

# BUILT ON TRUST. DESIGNED FOR GROWTH.



ANNUAL  
**REPORT** 2025

**Built on Trust. Designed for Growth.**

## About us...

League Savings and Mortgage Company (LSM) provides tailored financial solutions designed to meet the unique needs of our customers. Whether supporting a broker seeking reliable mortgage options, a borrower exploring financial solutions, or a credit union expanding its offerings, we bring expertise, flexibility, and a commitment to long-term success.

Our foundation is built on trust, respect, honesty, and innovation. Backed by a dedicated team of financial professionals, we ensure every solution aligns with our customers' personal and business goals.

As the financial landscape evolves, so do we. With nearly six decades of experience and a legacy of success, LSM remains a trusted partner—delivering competitive solutions and results that count.



## Message from the President and CEO

Over the past several years, League Savings and Mortgage Company (LSM) has focused on strengthening its foundation, guided by the understanding that trust is essential to building a resilient and sustainable financial institution. This work continued throughout 2025, reflecting disciplined execution and a clear focus on priorities.

Financial performance in 2025 exceeded expectations, driven by the strength of our core businesses and the benefits of investments made in recent years. These results confirm the progress achieved and the durability of the foundation we have built. Since 2018, LSM has doubled in size, while maintaining a strong emphasis on risk management, capital discipline, and operational capability. As a result, LSM is well prepared for its next phase of growth.

Expanding beyond Atlantic Canada remains a strategic priority. In 2025, national activity continued to increase, with approximately \$70 million in syndication commitments. Deposits sourced from outside Atlantic Canada now represent roughly a quarter of our corporate deposit portfolio, reflecting growing confidence in LSM and an increasingly national presence.

Modernization was another key focus during the year. LSM completed a core banking conversion, including the transition to the LoanStreet platform, strengthening our operating environment and supporting greater efficiency, resilience, and scalability. These investments are central to our ongoing commitment to stronger systems, processes, and controls.

The dedication and professionalism of our team were especially evident throughout a year marked by significant system change and ongoing regulatory demands. Residential lending activity remained resilient, a notable achievement that underscores the strength of our people and our organization.



Our loan syndication program continues to deliver meaningful value. Approximately 30% of overall syndication volume has been funded or supported by credit unions outside of Atlantic Canada while Atlantic credit unions continue to receive strong returns through the program.

Looking ahead, LSM is well-positioned for continued growth. With a strong foundation in place, the organization is operating with increased capability and confidence and remains focused on disciplined execution.

I would like to thank our employees for their exceptional work throughout 2025, as well as our Board of Directors for their guidance and continued support. Together, their efforts continue to shape LSM's future, and I am confident in the organization's ability to build momentum and expand its impact in the years ahead.

A handwritten signature in black ink, appearing to read 'Paul Masterson'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Paul Masterson  
President and CEO

## Chair's Message

League Savings and Mortgage Company (LSM) made meaningful progress this past year in supporting the strength and sustainability of the credit union system while continuing to expand and diversify its broader business and partnerships. Entering 2025 from a position of strength, the organization deliberately reinforced its foundation to support long-term, sustainable growth.

This was my first year serving as Chair, and that timing matters. New leadership at the Board level coincided with a broader organizational recognition that LSM is entering a more mature phase of its development. The work of 2025 focused on building the conditions required for the next phase of growth, and that work was intentional and disciplined.

A defining theme of 2025 was clarity of role and purpose. As the organization continues to evolve, LSM has strengthened its ability to operate with independence while maintaining strong, collaborative relationships within the credit union system. At the same time, LSM is increasingly positioned to support opportunities that expand our national footprint. This balance supports sound governance, clear accountability, and a prudent approach to long-term growth.

Significant effort was invested in further strengthening organizational design, refining procedures, and reinforcing governance and regulatory discipline. As a federally regulated financial institution, LSM operates with a high level of rigour, objectivity, and resilience. In 2025, the organization built on this strong foundation and reflecting growing confidence and readiness for a strong future.

Equally important was the depth of expertise brought into the organization. Over the past year, LSM strengthened its internal skillset in meaningful ways. LSM employees bring a high level of sophistication and expertise to their roles, managing complexity, risk, and opportunity with care and consistency.

With that evolution comes a responsibility to think differently about LSM's role and potential as a trusted partner within the credit union system and as a capable participant in broader financial markets. LSM remains an important contributor within the Atlantic Canadian financial landscape, while thoughtfully building the visibility, credibility, and capabilities required to grow beyond its traditional base. As LSM pursues new opportunities across Canada, it does so thoughtfully, anchored in strong risk management, regulatory discipline, and the values that have long defined the organization.



At the Board level, LSM continued to strengthen its governance framework through enhanced independence, deeper regulatory expertise, and a more objective approach to oversight. The inclusion of independent directors reflects a Board focused on institutional resilience, disciplined risk management, and decision-making that supports long-term value. These governance practices position LSM well for continued evolution within a complex and highly regulated financial environment, while remaining aligned with the values of the credit union system.

Looking back, 2025 will be remembered as a turning point, not because everything changed overnight, but because the organization chose to move forward with greater confidence and intention.

LSM is built on trust and is well-positioned for growth. The foundation has been strengthened. The talent is in place. The direction is clear, and the mindset is shifting. The next chapter is about realizing that potential fully and confidently.

A handwritten signature in black ink, appearing to read 'Corina Farbacher'.

Corina Farbacher  
Chair, Board of Directors  
Chief Governance and Risk Officer  
Affinity Credit Union

## Purpose

In the 1960s, credit union leaders recognized a challenge—there was no clear way for credit unions to provide mortgages to their members. Instead of waiting for a solution, they created one. In 1966, credit union leaders partnered with the Nova Scotia Credit Union League (now Atlantic Central) to establish League Savings and Mortgage (LSM) under a special act of the Parliament of Canada.

Two years later, in 1968, LSM opened its doors in a small office in Antigonish, Nova Scotia. What began as a mortgage provider with a clear mission has grown into a trusted financial partner, offering residential and commercial mortgages, investment solutions, and merchant services across Canada.

Today, LSM is headquartered in Halifax, Nova Scotia, and is a federally regulated company owned by Atlantic Central. Backed by the expertise of its 43 dedicated employees and six decades of experience, it offers the following products and services to members across Canada:

- Residential Mortgages
- Personal Investment Solutions
- Commercial Mortgages
- Credit Union Treasury Services
- Commercial Syndication

## Year in Review

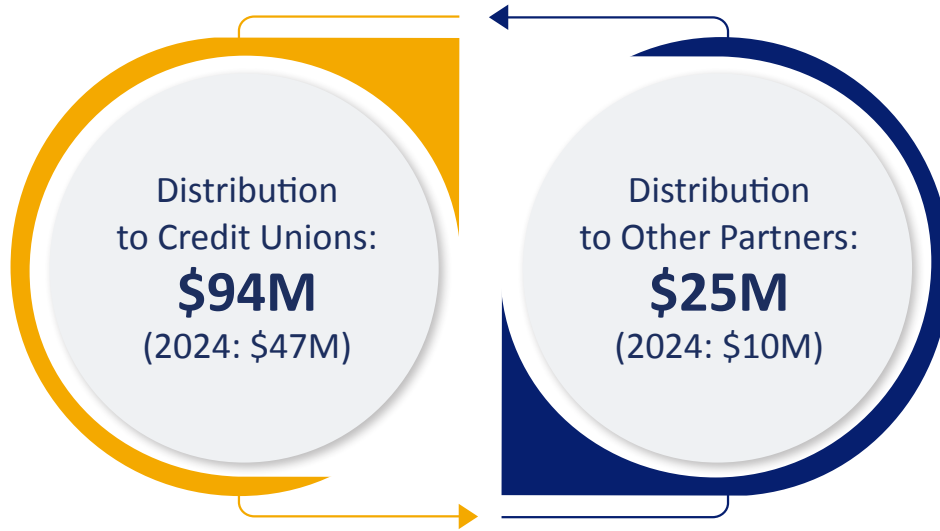
*“LSM is built on trust and is well-positioned for growth. The foundation has been strengthened. The talent is in place. The direction is clear, and the mindset is shifting. The next chapter is about realizing that potential fully and confidently.”*

~ Corina Farbacher, Chair, Board of Directors



## Year in Review

### Syndication Portfolio



### Securitization



## Highlights

The year 2025 marked a defining turning point for League Savings and Mortgage. Surpassing \$994.9 million in assets — a balance sheet that has doubled over the past seven years — and achieving operating income above budget at \$6.3 million, LSM delivered strong financial performance while maintaining disciplined execution. The organization achieved a corporate scorecard of 100%, reflecting consistent performance across strategic, financial, operational, and governance priorities.

LSM completed important foundational work to ensure the organization’s future growth and sustainability. Thanks to its talented people and strong governance, LSM achieved national growth while continuing to have a significant impact in the Atlantic region. Looking to 2026, LSM is well-positioned for a larger and more significant role in the Canadian financial landscape.

In 2025, LSM:

- Ended the year with operating Income above budget at \$6.3M.

- Increased its national activity, with approximately \$70 million in syndication commitments. Deposits sourced from outside Atlantic Canada now represent roughly a quarter of our corporate deposit portfolio.
- Strengthened its organizational design, procedures, and oversight including the establishment of a core team to guide future growth opportunities.
- Accomplished important work to strengthen risk management practices.
- Established greater clarity of role, purpose and accountability.
- Completed a core banking conversion, including the transition to the LoanStreet platform, strengthening our operating environment and supporting greater efficiency, resilience, and scalability.
- Recognized the value of employees with a new base compensation program to be implemented in 2026.
- Continued to strengthen its governance framework at the Board level through enhanced independence, deeper regulatory expertise, and a more objective approach to oversight.

## Supporting Vibrant Communities and Innovative Housing Solutions

At LSM our work reaches beyond financing buildings; it’s about fostering the communities within them. From new student residences in St. John’s, Newfoundland, and Wolfville, Nova Scotia, to the launch of new tools that help you secure your own future home, LSM supports every stage of the housing journey.

Here are a few recent highlights from 2025 of how we’re investing in Atlantic Canadian people and communities.

### **New Student-focused Housing**

Strong, vibrant communities depend on access to safe, affordable housing — especially in university towns where students and local residents compete for limited rental supply. By financing purpose-built, student-focused housing, LSM helps strengthen local economies, ease pressure on community rental markets, and supports the long-term sustainability of the regions we serve.

Wester-Land, a modern off-campus student housing community in St. John’s, Newfoundland, opened its doors to students in the fall of 2025 with fully furnished accommodations for 677 students. Developed by the WERKLIV Group, the housing community near Memorial University is made possible through financing provided by LSM.



Built by Greener Project Development Inc., student housing developments in Wolfville, Nova Scotia, not only address the need for student accommodations but also help free up a significant amount of rental stock for the local community. New off-campus rentals near Acadia University opened in 2025, financed by LSM, and offer spacious, modern, and energy-efficient housing for students.

Built on Trust. Designed for Growth.

## Management Team



Left to Right:

**Brenda Roberts-Harmon** (VP, General Counsel & Chief Risk Officer), **Paul Masterson** (President & CEO), **Andrew Morash** (VP, Operations & General Manager LSM), **Don Noyes** (VP, Finance & Chief Financial Officer), **Paul Paruch** (VP, Payments & Credit Union Services).

## Corporate Governance

Sound governance and ethical conduct start with our Board of Directors (“Board”), which is accountable to our shareholder, League Savings and Mortgage’s (“LSM”) parent Atlantic Central, and responsible for the stewardship of LSM. The Board of Directors oversees the management of LSM’s business with an objective of enhancing stakeholder value for credit unions. Among its key responsibilities, the Board approves strategic goals and business plans, sets policies that guide LSM’s operations, offers advice and oversight to the President and CEO, monitors LSM’s ethical, legal, and social conduct, oversees risk management, and reviews LSM’s financial performance. The Board ensures that the structures and procedures required to maintain its independence from Management are firmly in place.

