held-to-maturity investments and available for sale financial assets. Management determines the classification of its financial instruments at initial recognition. The Credit Union uses trade date accounting for regular way contracts when recording financial asset transactions.

Investments

a) Central 1 Deposits

These deposit instruments are classified as loans and receivables and are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at amortized cost, which approximates fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Equity Instruments

These instruments are classified as available-for-sale and are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at fair value, unless they do not have a quoted market price in an active market and fair value is not reliably determinable in which case they are carried at cost.

Changes in fair value, except for those arising from interest calculated using the effective interest rate, are recognized as a separate component of other comprehensive income.

Where there is a significant or prolonged decline in the fair value of an equity instrument (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in net income.

Purchases and sales of equity instruments are recognized on settlement date with any change in fair value between the trade date and settlement date being recognized in accumulated other comprehensive income.

On sale, the amount held in accumulated other comprehensive income associated with that instrument is removed from equity and recognized in net income.

Derivative Instruments and Hedging

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when: a) their economic characteristics and risks are not closely related to those of the host contract; b) the terms of the embedded derivative are the same as those of a free standing derivative; c) and the combined instrument or contract is not measured as fair value with changes in fair value recognized in other comprehensive income. These embedded derivatives are measured at fair value with changes therein recognized in other income. The Credit Union selected January 1, 2003 as the transition date for embedded derivatives, as such only contracts or financial instruments entered into or modified after the transition date were examined for embedded derivatives. As at September 30, 2026, the Credit Union has no outstanding contracts or financial instruments with embedded derivatives that require bifurcation.

Other Non-Hedge Derivatives

The Credit Union designates certain financial assets upon recognition at fair value through profit or loss (fair value option). Financial instruments included in this category are the embedded derivatives and derivatives related to index linked term deposits.

These instruments are measured at fair value, both initially and subsequently. The related transaction costs are expensed. Gains and losses arising from changes in fair value of these instruments are recorded in net income.

Member Loans

All member loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables.

Member loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred. Member loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment (losses).

Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the accrual basis for all loans.

If there is objective evidence that an impairment loss on member loans carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate. Short-term balances are not discounted.

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and advances are categorized into three stages:

Stage 1: Financial assets that are not credit impaired, or where there have been no signs of credit impairment as of the reporting date. A loss allowance equal to a 12-month expected credit loss is recognized. The Credit Union has determined that the loans and advances that fall within this stage include those where no sign of credit impairment has been identified.

Stage 2: Financial assets where there has been an increased credit risk from the date of initial recognition. A loss allowance equal to the lifetime expected credit loss is recognized. Stage 1 and Stage 2 replace the Credit Unions previous collective provision under IAS 39.

Stage 3: Financial assets that are credit impaired as at the reporting date. A loss allowance equal to the lifetime expected credit loss is recognized. This stage replaces the Credit Unions previous individual specific provision under IAS 39.

Further details on the estimates used to determine the allowance for impaired loans are provided in note 8.

Held-to-maturity financial assets

Held-to-maturity ("HTM") financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Credit Union's management has the positive intention and ability to hold to maturity and include bonds and debentures.

These are initially recognized at fair value including direct and incremental transaction costs and measured subsequently at amortized cost, using the effective interest rate method. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognized as impairment loss.

Available for sale financial assets

Available for sale ("AFS") investments are financial assets that are intended to be held for an indefinite period of time and are not classified as loans and receivables, HTM or financial assets at fair value through profit or loss ("FVTPL") and include shares in Central 1 and Concentra Bank ("Concentra").

AFS financial assets are initially recognized at fair value, which is the cash consideration including any transaction costs. As the shares of Concentra are not actively traded in a quoted market, fair value has been estimated to be equal to the par value, which is equal to the cost of the shares.

Objective evidence of impairment exists if there has been a significant or prolonged decline in the fair value of the investment below its cost or if there is a significant adverse change in the market, economic or legal investment in which the issuer operates. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognized in the consolidated statement of comprehensive income.

Loans Written Off

Loans are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognized. If no provision had been recognized, the write offs are recognized as expenses in net income.

Property and Equipment

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

Diminishing balance	
Buildings	4.00%
Parking lot	8.00%
Straight-line	
Computer hardware	5 years
Furniture and fixtures	5 - 8 years
Automatic teller machines (ATM)	10 years

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

Intangible assets consist of computer software which are not integral to the computer hardware owned by the Credit Union. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and any accumulated impairment (losses). Software is amortized on a straight-line basis over its estimated useful life of 5 years.

Impairment of Non-Financial Assets

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

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

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

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

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

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

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

Members' Deposits

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

Pension Plan

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Payable and Accruals

Liabilities for trade creditors and accruals are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

Provisions

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Members' Shares

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Shares that contain redemption features subject to the Credit Union maintaining adequate regulatory capital are accounted for using the partial treatment requirement of IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments.*

Patronage Distributions

Patronage distributions are recognized in net income when circumstances indicate the Credit Union has a constructive obligation that it has little or no discretion to avoid, and it can make a reasonable estimate of the amount required to settle the obligation.

