



Annual Report

2025



We are more than a bank; you are more than a customer.

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Who We Are

The Public Service Credit Union is a co-operative financial institution with membership open to all the residents of Newfoundland & Labrador.

Mission

Provide financial solutions to maximize the financial well-being of members.

Vision

Be the preferred choice of members for all their financial services.

Values

We Believe in:

Innovation and Excellence

Dignity and Respect

Diversity and Inclusion

Integrity and Trust

Social Responsibility

Community

Co-operative Principles



Co-operative Principles

Statement Of Our Co-operative Identity

Co-operatives worldwide are governed by seven co-operative principles of the International Co-operative Alliance. Our values are put into practice by using these seven principles as guidelines.

1st Principle

Voluntary and Open Membership:

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2nd Principle

Democratic Member Control:

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote), and co-operatives at other levels are also organized in a democratic manner.

3rd Principle

Member Economic Participation:

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their co-operative, possibly by setting reserves, part of which at least would be indivisible, benefiting members in proportion to their transactions with the co-operatives and supporting other activities approved by the membership.

4th Principle

Autonomy and Independence:

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including government, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5th Principle

Education, Training and Information:

Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation.

6th Principle

Co-operation among Co-operatives:

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

7th Principle

Concern for Community:

Co-operatives work for the sustainable development of their communities through policies approved by their members.

History of Public Service Credit Union

In 1936 a seed was planted among a number of senior public servants to organize a co-operative to provide various financial services to their fellow workers. In 1937 an organizational meeting was convened by Judge Browne in Canon Wood Hall for the creation of the Civil Service Co-operative Credit Society and the first \$121 was invested in December 1937. Judge Browne provided a sum of money to get the Credit Society started and the DSA provided a loan of \$75 to produce a set of credit union books.

The first Annual Meeting was held in the Newfoundland Hotel on January 27, 1938, attended by a large gathering of Civil Servants. Following the election of Officers, the Board officially admitted the first seventy-two members. Loan business commenced that February.

In 1942, the Civil Service Co-operative Credit Society Limited was incorporated under the Co-operative Societies Act on July 17, 1942 following five years of operation. The first office was opened in the Connors Building on the east corner of Queen and Water Street next door to the old Central Post Office and from there it was transferred to the basement of the Colonial Building.

The pace of change was slow and it was not until 1975 when the first full-time Manager was hired. The name changed from the Civil Service Co-operative Credit Society to Public Service Credit Union Limited February 1, 1978. In 1979, PSCU rented an office at 23 Cashin Avenue, providing 9-5 service. The first building was purchased on April 14, 1986 at 403 Empire Avenue. On completion of a new layout and installation of equipment, these new offices were officially opened by our founder, the Honorable W.J. Browne, P.C., Q.C., on October 16, 1986, International Credit Union Day.

In the late 80's and early 90s the pace of change accelerated as Member cards & Global Payment cards were introduced providing electronic access to members' accounts 24/7 at the merchant and ATM level. In 1992, the Credit Union was the second Credit Union in the Province to provide member access at its' own ATM.

In 2003, the Credit Union commenced construction of modern new premises that was completed in July 2004. That same year, Centennial Credit Union ceased operations, and its members transferred their accounts to Public Service Credit Union. August 2nd, 2004, marked the first day of operation of PSCU's new premises at 403 Empire Avenue, next to its previous location. The official grand opening was held on October 20th, 2004, during Co-op Week.

PSCU hired for the first time General Manager Brian Quilty from the ranks of its own staff in 2006. That same year PSCU also changed its bond of association, opening its membership to all residents of Newfoundland and Labrador. In 2007 PSCU celebrated 70 years of providing financial services to its members.

In 2008 a much discussed and anticipated service, Financial Planning, was offered to members. After ten years of discussing how this service could be offered under a feasible model, the Public Service Credit Union formed a partnership with four other Credit Unions, Horizon, Eastern Edge, Reddy Kilowatt and Community to offer Financial Planning to its' members through Credential Financial Strategies.

In most recent years the pace of change in the financial industry has been driven by new developments in technology. Members can access their accounts via the internet through Member Direct integrated (MDi), allowing members to review their accounts, to pay bills, to transfer money to other financial institutions anytime, anywhere internet service is available.

In 2009 two new products were added to the financial suite of products: Tax Free Savings Account (TFSA) and High Interest Savings Account (HISA).

In 2011 PSCU became a member of the newly formed Atlantic Central, which replaced the centrals in the Atlantic Provinces. In June 2011 PSCU offered Electronic Statements to its members to complement its internet banking service allowing members to store and view their statements online.

History of Public Service Credit Union

PSCU celebrated its' 75th anniversary in 2012. In January 2012 the electronic banking system was enhanced as the PSCU offered an email money transfer service allowing members to email money to anyone with an email and a financial institution account. That same year cheque imaging was implemented replacing the hard copy.

In 2014 PSCU was the first CU in the province to launch the iPhone app providing 24/7 access to pay bills, transfer money and email money from the convenience of the iPhone. This was quickly followed in 2015 with the introduction of the Android app and Deposit Anywhere™ to compliment the electronic suite of products. In 2016 *Interac®* Online and *Interac Flash®* was provided to enhance the convenience and speed of card services.

In 2017 PSCU celebrated 80 years of its rich history and success since 1937, providing financial services and advice to its members.

In 2018 PSCU along with the national credit union system launched a more robust suite of credit card products provided by Collabria, a credit card company owned by credit unions to replace TD/Cuets credit card and Global Payment Mastercard. Additionally in 2018 a new entity Aviso Wealth was formed to offer credit union members and other clients a strong alternative to the banks and other wealth management companies for investment planning and advice, lower management fees, and the products and services that best meet their needs.

PSCU paid an historic rebate of \$350,000 in 2019 to its members as a result of meeting its long-term goal of 10% capital. Throughout 2019 PSCU enhanced its online services providing E-transfer auto deposit, E-transfer withdrawal request and Apple Pay for Collabria Credit Cards.

PSCU paid \$200,000 member rebate in 2020 for the 2019 fiscal year while maintaining the Credit Union's policy on 10% capital. Additionally, PSCU held its first ever virtual AGM on September 29, 2020 due to the concerns stemming from the Covid-19 pandemic.

PSCU is excited to continue its' digital transformation journey and in partnership with League Data, Central 1, Interac® and CUA new digital offerings were provided to members in 2021, Mobile Wallet for Apple, Samsung and Google devices. Digital Account Opening and Lending (DAOL), which is in its initial stages provides members with the convenience of 24/7 ability to apply for membership, deposit and loan services, online and in branch.

In 2022 PSCU celebrated 85 years of providing financial solutions to its members, recognizing the work of the current and previous Board of Directors, especially the founding fathers of PSCU in 1937, management, employees and members. PSCU successfully opened its first membership applications and deposit accounts through its Digital Account Opening and Lending (DOAL) program ASAPP.

PSCU achieved a historic milestone in 2025 with the conversion of its core banking system to a cloud-based banking platform.

PSCU provides innovative and responsive Financial Services that are focused on our member's best interest: loans, mortgages, home equity lines of credit, registered saving products (RRSPs, RRIFFs, RESPs, TFSAs, FHSA), Investments, savings, chequing, loan insurance, deposit protection, on line banking, mobile banking, telephone banking, Financial Planning , Interac, ATM and Credit Cards.

We are backed and supported by credit unions nationally and over 40,000 worldwide.