### Board Composition

The Board of Directors of LSM consists of 11 to 14 Directors as follows:

- I. One Director nominated by Atlantic Central Class LSM shareholders in New Brunswick (NB);
- II. One Director nominated by Atlantic Central Class LSM shareholders in Newfoundland and Labrador (NL);
- III. One Director nominated by Atlantic Central Class LSM shareholders in Nova Scotia (NS);
- IV. One Director nominated by Atlantic Central Class LSM shareholders in Prince Edward Island (PEI);
- V. One Director nominated by all Atlantic Central Class LSM shareholders;
- VI. Up to three Directors appointed by the LSM Board to fill the need for identified competencies; and
- VII. Six Directors appointed by the sole Common Shareholder, Atlantic Central (Central).

As noted above, the Board appoints a director to fill the need for identified competencies. In March 2021, the Board appointed Corina Farbacher to fill this role for a three-year term. She was re-appointed in 2024 for her second term. In 2025 Robert Hague was appointed to the Board for a three-year term.

The following individuals currently serve on the Board of Directors:

#### LSM Chair Board Appointed

**Corina Farbacher, Chief Governance and Risk Officer/Corporate Secretary  
Affinity Credit Union**  
Board Attendance 17/17  
(Meetings, Training, Planning)  
Term Expires: April 2027  
\*Table Officer



#### LSM Vice-Chair (At-Large) East Coast Credit Union

**Sally van de Wiel, Senior VP  
Member Exp & Strategy  
East Coast Credit Union**  
Board Attendance 16/17  
(Meetings, Training, Planning)  
Term Expires: April 2027  
\*Table Officer



#### Central Appointed

**Stephen Blackwood  
Director  
Atlantic Edge Credit Union**  
Board Attendance 17/17  
(Meetings, Training, Planning)  
Term Expires: April 2027



#### Central Appointed

**Danielle Boudreau  
Director  
Coastal Financial Credit Union**  
Board Attendance 17/17  
(Meetings, Training, Planning)  
Term Expires: April 2026



# Corporate Governance

## PE Regional Group Morell Credit Union

**Sherri Clark**  
CEO  
Morell Credit Union  
Board Attendance 17/17  
(Meetings, Training, Planning)  
Term Expires: April 2026



## Central Appointed

**Doug Dewling**  
Director (Chair)  
Public Service Credit Union  
Board Attendance 17/17  
(Meetings, Training, Planning)  
Term Expires: April 2027



## Central Appointed

**Stephen Fitzpatrick**  
Retired National CU System CEO  
Board Attendance 8/13  
(Meetings, Training, Planning)  
Term Expires: April 2028



## Central Appointed

**Martin Gillis**  
Valley Credit Union  
Board Attendance 16/17  
(Meetings, Training, Planning)  
Term Expires: April 2026



## Board Appointed

**Robert Hague**  
Retired National CU System CEO  
Board Attendance 13/13  
(Meetings, Training, Planning)  
Term Expires: April 2028



## NB Regional Group Brunswick Credit Union

**William Marr**  
Accountant  
Board Attendance 16/17  
(Meetings, Training, Planning)  
Term Expires: April 2026



# Corporate Governance

## NL Regional Group Atlantic Edge Credit Union

**Gary O'Brien**  
**Director**  
**Atlantic Edge Credit Union**  
Board Attendance 12/13  
(Meetings, Training, Planning)  
Term Expires: April 2028



## Central Appointed

**Mary Oxner**  
**Director**  
**East Coast Credit Union**  
Board Attendance 13/13  
(Meetings, Training, Planning)  
Term Expires: April 2028



## NS Regional Group Sydney Credit Union

**Carol Ripley**  
**Retired CEO**  
**Sydney Credit Union**  
Board Attendance 17/17  
(Meetings, Training, Planning)  
Term Expires: April 2028



## Corporate Governance

The Board and each committee meet at least once each fiscal quarter, and the Board holds an annual strategic planning session. The Board also convenes at other times when issues requiring its approval or attention arise and it is not feasible or advisable to wait for the next regularly scheduled meeting. In 2025, the Board met twelve times.

### Committees of the Board

The Board has established the following standing committees: Audit; Risk; Conduct Review; Co-operative Social Responsibility; Executive, Human Resource and Compensation; and Governance.

### MEETING ATTENDANCE

[Chair]	<b>Corina Farbacher</b>	<b>3/3</b>
[Vice-Chair]	<b>Sally van de Wiel</b>	<b>3/4</b>
	<b>Stephen Blackwood</b>	<b>3/3</b>
	<b>Sherrri Clark</b>	<b>4/4</b>
	<b>Carol Ripley</b>	<b>3/3</b>

[Chair]	<b>Carol Ripley</b>	<b>6/6</b>
	<b>Doug Dewling</b>	<b>6/6</b>
	<b>Stephen Fitzpatrick</b>	<b>4/4</b>
	<b>William Marr</b>	<b>3/6</b>
	<b>Mary Oxner</b>	<b>3/4</b>

[Chair]	<b>Stephen Fitzpatrick</b>	<b>3/3</b>
	<b>Robert Hague</b>	<b>3/3</b>
	<b>Gary O'Brien</b>	<b>2/3</b>
	<b>Mary Oxner</b>	<b>2/3</b>
	<b>Carol Ripley</b>	<b>4/4</b>

### COMMITTEES

#### Executive, Human Resource and Compensation Committee:

The Committee is comprised of five members: the Board Chair, the Vice-Chair and three at-large members elected by the Board. This Committee addresses matters that arise between scheduled Board meetings requiring immediate attention, and it also serves as LSM's Human Resource Committee. In this role, The Committee provides recommendations to the Board regarding the President and CEO's compensation and performance evaluation and oversees LSM's overall people strategy. The Committee is also responsible for approving credit applications that are above management lending limits.

#### Audit:

The Committee consists of at least four Directors, none of whom is an employee or officer of LSM or Central. The Audit Committee is responsible for ensuring that Management has designed and implemented an effective system of financial management and internal controls. It reviews and reports on the audited financial statements and ensures compliance with applicable regulatory and statutory requirements. The Audit Committee meets regularly with internal and external auditors.

#### Risk and Conduct Review Committees:

The Committees consists of at least four Directors, none of whom is an employee or officer of LSM or Central. The Risk Committee ensures that Management has developed and maintains a robust Enterprise Risk Management Framework to support the evaluation of business strategies and the effective allocation of human resources, capital, and other resources. The Conduct Review Committee ensures that LSM has established and adheres to ethical standards and sound business practices in areas such as conflict-of-interest management and related party transactions.

# Corporate Governance

## MEETING ATTENDANCE

[Chair]	<b>Sally van de Wiel</b>	<b>4/4</b>
	<b>Stephen Blackwood</b>	<b>4/4</b>
	<b>Sherri Clark</b>	<b>4/4</b>

## COMMITTEES

### Co-operative Social Responsibility Committee:

The joint Central and LSM Co-operative Social Responsibility (“CSR”) Committee is comprised of at least one Director from each of Central and LSM, and, where possible, representatives from each Atlantic province. The CSR Committee develops and supports clear, purposeful policy statements for Board consideration that reflect our commitment to social well-being and sustainability. The Committee recommends priorities for charitable giving and for awards and recognition programs, and provides related oversight of these priorities and initiatives. In addition, the Committee ensures that sustainability and environmental impacts are considered in the management of our premises and operations. The CSR Committee disbanded in the fall of 2025 and its responsibilities for CSR transferred to the remaining committees.

[Chair]	<b>Sally van de Wiel</b>	<b>4/4</b>
	<b>Danielle Boudreau</b>	<b>4/4</b>
	<b>Sherri Clark</b>	<b>3/3</b>
	<b>Corina Farbacher</b>	<b>0/3</b>
	<b>Martin Gillis</b>	<b>4/4</b>
	<b>Robert Hague</b>	<b>3/3</b>

### Governance Committee:

The Committee is comprised of at least four Directors and is responsible for reviewing and recommending updates to LSM’s governance structure ensuring an effective governance framework is in place, including a schedule for regular policy review and compliance. This Committee also ensures that Board decisions and positions are reflected accurately in documented policies. Policies developed by the Committee are forwarded to the Board for its consideration and approval. In addition, the Committee oversees the procedures for nominating Directors to the LSM Board. The Committee is responsible for overseeing the Director evaluation process, Board competencies, and the ongoing training and development of Board members.

### Attendance at Board and Committee Meetings

The Board of Directors recognizes the importance of each individual Director’s participation at Board and committee meetings. Every Director is expected to attend all Board and committee meetings unless adequate cause is given for missing a meeting.

### Mandate of the Board of Directors

While the Board’s core responsibility is to oversee the management of LSM’s business, any responsibility not expressly delegated to the President and CEO remains with the Board. The Board oversees LSM’s strategic direction to ensure it supports the organization, Central’s member credit unions, employees, and communities of New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. The Board provides overall stewardship of LSM’s purpose and values, its long-term objectives, and the approval of corporate strategies. Specifically, the Board is responsible for:

- the evaluation of the President and CEO;
- establishing and approving Board policies;
- overseeing LSM’s internal control framework;
- developing and approving LSM’s strategic goals and business plans;
- providing advice to the President and CEO;
- evaluating the Board’s own performance and overseeing the organization’s ethical, legal, and social conduct; and
- reviewing the organization’s financial performance and condition.

## **Corporate Governance**

### **Board Evaluations**

As part of its commitment to continuous improvement, the Board conducts an annual self-evaluation. This assessment reviews the Board's effectiveness across key governance areas including: LSM's purpose and vision; strategic leadership; financial performance; internal controls and oversight (covering financial, risk, and human resources oversight); co-operative social responsibility; compliance and accountability; stakeholder engagement; Board operations; Board-Management relations; and learning and development. The results of the evaluation inform the Board's training and development priorities for the year ahead. In 2023, the Board introduced an independent evaluator component to the self-evaluation process and in 2024, it implemented an independent exit interview process for retiring Directors.

### **Evolving Governance Practices**

At LSM, we recognize that our governance practices must continually evolve to keep pace with changes in our organization, the credit union system, stakeholder expectations and regulatory requirements. This ensures that LSM and its stakeholders continue to benefit from strong and effective governance practices. The Board and Management actively monitor developments in corporate governance and remain committed to ongoing training and development to ensure LSM continues to demonstrate leadership in governance across the credit union system. In recent years, LSM has strengthened its focus on diversity and inclusion. In 2023, the Board engaged an external consultant to conduct an independent governance review, and the Board is now finalizing the implementation of the recommendations. In 2024, the LSM By-laws were updated to allow for the appointment of up to three independent directors (from one) to bring specific skills and competencies to the Board. Recruitment for a second independent Director began in December 2024, and Robert Hague was appointed to the Board of Directors in March 2025.

# **League Savings and Mortgage Company**

Financial Statements

**December 31, 2025**

(expressed in Canadian dollars)

## **Management's Responsibility for the Financial Statements**

Management has the responsibility of preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

In discharging its responsibility for the integrity and fairness of the financial statements, Management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records maintained. The Board has appointed an Audit Committee which reviews the annual financial statements with Management and auditors before final approval by the Board.

The federal regulator of financial institutions conducts examinations and makes such enquiries into the affairs of League Savings and Mortgage Company (League Savings or the Company) as they deem necessary to ensure the safety of depositors and to ensure that the Company is in sound financial condition. Their findings are reported directly to Management.

PricewaterhouseCoopers LLP, the independent auditors, have examined the financial statements of League Savings in accordance with Canadian generally accepted auditing standards and have expressed their opinion in the following report to the shareholder.



Paul Masterson, CPA, CA  
President and CEO



Donald M. Noyes, CPA, CA  
Vice President Finance and CFO



## Independent auditor's report

To the Shareholder of League Savings and Mortgage Company

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### Our opinion

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

### What we have audited

The Company's financial statements comprise:

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

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### 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.

PricewaterhouseCoopers LLP  
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Halifax, Nova Scotia, Canada B3J 3K1  
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Fax to mail: ca\_halifax\_main\_fax@pwc.com

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

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

### **Independence**

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

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## **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, 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 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.

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## **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 these 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 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 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 Company 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.