Revenue Recognition

Interest on loans is recognized on an accrual basis except when interest is ninety days past due or earlier when, in the opinion of management, there is doubt as to the collectability of principal or interest. Revenue from investment income is recognized in the period it is earned. Commissions, fees, and related revenues are recognized when the specific transactions are completed.

Leased Assets

The Credit Union assesses at inception of a contract, whether the contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Credit Union assesses whether the customer has the following through the period of use:

-The right to obtain substantially all of the economic benefits from use of the identified assets; and
-The right to direct the use of the identified asset.

This policy is applied to contracts entered into, or changed, on or after October 1, 2019.

Where the Credit Union is a lessee in a contract that contains a lease component, the Credit Union allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is comprised of the initial amount of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred by the Credit Union, and an estimate of the costs to be incurred by the Credit Union in dismantling and removing the underlying asset and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Credit Union measures all right-of-use assets by applying the cost model, whereby the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use assets. The estimated useful life of the right-of-use assets are determined on the same basis as those of property and equipment. The underlying asset will transfer to the Credit Union by the end of the lease term or if the cost of the right-of-use asset reflects that the Credit Union will exercise a purchase option.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leased Assets (continued)

The lease liability is initially measured at the present value of the lease payments not paid at the lease commencement date, discounted using the interest rate implicit in the lease or the Credit Union's incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined. The lease payments included in the measurement of the lease liability comprise of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, amounts expected to be payable by the Credit Union under a residual value guarantee, the exercise price of a purchase option that the Credit Union is reasonably certain to exercise, and payment of penalties for terminating the lease if the lease term reflects the Credit Union exercising an option to terminate the lease. After the commencement date, the Credit Union measures the lease liability at amortized cost using the effect interest method.

The Credit Union remeasures the lease liability when there is a change in the lease term, a change in the Credit Union's assessment of an option to purchase the underlying asset, a change in the Credit Union's estimate of amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. On remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and (losses) arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and (losses) on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive income consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Grants Policy

Grants are recognized when there is reasonable assurance that the company has complied and will continue to comply with the conditions for receipt.

Grants related to property and equipment are accounted for as a reduction of the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Credit Union makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair Value of Financial Instruments

The Credit Union determines the fair value of financial instruments that are not quoted in an active market, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

The methods and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in Note 6.

Member Loan Loss Provision

In determining whether an impairment loss should be recorded in the statement of comprehensive income the Credit Union makes judgments on whether objective evidence of impairment exists individually for financial assets that are individually significant. Where this does not exist the Credit Union uses its judgment to group member loans with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

Further details on the estimates used to determine the allowance for impaired loans collective provision are provided in Note 8.

Income Taxes

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

4. CASH AND CASH EQUIVALENTS

The Credit Union's cash and current accounts are held with Central 1. The average yield on the accounts at September 30, 2026 is 2.10% to 2.30% (2025 - 2.40% to 2.60%).

5. INVESTMENTS

The following tables provide information on the investments by type of security and issuer. The maximum exposure to credit risk would be the fair value as detailed below.

	2026	2025
Deposits		
Credential mandatory liquidity requirement - current	$ 1,971,213	$ 2,907,295
Credential mandatory liquidity requirement - long term	3,399,292	2,286,674
	$ 5,370,505	$ 5,193,969
Central 1 Credit Union - Class A	$ 23,835	$ 23,835
Central 1 Credit Union - Class E	136,200	136,200
	$ 160,035	$ 160,035
Total Investments	$ 5,530,540	$ 5,354,004

	2026	2025
Credential mandatory liquidity requirement		
Yield	2.65%	2.39%
Interest	1.85% to 3.70%	1.25% to 3.70%
Maturity dates from	February 1, 2027	Dec 15, 2025
to	July 22, 2030	June 15, 2029

Central 1 Liquidity Reserve Deposits

The Credit Union maintains a liquidity reserve deposit with Central 1 equal to 6% of the Credit Union's total assets at September 30 each year. The deposits can be withdrawn only if there is a sufficient reduction in the Credit Union's assets or upon withdrawal of membership from Central 1. At maturity, these deposits are reinvested at market rates for various terms. The carrying value of the liquidity reserve in Central 1 approximates its fair value. The Credit Union has chosen to classify these investments as Held to Maturity for accounting purposes.

5. INVESTMENTS (Continued)

Equity Investments - Central 1 Credit Union Shares

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. The Credit Union's share of Central 1 capital requirements is based on asset size relative to other Class A members. Central 1 rebalances the investment annually. Dividends are at the discretion of Central 1. Dividends received on these shares in 2026 amounted to $4,397 (2025 - $5,374). The shares in Central 1 are carried at cost as they do not have quoted market prices in an active market and fair value is not reasonably determinable. The Credit Union is not intending to 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.

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Credit Union has outstanding $222,414 (2025 - $421,012) in Index linked term deposits to its members. The Index linked term deposits are three and five year deposits that pay interest at the end of the term, based on the performance of a variety of indices. The embedded derivative associated with these deposits are presented in liabilities and has a fair value of $56,519 (2025 - $95,168) at year end.