Employees and Directors

Employees

Brian Quilty, CEO
 Kim Hickey, MCO
 Ian Barrett, MF
 Michael Flynn, MF
 Wanda Keats
 Joanne Cooper
 Michele Thomson
 Nichole Manning
 Cathy Clarke
 Trudy Pike
 Karen Fry
 Karen Mavia
 Liam Glavine
 Ethan Knight

Board of Directors

Doug Dewling (Chair)
 George Smith (Vice Chair)
 Sean Brophy (Secretary)
 James Anstey (Member at Large)
 Dave Dewling
 Michelle Power
 Justin Crickard

2025 Board of Directors' Meeting Attendance

Director	Board	Executive	Audit	Governance	CSR	Nominations
Doug Dewling Chair of the Board	10	4	5	1	-	1
George Smith Vice-Chair Chair of Governance	10	4	-	1	2	2
Bill Janes Corporate Secretary	1	-	-	-	-	-
James Anstey Member at Large Chair of CSR Committee	10	3	-	-	2	2
Dave Dewling Chair of Audit and Nominations Committee	10	-	5	1	2	5
Sean Brophy	9	3	1	-	-	4
Michelle Power	10	-	4	-	2	4
Catherine Chalker	1	-	-	-	-	-
Shawn O'Reilly	2	-	1	-	-	2
Justin Crickard	6	-	5	-	-	-

Terms of the Board of Directors

AGM Elected	Name	Term
Appointed	Justin Crickard	
March 2023	Michelle Power	March 2023 - March 2026
	Sean Brophy	March 2023 - March 2026
	Catherine Chalker (resigned)	March 2023 - March 2026
March 2024	Doug Dewling	March 2024 - March 2027
	William Janes (resigned)	March 2024 - March 2027
	Shawn O'Reilly (resigned)	March 2024 - March 2027
March 2025	James Anstey	March 2025 - March 2028
	George Smith	March 2025 - March 2028
	Dave Dewling	March 2025 - March 2028

Committees of the Board

(The CEO, the Manager of Finance and the Manager of Credit & Operations serve as a resource on various Board Committees.)

Executive Committee – is elected by the Board of Directors. This Committee exercises all powers of the Board between meetings of the Board.

Committee Members: Doug Dewling (Chair), George Smith (Vice Chair), Sean Brophy (Secretary) and James Anstey (Member at Large).

Audit Committee – is appointed by the Board of Directors. This Committee co-ordinates and reviews the external and internal audit functions with the Auditors and reviews other reports as required.

Committee Members: Dave Dewling (Chair), Michelle Power, Justin Crickard and Doug Dewling.

Governance Committee – is appointed by the Board. This Committee reviews governance processes and proposes changes.

Committee Members: George Smith (Chair), Doug Dewling, Dave Dewling, Justin Crickard.

Nomination Committee – is appointed by the Board to oversee the election process and conduct the election at the AGM.

Committee Members: Dave Dewling (Chair), Sean Brophy, Doug Dewling, James Anstey, George Smith and Michelle Power.

Cooperative Social Responsibility Committee – appointed by the Board to oversee the corporate social responsibility for the Credit Union.

Committee Members: James Anstey (Chair), Doug Dewling, George Smith, Dave Dewling and Michelle Power.

Program and Agenda

89th Annual General Meeting April 28, 2026

Registration – 6:00 p.m.

Call to Order – 6:15 p.m.

Chair’s Welcome

Introductions

Report on Registration

Adoption of Rules of Order

AGENDA

1. Adoption of Agenda
2. Minute of silence for deceased Members
3. Minutes of the 88th Annual General Meeting
4. Unfinished Business arising from the Minutes
5. Report of the Board of Directors
6. Report of the Chief Executive Officer
7. Report of the Independent Auditor
8. Report of the Manager of Finance
9. Report of the Audit Committee
10. Appointment of the Independent Auditor
11. Report of the Nomination Committee and Election of Directors
12. New Business
13. Adjournment

Rules of Order

The meeting shall be called to order.

Voting shall be done electronically, using the unanimous consent method for voting on motions. This method differs slightly from our usual method of passing motions by a show of cards or hands. When a motion is requested, the Chair will still ask for movers. If you wish to move a motion, please type the phrase “I move”, as applicable, into the Chat panel. We will select the first two names as mover and seconder.

Once moved and seconded, the Chair will then ask if there are any questions to the motion. If no questions are asked, the motion will be passed. If there are questions, you are asked to click the hands icon to raise your hand and then type your question. If you are opposed to a motion, you may indicate so by typing the phrase “I am opposed” into the Q & A panel.

If there is opposition to a motion, we shall proceed with a full count of those delegates in favour and opposed, as directed by the Chair.

When a provision is not made in the RULES OF ORDER and it is not in conflict with the Constitution, Roberts Rules of Order shall apply.



Minutes of the 88th Annual General Meeting

Chair Doug Dewling officially called the meeting to order at 6:08 PM.

ADOPTION OF THE RULES OF ORDER

Moderator Ian Barrett reviewed a series of housekeeping items, the rules of order for a virtual meeting as well as the parameters around voting in a virtual setting. Ian advised that in the event that these rules of order did not cover a specific topic the Roberts Rules of Order shall apply.

REPORT ON REGISTRATION

The Chair asked Moderator Ian Barrett for a report on registration and if there was a quorum present. Ian advised that a quorum was present. Advised we have a quorum for this meeting.

CHAIR'S WELCOME/INTRODUCTIONS

The Chair introduced himself and welcomed all members attending the 88th PSCU AGM.

The Chair welcomed fellow PSCU members, staff as well as the Board of Directors, which includes the following:

- Doug Dewling (Chair)
- George Smith (Vice Chair)
- Bill Janes (Secretary)
- James Anstey (Member at Large)
- Dave Dewling
- Sean Brophy
- Michelle Power
- Shawn O'Reilly
- Catherine Chalker

The Chair also welcomed the following guests to the AGM:

- Celina Stoyles (Kids Eat Smart)
- Kim Williams (Account Manager, CUMIS)
- Byron Smith (External Auditor)
- Trevor McCormick (CEO, CUDGC)
- Thomas Duggan (Director, CUDGC)
- Tom Fraize, QC (Fraize Law Office, PSCU's lawyer)

AGENDA

1. ADOPTION OF AGENDA

The Chair called for a motion to adopt the agenda.

Moved: Lynette Stamp; Seconded: Richard Sparkes
MOTION CARRIED

2. MINUTES OF THE 87th ANNUAL GENERAL MEETING

There were no errors or omissions noted by the membership. The Chair asked for a motion to adopt the minutes of the 87th Annual General Meeting.

Moved: Dave Dewling; Seconded: Sean Brophy
MOTION CARRIED

Minutes of the 88th Annual General Meeting

3. UNFINISHED BUSINESS ARISING FROM THE MINUTES

The Chair asked if there was any business arising from the previous AGM Meeting Minutes. There was none.

4. REPORT OF THE BOARD OF DIRECTORS

Doug Dewling, Chair of the PSCU Board of Directors, presented the report of the PSCU Board of Directors.

The Chair advised of the following:

PSCU Transformation & Recognition

- 2024 focused on preparation for a new core banking system.
- Implementation delayed to 2025, allowing more training.
- Management & staff recognized for efforts ensuring success in 2025.

Regional Contributions

- PSCU remains active in the Atlantic Credit Union System.
- George Smith (Chair of League Savings & Mortgage, Director of League Data).
- Doug Dewling (Director of Atlantic Central Board & League Savings and Mortgage).
- Credit Unions funded bursaries, supported community programs (Kids Eat Smart, Community Food Sharing, NL Federation of Cooperatives).