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

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Halifax, Nova Scotia

March 16, 2026

# League Savings and Mortgage Company

## Balance Sheet

As at December 31, 2025

	Note	2025 \$	2024 \$
<b>Assets</b>			
Cash and balances with financial institutions		4,136,256	23,661,790
Restricted cash		2,330,799	1,370,998
Investments	6	71,637,968	58,903,591
Loans and mortgages	7	835,725,394	852,574,079
Accrued interest		3,378,872	3,437,455
Deferred tax assets	14	576,439	842,356
Securitization assets	8	64,836,063	78,748,597
Other assets	19	12,248,280	9,248,518
		<u>994,870,071</u>	<u>1,028,787,384</u>
<b>Liabilities</b>			
Deposits	9	681,263,380	689,683,818
Accrued interest		15,752,695	15,930,916
Accounts payable and accrued liabilities	19	13,525,608	9,417,587
Servicing liabilities		18,430,003	23,864,464
Capital tax payable		66,857	235,368
Income tax payable		820,155	217,621
Securitization liabilities	8	183,286,643	210,495,645
		<u>913,145,341</u>	<u>949,845,419</u>
<b>Shareholder's equity</b>			
Capital stock	10	41,857,854	41,857,854
Contributed surplus		1,785,887	1,785,887
Retained earnings		38,320,419	35,506,126
Accumulated other comprehensive loss		(239,430)	(207,902)
		<u>81,724,730</u>	<u>78,941,965</u>
		<u>994,870,071</u>	<u>1,028,787,384</u>
<b>Commitments and contractual obligations</b>	13		

### Approved on Behalf of the Board



Paul Masterson, CPA, CA  
President and CEO



Corina Farbacher  
Chair



Carol Ripley  
Director

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

# League Savings and Mortgage Company

## Statement of Income

For the year ended December 31, 2025

	Note	2025 \$	2024 \$
<b>Financial income</b>			
Investment income		2,741,886	2,066,445
Interest on loans and mortgages		48,460,435	42,807,400
		<u>51,202,321</u>	<u>44,873,845</u>
<b>Financial expense</b>			
		<u>35,362,153</u>	<u>34,782,683</u>
Gross financial margin		15,840,168	10,091,162
Provision for credit losses		2,520,568	2,488,984
		<u>13,319,600</u>	<u>7,602,178</u>
Net financial margin		13,319,600	7,602,178
Securitization gains	8	2,397,090	2,915,231
Non-interest income (expense)	18	163,856	(1,617,419)
		<u>15,880,546</u>	<u>8,899,990</u>
<b>Operating expenses</b>			
Salaries and benefits		4,322,335	-
Management fees	12	1,552,625	4,632,100
Office		1,408,498	228,230
Democracy		309,595	256,619
Professional fees		996,618	677,728
Other		1,025,426	814,427
		<u>9,615,097</u>	<u>6,609,104</u>
<b>Operating income</b>			
		6,265,449	2,290,886
Capital tax	14	2,197,040	2,111,326
Income taxes	14	1,254,116	38,254
		<u>2,814,293</u>	<u>141,306</u>

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

# League Savings and Mortgage Company

## Statement of Comprehensive Income

For the year ended December 31, 2025

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	Note	2025 \$	2024 \$
<b>Net income for the year</b>		<u>2,814,293</u>	<u>141,306</u>
<b>Other comprehensive income (OCI)</b>			
<b>Items that will be reclassified subsequently to income</b>			
Net change in unrealized (losses) gains on investments at fair value through OCI			
Net unrealized (losses) gains on mark-to-market investments		(44,405)	1,070,158
Income tax expense	14		
On unrealized gains (losses) on mark-to-market investments		<u>12,877</u>	<u>(331,747)</u>
<b>Other comprehensive (loss) income</b>		<u>(31,528)</u>	<u>738,411</u>
<b>Comprehensive income</b>		<u><u>2,782,765</u></u>	<u><u>879,717</u></u>

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

# League Savings and Mortgage Company

Statement of Changes in Shareholder's Equity

For the year ended December 31, 2025

	Common shares \$	Contributed surplus \$	Retained earnings \$	Accumulated other comprehensive loss \$	Total equity \$
<b>Year ended December 31, 2025</b>					
<b>Balance – Beginning of year</b>	41,857,854	1,785,887	35,506,126	(207,902)	78,941,965
Net income for the year	-	-	2,814,293	-	2,814,293
Other comprehensive loss, net of tax	-	-	-	(31,528)	(31,528)
Comprehensive income (loss)	-	-	2,814,293	(31,528)	2,782,765
<b>Balance – End of year</b>	<u>41,857,854</u>	<u>1,785,887</u>	<u>38,320,419</u>	<u>(239,430)</u>	<u>81,724,730</u>
<b>Year ended December 31, 2024</b>					
<b>Balance – Beginning of year</b>	37,857,854	1,785,887	35,364,821	(946,313)	74,062,249
Net income for the year	-	-	141,306	-	141,306
Other comprehensive income, net of tax	-	-	-	738,411	738,411
Comprehensive income	-	-	141,306	738,411	879,717
Stock issued	4,000,000	-	-	-	4,000,000
<b>Balance – End of year</b>	<u>41,857,854</u>	<u>1,785,887</u>	<u>35,506,126</u>	<u>(207,902)</u>	<u>78,941,965</u>

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

# League Savings and Mortgage Company

## Statement of Cash Flows

For the year ended December 31, 2025

	2025 \$	2024 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income for the year	2,814,293	141,306
Charges (credits) to income not involving cash		
Loans and mortgages, net	16,848,685	(148,168,032)
Deposits, net	(8,420,438)	157,104,150
(Gain) loss on revaluation of interest rate swaps	(254,541)	60,248
Securitization liabilities, net	(27,209,002)	(8,473,742)
Interest receivable/payable, net	(119,637)	3,639,295
Income taxes receivable/payable, net	434,023	459,908
Deferred tax assets, net	265,916	(80,785)
Securitization assets, net	13,912,534	22,523,761
Other items, net	(4,670,510)	8,782,216
	<u>(6,398,677)</u>	<u>35,988,325</u>
<b>Financing activities</b>		
Proceeds from issuance of capital	-	4,000,000
<b>Investing activities</b>		
Purchase of investments	(145,151,904)	(35,146,697)
Proceeds on disposal of investments	132,984,848	14,549,441
	<u>(12,167,056)</u>	<u>(20,597,256)</u>
<b>Change in cash and cash equivalents during the year</b>	(18,565,733)	19,391,069
<b>Cash and cash equivalents – Beginning of year</b>	25,032,788	5,641,719
<b>Cash and cash equivalents – End of year</b>	<u>6,467,055</u>	<u>25,032,788</u>
<b>Cash and cash equivalents include</b>		
Cash and balances with financial institutions	4,136,256	23,661,790
Restricted cash	2,330,799	1,370,998
	<u>6,467,055</u>	<u>25,032,788</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest received	49,676,092	43,544,793
Dividends received	21,638	10,763
Interest paid	33,224,510	29,764,850
Income taxes paid, net of refunds	2,738,340	233,164

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

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

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### 1 Reporting entity

League Savings and Mortgage Company (the Company) is incorporated in Canada under the Trust and Loan Companies Act (Canada). The Company is a member of the Canada Deposit Insurance Corporation and is regulated by the Office of the Superintendent of Financial Institutions (OSFI). Its head office is located at 6074 Lady Hammond Road in Halifax, Nova Scotia. The Company provides financial services to credit unions, their members and others.

The financial statements were authorized for issue by the Board of Directors on March 12, 2026.

### 2 Basis of presentation

The financial statements are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). The material accounting policies applied in the preparation of the financial statements are set out in note 4.

The Company presents its balance sheet on a non-classified basis. The following balances are generally classified as current: cash and cash equivalents, fixed income investments and loans and mortgages maturing within one year, other assets maturing within one year, borrowings, demand deposits, term deposits and mortgage-backed securities maturing within one year and accounts payable and accrued liabilities.

### 3 Changes in accounting standards

#### Adoption of new accounting standards

There were no changes in accounting policies during the year that had a significant impact on the Company.

#### Future changes in accounting policies

##### Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments, which amends IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures (the Amendments). The amendments clarify the recognition and derecognition of financial instruments and introduce an accounting policy option for financial liabilities settled through electronic payment systems. The Amendments also update the disclosure requirements for equity instruments designated at fair value through other comprehensive income (FVOCI) and clarify classification guidance for financial assets with contingent features not directly related to changes in basic lending risks and introduce additional related disclosure requirements for financial instruments with such contingent features. The Amendments will be effective for reporting periods beginning on or after January 1, 2026. The Company is currently evaluating the new standard for any potential impact on the financial statements.

##### IFRS 18, Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18, which sets out requirements for the presentation and disclosure of information in the financial statements. IFRS 18 will replace IAS 1, Presentation of Financial Statements. IFRS 18's focus is on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation that apply to the primary financial statements and notes in general.

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

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IFRS 18 will apply for reporting periods beginning on or after January 1, 2027, and also applies to comparative information. The Company is currently evaluating the new standard for any potential impact on the financial statements.

### 4 Material accounting policies

#### Financial instruments

##### *Recognition and initial measurement*

Financial assets and liabilities are recognized on a trade date basis, which is the date on which the Company becomes party to the contractual provision of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognized in net income (loss) when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the difference is deferred and the timing of recognition of deferred day-one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instruments' fair value can be determined using market observable inputs or realized through settlement. After initial recognition, the Company classifies financial assets and liabilities in the following measurement categories:

- fair value through profit and loss (FVTPL);
- fair value through other comprehensive income (FVOCI); or
- amortized cost.

#### Fair value through profit or loss

Financial assets and liabilities in this category are either irrevocably designated by management upon initial recognition or mandatorily required to be measured at fair value under IFRS 9, Financial Instruments. Management designates an instrument at FVTPL only upon initial recognition, on an instrument-by-instrument basis, when the designation eliminates or significantly reduces the inconsistent treatment that would result from measuring the assets or recognizing gains or losses differently.

Financial assets and liabilities at FVTPL are recorded in the balance sheet at fair value. Changes in fair value are recorded to non-interest income in the statement of comprehensive income. Realized and unrealized gains on financial assets at FVTPL include interest income from those assets. Dividend income from equity instruments measured at FVTPL is recorded to non-interest income in the statement of comprehensive income, when the right to the payment has been established.

#### Fair value through other comprehensive income

Debt instruments that are held within a business model whose objective is to both collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest (SPPI), are subsequently measured at FVOCI.

These financial assets are subsequently measured at fair value, with gains and losses arising due to changes in fair value recognized in OCI. Interest income is included in the statement of income under interest income

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

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### **Amortized cost**

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any loan loss allowance) or to the amortized cost of a financial liability. The calculation does not consider ECLs and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in net income (loss).

### **Financial assets**

Financial assets include cash and balances with financial institutions, restricted cash, investments, loans and mortgages, securitization assets and certain other assets.

#### *Debt instruments*

Debt instruments are instruments that meet the definition of a financial liability from the issuer's perspective, such as investments and loans. The classification and subsequent measurement of debt instruments depend on the business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- **FVOCI:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for interest revenue, ECL and reversals and foreign exchange gains and losses, which are recognized in income or loss. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to income or loss. Interest income from these financial assets is included in interest on investments using the effective interest rate method.
- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated as FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any ECL recognized.
- **FVTPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. Financial assets held for trading purposes (business model is neither collect contractual cash flows nor collect cash from sale of assets) are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL and is not part of a hedging relationship is included in investment income, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately. Realized and unrealized gains on financial assets at FVTPL includes interest income from those assets. Certain residential mortgages are classified as FVTPL where they are originated for the purpose of subsequent securitization that will meet the financial asset derecognition criteria.

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

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Debt instrument classification is based on the contractual cash flow characteristics of the financial assets and the business model under which the financial assets are managed.

### *Business model*

The business model reflects how the Company manages its financial assets in order to generate cash flows. For instance, the Company's objective is to collect contractual cash flows from the assets, collect cash flows from the sale of the assets or both. The Company's business model is not assessed on an asset-by-asset bases but rather at the aggregate portfolio level. The Company considers the following in the determination of the applicable business model for financial assets:

- the business purpose of the portfolio, such as a focus on earning contractual interest income or a focus on matching the duration of the liabilities that are funding the assets;
- the risks that are being managed and the type of activities that are carried out on a day-to-day basis to manage the risks;
- the basis on which performance of the portfolio is being evaluated; and
- the frequency and significance of sales activity in prior periods and expectations about future sales activity.