The Credit Union has entered into hedge agreements with Central 1 to offset the exposure to the indices associated with this product, whereby the Credit Union pays a fixed rate of interest for the term of each Index linked term deposit on the face value of the deposits sold. At the end of the term, the Credit Union receives an amount equal to the amount that will be paid to the depositors, based on the performance of the indices. As at September 30, 2026, the Credit Union had entered into such contracts on Index linked term deposits for a total of $222,414. The agreements are secured by a general security agreement covering all assets of the Credit Union.

7. MEMBER LOANS

	2026	2025
Residential mortgages	$ 77,914,595	$ 72,885,195
Personal loans	3,036,465	3,146,297
Commercial mortgages	93,555	126,178
	$ 81,044,615	$ 76,157,670
Accrued interest receivable	118,107	95,673
Allowance for impaired loans (Note 8)	(125,643)	(80,049)
Net loans to members	$ 81,037,079	$ 76,173,294

7. MEMBER LOANS (Continued)

Terms and Conditions

Personal loans bear interest at fixed and variable annual rates and are repayable in monthly blended principal and interest installments over a maximum period of five years. Residential mortgage loans bear interest at fixed and variable annual rates and are repayable in monthly blended principal and interest installments over a maximum period of five years based on a maximum amortization of twenty-five years. Line of credit loans bear interest at variable rates and are repayable in minimum interest only, not in advance, subject to annual review.

All loans are open and, at the option of the borrower, may be repaid at any time without notice or penalty, with the exception of residential mortgages with a term exceeding one year.

The interest rate offered on fixed rate loans being advanced at September 30, 2026 ranges from 1.63% to 9.70% while variable rate loans range from 2.00% to 22.70%.

Average Yields to Maturity

Loans bear interest at both variable and fixed rates with the following average yields at:

	Principal	2026 Yield	Principal	2025 Yield
Variable rate	$ 7,593,863	6.90%	$ 6,302,176	7.12%
Fixed rate - one year	18,270,072	3.86%	16,797,060	3.51%
Fixed rate - two years	7,287,753	4.58%	18,412,594	3.59%
Fixed rate - three years	11,705,649	4.74%	7,819,419	4.60%
Fixed rate - four years	16,363,197	4.25%	8,175,253	5.33%
Fixed rate - five years	19,824,081	3.93%	18,651,168	4.28%
	$ 81,044,615		$ 76,157,670	

Credit Quality of Loans

It is not practical to value all collateral as at the year end date due to the variety of assets and conditions. A breakdown of the security held on a portfolio basis is as follows:

	2026	2025
Loans	$ 2,954,280	$ 2,170,535
Fully secured	-	1,353
Residential mortgages	59,436,950	50,040,232
Residential mortgages insured by government	15,450,652	16,218,604
Commercial mortgages non-owner occupied	3,110,548	2,873,917
Commercial mortgages	-	-
	$ 80,952,430	$ 71,304,641

Fair Value

The fair values of variable interest loans due from members without a stated maturity date repayable at market rates of interest are assumed to equal their carrying values. The fair values of fixed interest rate loans were determined by calculations similar to discounting future cash flows at the current market interest rates for new loans with similar terms and maturities.

	2026		2025	
	Fair Value	Book Value	Fair Value	Book Value
Variable rate	$ 7,593,863	$ 7,593,863	$ 6,302,176	$ 6,302,176
Fixed rate	72,781,466	73,450,752	69,038,174	69,855,494
	$ 80,375,329	$ 81,044,615	$ 75,340,350	$ 76,157,670

Concentration of Risk

The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:
Individual or related groups of members loans which exceed 10% of members' equity:

	2026	2025
Residential mortgages	$ 10,605,523	$ 10,558,860
Personal loans	-	-
	$ 10,605,523	$ 10,558,860

All member loans are with members located in and around Thunder Bay, Ontario.

8. ALLOWANCE FOR IMPAIRED LOANS

Total allowance for impaired loan provision comprises:

	2026	2025
Stage 1 provision	$ 121,042	$ 71,260
Stage 2 provision	46	310
Stage 3 provision	4,555	8,479
Total allowance	$ 125,643	$ 80,049

Movement in individual specific provision and collective provision for impairment:

	2026	2025
Balance beginning of year	80,049	73,768
Recoveries of loans previously written off	6,157	8,355
Provision charged to net income	40,688	11,575
	126,896	93,698
Loans written off	(1,253)	(13,649)
Balance at September 30	125,643	80,049

The following table provides a breakdown of the expected credit losses by stage and nature of the loans under IFRS 9 at September 30, 2026.