Provincial Challenges & Changes

- NL Credit Unions face high competition & cost pressures.
- Cybersecurity & member engagement remain priorities despite rising costs.
- Mergers continued in the Atlantic region but not in NL (focus on 2023-agreed mergers effective Jan 1, 2024).

Board Oversight & Governance

- Board & Committees met quarterly & as needed for financial & compliance oversight.
- Governance Committee reviewed policies.
- Audit Committee reviewed financials, risks, auditor reports.
- Nomination Committee attracted candidates for 3 Director positions.
- CSR Committee ensured charitable giving & scholarships aligned with UNSDGs & co-op principles.

Scholarships & Recognitions

- PSCU funded scholarships at Memorial University, Marine Institute, & College of the North Atlantic.
- 2024 AGM marked term completions for Directors: James Anstey, Dave Dewling, George Smith.
- CUDA courses completed by select Directors.
- Service milestones acknowledged:
 - James Anstey (15 years)
 - Michelle Power, Sean Brophy, Justin Crickard (5 years each)

Leadership & Gratitude

- CEO Brian Quilty, Manager of Finance Ian Barrett, & Manager of Credit & Operations Kim Hickey thanked for leadership.
- Staff appreciation for contributions in 2024.
- Members thanked for choosing PSCU as their financial institution.

In closing, the Board thanked PSCU Management and staff for their continued support.

Moved: Lynette Stamp; Seconded: Dave Dewling

MOTION CARRIED

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5. REPORT OF THE CHIEF EXECUTIVE OFFICER (CEO)

Brian Quilty presented the report of the Chief Executive Officer (CEO).

The CEO advised of the following:

Mission & Strategic Objectives

- PSCU aims to maximize financial well-being of members.
- Strategic focus on long-term sustainability through five key areas: financial success, customer value, social responsibility, learning & development, and operational efficiencies.

Economic & Interest Rate Trends

- 2024 saw declining interest rates; prime fell from 7.20% to 5.45% by Dec 2024.
- Continued decreases in 2025, currently at 4.95% (as of March), with potential further reductions.
- Higher rates in 2024 affected consumer spending & borrowing.

Banking System Transformation

- 2024 priority: transition from Horizon to Mambu banking system (Horizon expiring June 2025).
- Major investment in resources & training for conversion.
- February 2025: League Data successfully converted PSCU to Mambu.

Brand Modernization

- New Credit Union logo introduced late 2024 with fresh, modern appeal.
- Ongoing phased implementation in 2025 replacing assets & inventory.

Corporate Social Responsibility (CSR)

- Continued promotion of Green Energy Efficiency Loans to help members save on energy costs & support climate action.
- Ongoing community engagement with donations & sponsorships.
- Since 2012, PSCU & members have contributed over \$379,000 to local organizations.

Financial Performance & Member Rebates

- Board approved a \$400,000 member rebate.
- Since 2019, PSCU has paid \$2.15 million in rebates.
- Rebates based on interest earned & paid; functionality under development with expected payout of rebated in coming months.
- PSCU prepared to navigate economic challenges & rising technology costs with a strong balance sheet.

Employee Training & Recognition

- 2024 training included Cyber Security, loan insurance, risk management, and Mambu system preparation.
- Recognition for retirees:
 - Lisa Quirk (retired Dec 2024)
 - Wanda Learning (retired Feb 2025)
- Appreciation extended to all employees for their contributions toward PSCU's success.

In closing, the CEO thanked PSCU employees for their continued support and the Board for their leadership, support, and guidance throughout the year. Additionally, the CEO thanked the members, for their continued business and confidence in the Credit Union.

Moved: Brian Quilty; Seconded: Steven Bennett

MOTION CARRIED

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6. REPORT OF THE INDEPENDENT AUDITOR

Ian Barrett, PSCU Manager of Finance, presented the Independent Auditor’s Report.

Ian advised that a clean audit opinion was issued and that the financial statements present fairly, in all material respects, the financial position of the PSCU and comply with all International Financial Reporting Standards.

7. REPORT OF THE MANAGER OF FINANCE

Ian Barrett, PSCU Manager of Finance, presented the 2024 Report of the Manager of Finance.

Ian advised of the following financial metrics for 2024:

PUBLIC SERVICE CREDIT UNION LIMITED Statement of Comprehensive Income		
For the Year Ended December 31,	2024	2023
Financial Revenue		
Interest income - loans and mortgages	\$ 2,906,122	\$ 2,684,402
Investment income	885,204	844,687
	<u>3,791,326</u>	<u>3,529,089</u>
Cost of Funds		
Interest on members' deposits	1,114,684	706,304
Commissions and fees	13,540	10,200
	<u>1,128,224</u>	<u>716,504</u>
Financial Margin	2,663,102	2,812,585
Other Income		
Service charges	250,740	230,373
Other (Note 14)	66,807	72,599
Insurance commissions	90,198	91,641
Interac fees	35,630	37,105
	<u>443,375</u>	<u>431,718</u>
Income before operating expenses	<u>3,106,477</u>	<u>3,244,303</u>
Operating Expenses		
Members' security (Note 15)	111,293	114,765
General business (Note 16)	2,158,905	2,105,418
Occupancy	104,872	97,485
Amortization	65,621	54,381
Provision for impaired loans (recovery)	27,566	9,486
	<u>2,468,257</u>	<u>2,381,535</u>
Loss on disposal of capital assets		(4,596)
Net income before income taxes and patronage rebates	638,220	858,172
Patronage rebates	400,000	600,000
Income taxes		
- future (recovery) (Note 10)	10,167	5,273
- current (Note 10)	18,209	26,020
	<u>28,376</u>	<u>31,293</u>
Total Comprehensive Income	<u>\$ 209,844</u>	<u>\$ 226,879</u>

PUBLIC SERVICE CREDIT UNION LIMITED Statement of Financial Position		
As at December 31,	2024	2023
Assets		
Cash and cash equivalents	\$ 16,367,296	\$ 13,012,642
Deposits - interest bearing liquidity account (Note 4)	4,049,548	3,959,681
Investments (Note 4)	1,520,735	1,659,018
Loans and mortgages receivable (Note 6)	51,262,218	52,814,789
Current income taxes receivable	35,030	24,788
Other assets (Note 8)	1,005,428	1,058,291
Future income taxes receivable	8,192	18,359
Property, plant and equipment (Note 7)	1,331,258	1,349,752
	<u>\$ 75,579,705</u>	<u>\$ 73,897,321</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 564,930	\$ 889,213
Rebates payable	400,030	600,251
Accrued severance pay	346,922	405,187
Members' deposits (Note 9)	66,834,434	64,777,527
Payroll taxes payable	11,713	13,311
	<u>68,158,029</u>	<u>66,685,489</u>
Members' Equity		
Retained Earnings	7,421,676	7,211,832
	<u>\$ 75,579,705</u>	<u>\$ 73,897,321</u>

- **Asset and Deposit Growth:**

- Loan portfolio decreased by \$1,595,000
- Assets increased by assets increased by \$1,682,000
- Cash and investments increased by \$3,306,000
- Liquidity continues to remain in a strong position
- Deposits increased by \$2,057,000

- **Liquidity:**

- \$20,417,000 in total liquidity resulting in a surplus of \$16,407,000 compared to \$13,086,000 in 2023.