The Company has established specific criteria for financial assets that are originated or acquired for the purpose of securitization in a subsequent period. If, at origination or acquisition, based on this established criterion, the financial asset is expected to be securitized as part of a portfolio that qualifies for derecognition, the business objective of holding the financial asset to collect contractual cash flows is not met. Such financial assets are measured at FVTPL. If the portfolio does not qualify for derecognition, the Company has elected to determine the business model based on the accounting result of the securitization. As such, the held-to-collect business model is considered to be met.

### *SPPI*

Where the business model is to hold to collect contractual cash flows, or to collect contractual cash flows and sell, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

### **Equity instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. The Company has elected at initial recognition to irrevocably designate all equity instruments as FVOCI.

Gains and losses on these equity instruments are never reclassified to income or loss and no impairment is recognized in income or loss. Dividends, when representing a return on such an investment, are recognized in investment income when the Company's right to receive payment is established.

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

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### ***Impairment***

The Company assesses on a forward-looking basis ECL associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognized a loss allowance for such losses at each reporting date. The measurement of ECL reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Certain instruments carried at FVOCI are assumed to have not experienced a significant increase in credit risk since initial recognition if the instruments are determined to have low credit risk at the reporting date. When instruments carried at FVOCI are considered to have low credit risk, the loss allowance is measured at 12-month ECL. The credit risk of instruments are considered to be low if they have a low risk of default, the issuer has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. Management has assessed, as at December 31, 2025 and December 31, 2024, respectively, that investments in government debt instruments and investments in financial institutions that have been designated as a domestic systemically important bank (D-SIB) or a global systemically important bank (G-SIB) met the aforementioned criteria.

Note 5 provides more detail on how the ECL is measured.

### ***Modifications of loans***

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans. When this happens, the Company assesses whether the new terms are substantially different than the original terms. The Company does this by considering, among others, the following factors:

- if the borrower is in financial difficulty, where the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate;
- change in the currency the loan is denominated in; and
- insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Company derecognizes the original financial asset, recognizes a new asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed upon payments. Differences in the carrying amount are also recognized in net income (loss) as a gain or loss on derecognition.

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

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

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### ***Derecognition other than on a modification***

A financial asset is derecognized when the contractual rights to the cash flows from the asset have expired, or the Company transfers the contractual rights to receive the cash flows from the asset or has assumed an obligation to pay those cash flows to a third-party and the Company has transferred substantially all of the risks and rewards of ownership of that asset to a third-party. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets, but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

These transactions are accounted for as pass through transfers that result in derecognition if the Company:

- has no obligation to make payments unless it collects equivalent amounts from the assets;
- is prohibited from selling or pledging the assets; and
- has an obligation to remit any cash it collects from the assets without material delay.

The Company may transfer an asset that is part of a larger financial asset, for example, the transfer of principal and interest on a mortgage, with retention of an interest strip on the mortgage. When the transferred asset qualifies for derecognition, the Company allocates the previous carrying amount of the larger financial asset between the interest strip that continues to be recognized and the part that is derecognized, with a gain recognized on the derecognized part compared to the consideration. If the Company has an ongoing obligation for servicing of the transferred part, a servicing asset or servicing liability is recognized respectively in remuneration for servicing exceeds the market rate for servicing or if there is no explicit remuneration for servicing in the transfer agreements.

The retained interest asset is measured at present value and is amortized over the estimated remaining term of the related cash flows. Changes in estimated future cash flows are re-estimated at each balance sheet date and discounted to the estimated present value using the original effective interest rate, with any adjustments to the carrying amount recognized immediately in the statement of income.

### ***Financial liabilities***

Other financial liabilities, including borrowings and deposits, are initially recognized at fair value and subsequently measured at either amortized cost or FVTPL.

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and balances held with financial institutions and restricted cash.

Restricted cash includes cash balances segregated and held with financial institutions for unscheduled prepayment cash reserve, a requirement of participation in the NHA MBS program.

### **Deposits**

Deposits are measured at fair value on recognition, net of transaction costs directly attributable to issuance. Subsequent measurement is at amortized cost using the effective interest method.

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

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### **Securitization liabilities**

The Company securitizes insured residential mortgages through the creation of MBS under the National Housing Act Mortgage-Backed Securities (NHA MBS) program sponsored by Canada Mortgage and Housing Corporation (CMHC). All loans securitized under the NHA MBS program are required to be insured by CMHC or a third-party insurer. The NHA MBS program utilizes a Central Payor and Transfer Agent (CPTA).

The MBS created under the program are sold to third-party investors (Market MBS) or are sold to Canada Housing Trust (CHT), a CMHC-sponsored structured entity, under the Canada Mortgage Bond (CMB) program.

In a Market MBS, the CPTA registers the NHA MBS and issues NHA MBS certificates to investors, and CMHC provides a guarantee of the timely payment of amounts due to the investors. The MBS are backed by the residential mortgages and amortize in step with the mortgages underlying the security.

In the CMB program, the CHT aggregates NHA MBS from multiple issuers, financing the purchase of the NHA MBS through the issuance of securities to third-party investors.

The Company uses these securitization programs to diversify its funding sources.

Certain transfers of financial assets under the CMB program qualify for derecognition because the Company has contracted with another financial institution to assume the principal reinvestment risk of the transferred asset and any residual prepayment risk. Reinvestment risk of the transferred asset arises from the monthly principal payments of the underlying securities being reinvested at a rate sufficient for the repayment of principal at maturity under the CMB program. The CMB program requires the provision of replacement MBS securities to offset the declining balance of the underlying mortgages through principal payments. The CMB program also requires an interest rate swap agreement under which a swap counterparty pays the CHT the interest due to investors and receives the interest on the NHA MBS securities. For a fee, the Company has contracted with a third-party financial institution to take on the requirements to provide the replacement NHA MBS securities and to act as the swap counterparty.

The sale of mortgages through the NHA MBS program does not meet the requirements for derecognition if the Company has not transferred substantially all the risks and rewards of ownership of the underlying mortgages. This occurs when it retains the prepayment, credit and interest rate risk associated with the mortgages. For sales of MBS that do not qualify for derecognition, the Company continues to recognize the underlying mortgages akin to pledged assets and the cash proceeds from securitization are recognized akin to secured liabilities as the mortgages are being pledged against the cash borrowed. Accordingly, these transactions are accounted for as operating activities and result in the recognition of securitization liabilities at an amount equivalent to the securitization proceeds, inclusive of any premiums or discounts and net of eligible transaction costs. The securitization liabilities are subsequently measured at amortized cost using the effective interest method. The securitized mortgages are separately categorized and are collateral for the securitization liabilities.

### **Securitization retained interests and servicing liabilities**

In certain cases, the Company has purchased pools of mortgages for subsequent sale into the CMB program where the Company's exposure to risks and rewards from the securitized assets is quite limited. In these transactions, the Company retains the rights to the future excess interest spread and the liability associated with servicing the assets sold, with very little exposure to variable cash flows.

The Company accounts for its retained interests and servicing liabilities on the balance sheet, in securitization assets and accounts payable and accrued liabilities, respectively. During the life of the securitization, as cash is received, the retained interest and the servicing liability are amortized and recognized in the statement of income (loss) under interest on loans and mortgages and non-interest income (securitization expenses), respectively.

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

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### *Gains or losses on securitization*

When these assets are derecognized, the gains or losses on the transactions are recorded in securitization gains and are dependent in part on the previous carrying amount of the financial assets involved in the transfer. The proceeds of the sale are allocated between the assets sold and the retained interests, based on their relative fair value at the date of transfer and net of transaction costs.

### **Leases**

The Company classifies a contract, or component of a contract, as a lease if it conveys a right to control the use of an identifiable asset for a period in exchange for consideration.

At inception, the Company classifies a lease that transfers substantially all the risks and rewards incidental to ownership of the underlying asset as a finance lease. All other leases are classified as operating leases. When assets are held subject to a finance lease, the Company recognizes a finance lease receivable in the balance sheet representing its net investment in the lease. Interest income is recognized over the term of the lease using the implicit interest rate, which reflects a constant rate of return. For operating leases, the Company recognizes lease payments received as income on a straight-line basis over the term of the lease.

### **Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can readily be measured. The principal sources of revenue are interest and fee income.

Fee income, including account servicing fees, loan fees, discharge fees and administration fees are recognized as the services are provided.

### *Interest income*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or Stage 3), for which interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the ECL provision). Expenses incurred directly in the origination of loans and mortgages are deferred and recognized in the statement of income as a reduction to income (loss) over the expected life of the relevant loans and mortgages.

### **Income taxes**

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

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 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 that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss.

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

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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 allows 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.

### **Critical accounting estimates and assumptions**

In preparing the Company's financial statements, Management is required to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ materially from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recorded in the period in which the estimate reversed if the revision affects only that period or in the period of revision and in future periods if the revision affects both the current and future periods.

The judgments and estimates that have the most significant effect on the amounts recognized in the financial statements are decisions with respect to the fair value of financial instruments, the allowance for loan losses, the derecognition of loans and mortgages and income taxes.

Due to the uncertainty in the current economic environment, developing reliable estimates and applying judgment remains difficult. Consideration is given to various risks to the economic outlook of Canada; however, significant measurement uncertainty exists in determining ECLs and the forecasting of forward-looking information is subject to significant judgment.

#### *Fair value of financial instruments*

The determination of the fair value of financial instruments requires the exercise of judgment by Management. The fair value of financial instruments traded in active markets as at the balance sheet date is based on their quoted market prices. Where independent quoted market prices do not exist, fair value may be based on other observable current market transactions or based on a valuation technique that maximizes the use of observable market inputs.

For certain types of equity instruments, where no active market exists or where quoted prices are not otherwise available, fair value is considered to approximate par value based on the terms of those instruments. The Company continues to monitor these instruments for any indication that a new measure of fair value is available.

#### *ECL allowance*

The Company reviews its loan portfolio to assess the ECL allowance for loans at least on a quarterly basis. The measurement of the ECL allowance for loans and debt instruments measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (i.e. the likelihood of members defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 5.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk (SICR);

# League Savings and Mortgage Company

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- choosing appropriate models and assumptions for the measurement of ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

The judgments, inputs, methodology and assumptions used for estimating the ECL allowance are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

### *Derecognition of loans and mortgages*

In determining whether to derecognize loans and mortgages, judgment is applied in determining whether the Company has transferred substantially all of the risks and rewards of ownership in transferring the assets to another entity.

### *Income taxes*

The determination of deferred tax assets or liabilities requires judgment, as the recognition is dependent on projections of future taxable profits and tax rates that are expected to be in effect in the period the asset is realized or the liability is settled.

## **5 Risk management**

The Company has an enterprise-wide approach to the identification, measurement, monitoring and management of risks faced across the organization. The Company manages significant risks efficiently and effectively through an Enterprise Risk Management Framework (ERM), which includes a comprehensive infrastructure of policies, procedures, methods, oversight and independent review, designed to reduce the significant risks and to manage those risks within appropriate tolerances for the Company.

Authority for all risk-taking activities rests with the Board, which approves the Company's Risk Appetite Statement and risk management policies, delegates limits and regularly reviews Management's risk assessments and compliance with approved policies. Qualified professionals throughout the Company manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

The various processes within the Company's risk management framework are designed to ensure that risks in the various business activities are properly identified, measured, stress tested, assessed and controlled. Internal Audit reports independently to the Audit, Risk and Conduct Review Committees of the Board on the effectiveness of the risk management policies and the extent to which internal controls are in place and operating effectively.

Stress testing is a risk measurement technique that examines the potential effects on the Company's financial condition resulting from adverse economic, liquidity, credit and/or financial market conditions. The Company's risk management processes include stress testing scenarios including exceptional but plausible adverse events that can impact the Company's financial results and capital requirements, the results of which are used to enhance its understanding of its risk profile, and to support its strategic decision making. Stress testing results are also explicitly incorporated into the Company's Internal Capital Adequacy Assessment Process (ICAAP) and Capital Plan, its Liquidity Management Plan and its Recovery Plan.

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The Chief Risk Officer is responsible for the oversight of risk management across the organization and reports quarterly to the Risk Committee and the Board. The Management Risk Committee (MRC) is responsible for the review and evaluation of the financial risks and performance of the Company, including the management of:

- Credit risk
- Interest rate risk
- Investment portfolio
- Large exposures
- Liquidity
- Foreign exchange
- Derivatives
- Capital

The MRC reviews financial risk management policies, recommends changes to policies and procedures as appropriate, and monitors compliance with financial policies.