	Stage 1	Stage 2	Stage 3	Total
Residential mortgages	$ 103,074	$ 46	$ -	$ 103,120
Personal loans	17,705	-	4,555	22,260
Commercial loans	264	-	-	264
	$ 121,043	$ 46	$ 4,555	$ 125,644

8. ALLOWANCE FOR IMPAIRED LOANS (Continued)

Analysis of individual loans that are impaired or potentially impaired based on age of repayments outstanding:

	September 30, 2026		September 30, 2025	
	Carrying Value	Stage 3 Provision	Carrying Value	Stage 3 Provision
Period of delinquency				
Less than 30 days	$ 278,989	$ -	$ 403,260	$ -
30 to 90 days	175,908	-	141,604	-
Over 90 days	582,423	4,555	2,715	8,479
Total loans in arrears	1,037,321	4,555	547,579	8,479
Total loans not in arrears	80,007,295	-	75,610,091	-
Total loans	$ 81,044,615	$ 4,555	$ 76,157,670	$ 8,479

Key Assumptions in Determining the Allowance for Impaired Loans Collective Provision

As disclosed in Note 2, the allowance for impaired loans is calculated based on 3 stages of loans. The Credit Union has identified that Stage 3 loans are those loans that are credit impaired as of the reporting date. The allowance includes the lifetime expected credit losses associated with these identified member loans. This amount has been calculated using SaskCentral's IFRS 9 Lite Platform, and amounted to $4555 at September 30, 2026 (2025 - $8,479).

The Credit Union has identified that Stage 2 loans are those loans which have shown signs of an increased credit risk. An amount equal to the expected lifetime credit loss has been included in the allowance, and was calculated using SaskCentral's Lite IFRS 9 platform and amounted to $46 at September 30, 2026 (2025 - $310).

The Credit Union has identified that any loans which do not fall under Stage 2 or 3 noted above would fall within the Stage 1 category. The allowance includes an amount equal to 12 months of expected credit losses associated with these loans, which was calculated using SaskCentral's Lite IFRS 9 platform, as an amount equal to 12 months of expected credit losses associated with these loans, and amounted to $121,043 at September 30, 2026 (2025 - $71,260).

All loans with repayments past due have been considered in determining the allowance for impaired loans.

9. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Land	Buildings	Parking Lot	Computer Hardware	Furniture and Fixtures	ATM	Total	Intangible Asset Computer Software
Cost								
Balance at Oct 1, 2024	$ 258,415	$ 949,743	$ 52,920	$ 201,938	$ 209,797	$ 127,927	$ 1,800,740	$ 459,216
Additions	-	-	-	14,446	-	-	14,446	39,086
Disposals	-	-	-	-	-	-	-	-
Sept 30, 2025	$ 258,415	$ 949,743	$ 52,920	$ 216,384	$ 209,797	$ 127,927	$ 1,815,186	$ 498,302
Additions	-	-	-	6,635	993	114,574	122,202	62,763
Disposals	-	-	-	-	-	(76,374)	(76,374)	(218,905)
Balance on Sept 30, 2026	$ 258,415	$ 949,743	$ 52,920	$ 223,019	$ 210,790	$ 166,127	$ 1,861,014	$ 342,160
Accumulated amortization								
Balance at Oct 1, 2024	$ -	$ 477,955	$ 35,586	$ 193,996	$ 169,878	$ 95,648	$ 973,063	$ 298,722
Amortization	-	18,871	1,387	530	3,445	10,370	34,603	$ 54,069
Disposals	-	-	-	-	-	-	-	-
Sept 30, 2025	$ -	$ 496,826	$ 36,973	$ 194,526	$ 173,323	$ 106,018	$ 1,007,666	$ 352,791
Amortization	-	18,117	1,275	2,280	2,980	5,155	29,808	56,594
Disposals	-	-	-	-	-	(76,374)	(76,374)	(218,905)
Balance on Sept 30, 2026	$ -	$ 514,943	$ 38,249	$ 196,805	$ 176,302	$ 34,798	$ 961,100	$ 190,480

	Capital	Intangible
Overall net book value		
September 30, 2025	$ 807,520	$ 145,511
September 30, 2026	**$ 899,914**	**$ 151,680**

10. OTHER ASSETS

	2026	2025
Prepaid expenses	$ 297,398	$ 262,788
Other accounts receivable	-	-
	$ 297,398	$ 262,788

11. MEMBERS' DEPOSITS

	2026	2025
Chequing	$ 26,990,442	$ 27,897,706
Demand	26,896,687	28,186,232
Term deposits	15,808,000	15,968,741
Registered savings plans	25,274,134	24,395,799
	94,969,263	96,448,478
Accrued interest payable	647,700	815,928
	$ 95,616,963	$ 97,264,406

Interest expense on member deposits can be broken down as follows:

	2026	2025
Chequing accounts	$ -	$ -
Demand savings	6,573	5,932
Term deposits	470,421	589,408
Registered savings plans	721,928	819,637
	$ 1,198,922	$ 1,414,977

Terms and Conditions

Chequing deposits are due on demand and bear interest at a variable rate up to 0.00% at September 30, 2026.

Demand deposits are due on demand and bear interest at a variable rate up to 0.01% at September 30, 2026. Interest is calculated daily and paid semi -annually.

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semi annually, monthly or upon maturity. The interest rates offered on term deposits issued on September 30, 2026 range from 0.55% to 3.60%.

The registered retirement savings plans (RRSP) accounts can be fixed or variable rate. The fixed rate RRSPs have terms and rates similar to the term deposit accounts described above. The variable rate RRSPs bear interest at rates up to 0.30% at September 30, 2026.

Registered retirement income funds (RRIFs) consist of both fixed and variable rate products with terms and conditions similar to those of the RRSPs described above. Members may make withdrawals from a RRIF account on a monthly, semi-annual, or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements.