- **Loan Loss Risk:**

- Expense for impaired loans of \$28,000
- Loans written off for the year total \$70,000 (\$16,000 for 2023).

- **Capital Adequacy:**

- Total capital of \$7,692,000 for a surplus of \$323,000.

- **Income Statement:**

- After a rebate of \$400,000 and taxes of \$28,000 the profit for 2024 is \$210,000

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• **Additional Information:**

- Other income (rebates, user fees and insurance commission) increased from \$432,000 to \$443,000.
- Total operating expenses decreased by \$114,000 from \$3,010,000 to \$2,897,000 with the difference driven by the rebate for 2024 being \$200,000 less than 2023 which brought down 2024 overall expense.

In conclusion, Ian stated that the PSCU was strategically positioned to be positively impacted by the changes in the interest rate environment in 2024. Ian also stated that, although the PSCU is pleased, despite a volatile economic environment, with the financial performance of the credit union, we anticipate strong economic headwinds coupled with significantly increased costs from our partners in 2025.

Moved: Lynette Stamp; Seconded: Sean Brophy

MOTION CARRIED

8. REPORT OF THE AUDIT COMMITTEE

Doug Dewling, presented the Report of the Audit Committee.

The Chair advised that during the year, the Audit Committee reviewed and recommended their approval to the Board the following:

- Financial Statements for the year ended December 31, 2023
- 2023 Year-end Management Letter from our External Auditors with management responses
- 2024 Internal Audit Report with management responses
- 2024 Biennial Fintrac Report with management responses
- Quarterly financial statements and reports prepared by management and external parties such as Atlantic Central
- Quarterly reports submitted by the CU to the Regulator and the Credit Union Deposit Guarantee Corporation (CUDGC)
- Reviewed regular reports on the key risk areas of the CU, its operations and monitoring any action as required.

During the year, the Audit Committee also:

- Met with the External Auditor Byron Smith to review the draft 2023 Audit Financial Statement and Management Letter. The Committee recommended the acceptance of the report to the membership.
- Met with Internal Auditor Brian Scammell to develop the internal audit plan and review the draft report.

The Chair concluded by thanking audit committee board members, management, and staff of the Credit Union, both auditors and their teams, for their work during the past year.

Moved: Dave Dewling; Seconded: Michelle Power

MOTION CARRIED

9. APPOINTMENT OF THE INDEPENDENT AUDITOR

The Audit Committee moved that Byron Smith as Auditor for the External 2025 Year End Audit.

Moved: Dave Dewling; Seconded: Michael Stamp

MOTION CARRIED

Minutes of the 88th Annual General Meeting

10. NOMINATION COMMITTEE & ELECTION OF DIRECTORS

The call for submission of nomination papers opened December 12, 2024, and closed January 11, 2025.

The three incumbent Directors, whose positions are up for election, reoffered:

- Dave Dewling
- Jim Anstey
- George Smith

All three nominees were acclaimed. The Chair thanked the nominees, committee members, management support person, as well those who assisted the Committee.

Moved: Michael Stamp; Seconded: Sean Brophy
MOTION CARRIED

11. NEW BUSINESS

The Chair asked if there was any new business to discuss. There was none.

12. ADJOURNMENT

The Chair thanked staff and management through 2024 and then asked for a Motion to adjourn.

Moved: Lynette Stamp; Seconded: Braydon Scammell
MOTION CARRIED

Meeting Adjourned by Chair Dewling at 6:37 PM

Report of the Board of Directors



Doug Dewling, Chair

2025 was a challenging year with the conversion to a new core banking system happening in February, limiting management's times for Committee Meetings and delaying the Annual General Meeting. This has been compared to changing an engine on an aircraft mid-flight and we are happy it is behind us. I would

like to recognize the Management and staff for their efforts in 2025 in addressing issues associated with the new processes.

Regional

Our Credit Union continues to contribute significantly to the Atlantic Credit Union System. George Smith is now Chair of League Data, while your Chair Doug Dewling continued as a Director on the Boards of Atlantic Central, League Savings and Mortgage and as a member of The Executive of the Atlantic Credit Union Chairs Association.

Atlantic Credit Unions continued to fund bursaries at Memorial University and College of the North Atlantic, donate to the Kids Eat Smart Foundation, Community Food Sharing Association and provided support to the Newfoundland and Labrador Federation of Cooperatives of which PSCU is a member.

Provincial

Credit Unions in Newfoundland and Labrador continue to feel the increasing pressure of our shared technology costs, as well as continued escalation of the other costs associated with running the Credit Union. Mitigating Cyber threats and keeping the way members interact with the Credit Union relevant and attractive to non-Credit Union members is costly, and 2025 was no exception. As costs continue to accelerate, the pressure for more change will increase. In 2025 further mergers were seen in the Atlantic region, and early in 2026 the Newfoundland and Labrador Credit Union and Reddy Kilowatt Credit Union announced that they will be seeking approval from their memberships to merge.

PSCU

The Board and its Committees continued to provide oversight of the Credit Union. They meet quarterly and as needed to fulfill the Board's responsibilities of overseeing financial performance and compliance with Legislation, By-laws, and Board Policies. The Governance Committee continued reviewing and updating the Board Policies as needed. The Audit Committee held meetings quarterly to fulfill their mandate.

The Nomination Committee succeeded in attracting candidates to fill the Director positions up for election. The Co-operative Social Responsibility (CSR) Committee continued to ensure our Charitable Giving and Scholarships align with the United Nations Sustainable Development Goals (UNSDGs) and the seven Co-op principles.

During 2025, Catherine Chalker, Shawn O'Rielly, and Bill Janes resigned their positions on the Board due to other commitments. The Board appointed Justin Crickard (who has served on the Audit Committee for several years) as an interim Director until the AGM. All positions will be filled by election for the 2026-2027 Board year.

The 2025 Annual General Meeting marks the completion of three-year terms for Sean Brophy, Michelle Power, and Cathrine Chalker. The Board thanks the outgoing Directors for their dedication and contribution. The 2026 AGM will see the Directors filled for two one-year terms (time left in Shawn and Bill's 3-year term) and three three-year terms.

The Board thanks our management team led by Brian Quilty, CEO; Ian Barrett, Manager of Finance; Kim Hickey, Manager of Credit and Operations; and Michael Flynn. The Board also thanks the staff for their continued support and collective effort through a challenging 2025.

During 2025 Brian Quilty announced he will be retiring in the first quarter of 2026. The Board has hired Ian Barrett as our new CEO on Brian's retirement, and Michael Flynn has been hired to replace Ian Barrett as Manager of Finance. The Board gratefully extends thanks to Brian for his many years of service, first as our Accountant and then as our General Manager/CEO. The Board wishes Brian many happy and healthy years in retirement with his wife Karen and family.

Finally, a big thank you to our members for making Public Service Credit Union your financial institution of choice.

Respectfully submitted on behalf of the Board of Directors,

A handwritten signature in black ink, appearing to read 'Doug Dewling'.

Doug Dewling, B.Comm. (Hons.)
Chair

Report of the Chief Executive Officer



Brian Quilty, CEO

The PSCU's mission is to provide **financial solutions to maximize the financial well being of members.** Our strategic direction that is set by the board of directors focuses on long-term sustainability through five key objectives: financial success, customer value, social responsibility, learning & development, and

operational efficiencies.