The Asset Liability Committee (ALCO) has been established to ensure the effective and prudent management of the Company's financial assets and liabilities. ALCO will achieve this by developing and implementing financial strategies and related processes consistent with the short and long-term goals set by the Board.

The Company's principal business activities result in a balance sheet that consists primarily of financial instruments. The key risks related to the Company's financial instruments are credit, liquidity and market risk.

### **Credit risk**

Credit risk is the potential for loss due to the failure of a borrower, counterparty, endorser or guarantor to fulfill its payment obligation to the Company. Credit risk arises in the Company's direct lending operations and in its funding and investing activities where counterparties have repayment or other obligations to the Company. There is also credit risk in unfunded loan commitments. The Company has established policies and procedures for credit risk management, including individual counterparty limits and portfolio category limits relating to investment activities.

Management of credit risk requires prudent and conservative underwriting criteria administered by well-trained and experienced personnel. Credit risk management practices also include consistent and timely collection procedures, analysis of property appraisals and a realistic credit allowance process to provide a regular evaluation of the loan portfolio. Credit policies are reviewed and approved annually by the Board. Management regularly reviews its credit procedures to ensure they provide extensive, up-to-date guidance for the underwriting and administration of all types of loans.

All loans are risk rated at the time of approval and may be subject to subsequent risk assessment based on factors such as loan type, amount, original risk rating and payment history. Loans with higher risk require more intensive analysis and higher levels of approval. The Executive Management Credit Committee reviews all loans above the lending limits of President and CEO.

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Company has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk of loan and advances at a counterparty level, the Company considers three components:

- the probability of default (PD) by the borrower or counterparty on its contractual obligations;

# League Savings and Mortgage Company

## Notes to the Financial Statements

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- current exposures to the counterparty and its likely future development, from which the Company derives the exposure at default (EAD); and
- the likely recovery ratio on the defaulted obligations loss given default (LGD).

The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimize their effectiveness.

The classes of financial instruments to which the Company is most exposed to credit risk are cash and cash equivalents, investments and loans and mortgages.

### *ECL measurement*

IFRS 9, Financial Instruments, outlines a three-stage model for impairment based on changes in credit quality since initial recognition as summarized below:

- a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Company;
- if a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2, but is not yet deemed to be credit-impaired; and
- if the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the ECLs that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECLs on a lifetime basis.

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

### *Significant increase in credit risk (SICR)*

The assessment of SICR incorporates forward-looking information and is performed on a monthly basis at a portfolio level for all instruments held by the Company. A watch list is used to monitor credit risk; this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by Management.

The Company considers a financial instrument to have experienced an SICR when one or more of the following quantitative or qualitative criteria have been met:

- for consumer and residential loans:
  - contractual cash flow obligations are more than 30 days past due; and/or
  - available information as at the reporting date indicates that the ability of the borrower to fulfill its contractual cash flow obligations will be reduced (i.e. using internal watch lists for monitoring the credit risk of borrowers); and
- for commercial loans:
  - contractual cash flow obligations are more than 30 days past due; and/or

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## Notes to the Financial Statements

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- available information as at the reporting date indicates that the ability of the borrower to fulfill its contractual cash flow obligations will be reduced (i.e. significant deterioration in risk rating, in short-term forbearance, early signs of cash flow/liquidity problems, adverse change in operating results, adverse changes in business, financial or economic conditions in which the business operates).

The Company has used the low credit risk exemption for certain investment grade securities.

### *Definition of default and credit-impaired assets*

The Company defines a financial instrument as credit-impaired when it meets one or more of the following:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower is in long-term forbearance; and
- the borrower is insolvent or has filed for bankruptcy.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Company's ECL calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria.

### *Measuring ECL — explanation of inputs, assumptions and estimation techniques*

The ECL is measured on either a 12-month or lifetime basis, depending on whether an SICR has occurred since initial recognition or whether an asset is credit-impaired. ECLs are the discounted product of the PD, EAD and LGD, defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over the remaining lifetime of the obligation;
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime; and
- LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be incurred if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be incurred if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio.

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The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortizing products, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.

The 12-month and lifetime LGDs are determined based on the factors that impact the recoveries made post default. These vary by product type:

- for secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and expected recovery costs; and
- for unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and collateral values change, etc., are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

### *Collateral held and other credit risk enhancements*

The Company employs a range of policies and practices to mitigate credit risk. The most common is accepting collateral for funds advanced. A valuation of the collateral obtained is prepared as part of the loan origination process. The principal collateral types for loans and advances are mortgages over residential properties and charges over business assets such as premises, inventory and accounts receivable. The Company's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held since the prior period.

Assets obtained by the Company by taking possession of collateral held as security against loans and advances are included in other assets and disclosed in note 7.

Management regularly monitors the Company's credit risk and reports to the Board on a quarterly basis.

### **Liquidity risk**

Liquidity refers to the capacity to generate or obtain sufficient cash or its equivalent in a timely manner at a reasonable price to meet the Company's commitments as they fall due and to fund new business opportunities. Liquidity risk is the potential for losses to be incurred from holding insufficient liquidity to survive a contingent stress event.

In its role as a credit union service partner, the Company's primary financial role is to accept deposits from credit unions, their members and others, and to employ those funds to advance loans and mortgages to credit union members and others.

The Company has established policies to ensure that it is able to generate sufficient funds to meet all its financial commitments in a timely and cost-effective manner. In addition, a liquidity plan is prepared, which forecasts the amount of liquidity required and the sources that will be used to fund those requirements. These policies and plans are annually reviewed and approved by the Board.

# League Savings and Mortgage Company

## Notes to the Financial Statements

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The Company's liquidity management practices include:

- ensuring the quality of investments acquired for liquidity purposes meet very high standards;
- matching the maturities of assets and liabilities;
- diversifying funding sources;
- establishing and maintaining minimum liquidity reserves;
- monitoring actual cash flows on a daily basis;
- monitoring economic, market and local trends and forecasting future cash flow requirements;
- utilizing lines of credit to fund temporary needs and selling or securitizing mortgage pools to meet longer term requirements;
- stress testing scenarios to determine the ability to withstand various unanticipated events; and
- contingency planning.

The Company's cash flows are most significantly impacted by its credit union corporate deposits. As such, its scenario testing focuses on increases in the redemptions of these deposits. The matching of the maturities of assets and liabilities is detailed in note 11.

Management monitors the Company's liquidity position daily and reports to the Board on a quarterly basis.

### **Market risk**

Market risk is the risk of loss that results from changes in interest rates, foreign exchange rates, equity prices and commodity prices. Market risk exposures are managed through policies, standards and limits established by the Board, which are formally reviewed and approved annually. This includes limits on the mismatch of foreign currency assets and liabilities and limits on the amount of equity investments permitted in the securities portfolio. The Company has no exposure to commodity prices.

The Company uses a variety of techniques to identify, measure and control market risk. Derivatives may be used only to offset clearly identified risks. The Company has developed standards regarding the use of derivative products.

Interest rate risk is the risk that a movement in interest rates will have on the financial condition of the Company. The Company's interest rate risk policies include limits on the allowable variation in forecasted financial margin due to interest rate changes. The Company manages and controls interest rate risk primarily by managing asset/liability maturities; however, off-balance sheet techniques such as interest rate risk contracts may be used to hedge against specific interest rate exposures.

The Company measures interest rate risk through a combination of financial position and income simulation analysis monthly. Financial position analysis measures the difference between the amount of assets and liabilities repricing in specific time periods. Income simulation models are used to measure interest rate exposure under various assumptions about interest rates, products, volumes and pricing. Sensitivity analysis of an interest rate increase or decrease of 100 basis points is disclosed in the table below.

# League Savings and Mortgage Company

## Notes to the Financial Statements

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### Earnings at risk over the next 12 months as at December 31:

	2025 \$	2024 \$
100 basis point increase	1,809,875	1,390,086
100 basis point decrease	(732,185)	(529,945)

Management provides quarterly reports to the Board on interest rate risk. The Board has established limits on the Company's maximum exposure to interest rate risk and the Company's earnings at risk were within this limit.

## 6 Investments

Debt instruments are carried at FVOCI. For equity investments, the Company has also elected to measure the investments at FVOCI.

	2025		2024	
	Cost \$	Market value \$	Cost \$	Market value \$
Government debt	71,586,829	71,049,668	59,019,584	58,634,841
Co-operative equities	100	100	100	100
Corporate equities	300,000	588,200	50,000	268,650
	<u>71,886,929</u>	<u>71,637,968</u>	<u>59,069,684</u>	<u>58,903,591</u>

## 7 Loans and mortgages

As at December 31, 2025, loans are presented net of ECLs. Loans are initially measured at fair value and are subsequently measured at amortized cost, except for those mortgages that were classified as FVTPL at origination.

	Gross Amount \$	Stage 1 Allowance \$	Stage 2 Allowance \$	Stage 3 Allowance \$	Total Allowance \$	Carrying Value \$
<b>2025</b>						
Residential	381,588,896	(475,868)	(12,435)	(137,157)	(625,460)	380,963,436
Commercial	457,463,856	(981,884)	(139,364)	(2,018,263)	(3,139,511)	454,324,345
Commercial leases	231,737	(2,790)	-	(4,290)	(7,080)	224,657
Other	217,826	(4,208)	(419)	(243)	(4,870)	212,956
	<u>839,502,315</u>	<u>(1,464,750)</u>	<u>(152,218)</u>	<u>(2,159,953)</u>	<u>(3,776,921)</u>	<u>835,725,394</u>
<b>2024</b>						
Residential	451,565,940	(841,790)	(2,954)	(252,784)	(1,097,528)	450,468,412
Commercial	405,221,578	(1,690,768)	-	(2,337,425)	(4,028,193)	401,193,385
Commercial leases	617,733	(6,267)	-	(12,035)	(18,302)	599,431
Other	323,746	(10,215)	(426)	(255)	(10,896)	312,850
	<u>857,728,997</u>	<u>(2,549,040)</u>	<u>(3,380)</u>	<u>(2,602,499)</u>	<u>(5,154,919)</u>	<u>852,574,078</u>

# League Savings and Mortgage Company

## Notes to the Financial Statements

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Foreclosed assets, property or other assets that we receive from borrowers to satisfy their loan commitments are classified as held-for-sale, recorded initially at the lower of carrying value or fair value less costs to sell, and assessed for impairment. As at December 31, 2025, properties held-for-sale totalled \$1,013,623 (\$nil as at December 31, 2024). These properties are disposed of when considered appropriate. We do not occupy foreclosed properties for our own business use.

The following table is a summary of loans and mortgages by ECL impairment stage. Stage 1 represents those performing loans carried with a 12-month ECL, Stage 2 represents those performing loans carried with a lifetime ECL and Stage 3 represents those loans with a lifetime credit loss that are considered impaired. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets.

	<b>Performing</b>		<b>Impaired</b>	
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2025</b>				
Residential	377,058,116	1,493,333	3,037,447	381,588,896
Commercial	434,867,894	10,953,881	11,642,081	457,463,856
Commercial leases	188,836	-	42,901	231,737
Other	216,718	851	257	217,826
	<b>812,331,564</b>	<b>12,448,065</b>	<b>14,722,686</b>	<b>839,502,315</b>
<b>2024</b>				
Residential	446,151,398	1,191,369	4,223,173	451,565,940
Commercial	391,398,857	-	13,822,721	405,221,578
Commercial leases	497,382	-	120,351	617,733
Other	322,611	865	270	323,746
	<b>838,370,248</b>	<b>1,192,234</b>	<b>18,166,515</b>	<b>857,728,997</b>

### Loss allowance

The loss allowance recognized in the year is impacted by a variety of factors, such as:

- transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent step up (or step down) between 12-month and lifetime ECL;
- additional allowances for new financial instruments recognized during the year, as well as releases for financial instruments derecognized in the year;
- impact on the measurement of ECL due to changes in PD, EAD and LGD in the year, arising from regular refreshing of inputs to models;
- impacts on the measurement of ECL due to changes made to models and assumptions;
- discount unwinding within ECL due to the passage of time, as ECL is measured on a present value basis; and
- financial assets derecognized during the year and the write-offs of allowances related to assets that were written off during the year.