The tax free savings account (TFSA) accounts can be fixed or variable rate. The fixed rate RRSPs have terms and rates similar to the term deposit accounts described above. The variable rate TFSA's bear interest at rates up to 1.25% at September 30, 2026.

11. MEMBERS' DEPOSITS (Continued)

Fair Value

The fair values of deposits with no stated or variable interest rates and repayable on demand are assumed to approximate their carrying values. The fair values of fixed interest rate deposits with specific maturities were determined by calculations similar to discounting contractual future cash flows using interest rates currently offered for deposits with similar terms and conditions.

	2026		2025	
	Fair Value	Book Value	Fair Value	Book Value
No stated rate	$ 26,990,442	$ 26,990,442	$ 27,897,706	$ 27,897,706
Variable rate	33,077,703	33,077,703	32,951,820	32,951,820
Fixed rate	34,733,442	34,901,117	35,305,611	35,598,952
	$ 94,801,588	$ 94,969,263	$ 96,155,137	$ 96,448,478

Average Yields to Maturity

Members' deposits bear interest at both variable and fixed rates with the following average yields at:

	Principal	2026 Yield	Principal	2025 yield
Non interest	$ 26,990,442	0.00%	$ 27,897,706	0.00%
Variable rate	33,077,703	0.05%	32,951,820	0.02%
Fixed rate - one year	23,905,277	2.03%	24,365,083	2.63%
Fixed rate - two years	5,168,225	3.08%	4,212,356	2.66%
Fixed rate - three years	2,842,962	2.94%	3,275,402	3.67%
Fixed rate - four years	1,909,398	2.69%	2,117,138	3.33%
Fixed rate - five years	1,075,255	2.19%	1,628,973	2.87%
	$ 94,969,263		$ 96,448,478	

Concentration of Risk

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments.

There was no individual or related groups of members' deposits which exceed 10% of members' deposits during the year.

The majority of our members' deposits are with members located in and around Thunder Bay, Ontario.

12. PENSION PLAN

The Credit Union makes contributions to a Pension Plan, which is a multi-employer plan, on behalf of members of its staff. The plan is a defined contribution plan. The amount contributed to the plan for 2026 was $62,076 (2025 - $59,881). The contributions were made for current service and these have been recognized in net income.

13. INCOME TAXES

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

	2026	2025
Current tax expense		
Based on current year taxable income	$ 50,885	$ 53,745
Deferred tax expense (recovery)		
Change in unrecognized deferred tax assets	$ (597)	$ 2,351
Total deferred tax expense (recovery)	$ (597)	$ 2,351

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 39.50% (2025 - 39.50%) are as follows:

	2026	2025
Net income for the year before tax	$ 425,586	$ 426,161
Expected taxes based on the statutory ratio of 39.50%	168,107	168,334
Reduction due to small business deduction	(115,759)	(115,916)
Capital cost allowance difference from amortization	(5,933)	1,730
Loan reserves	431	(147)
Sick leave	(658)	-
Other	4,698	(256)
Total income tax expense (recovery)	$ 50,885	$ 53,745

13. INCOME TAXES (Continued)

The movement in 2026 deferred tax liabilities and assets are:

	Opening Balance at Oct 1, 2025	Recognize In Net Income	Closing Balance at Sept. 30, 2026
2026			
Deferred tax assets			
Property and equipment	$ (22,440)	$ (5,933)	$ **(28,373)**
Stage 1 allowance	8,732	6,041	**14,773**
Stage 2 and 3 allowance	103	(47)	**56**
Deferred tax asset	$ (13,605)	$ 61	$ **(13,544)**
Deferred tax liabilities			
Sick leave accrual	$ (3,344)	$ 658	$ **(2,686)**
Deferred tax liability	$ (3,344)	$ 658	$ **(2,686)**
2026 net deferred tax asset (liability)	**$ (10,261)**	**$ (597)**	**$ (10,858)**

The movement in 2025 deferred tax liabilities and assets are:

	Opening Balance at Oct 1, 2024	Recognize In Net Income	Closing Balance at Sept. 30, 2025
2025			
Deferred tax assets			
Property and equipment	$ (24,171)	$ 1,731	$ (22,440)
Stage 1 allowance	8,128	604	8,732
Stage 2 and 3 allowance	87	16	103
Deferred tax asset	$ (15,956)	$ 2,351	$ (13,605)
Deferred tax liabilities			
Sick leave accrual	$ (3,344)	$ -	$ (3,344)
Deferred tax liability	$ (3,344)	$ -	$ (3,344)
2025 net deferred tax asset (liability)	$ (12,612)	$ 2,351	$ (10,261)

13. INCOME TAXES (Continued)

	2026	2025
Deferred tax liabilities		
Deferred tax liabilities to be settled within 12 months	$ -	$ -
Deferred tax liabilities to be settled after more than 12 months	(2,686)	(3,344)
	$ (2,686)	$ (3,344)
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	$ 56	$ 103
Deferred tax assets to be recovered after more than 12 months	(13,600)	(13,708)
	$ (13,544)	$ (13,605)
Net deferred asset (liability)	$ (10,858)	$ (10,261)

14. MEMBERSHIP SHARES

	Authorized	2026 Equity	2025 Equity
4,719 (2025 - 4,736) Membership shares	unlimited	$ 151,349	$ 151,601
601,878 (2025 - 668,522) Class A special shares	unlimited	601,878	668,522
5,801 (2025 - 6,051) Supplemental Member Capital shares		29,005	30,255
		$ 782,232	$ 850,378

Terms and Conditions

Membership shares

As a condition of membership, which is required to use the services of the Credit Union, each member is required to hold $35 in membership shares. These membership shares are redeemable at par only when a membership is withdrawn. Dividends are at the discretion of the Board of Directors.