2025 was an exciting year and marked a transformative milestone in our journey toward providing financial solutions with the conversion of our core banking system to a cloud-based banking platform, called Mambu. The new banking platform positions PSCU to better meet the needs of our members in a new digital environment. This investment sets the foundation for ensuring a more modern digital and member-focused experience for both the online and in-branch platforms.

This conversion was a significant accomplishment that consisted of a comprehensive, robust plan that was well executed, with support from teams at Atlantic Central, League Data and our team at PSCU. I offer my heartfelt gratitude for all the support we received from League Data, Atlantic Central and to our employees for their commitment and support for a successful transition. In 2025, our main focus was adjusting to the new Mambu banking system, guiding our members and providing a high level of customer service. We do thank our members for their patience and understanding.

PSCU implemented the new Credit Union logo in late 2024 and in 2025 we continued to execute additional plans for the new logo that has a new modern, fresh and warm appeal, appropriate for an ever-changing digital landscape.

In aligning with our Corporate Social Responsibility goals, PSCU continues to play an important role in improving the communities we serve, providing donations and sponsorships to multiple organizations as detailed in our Community Engagement report. We are proud to state that since 2012 PSCU, its' members and employees have contributed over \$404,000 to various organizations in our communities.

Financial

PSCU finished the year with \$80 million in assets and profit of \$205,000. PSCU has strong balance sheet with retained earnings of \$7,627,000 and \$24 million in liquidity that is available for loan growth and investment opportunities.

2025 was also a year of financial turbulence for many Credit Unions in the Atlantic including PSCU with significant cost increases related to providing financial services in this new digital banking environment. Interest rates stabilized in 2025, with prime dipping to 4.45% in November 2025, providing some financial relief to consumers and an incentive to borrow. However, the geo-political landscape, particularly the trade war that raged on among Canada and other countries particularly the US and China, has impacted the spending habits of some consumers, deferring their buying of big ticket items like automobiles in anticipation towards higher prices in the near future with the hope of returning to normal price levels once the heat over tariffs has subsided.

PSCU is in a strong capital and liquidity position to navigate through these headwinds while experiencing impacts to the bottom line.

Employees

Throughout the year, our service providers provided training to various employees in areas such as Cyber Security, loan insurance products, money laundering, risk management, Market Code of Conduct, deposit and service-related products. All employees were on a learning journey for the new banking system and employees will continue that journey for the near future as new enhancements are implemented in building better banking in the digital environment.

I would like to thank our employees for their continued support as we build on PSCU's accomplishments, to provide financial solutions to meet our members' financial goals.

I welcome Michael Flynn as the new Manager of Finance who will be replacing Ian Barrett who moves on in his career at PSCU.

Report of the Chief Executive Officer

Conclusion

I would like to thank our Board for their leadership, support and guidance throughout the past twenty years that I have been the CEO of PSCU. Additionally, I would like to thank you, our members, for your continued business and confidence in the Public Service Credit Union. I look forward to reading about our Credit Union's financial success, under the leadership of a new management team, with Ian Barrett as the new CEO. Ian has been a critical contributor to the success of PSCU for the past twenty years and I am proud to have worked with Ian and congratulate Ian as the new CEO.

It has been a privilege and honor to serve as CEO for the PSCU.

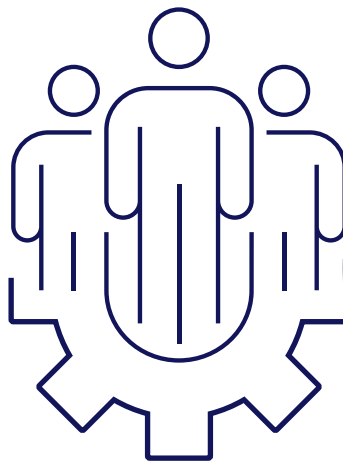
Cooperatively,



Brian Quilty, B. Comm, ACUIC (Hons.); FCUIC
CEO

“ A positive reputation is built by behaving consistently with sound principles, creating real value, achieving compliance excellence and living up to commitments. ”

~ Charles Koch, Co-CEO of Koch Industries



Community Engagement

Banking that goes further.

Credit unions are more than a bank and you are more than a customer. You're a member—and we make a local impact by ensuring your money stays right here in your community.

pscu.ca



PSCU, its members, employees and CU partners have contributed over \$404,000 to our community since 2012.

Contributions directly by PSCU:

Kids Eat Smart Foundation NL	\$77,150
Young Adult Cancer Canada NL (YACC).....	\$49,000
Children’s Wish Foundation NL	\$34,500
Canadian Cancer Society NL-Daffodil Place	\$28,500
Resource Center for the Arts/LSPU Hall	\$27,500
PSCU Scholarship-College of North Atlantic	\$16,500
Special Olympics NL.....	\$15,600
Community Food Sharing Association.....	\$14,821
Canadian Cooperative Development Fund.....	\$11,500
NLCU Charitable Foundation	\$9,338
Association of New Canadians	\$9,000
Status of Women/Gender Equality.....	\$9,000
Staff Choice (Various Charities)	\$5,000
Canadian Armed Forces Resource Center NL	\$5,000
PSCU Scholarship-Marine Institute	\$5,000
Single Parents Association NL.....	\$4,000
Church Lad’s Brigade	\$4,000
PSCU Scholarship- (Indigenous).....	\$4,000
PSCU Scholarship (Internal).....	\$3,000
MUN Food Bank	\$3,000

Gathering Place	\$2,500
Skills Canada NL Together by Design	\$2,500
Easter Seals NL	\$2,000
Big Brothers & Big Sisters	\$1,500
St. John’s Women’s Centre	\$1,000

Total: \$344,909

Public Service Credit Union adopted a Cooperative Social Responsibility (CSR) mandate in 2012 to support community organizations in Newfoundland and Labrador. This CSR program formed partnerships with charitable organizations throughout our community and approximately \$25,000 annually has been directed toward helping these organizations achieve their goals. It has been a tremendous success on a number of levels including building a strong presence as a business that is truly invested in the betterment of its community and fostering a strong sense of pride among Members, Board and Employees, that PSCU is actually creating a positive notable difference.

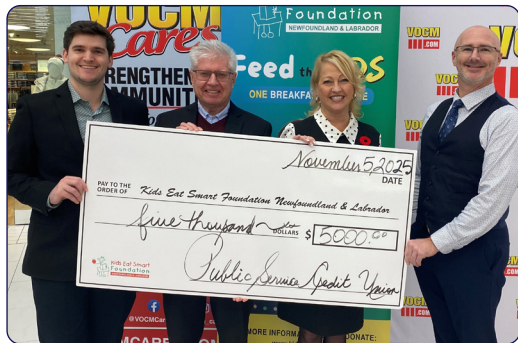
Community Engagement

Kids Eat Smart Foundation

Kids Eat Smart Foundation is a registered charity that was created 31 years ago which supports education, health, and well-being of school children throughout the province through support of Kids Eat Smart Clubs, by providing access to food at no cost - nutrition programs run by volunteers at schools and community centers. The Foundation supports more than 275 Kids Eat Smart Clubs in the province, making nutritious food choices available to students with the assistance of volunteers who serve 47,000 meals every school day!

PSCU committed for the 14th consecutive year and in 2025 contributed \$5000 to the Kids Eat Smart Foundation. Throughout the year another \$613 was contributed by its employees through payroll deductions. Since 2012 the Credit Union has contributed \$77,150 with an additional \$10,183 contributed by its employees for a total of \$87,333.

\$87,333 = 87,333 meals
“Every Breakfast. Every Child. Every School Day.
We will be there.”