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The following table presents the reconciliation of allowances for credit losses for each loan category according to ECL impairment stage:

	Performing		Impaired	Total \$
	Stage 1 \$	Stage 2 \$	Stage 3 \$	
<b>Residential</b>				
Balance as at December 31, 2024	841,790	2,954	252,784	1,097,528
Transfer to (from)				
Stage 1	(4,039)	3,029	1,010	-
Stage 2	472	(2,762)	2,290	-
Stage 3	(119)	(6,807)	6,926	-
New originations	5,472	-	-	5,472
Gross write-offs	-	-	(135,950)	(135,950)
Recoveries	-	-	-	-
Remeasurement <sup>(a)</sup>	(367,708)	16,021	10,097	(341,590)
<b>Balance as at December 31, 2025</b>	<b>475,868</b>	<b>12,435</b>	<b>137,157</b>	<b>625,460</b>
<b>Commercial</b>				
Balance as at December 31, 2024	1,690,768	-	2,337,425	4,028,193
Transfer to (from)				
Stage 1	(271,980)	139,847	132,133	-
Stage 2	-	-	-	-
Stage 3	(64,960)	-	64,960	-
New originations	131,263	-	-	131,263
Gross write-offs	-	-	(3,439,398)	(3,439,398)
Recoveries	-	-	-	-
Remeasurement <sup>(a)</sup>	(503,207)	(483)	2,923,143	2,419,453
<b>Balance as at December 31, 2025</b>	<b>981,884</b>	<b>139,364</b>	<b>2,018,263</b>	<b>3,139,511</b>
<b>Commercial leases</b>				
Balance as at December 31, 2024	6,267	-	12,035	18,302
Transfer to (from)				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
New originations	-	-	-	-
Gross write-offs	-	-	-	-
Recoveries	-	-	-	-
Remeasurement <sup>(a)</sup>	(3,477)	-	(7,745)	(11,222)
<b>Balance as at December 31, 2025</b>	<b>2,790</b>	<b>-</b>	<b>4,290</b>	<b>7,080</b>
<b>Other</b>				
Balance as at December 31, 2024	10,215	426	255	10,896
Transfer to (from)				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
New originations	-	-	-	-
Gross write-offs	-	-	-	-
Recoveries	-	-	-	-
Remeasurement <sup>(a)</sup>	(6,007)	(7)	(12)	(6,026)
<b>Balance as at December 31, 2025</b>	<b>4,208</b>	<b>419</b>	<b>243</b>	<b>4,870</b>
<b>Total allowance as at December 31, 2025</b>	<b>1,464,750</b>	<b>152,218</b>	<b>2,159,953</b>	<b>3,776,921</b>

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	Performing		Impaired	Total \$
	Stage 1 \$	Stage 2 \$	Stage 3 \$	
<b>Residential</b>				
Balance as at December 31, 2023	744,289	5,237	23,261	772,787
Transfer to (from)				
Stage 1	(232,975)	2,953	230,022	-
Stage 2	3,760	(3,760)	74	74
Stage 3	(121)	-	-	(121)
Recoveries	-	-	-	-
Remeasurement <sup>(a)</sup>	326,837	(1,476)	(573)	324,788
<b>Balance as at December 31, 2024</b>	<b>841,790</b>	<b>2,954</b>	<b>252,784</b>	<b>1,097,528</b>
<b>Commercial</b>				
Balance as at December 31, 2023	1,675,299	-	-	1,675,299
Transfer to (from)				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Gross writeoffs	-	-	-	-
Recoveries	-	-	-	-
Remeasurement <sup>(a)</sup>	15,469	-	2,337,425	2,352,894
<b>Balance as at December 31, 2024</b>	<b>1,690,768</b>	<b>-</b>	<b>2,337,425</b>	<b>4,028,193</b>
<b>Commercial leases</b>				
Balance as at December 31, 2023	11,057	-	847,004	858,061
Transfer to (from)				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Gross writeoffs	-	-	(828,104)	(828,104)
Recoveries	-	-	-	-
Remeasurement <sup>(a)</sup>	(4,790)	-	(6,865)	(11,655)
<b>Balance as at December 31, 2024</b>	<b>6,267</b>	<b>-</b>	<b>12,035</b>	<b>18,302</b>
<b>Other</b>				
Balance as at December 31, 2023	16,834	301	370	17,505
Transfer to (from)				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Gross writeoffs	-	-	-	-
Recoveries	-	-	-	-
Remeasurement <sup>(a)</sup>	(6,619)	125	(115)	(6,609)
<b>Balance as at December 31, 2024</b>	<b>10,215</b>	<b>426</b>	<b>255</b>	<b>10,896</b>
<b>Total allowance as at December 31, 2024</b>	<b>2,549,040</b>	<b>3,380</b>	<b>2,602,499</b>	<b>5,154,919</b>

(a) Remeasurement includes changes in the allowance related to purchases and originations, changes in model assumptions and parameters, derecognition and maturities, partial repayments and additional draws on existing facilities and changes in estimates relating to the costs and the value of collateral reflected in the realizable value of a loan.

# League Savings and Mortgage Company

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### Commercial leases

The carrying value of finance leases of certain commercial equipment where the Company is the lessor includes the following:

	2025 \$	2024 \$
Minimum lease payments receivable:		
Not later than one year	187,004	222,679
Between one and five years	48,152	412,185
	<hr/>	<hr/>
Unearned finance income	235,156 (3,418)	634,864 (17,131)
	<hr/>	<hr/>
Gross commercial leases receivable	<u>231,738</u>	<u>617,733</u>

The average weighted term to maturity of the commercial leases is 10 months. The average weighted interest rate on the current receivable is 3.62%.

## 8 Securitization liabilities

Balances relating to MBS under the NHA MBS program are as follows:

### a) Transferred assets that do not qualify for derecognition

The Company securitizes insured residential mortgage loans by participating in the NHA MBS and CMB programs. Through the programs, the Company issues securities backed by residential mortgage loans that are insured against the borrowers' default. Once the mortgage loans are securitized, the Company assigns the underlying mortgages and/or related securities to the CMHC. As an issuer of MBS, the Company is responsible for advancing all scheduled principal and interest payments to CMHC, irrespective of whether the amounts have been collected on the underlying transferred mortgages.

Under the CMB program, CMHC guarantees the bonds of a special purpose trust, CHT. CHT uses the proceeds of its bond issuance to finance the purchase of NHA MBS.

In these securitizations, the Company retains certain prepayment risk, timely payment guarantee risk and interest rate risk related to the transferred mortgages. Due to retention of these risks, the transferred mortgages are not derecognized and the securitization proceeds are accounted for as securitization liabilities. There are generally no ECLs on the securitized mortgage assets, as the mortgages benefit from credit insurance. Further, the investors and CMHC have no recourse to other assets of the Company in the event of failure of mortgages to pay when due.

The following are the Company's net positions on its securitized assets and liabilities that have not been derecognized:

Carrying value	2025			2024		
	Market MBS \$	CMB \$	Total \$	Market MBS \$	CMB \$	Total \$
NHA MBS assets	109,234,246	75,493,045	184,727,291	195,423,926	17,569,350	212,993,276
Associated liabilities	107,893,335	75,393,308	183,286,643	192,932,757	17,562,888	210,495,645

NHA MBS assets are recognized on the balance sheet and are included as part of loans and mortgages.

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

### b) Transferred assets that have been derecognized

In addition to the MBS above, certain mortgages were sold into the CMB program or other third parties and derecognized. Balances relating to these transferred assets are as follows:

	<b>2025</b>	<b>2024</b>
	\$	\$
Mortgages sold	179,572,400	126,761,596
Gain on sales	2,397,090	2,915,231
Outstanding balance of mortgages sold and derecognized	2,811,508,150	3,093,729,653
Related balances as at December 31		
Retained interests	64,836,063	78,748,597
Servicing liabilities	18,430,033	23,864,464

### 9 Deposits

	<b>2025</b>	<b>2024</b>
	\$	\$
Registered	5,710,396	5,483,598
Other demand	8,806,836	6,563,401
Total demand deposits	<u>14,517,232</u>	<u>12,046,999</u>
Registered	119,793,365	131,781,872
Other term	546,952,783	545,854,947
Total term deposits	<u>666,746,148</u>	<u>677,636,819</u>
	<u>681,263,380</u>	<u>689,683,818</u>

### 10 Capital stock

Authorized capital stock is unlimited. The amounts outstanding are as follows:

	<b>2025</b>		<b>2024</b>	
	Shares #	Amount \$	Shares #	Amount \$
Common shares				
No par value, voting	41,857,854	41,857,854	41,857,854	41,857,854

In 2025, the Company issued nil (2024 – 4,000,000) in common shares for cash.

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

### 11 Financial instruments

#### a) Interest rate risk

##### Interest rate gap analysis

Gap analysis involves the allocation of interest-rate-sensitive assets and interest-rate-sensitive liabilities into categories according to their maturity or repricing date. Gaps can change significantly within a short period of time. The impact of changes in interest rates on income will depend on the size and rate of change in interest rates, the size and maturity of the total gap position and the management of these positions over time. The Company actively manages its interest rate gap position to protect income while minimizing risk. The following table shows the Company's interest rate gap position:

	Within 3 months \$	3 months to 1 year \$	1 year to 5 years \$	Over 5 years \$	Non- Interest rate sensitivity \$	Total \$	Average rate %
<b>2025</b>							
<b>Assets</b>							
Cash and balances with financial institutions	-	-	-	-	4,136,256	4,136,256	
Restricted cash	-	-	-	-	2,330,799	2,330,799	1.30
Investments	-	6,232,252	65,354,586	-	51,130	71,637,968	2.57
Loans and mortgages	128,952,823	333,464,869	342,252,233	34,605,390	(3,549,921)	835,725,394	5.32
Accrued interest	-	-	-	-	3,378,872	3,378,872	
Deferred tax assets	-	-	-	-	576,439	576,439	
Securitization assets	-	-	-	-	64,836,063	64,836,063	
Other assets	-	-	-	-	12,248,280	12,248,280	
	<u>128,952,823</u>	<u>339,697,121</u>	<u>407,606,819</u>	<u>34,605,390</u>	<u>84,007,918</u>	<u>994,870,071</u>	
<b>Liabilities and equity</b>							
Deposits							
Fixed	112,131,583	266,510,777	288,103,788	-	-	666,746,148	3.52
Variable	14,517,232	-	-	-	-	14,517,232	1.75
Accrued interest	-	-	-	-	15,752,695	15,752,695	
Accounts payable and accrued liabilities	-	-	-	-	13,525,608	13,525,608	
Servicing liabilities	-	-	-	-	18,430,003	18,430,003	
Capital tax payable	-	-	-	-	66,857	66,857	
Income tax payable	-	-	-	-	820,155	820,155	
Securitization liabilities	8,946,509	59,882,071	115,898,711	-	(1,440,648)	183,286,643	3.44
Equity	-	-	-	-	81,724,730	81,724,730	
	<u>135,595,324</u>	<u>326,392,848</u>	<u>404,002,499</u>	<u>-</u>	<u>128,879,400</u>	<u>994,870,071</u>	
Subtotal	(6,642,501)	13,304,273	3,604,320	34,605,390	(44,871,482)	-	
Interest rate swaps	40,000,000	(20,000,000)	(20,000,000)	-	-	-	
Excess (deficiency)	<u>33,357,499</u>	<u>(6,695,727)</u>	<u>(16,395,680)</u>	<u>34,605,390</u>	<u>(44,871,482)</u>	<u>-</u>	