Funds invested by members in member shares are not insured by FSRA. The withdrawal of member shares is subject to the Credit Union maintaining adequate regulatory capital (see Note 20), as is the payment of any dividends on these shares. Membership shares that are available for redemption are classified as a liability. Any difference between the total membership shares and the liability amount are classified as equity.

Where the Credit Union has met its regulatory capital requirements, through subordinate classes of shares, the investment shares are deemed to be a compound instrument. The liability component is measured as the present value of the amount redeemable and the equity component which represents the discretionary dividends is measured as the residual.

14. MEMBERSHIP SHARES (Continued)

Class A Special Shares

The Class A Special Shares have no voting rights and are redeemable at $1 per share. In order to redeem these shares, the members must apply to redeem them. There is a limitation maximum of 10% of the issued and outstanding that can be redeemed at the end of the immediately-preceding fiscal year. Also, all such redemptions are approved by the Board of Directors on a annual basis. These shares may be held as Registered Class A Special Shares upon request.

Distributions to Members

	2026 Net Income	2026 Equity	2025 Net Income	2025 Equity
Patronage distributions	$ 93,280	$ -	$ 70,790	$ -
Dividends on membership shares	-	-	-	-
	$ 93,280	$ -	$ 70,790	$ -

Supplemental Member Capital Shares

Supplemental Member Capital shares have no voting rights and must be held until the member's account is closed. These shares qualify for dividends at the year end as set by the Board of Directors at the annual general meeting. These shareholders are eligible to take advantage of the Member-Owner Advantage Program which provides them with access to preferred investment rates, member only perks, and other special discounts on loans. Each share is worth $5 and the member can hold up to 200 shares each ($1,000).

The tables below present a reconciliation of the change in shares during the year:

	2026	2025
Membership shares		
Opening balance	4,736	4,778
Shares issued during the year	141	149
Shares redeemed	(158)	(191)
Membership shares - September 30	4,719	4,736
Class A Special Shares		
Opening balance	668,522	741,914
Shares issued during the year	-	-
Shares redeemed	(66,644)	(73,392)
Class A Special shares - September 30	601,878	668,522
Supplemental Member Capital Shares		
Opening balance	6,051	5,651
Shares issued during the year	200	400
Shares redeemed	(450)	-
Supplemental Member Capital Shares - September 30	5,801	6,051

15. OTHER INCOME

	2026	2025
Commissions and fees	$ 436,386	$ 481,962

16. RELATED PARTY TRANSACTIONS

The Credit Union entered into the following transactions with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management.

	2026	2025
Loans to key management personnel		
Aggregate value of loans advanced	$ 547,949	$ 1,027,648
Interest received on loans advanced	19,282	32,120
Total value of lines of credit advanced	244,700	61,732
Interest received on lines of credit advanced	2,351	2,570
Unused value of lines of credit	178,999	312,968

The Credit Union's policy for lending to key management personnel is that the loans are approved on the same terms and conditions which apply to members for each class of loan. All loans conform to the Credit Union's policies with respect to term, interest rates and limits and have been approved by the Board of Directors. None of the loans to restricted parties were impaired as at September 30, 2026 and accordingly, there is no allowance for impaired loans required.

	2026	2025
Deposits from key management personnel		
Aggregate value of term and savings deposits	$ 305,710	$ 435,025
Total interest paid on term and savings deposits	11,513	13,960

The Credit Union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted on the same terms and conditions which apply to Members for each type of deposit. There are no benefits or concessional terms and conditions applicable to key management personnel or close family members.

17. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE

The following table represents the carrying amount by classification.

	Available for-Sale	Fair Value through Profit or Loss	Cash Flow Hedges	Loans and Receivables	Other Financial Liabilities
September 30, 2026					
Cash	$ -	$ -	$ -	$ 14,144,397	$ -
Investments	160,035	-	-	5,370,505	-
Derivative financial instruments	-	-	56,519	-	-
Loans to members	-	-	-	81,037,079	-
Other assets	-	-	-	297,398	-
Member deposits	-	(647,700)	-	-	(94,969,263)
Derivative financial instruments	-	-	(56,519)	-	-
Members' shares	-	-	-	-	(782,232)
Other liabilities	-	-	-	-	(474,096)
	$ 160,035	**$ (647,700)**	**$ -**	**$ 100,849,379**	**$ (96,225,591)**
September 30, 2025					
Cash	$ -	$ -	$ -	$ 20,648,207	$ -
Investments	160,035	-	-	5,193,969	-
Derivative financial instruments	-	-	95,168	-	-
Loans to members	-	-	-	76,173,294	-
Other assets	-	-	-	262,788	-
Member deposits	-	(815,928)	-	-	(96,448,478)
Derivative financial instruments	-	-	(95,168)	-	-
Members' shares	-	-	-	-	(850,378)
Other liabilities	-	-	-	-	(448,418)
	$ 160,035	$ (815,928)	$ -	$ 102,278,258	$ (97,747,274)

17. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE (Continued)

The following table provides an analysis of investments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level of input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels. For information regarding the valuation and input factors see Note 4.