Young Adult Cancer Canada



Young Adult Cancer Canada’s mission is to build a community of young adults diagnosed with cancer that provides information, support, skills and opportunity. Young Adult Cancer Canada (YACC) was established in 2000 (originally as RealTime Cancer) by Geoff Eaton

after his first cancer challenge. Geoff’s vision focused on educating and supporting young adults. At the core of that vision was the belief that cancer, like all of life’s challenges, brings with it valuable lessons and experiences.

In 2025 PSCU contributed \$3000 to YACC and has contributed \$49,000 to Young Adult Cancer Canada since 2013.

Resource Center for the Arts

The LSPU Hall affectionately known as the “Hall” is a home base for the Resource Centre for the Arts (RCA). The Hall is the heart of theatre and the cultural pulse of downtown St. John’s. Thousands of internationally acclaimed actors and musicians have passed through the Hall on their way to stardom, and in this city, you’re steps away from the action!

On any given night the LSPU Hall is teeming with activity, everything from theatre and sound symposiums to film festivals and rock shows-the Hall has it all!

PSCU contributed \$2500 to the arts community in 2025 for a cumulative total of \$27,500 since 2015.

PSCU Scholarship-Indigenous

In 2021 PSCU created a new Scholarship for the Indigenous Community, in the amount of an annual \$1000 through Memorial University. Since 2021 PSCU has contributed \$4000 to the Indigenous community through this scholarship.

PSCU Bursary-College of the North Atlantic

PSCU sponsored two \$500 bursaries to students at the College of the North Atlantic for the 2025 academic year and the recipient will be awarded this spring. This is the 13th consecutive year that PSCU has contributed to the CNA bursary since 2012 for a total of \$16,500.

Awarded to a full-time student enrolled in the second or third year of any diploma program.

Students must demonstrate financial need, academic merit, commitment to completing their studies and determination to succeed. Special consideration may be given to students who are credit union members or can demonstrate an affiliation with the credit union system.

Community Engagement

Atlantic Canada Credit Unions Educational Award Program

The program includes three (3) endowed awards (The Western Regional School of Nursing, The Faculty of Business Administration, and The School of Social Work). The endowed awards are established with gifts from the Atlantic Credit Unions. The three gifts for \$10,000 directed toward the endowed funds will be invested in the University's overall endowment and will pay out a portion of the interest to the selected students each year.

PSCU Marine Institute Award for Leadership

Effective 2016, for a ten (10) year period, an annually award for the Marine Institute has been established with an annual gift of \$500 from the Public Service Credit Union. Since 2016 PSCU has sponsored the educational and personal development of students in the amount of \$5000. The student recipient of this award is selected by each faculty from the pool of eligible students that are enrolled.

Community Food Sharing Association

In 2025 PSCU recognizing the high cost of food due to inflation and those in much need has contributed \$4500 to the Community Food Sharing Association, with total contributions of over \$14,500 in the past number of years.



Special Olympics NL

PSCU contributed \$1500 to the Special Olympics in 2025. The Special Olympics is dedicated to enriching the lives of Newfoundlanders and Labradoreans with intellectual disabilities through sport. Their vision is that sport will open the hearts and minds towards people with intellectual disabilities and create inclusive communities all across Canada.

Credit Union Week

Each October Credit Unions celebrate the great work that credit unions have achieved in their communities and throughout the world. This year we celebrated with refreshments, treats and chance to win a prize throughout the week and aligned celebrations of other local credit unions.



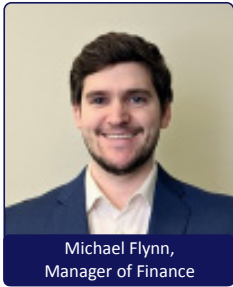
Other

Throughout 2025 PSCU provided sponsorship to various other organizations such as RNC Crime Prevention Guide, Citizen's Crime Prevention Association Guide, and Canadian Cancer Society NL- Daffodil Place.

Throughout the year we celebrated various holidays and milestones, St. Patricks Day, Canada Day, Halloween, Christmas and birthdays.



Report of the Manager of Finance



It is my pleasure to report on the financial performance for 2025.

Asset and Deposit Growth

The loan portfolio decreased by \$3,103,000 compared to a decrease of \$1,595,000 in 2024. Loans decreased from \$51,571,000 to \$48,468,000. The loans and

mortgages make up 17% and 43% of the balance sheet respectively in 2025 compared to 21% and 47% in 2024.

In 2025 assets increased by \$4,760,000 compared to a \$1,682,000 increase in 2024. Total assets increased from \$75,580,000 to \$80,340,000 for 6.30% increase.

Cash and investments increased by \$7,798,000 from \$21,938,000 to \$29,736,000. The cash and investments make up 37% of the balance sheet for 2025 compared to 29% in 2024. With this increase, liquidity continues to remain in a strong position.

Although we have a line of credit with Atlantic Central, we did not need to access it in 2025 and spent the year operating from demand liquidity with a December 31, 2025, balance of \$23,871,000 versus \$16,367,000 in 2024.

In 2025 the deposits increased by \$4,918,000 compared to a \$2,057,000 increase in 2024. Deposits increased from \$66,834,000 to \$71,752,000.

Liquidity

All credit unions are required to maintain 6% of liabilities in the form of Statutory liquidity, which may be used if there is a draw down on deposits. Statutory liquidity, which is maintained at Atlantic Central is composed of investments such as term deposits and savings and excludes encumbered deposits. As of December 2025, our credit union had \$28,216,000 in total liquidity, resulting in a surplus of \$23,871,000 compared to \$16,367,000 in 2024.

Loan Loss Risk

In 2025 there was a reversal of expense for impaired loans of \$88,000 compared to an expense of \$28,000 in 2024. The IFRS 9 allowance for impaired loans is \$191,000 compared to \$309,000 in 2024 representing 0.40% of the loan portfolio for 2025 and 0.60% for 2024. Loans written-off for the year total \$30,000 compared to \$70,000 for 2024.

Capital Adequacy

In 1992 legislation was enacted to require credit unions to maintain a minimum 5% of assets in equity, comprised of 2% share capital and 3% retained earnings. As of 2025 our credit union is required to have \$4,017,000 in equity to meet the absolute minimum Regulatory requirements. Additionally, the Board has currently approved a formal capital framework using sound financial principles and industry best practices which established a requirement for an additional 4.75% capital, \$3,816,000 to be maintained. As of December 31, 2025, the combined Regulatory and Board mandated capital requirement for the PSCU is 9.75% capital, representing \$7,833,000. On December 31, 2025, our credit union is reporting total capital of \$7,885,000 for a small surplus of \$52,000.

In light of only exceeding Board and Regulatory capital requirements by the small amount of \$52,000 in the current year, the Board has chosen to not recommend a rebate in 2025.

Income Statement

Our credit union recorded a before rebate and tax profit of \$232,000 compared to \$638,000 for 2024. The profit represents 0.29% of assets compared to 0.84% for 2024. After tax profit for 2025 is \$205,000. Our financial margin, the difference between interest income and interest cost decreased from \$2,663,000 to \$2,465,000 representing a \$198,000 decrease compared to a \$149,000 decrease in 2024. As a result of the asset increase and the interest cost increase, the financial margin as a percentage of assets decreased from 3.52% to 3.07%.

Other income consisting of rebates, user fees and insurance commission decreased from \$443,000 to \$404,000.