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

	Within 3 months \$	3 months to 1 year \$	1 year to 5 years \$	Over 5 years \$	Non- interest rate sensitivity \$	Total \$	Average rate %
<b>2024</b>							
<b>Assets</b>							
Cash and balances with financial institutions	-	-	-	-	23,661,790	23,661,790	2.21
Restricted cash	-	-	-	-	1,370,998	1,370,998	5.18
Investments	-	40,092,262	14,261,950	4,665,370	(115,991)	58,903,591	
Loans and mortgages	74,254,000	244,062,000	534,536,000	4,709,000	(4,986,921)	852,574,079	
Accrued interest	-	-	-	-	3,437,456	3,437,456	
Deferred tax assets	-	-	-	-	842,355	842,355	
Securitization assets	-	-	-	-	78,748,597	78,748,597	
Other assets	-	-	-	-	9,248,518	9,248,518	
	<u>74,254,000</u>	<u>284,154,262</u>	<u>548,797,950</u>	<u>9,374,370</u>	<u>112,206,802</u>	<u>1,028,787,384</u>	
<b>Liabilities and equity</b>							
Deposits							
Fixed	78,469,000	356,323,818	242,844,000	-	-	677,636,818	4.41
Variable	12,047,000	-	-	-	-	12,047,000	2.65
Accrued interest	-	-	-	-	15,930,916	15,930,916	
Accounts payable and accrued liabilities	-	-	-	-	9,417,587	9,417,587	
Servicing liabilities	-	-	-	-	23,864,464	23,864,464	
Capital tax payable	-	-	-	-	235,368	235,368	2.99
Income tax payable	-	-	-	-	217,621	217,621	
Securitization liabilities	3,934,000	46,449,000	162,610,000	-	(2,497,355)	210,495,645	
Equity	-	-	-	-	78,941,965	78,941,965	
	<u>94,450,000</u>	<u>402,772,818</u>	<u>405,454,000</u>	<u>-</u>	<u>126,110,566</u>	<u>1,028,787,384</u>	
Subtotal	(20,196,000)	(118,618,556)	143,343,950	9,374,370	(13,903,764)	-	
Interest rate swaps	-	20,000,000	(20,000,000)	-	-	-	
Excess (deficiency)	<u>(20,196,000)</u>	<u>(98,618,556)</u>	<u>123,343,950</u>	<u>9,374,370</u>	<u>(13,903,764)</u>	<u>-</u>	

### b) Interest rate swap agreements

The Company may enter into interest rate swap agreements as a component of its overall risk management strategy. These agreements are contractual arrangements between two parties to exchange a series of cash flows. In an interest rate swap agreement, counterparties generally exchange fixed and floating rate interest payments based on a notional value. Typically, the floating rate is reset periodically, and the net interest amount is exchanged between counterparties at scheduled dates. The Company uses interest rate swaps to manage its exposure to interest rate risk arising from its fixed term mortgage assets and funding liabilities.

The primary risks associated with these contracts are the exposure to movements in interest rates and the ability of the counterparties to meet the terms of the contract. Interest rate swap agreements are used to manage interest rate risk by modifying the repricing or maturities of assets and liabilities. Interest rate swap agreements are considered financial derivatives and are recorded at fair value. Income and expenses on interest rate swap agreements are recognized over the life of the contract as an adjustment to interest expense. Accrued expenses are recorded in accrued interest payable.

Rates represent the weighted average interest rates the Company is contractually committed to pay/receive until the swap matures. The floating side of all swaps are based on the three-month Canadian Overnight Repo Rate Average (CORRA). Market value represents the mark-to-market value of outstanding contracts – generally, the net amount that would be payable or receivable on the reporting date based on the floating rate at current market rates.

# League Savings and Mortgage Company

## Notes to the Financial Statements

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Income and expenses on interest rate swap agreements are recognized over the life of the contract as an adjustment to interest expense. Accrued expenses are recorded in accrued interest payable. Mark-to-market gains (losses) on swaps are recorded in other assets (accounts payable and accrued liabilities), while the change in market value is recorded in financial expense.

The following interest rate swap contracts were outstanding and recorded in accounts payable and accrued liabilities as at December 31, 2025 and December 31, 2024.

	2025			2024		
	Notional value \$	Rate %	Market value \$	Notional value \$	Rate %	Market value \$
<b>Pay fixed swaps:</b>						
<b>Terms to maturity</b>						
Within 1 year	20,000,000	4.7800	(385,468)	-	-	-
1 year to 5 years	-	-	-	20,000,000	4.7800	(754,442)
	<u>20,000,000</u>	<u>4.7800</u>	<u>(385,468)</u>	<u>20,000,000</u>	<u>4.7800</u>	<u>(754,442)</u>

	2025			2024		
	Notional value \$	Rate %	Market value \$	Notional value \$	Rate %	Market value \$
<b>Receive fixed swaps:</b>						
<b>Terms to maturity</b>						
Within 1 year	40,000,000	2.9000	(10,006)	20,000,000	4.5700	111,225
1 year to 5 years	20,000,000	2.4300	15,868	-	-	-
	<u>60,000,000</u>	<u>2.7400</u>	<u>5,862</u>	<u>20,000,000</u>	<u>4.5700</u>	<u>111,225</u>

The loss on the revaluation of these interest rate swaps of \$254,541 (2024 - \$60,248) is recorded in financial expense.

The Company also uses bond forward agreements to manage the interest rate risk on certain mortgages. Mark-to-market gains (losses) on bond forwards are recorded in securitization gains.

The following bond forward contracts were outstanding and recorded in accounts payable and accrued liabilities as at December 31, 2025 and 2024.

	2025			2024		
	Notional value \$	Forward price %	Market value \$	Notional value \$	Forward price %	Market value \$
<b>Bond forward:</b>						
<b>Terms to maturity</b>						
Within 1 year	33,480,000	98.612	(32,653)	10,240,000	93.705	(9,232)
	<u>33,480,000</u>	<u>98.612</u>	<u>(32,653)</u>	<u>10,240,000</u>	<u>93.705</u>	<u>(9,232)</u>

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

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### c) Index linked deposits

The Company offers index linked term deposits, which are non-redeemable three and five-year term deposits that pay, on maturity, a return to the depositor linked to the performance of a market index. The interest paid to the depositor at maturity is based on the growth in the index over the term of the deposits.

To offset the risk of this variable interest rate, the Company enters into agreements, whereby the Company pays a fixed rate of interest for the term of each index linked deposit based on the face value of the deposits sold. At the end of the term, the Company receives an amount equal to the amount that will be paid to the depositors. As at December 31, 2025, the balance of outstanding index linked deposits was \$2,920,874 (2024 – \$3,677,420) (note 9).

### d) Fair value

The following table presents the fair value of the financial assets and financial liabilities of the Company based on the valuation methods and assumptions set out below. Fair value represents the amount at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions, and is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Fair value is best evidenced by a quoted market price, if one exists. Quoted market prices are not available for a significant portion of the Company's financial instruments.

The fair values disclosed exclude the values of assets and liabilities that are not considered financial assets or liabilities, such as prepaid expenses and balances that are statutory in nature. In addition, items like the value of intangible assets such as customer relationships, which, in Management's opinion, add significant value to the Company, are not included in the disclosures below.

The carrying value cash and balances with financial institutions, restricted cash, accrued interest on assets and liabilities, securitization assets, other assets, accounts payable and accrued liabilities, servicing liabilities, and taxes payable approximates their fair value as they are short-term in nature or are receivable on demand.

The determination of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

	Amortized costs \$	FVOCI \$	FVTPL \$	Total carrying value \$	Fair value \$	Fair value over carrying value \$
<b>2025</b>						
<b>Financial assets</b>						
Cash and balances with financial institutions	4,136,256	-	-	4,136,256	4,136,256	-
Restricted cash	2,330,799	-	-	2,330,799	2,330,799	-
Investments	-	71,637,968	-	71,637,968	71,637,968	-
Loans and mortgages	802,142,412	-	33,582,982	835,725,394	857,746,947	22,021,553
Accrued interest	3,378,872	-	-	3,378,872	3,378,872	-
Securitization assets	64,836,063	-	-	64,836,063	64,836,063	-
Other assets	7,345,186	-	-	7,345,186	7,345,186	-
	<u>884,169,588</u>	<u>71,637,968</u>	<u>33,582,982</u>	<u>989,390,538</u>	<u>1,011,412,091</u>	<u>22,021,553</u>
<b>Financial liabilities</b>						
Deposits	681,263,380	-	-	681,263,380	705,544,519	24,281,139
Accrued interest	15,752,695	-	-	15,752,695	15,752,695	-
Accounts payable and accrued liabilities	11,926,062	-	412,259	12,338,321	12,338,321	-
Servicing liabilities	18,430,033	-	-	18,430,033	18,430,033	-
Capital tax payable	66,857	-	-	66,857	66,857	-
Income tax payable	820,155	-	-	820,155	820,155	-
Securitization liabilities	183,286,643	-	-	183,286,643	190,446,806	7,160,163
	<u>911,545,825</u>	<u>-</u>	<u>412,259</u>	<u>911,958,084</u>	<u>943,399,386</u>	<u>31,441,302</u>
<b>2024</b>						
<b>Financial assets</b>						
Cash and balances with financial institutions	23,661,790	-	-	23,661,790	23,661,790	-
Restricted cash	1,370,998	-	-	1,370,998	1,370,998	-
Investments	-	58,903,591	-	58,903,591	58,903,591	-
Loans and mortgages	842,266,026	-	10,308,053	852,574,079	856,187,456	3,613,377
Accrued interest	3,437,455	-	-	3,437,455	3,437,455	-
Securitization assets	78,748,597	-	-	78,748,597	78,748,597	-
Other assets	3,820,877	-	-	3,820,877	3,820,877	-
	<u>953,305,743</u>	<u>58,903,591</u>	<u>10,308,053</u>	<u>1,022,517,387</u>	<u>1,026,130,764</u>	<u>3,613,377</u>
<b>Financial liabilities</b>						
Deposits	689,683,818	-	-	689,683,818	699,026,466	9,342,648
Accrued interest	15,930,916	-	-	15,930,916	15,930,916	-
Accounts payable and accrued liabilities	7,585,967	-	-	7,585,967	7,585,967	-
Servicing liabilities	23,864,464	-	-	23,864,464	23,864,464	-
Capital tax payable	235,368	-	-	235,368	235,368	-
Income tax payable	217,621	-	-	217,621	217,621	-
Securitization liabilities	210,495,645	-	-	210,495,645	210,495,645	-
	<u>948,013,799</u>	<u>-</u>	<u>-</u>	<u>948,013,799</u>	<u>957,356,447</u>	<u>9,342,648</u>

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

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### Fair value hierarchy

A three-tier hierarchy is used as a framework for disclosing fair values based on inputs used to value the Company's financial instruments recorded at fair value. Valuation methods used in this framework are categorized under the following fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical financial instruments;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data. This level includes equity investments and debt instruments with significant unobservable components.

The Company's policy is to recognize transfers into and out of the fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. During the year ended December 31, 2025, the Company had no transfers between fair value hierarchy levels.

For investments, corporate equities are valued using quoted market prices (Level 1) and government and corporate debt instruments are valued using market prices provided by third-party brokers (Level 2). Co-operative equities that don't have a quoted price in an active market are valued based on recent transactions. The ownership of co-operative equities is typically restricted to credit unions and other credit union system partners, and is usually a condition of membership or necessary for access to the services provided by a system partner. As a result, transactions in these investments are restricted and typically occur at par value, which is the best estimate of fair value.

Given the nature of most investments in co-operative equities, specifically the fact that investments are typically not made for the purpose of financial gain (i.e. to earn investment income), the application of valuation techniques to determine fair value are typically not in use. In limited cases where such valuation techniques have been utilized, that information is used in determining the fair value of the co-operative investment. The Company continues to monitor these investments for any indication that a new measure of fair value is available.

For variable rate loans and deposits, the carrying value is also considered to be a reasonable estimate of fair value. For fixed rate loans and mortgages, co-operative deposit investments, deposits and MBS, the fair value is calculated using a discounted cash flow model, based on current interest rates and the term to maturity of the instrument (Level 2). The discount rates applied were based on the current market rate offered for the average remaining term to maturity.

The following table summarizes the fair value measurements recognized in the balance sheet by class of assets or liability and categorized by level according to the significance of the inputs used in making the measurements.