	Level 1	Level 2	Level 3	Total
September 30, 2026				
Central 1 Credit Union - Class A	$ -	$ 23,835	$ -	**$ 23,835**
Central 1 Credit Union - Class E	-	-	136,200	**136,200**
	$ -	**$ 23,835**	**$ 136,200**	**$ 160,035**
September 30, 2025				
Central 1 Credit Union - Class A	$ -	$ 23,835	$ -	$ 23,835
Central 1 Credit Union - Class E	-	-	136,200	136,200
	$ -	$ 23,835	$ 136,200	$ 160,035

There were no transfers between Level 1 and Level 2 for the years ended September 30, 2026 and 2025. The following table presents a reconciliation of equities which are the level 3 investments.

	2026	2025
Balance, beginning of year	**$ 136,200**	$ 136,200
Central 1 Credit Union - Class E net redemptions	**-**	-
Balance, end of year	**$ 136,200**	$ 136,200

18. FINANCIAL INSTRUMENT RISK MANAGEMENT

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's finance function. The Board of Directors receives quarterly reports from the Credit Union's Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Credit Risk

Credit risk is the risk of financial loss to the Credit Union if a counterparty to a financial instrument fails to make payments of interest and principal when due. The Credit Union is exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor of credit obligations.

Risk Measurement

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activates in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

The Credit Union's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, and policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

The Credit Union's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity and loan administration;

Loan lending limits including Board of Director limits, schedule of assigned limits and exemptions from aggregate indebtedness;

Loan collateral security classifications which set loan classifications, advance ratios and amortization periods;

Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations;

Loan delinquency controls regarding procedures followed for loans in arrears; and

Audit procedures and processes are in existence for the Credit Union's lending activities.

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

A sizable portfolio of the loan book is secured by residential property in Thunder Bay, Ontario. Therefore the Credit Union is exposed to the risks in reduction of the loan to valuation ratio (LVR) cover should the property market be subject to a decline. The risk of (losses) from loans undertaken is primarily reduced by the nature and quality of the security taken.

18. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity Risk

Liquidity risk is the risk that the Credit Union will not be able to meet all cash outflow obligations as they come due. The Credit Union mitigates this risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall due.

Risk Measurement

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgements pertaining to current and prospective firm specific and market conditions and the related behaviour of its members and counterparties.

Objectives, Policies and Procedures

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

Provisions of the Credit Union's and Caisse Populaires Act require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals. The Credit Union has set a minimum liquidity ratio of 12%.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the liquidity ratios monthly.

The Board of Directors receive monthly liquidity reports as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity framework. The Credit Union was in compliance with the liquidity requirements throughout the fiscal year.

As at September 30, 2026, the position of the Credit Union is as follows:

	Maximum Exposure
Qualifying liquid assets on hand	
Cash	$ 14,144,397
Liquidity reserve deposit	5,370,505
	19,514,902
Total minimum liquidity requirement	12,254,103
Excess liquidity requirement	$ 7,260,799

The maturities of liabilities are shown below under market risk. The Credit Union has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

18. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value of future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending.

The Credit Union's goal is to manage the interest rate risk of the statement of financial position to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

Risk Measurement

The Credit Union's position is measured monthly. Measurement of risk is based on rates charged to members as well as funds transfer pricing rates.

Objectives, Policies and Procedures

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

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management and reported to the Financial Services Regulatory Authority of Ontario in accordance with the Credit Union's policy. This policy has been approved by the Board of Directors and filed with the Financial Services Regulatory Authority of Ontario as required by Credit Union regulations. For the year ended 2026, the Credit Union was in compliance with this policy.

The following schedule shows the Credit Union's sensitivity to interest rate changes. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for repayments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together, regardless of maturity.

	Variable Rate	Less than one year	One to five years	Non-rate sensitive	Total
Cash resources	$ 13,375,516	$ -	$ -	$ 768,881	$ 14,144,397
Investments	-	5,370,505	-	160,035	5,530,540
Loans to members	7,593,863	18,270,072	55,180,680	-	81,044,615
Total	20,969,379	23,640,577	55,180,680	928,916	100,719,552
Members' deposits	33,077,703	23,905,277	10,995,840	26,990,442	94,969,263
Liabilities qualifying as regulatory capital	-	-	-	601,878	601,878
Total	33,077,703	23,905,277	10,995,840	27,592,321	95,571,141
Matching gap	$ (12,108,324)	$ (264,700)	$ 44,184,840	$ (26,663,405)	$ 5,148,411

18. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. One of the roles of a credit union is to intermediate between the expectations of borrower's and depositors.