Total operating expenses decreased by \$233,000 from \$2,897,000 to \$2,664,000 with the difference driven by increased technology expenses associated with the purchase and implementation of a new financial system, offset by no rebate being allocated for 2025.

Report of the Manager of Finance

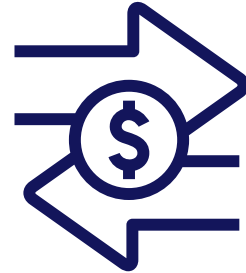
Conclusion

With the implementation of a new core banking system in 2025, came increased partner costs and temporary slowdowns in operations. However, with a year of the new core banking system under our belt we anticipate operations to return to a normal pace in 2026. Further, the Bank of Canada's changes to prime in an attempt to manage inflation caused dramatic changes in the interest rate environment in 2025. Be that as it may the PSCU continues to be strategically positioned to mitigate the impacts of these changing interest rates. We continue to find ourselves in a volatile economic environment and will continue to see the effects of increased costs from our partners in 2026. Fortunately, the Credit Union finds itself in a strong financial position to weather these challenges and navigate the year ahead.

Respectfully submitted,



Michael Flynn
Manager of Finance



Report of the Audit Committee

At the 2024 AGM, the members confirmed the appointment of Byron Smith, CPA, LLP as auditors for the 2025 External Year End Audit.

During the year, the Committee reviewed and recommended for approval by the Board the following:

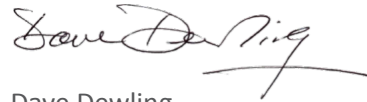
- Financial Statements for the year ended December 31, 2024
- 2024 Year-end Management Letter from our External Auditors with management responses
- 2025 Internal Audit Report with management responses
- Quarterly financial statements and reports prepared by management and external parties such as Atlantic Central
- Quarterly reports submitted by the CU to the Credit Union Deposit Guarantee Corporation (CUDGC)
- Reviewed regular reports on the key risk areas of the CU, its operations and monitoring any action as required

The Committee met with the External Auditor Byron Smith CPA, LLP to review the draft 2024 Audit Financial Statement and Management Letter.

The Committee met with Internal Auditor Byron Smith CPA, LLP to develop internal audit plan and review the draft report.

On behalf of the committee, management, and staff of the CU, I thank the auditors for their work during the past year. Sincere thanks to Audit Committee members, Justin Crickard, Sean Brophy and Michelle Power and management support Ian Barrett Manager of Finance.

Respectively submitted,



Dave Dewling
Chair of Audit Committee



Report of the Nominations Committee and Election of Directors

The call for submission of nomination papers opened the Second Thursday of December 2025, closing the second Thursday of January 2026.

There were two Director resignations during 2025 and three incumbent Directors whose terms were up creating five Director positions open to be filled at the AGM. The three incumbent Directors graciously reoffered by submitting nomination papers. Additionally, there were two more members that also offered themselves for consideration as Directors for the Board.

All five nominees were validated and recommended to the Board to be acclaimed at the AGM.

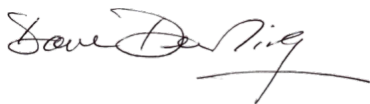
The five Directors were:

- Michelle Power (incumbent)
- Sean Brophy (incumbent)
- Justin Crickard (incumbent)
- Richard Sparkes (new)
- Paul Grandy (new)

The Committee would like to thank each nominee for their interest in serving as members of the Board of Directors of the Public Service Credit Union.

As Chair, I wish to thank Committee members Michelle Power and Sean Brophy who stayed on until September, George Smith and Jim Anstey who joined the Committee in the Fall and our Management support person Kimberley Hickey.

Respectfully submitted,



Dave Dewling
Chair of Nominations Committee



Public Service Credit Union Financial Statements

December 31, 2025

INDEPENDENT AUDITOR'S REPORT

**BYRON
SMITH**

CHARTERED
PROFESSIONAL
ACCOUNTANTS

BYRON D. SMITH

B. Comm., C.F.E., FCPA, FCA

Byron D. Smith

Professional Corporation

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Facsimile: (709) 786-1230

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Website: byronsmithca.com



To the Members of:
Public Service Credit Union Limited

Opinion

I have audited the financial statements of Public Service Credit Union Limited, which comprise the statement of financial position as at December 31, 2025, the statement of comprehensive income, the statement of changes in members' equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Public Service Credit Union Limited as at December 31, 2025, and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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 Credit Union's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is 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 my 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, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

Spaniard's Bay, NL
March 31, 2026



CHARTERED PROFESSIONAL ACCOUNTANT

PUBLIC SERVICE CREDIT UNION LIMITED
Statement of Financial Position

As at December 31,	2025	2024
Assets		
Cash and cash equivalents	\$ 23,870,895	\$ 16,367,296
Deposits - interest bearing liquidity account (Note 4)	4,344,683	4,049,548
Investments (Note 4)	1,520,735	1,520,735
Loans and mortgages receivable (Note 6)	48,277,161	51,262,218
Current income taxes receivable		35,030
Other assets (Note 8)	943,728	1,005,428
Future income taxes receivable	6,527	8,192
Property, plant and equipment (Note 7)	<u>1,376,683</u>	<u>1,331,258</u>
	<u>\$ 80,340,412</u>	<u>\$ 75,579,705</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 597,069	\$ 564,930
Rebates payable		400,030
Accrued severance pay	356,646	346,922
Members' deposits (Note 9)	71,752,066	66,834,434
Corporate taxes payable	6,746	
Payroll taxes payable	<u>1,074</u>	<u>11,713</u>
	<u>72,713,601</u>	<u>68,158,029</u>
Members' Equity		
Retained Earnings	<u>7,626,811</u>	<u>7,421,676</u>
	<u>\$ 80,340,412</u>	<u>\$ 75,579,705</u>

Approved by the Board:



Chair of Board



Chair of Audit Committee

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

PUBLIC SERVICE CREDIT UNION LIMITED
Statement of Comprehensive Income

For the Year Ended December 31,

2025

2024

Financial Revenue

Interest income - loans and mortgages	\$ 2,697,033	\$ 2,906,122
Investment income	<u>800,543</u>	<u>885,204</u>
	<u>3,497,576</u>	<u>3,791,326</u>

Cost of Funds

Interest on members' deposits	1,007,668	1,114,684
Commissions and fees	<u>24,935</u>	<u>13,540</u>
	<u>1,032,603</u>	<u>1,128,224</u>

Financial Margin

	<u>2,464,973</u>	<u>2,663,102</u>
--	------------------	------------------

Other Income

Service charges	274,303	250,740
Other (Note 14)	32,373	66,807
Insurance commissions	64,967	90,198
Interac fees	<u>32,609</u>	<u>35,630</u>
	<u>404,252</u>	<u>443,375</u>

Income before operating expenses

	<u>2,869,225</u>	<u>3,106,477</u>
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Operating Expenses

Members' security (Note 15)	122,482	111,293
General business (Note 16)	2,441,465	2,158,905
Occupancy	92,895	104,872
Amortization	68,683	65,621
Provision for impaired loans (recovery)	<u>(87,844)</u>	<u>27,566</u>
	<u>2,637,681</u>	<u>2,468,257</u>

Net income before income taxes and patronage rebates

	231,544	638,220
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Patronage rebates

	(1,174)	400,000
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Income taxes

- future (recovery) (Note 10)	1,665	10,167
- current (Note 10)	<u>25,918</u>	<u>18,209</u>

Total Comprehensive Income

	<u>\$ 205,135</u>	<u>\$ 209,844</u>
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The accompanying notes are an integral part of these financial statements.