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

	Level 1 \$	Level 2 \$	Level 3 \$	Total fair value \$	Total carrying value \$
<b>2025</b>					
<b>Financial assets</b>					
Investments	588,300	71,049,568	100	71,637,968	71,637,968
Loans and mortgages	-	857,746,947	-	857,746,947	835,746,947
<b>Financial liabilities</b>					
Deposits	-	705,544,519	-	705,544,519	681,263,380
Securitization liabilities	-	190,446,806	-	190,446,806	183,286,643
Accounts payable and accrued liabilities	-	-	412,259	412,259	412,259
<b>2024</b>					
<b>Financial assets</b>					
Investments	268,650	58,634,841	100	58,903,591	58,903,591
Loans and mortgages	-	856,187,476	-	856,187,476	852,574,079
<b>Financial liabilities</b>					
Deposits	-	699,026,446	-	699,026,446	689,683,818
Securitization liabilities	-	208,002,785	-	208,002,785	210,495,645
Accounts payable and accrued liabilities	-	-	634,138	634,138	634,138

## 12 Related party transactions

### a) Parent

The Company has a contract with its parent, Atlantic Central (Central or the Parent), for the receipt of executive and management services, some staffing and operational support services, and information technology and related services. This Management Outsourcing Agreement (MOA) became effective on January 1, 2013. On January 1, 2025, Company staff, previously paid by the Parent and allocated to the Company through the management fee, became staff of the Company where the Company now pays directly the staff's compensation.

The companies also transact other business in the ordinary course of operations. The following transactions and balances are measured at the exchange amount:

	2025 \$	2024 \$
Expenses and fees related to the management contract	1,481,951	4,563,100
Interest expense	2,854,518	3,100,161
Interest income	335,282	457,534
Non-interest expense – Gain on loan sale	1,134,210	-
Rental and other expenses	-	26,242
Deposits at Central	2,495,635	22,316,170
Deposits from Central	65,650,599	52,908,858
Amounts payable to Central	598,711	684,858
Balances relating to mortgages sold		
Interest, net of administration fees	1,430,100	18,774
Mortgages under administration	18,530,353	589,286
Monthly remittances payable	6,562	7,493

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

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### b) Associates

In the ordinary course of business, the Company transacts business with League Data Limited, a related company by virtue of common ownership. The following transactions and balances are measured at the exchange amount:

	2025	2024
	\$	\$
Services and equipment purchases from League Data Limited	534,380	190,370
Prepaid expense from League Data Limited	2,404,883	2,599,873
Accounts payable to League Data Limited	40,089	14,341

### c) Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, and include members of the Board, the President and CEO and other senior officers of the Company. The compensation paid to key management (other than the Board and the LSM Vice President of Operations and General Manager) is paid by the Parent, with a portion of the costs being allocated to the Company through the management fee. The Company pays directly the compensation for the Board and the LSM Vice President of Operations and General Manager.

Under the MOA, management services are provided by the Parent for the President and CEO, and four other senior officers of the Company. Compensation to members of the Board is limited to an annual honorarium.

The President and CEO, and the senior officers of the Company, earned variable compensation during the year. The Company's Total Compensation Program does not include guaranteed bonuses or deferred compensation payments. Variable compensation is earned during the year and paid in cash in the following year. Directors do not participate in any variable compensation programs.

The components of total compensation received by the CEO and the key management personnel (including amounts paid by the Parent)<sup>(a)</sup> and balances due to/from key management personnel are as follows:

	2025	2024
	\$	\$
Short-term employee benefits	1,415,644	1,583,232
Contributions to group savings for retirement program	96,470	107,179
Variable compensation	359,728	299,045
Mortgage balances due from key management	-	68,770
Deposit balances due to key management	205,519	196,112

(a) The compensation reported is the total amount received by the CEO and the five key management personnel, including both amounts allocated to the Parent and amounts allocated to the Company through the management agreement.

Short-term employee benefits include salaries, director remuneration and other benefits. The mortgage and deposit transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

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Payments to Directors are as follows:

	<b>2025</b>	<b>2024</b>
	\$	\$
Remuneration	132,805	120,085
Payments for reimbursement of expenses	35,602	50,241

### 13 Commitments and contractual obligations

#### a) Management fees

The Company has contracted with Central for the provision of services under an MOA. This agreement was effective January 1, 2013, has a term of five years and renews automatically for successive five-year terms unless notice to terminate is provided by either party at least six months prior to the termination of the agreement (or any renewal thereof).

The fee for the services provided under the MOA is determined annually by mutual agreement between the Company and Central, based on the scope of services provided and market terms and conditions for such services.

#### b) Approved loans and mortgages

As at December 31, 2025, the Company had approved mortgages in the amount of \$111,066,455 (2024 – \$414,666,186), which have not been advanced.

### 14 Income taxes

The components of tax expense are as follows:

	<b>2025</b>	<b>2024</b>
	\$	\$
Income before income taxes	6,265,450	2,290,886
Statutory income tax rate	29.00%	29.00%
Expected income tax	1,816,981	664,357
Effect on income tax of		
Non-taxable dividends	(6,275)	(3,121)
Permanent tax differences	3,597	3,920
Capital and large corporate tax	1,559,899	1,499,041
Return-to-provision adjustment	68,648	-
Other	8,306	(14,617)
Total income tax expense	<u>3,451,156</u>	<u>2,149,580</u>

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

The provision for income taxes differs from the result that would be obtained by applying the combined Canadian federal and provincial statutory income tax rates to income before income taxes. This difference results from the following:

	2025 \$	2024 \$
Current tax expense		
Federal and provincial	988,200	119,039
Capital and large corporate tax	2,197,040	2,111,326
	<u>3,185,240</u>	<u>2,230,365</u>
Deferred tax recovery (expense)		
Origination and reversal of deductible temporary differences	265,916	(80,785)
	<u>3,451,156</u>	<u>2,149,580</u>

The components of the future income tax asset are as follows:

	Balance	Recognized in		Balance	Recognized in		Balance
	2023	Net income (loss)	OCI	2024	Net income (loss)	OCI	2025
	\$	\$	\$	\$	\$	\$	\$
Deferred tax assets							
Property and equipment	18,539	(810)	-	17,729	(761)	-	16,968
Allowance for impaired loans	742,788	81,594	-	824,381	(265,153)	-	559,228
Other	244	1	-	245	(2)	-	243
	<u>761,571</u>	<u>80,784</u>	<u>-</u>	<u>842,355</u>	<u>(265,916)</u>	<u>-</u>	<u>576,439</u>

## 15 Capital requirements

The Company manages its capital under guidelines established by the OSFI, which require the Company to maintain capital ratios that are adequate in relation to its levels of business activity. OSFI has issued its guidelines based on standards issued by the Bank for International Settlements, Basel Committee of Banking Supervisors (BCBS). OSFI has adopted capital guidelines based on the standards known as Basel II, which became effective for the Company in 2008. Pillar 1 of the Basel II framework defines minimum capital requirements, while Pillar 2 addresses standards for the management of capital requirements.

Capital requirements are determined based on exposures to credit risk, operational risk, and – for entities with significant trading activity – market risk. The standards provide different methodologies for the calculation of risk exposures based on a company's relative size and sophistication. The Company has implemented the Standardized Approach for credit risk and the Basic Indicator Approach for operational risk. The Company is not subject to the requirements for market risk.

OSFI's Basel III capital requirements include rules to implement the BCBS guidance on non-viability contingent capital (NVCC). The NVCC rules require that all capital instruments include loss absorption features.

# League Savings and Mortgage Company

## Notes to the Financial Statements

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As of January 2019, under the BCBS rules, the Company is required to meet minimum requirements of: Common Equity Tier 1 (CET1) ratio of 4.5% plus a capital conservation buffer of 2.5%, collectively 7%. Including the capital conservation buffer, the minimum Tier 1 ratio is 8.5%, and the Total Capital ratio is 10.5%.

As of 2023, OSFI requires Canadian deposit-taking institutions to fully implement the 2023 Basel III reforms.

Capital ratios are monitored regularly and reported to the Board quarterly. The Capital Management Plan, which forecasts capital requirements and includes contingency plans in the event of unanticipated changes, is reviewed by the Board annually.

Details of the Company's regulatory capital as at December 31 were as follows:

	2025 \$	2024 \$
Risk-weighted assets for		
Credit risk	294,909,992	393,869,147
Operational risk	30,975,000	26,000,000
Total	<u>325,884,992</u>	<u>419,869,147</u>
Capital elements		
Common shares	41,857,854	41,857,854
Contributed surplus	1,785,887	1,785,887
Accumulated OCI	(239,430)	(207,902)
Retained earnings	38,320,419	35,506,126
CET1	<u>81,724,730</u>	<u>78,941,965</u>
Total Tier 1 capital	<u>81,724,730</u>	<u>78,941,965</u>
Stage 1 and Stage 2 allowance	<u>1,616,968</u>	<u>2,552,420</u>
Total Tier 2 capital	<u>1,616,968</u>	<u>2,552,420</u>
Total regulatory capital	<u>83,341,698</u>	<u>81,494,385</u>
	<b>%</b>	<b>%</b>
Ratios		
CET1	25.1	18.8
Total Tier 1	25.1	18.8
Total capital	25.6	19.4
Leverage ratio	7.9	6.9
OSFI targets		
CET1	7.0	7.0
Total Tier 1	8.5	8.5
Total capital	10.5	10.5
Leverage ratio	4.0	4.5

The Company's capital ratios have been in compliance with the regulatory requirements throughout the year.

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

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### 16 Credit facilities

The Company has established an unsecured operating line of credit with Central, bearing interest at prime, up to an amount of \$20,000,000. As at December 31, 2025 and 2024, there were no amounts outstanding on this facility.

The Company has a line of credit agreement with Concentra (Equitable Bank), bearing interest at prime rate minus 90 basis points (0.90%), up to an amount of \$25,000,000. The facility is secured by a charge over insured residential mortgages covering 110% of the loan facility. As at December 31, 2025 and 2024, there were no amounts outstanding on this facility.

In the ordinary course of business, assets are deposited as security for contract settlements with derivative exchanges or other derivative counterparties, for transactions conducted under terms that are common and customary to standard derivative activities. As at December 31, 2025, there was a deposit of \$455,867 (2024 – \$595,000) pledged as collateral in relation to derivative transactions.

### 17 Assets under administration

#### a) Mortgages under administration

Assets under administration include mortgages under administration, which are not the property of the Company and are not reflected in the balance sheet.

#### b) Syndicated loans

The Company provides a loan syndication program for credit unions. These loans, which are under the Company's administration, are not the property of the Company and are not reflected on the balance sheet. Although most of the loan syndications are purchased by credit unions, the Company can be a participant if a loan is not fully subscribed to by credit unions.

As at December 31, the Company had assets under administration as follows:

	<b>2025</b>	<b>2024</b>
	<b>\$</b>	<b>\$</b>
Mortgages under administration	43,812,784	50,540,182
Syndicated loans	175,721,724	74,461,232

### 18 Non-interest income (expense)

Non-interest income (expense) includes the following:

	<b>2025</b>	<b>2024</b>
	<b>\$</b>	<b>\$</b>
Investment service fees	69,360	64,189
Investment service expenses	(553,965)	(512,198)
Gain on loan sale	1,134,210	-
Lending service expenses	(846,817)	(1,000,341)
Securitization expenses	(519,443)	(484,907)
Other lending service fees	811,172	238,345
Other	69,339	77,493
	<u>163,856</u>	<u>(1,617,419)</u>

# League Savings and Mortgage Company

## Notes to the Financial Statements

December 31, 2025

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The expenses detailed above include direct expenses only. Salary and staff-related costs and other indirect costs required to provide these services are reported in operating expenses.

### 19 Other assets and accounts payable and accrued liabilities

Other assets include the following:

	<b>2025</b>	<b>2024</b>
	<b>\$</b>	<b>\$</b>
Loan payments receivable	5,712,184	3,542,605
Prepaid Honeybee Mission expenses	2,404,883	2,599,873
Prepaid mortgage and deposit expenses	1,797,424	2,093,998
Prepaid MBS and CMB fees	522,580	554,466
Property held for resale	1,013,624	-
Other	797,585	457,576
	<hr/>	<hr/>
	12,248,280	9,248,518
	<hr/>	<hr/>

Accounts payable and accrued liabilities include the following:

	<b>2025</b>	<b>2024</b>
	<b>\$</b>	<b>\$</b>
Loan remittances payable	9,287,210	6,015,260
Deferred commitment fees	1,220,092	1,831,620
Swap valuation liability	412,259	634,148
Accrued expenses	1,818,481	419,531
Other	787,566	517,028
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	13,525,608	9,417,587
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**LEAGUE SAVINGS  
AND MORTGAGE**

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