An analysis of the Credit Union's risk due to changes in interest rates determined that an increase in interest rates of 1% could result in a increase to net income of $76,000, while a decrease in interest rates of 0.50% could result in an decrease to net income of $100,000.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Currency Risk

Currency risk relates to the Credit Union operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

Risk Measurement

The Credit Union's position is monitored weekly. Measurement of risk is based on rates charged to members as well as currency purchase costs.

Objectives, Policies and Procedures

The Credit Union's exposure to changes in currency exchange rates shall be controlled by limiting the unhedged foreign currency exposure to $200,000 in U.S. funds and $50,000 in Euro funds.

For the year-ended September 30, 2026, the Credit Union's exposure to foreign exchange risk is within policy.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Credit Union is exposed to this risk through its equity holdings.

Equities are monitored by the Board of Directors and holdings are adjusted following each quarter when the investments are offside of the investment policy.

19. REMUNERATION OF OFFICERS AND EMPLOYEES

Key management consists of the Chief Executive Officer (CEO), Chief Operations Officer (COO), Chief Financial Officer (CFO) and the Chief Lending Officer (CLO). The aggregate compensation of key management during the year consisted of salaries and benefits totalling $404,069 (2025 - $412,599).

In accordance with the requirements of the Act and accompanying Regulations, no specified officers or employees received total remuneration in excess of $175,000.

20. CAPITAL MANAGEMENT

The Credit Union's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations.

Regulations to the FSRA's Rule 2021-002, Capital Adequacy Requirements for Credit Unions and Caisses Popularies require that the Credit Union establish and maintain a level of capital that meets or exceeds the following:

Capital calculated in accordance with the Act shall not be less than 3.0% of the value of its total assets.

The Credit Union maintains an internal policy that total members' capital as shown on the balance sheet shall not be less than 5.0% of the book value of all assets.

The Credit Union considers its capital to include membership shares, retained earnings and its collective loan provision. There have been no changes in what the Credit Union considers to be capital since the previous period.

As at September 30, 2026, the Credit Union met the capital requirements of the Act with a calculated members' capital ratio of 5.95% and a risk weighted asset ratio of 17.82%.

Regulatory capital consists of the following:

	2026	2025
Tier I capital		
Class A Special shares	$ 601,878	$ 668,522
Less: Redeemable Class A shares	(60,188)	(66,852)
Membership shares	180,354	181,856
Retained earnings	5,174,954	4,800,850
	5,896,998	5,584,375
Tier 2 capital		
Redeemable portion of Class A shares	60,188	66,852
Stage 1 and 2 loan allowance	121,088	71,571
Total regulatory capital	$ 6,078,274	$ 5,722,798
Total assets	$ 102,117,527	$ 103,486,492
% of total assets	5.95%	5.53%
% of total risk weighted assets	17.82%	17.26%

21. COMMITMENTS

Credit Facilities

The Credit Union has authorized lines of credit with Central 1 totalling $1,500,000 Canadian funds (2025 - $1,500,000) and $80,000 in U.S. dollars (2025 - $80,000). These credit facilities are secured by a registered assignment of book debts and a general security agreement and is renewable annually. As of the date of these financial statements, the Credit Union has not utilized these facilities.

Member Loans

The Credit Union has the following commitments to its members at the year-end date on account of loans, unused lines of credit and letters of credit:

Unadvanced loans	$ -
Unused lines of credit	$ 8,205,749
Preapproved mortgages	$ -

BAY CREDIT UNION LIMITED
Schedule of Operating Expenses
Year Ended September 30, 2026

	2026	2025
ADMINISTRATION		
General administration fees	$ 38,885	$ 39,327
Interac charges	308,911	277,962
Interest and bank charges	416	576
Professional fees	85,616	68,313
Training	16,227	13,486
	$ 450,054	$ 399,664
ADVERTISING AND COMMUNICATIONS		
Advertising and promotion	$ 38,859	$ 27,588
Postage and courier	17,929	20,911
Telephone and fax	21,383	23,233
	$ 78,170	$ 71,732
COMPUTER AND EQUIPMENT		
Alarm monitoring expense	$ 8,551	$ 9,815
ATM amortization	5,155	10,370
Computer and equipment repairs	243,260	196,518
Computer amortization	2,280	530
Furniture and fixtures amortization	2,980	3,445
Software amortization	56,594	54,069
	$ 318,820	$ 274,747
MEMBER SECURITY		
Bonding insurance	$ 35,170	$ 34,037
Cyber monitoring	26,125	23,546
Deposit Insurance Corporation of Ontario premium	78,875	67,270
General insurance	19,698	19,254
	$ 159,868	$ 144,107
OCCUPANCY		
Building amortization	$ 18,117	$ 18,871
Parking lot amortization	1,275	1,387
Property taxes	27,100	26,493
Repairs and maintenance	44,959	52,456
Utilities	21,603	22,487
	$ 113,054	$ 121,694
OTHER		
Collection expense	$ 18,299	$ 6,887
Meetings and conventions	4,161	992
Office	71,337	73,635
	$ 93,797	$ 81,514
SALARIES AND BENEFITS		
Employee benefits	$ 234,972	$ 218,586
Honoraria	17,925	15,175
Salaries and wages	1,094,982	993,140
	$ 1,347,879	$ 1,226,901