PUBLIC SERVICE CREDIT UNION LIMITED
Statement of Changes in Members' Equity

For the Year Ended December 31,	2025	2024
Retained earnings, beginning of year	\$ 7,421,676	\$ 7,211,832
Total comprehensive income	<u>205,135</u>	<u>209,844</u>
Retained earnings, end of year	<u>\$ 7,626,811</u>	<u>\$ 7,421,676</u>

Retained earnings is comprised of the following:

Retained earnings from operations	\$ 7,565,811	\$ 7,360,676
Stock dividend	<u>61,000</u>	<u>61,000</u>
	<u>\$ 7,626,811</u>	<u>\$ 7,421,676</u>

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

PUBLIC SERVICE CREDIT UNION LIMITED
Statement of Cash Flows

For the Year Ended December 31,

2025

2024

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Activities

Net income	\$ 205,135	\$ 209,844
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	68,683	65,621
Future income taxes	<u>1,665</u>	<u>10,167</u>
	275,483	285,632
Change in assets and liabilities:		
Accounts payable and accrued liabilities	21,503	(325,885)
Accrued severance pay	9,724	(58,265)
Rebate payable	(400,030)	(200,221)
Corporate taxes payable	41,776	(10,242)
Prepaid and other assets	<u>61,700</u>	<u>52,864</u>
Net cash (used in) provided by operating activities	<u>10,156</u>	<u>(256,117)</u>

Cash Flows from Financing Activities

Members' demand and term deposits	5,220,306	2,122,574
Members' RRSP and RRIF deposits	<u>(302,674)</u>	<u>(65,666)</u>
	<u>4,917,632</u>	<u>2,056,908</u>

Cash Flows from Investing Activities

Investments and liquidity deposits	(295,135)	48,417
Loans and mortgages receivable	2,985,057	1,552,572
Purchase of capital assets	<u>(114,111)</u>	<u>(47,126)</u>
Net cash used in investing activities	<u>2,575,811</u>	<u>1,553,863</u>

Increase in cash 7,503,599 3,354,654

Cash, beginning of year 16,367,296 13,012,642

Cash, end of year \$ 23,870,895 \$ 16,367,296

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

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

1. Nature of Operations and Basis of Presentation

Reporting Entity

The Credit Union is incorporated under the laws of the province of Newfoundland and Labrador and is subject to the provisions of the Credit Union Act/Regulations of the Province. The Credit Union is a member of Atlantic Central. The Credit Union operates as one operating segment in the loans and deposit taking industry in Newfoundland and Labrador. Products and services offered to its members include mortgages, personal and commercial loans, chequing and savings accounts, term deposits, RRSP's, RRIF's, RESP's, mutual funds, automated banking machines, debit and credit cards, internet and mobile banking. The Credit Union's office is located at 403 Empire Avenue, St. John's, Newfoundland and Labrador.

Basis of Presentation

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

The financial statements for the year ended December 31, 2025 were authorized for issue by the Credit Union's Board of Directors on March 31, 2026.

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

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

2. Material Accounting Policy Information

The IASB continues to make changes to IFRS to improve the overall quality of financial reporting. The Credit Union monitors IASB developments that are relevant to the Credit Union's financial reporting and accounting policies.

Prepaid Asset, Service Contract Costs

The Credit Union is participating in a cost sharing arrangement to fund the costs for platform development related to a cloud computing service contract. In accordance with IFRS Interpretations Committee release, March 2019, these costs are related to the service contract and will be recorded as an expense over the contract term. The contract period is expected to be for a ten year period beginning in 2025.

Financial Instruments

Effective January 1, 2018 the Credit Union adopted IFRS 9 - Financial Instruments ("IFRS 9"), which replaces IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 addresses classification and measurement, impairment, and hedge accounting.

The impact to Members' equity at January 1, 2018 was a decrease of \$354,705 reported in retained earnings, related to the impairment requirements of the standard. As permitted by IFRS 9, prior periods had not been restated.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

2. Material Accounting Policy Information (Continued)

a) Classification and Measurement:

IFRS 9 provides a single model for financial asset classification and measurement that is based on both the business model for managing financial assets and the contractual cash flow characteristics of the financial assets. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

The following summarizes the key aspects resulting from IFRS 9:

- "Amortized cost" financial asset category was introduced replacing the loans and receivables ("L&R") classification. It applies to debt instruments whose contractual cash flow characteristics are solely payments of principal and interest ("SPPI") and that are held in a business model whose objective is to hold the assets to collect contractual cash flows.
- "Fair value through other comprehensive income" ("FVOCI") financial asset category was introduced. It applies to debt instruments that meet the SPPI test where the business model's objective is achieved by collecting contractual cash flows and by selling the assets. These assets may be sold in response to or in anticipation of changes in interest rates, changes in credit risk, changes in funding sources or terms, or to meet liquidity needs.
- Debt instruments that are managed on a "held for trading" or "fair value" basis are classified as fair value through profit or loss ("FVTPL").
- Equity instruments are measured at FVTPL, unless the asset is not held for trading purposes and I make an irrevocable election to designate the asset as FVOCI. This election is made on an instrument-by-instrument basis and must be made upon initial recognition (or on the transition to IFRS 9 on January 1, 2018).

I consider the following in my 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 classification and measurement of financial liabilities remain essentially unchanged under IFRS 9, except for financial liabilities designated as measured at fair value through profit or loss.

b) Impairment:

IFRS 9 provides a single impairment model for financial assets that requires the recognition of expected credit losses (ECL). The new ECL model results in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual impairment.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

2. Material Accounting Policy Information (Continued)

Under IFRS 9, the ECL model, which is forward-looking, also requires that forecasts of future events and economic conditions be used when determining significant increases in credit risk and when measuring expected losses. Forward-looking macroeconomic factors such as unemployment rates, housing price indexes, interest rates, and household disposable income are considered in the assessment of ECL.

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the following components:

- Exposure at Default (EAD) – an estimate of the loan exposure amount at a future default date (this amount does not consider the underlying collateral, or mortgage insurance).
- Probability of Default (PD) – an estimate of the likelihood of default over a given time horizon.
- Loss Given Default (LGD) – an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due on the loan, and those that the lender would expect to receive, including cash flows from any collateral or, in the case of insured mortgages, the proceeds from the insurance claim.

The ECL model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. In assessing whether credit risk has increased significantly, I compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of its initial recognition.
- Stage 2 – When a financial instrument experiences a SICR after origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that I have classified as impaired are included in this stage. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. As with Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Significant judgment is required in making assumptions and estimations when calculating ECL, including determination of significant increases in credit risk, and the application of forward-looking information. The underlying assumptions and estimates may result in changes to the provisions from period to period.

IFRS 9 requires consideration of past events, current market conditions and reasonable supportable information about future economic conditions, in determining whether there has been a significant increase in credit risk and in calculating the amount of expected losses.

Changes in the required ECL allowance, including the impact of financial instruments migrating between stage 1 and stage 2, are recorded in the provision for credit losses in the statement of comprehensive income.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

2. Material Accounting Policy Information (Continued)

c) Hedge Accounting:

IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with a Credit Union's risk management activities.

Cash and Cash Equivalents

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

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

Investments

Central Deposits

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

Equity Instruments

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

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

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

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

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

Derivative Financial Instruments

Hedges

The Credit Union did not engage in any material derivative financial instruments.

The Credit Union, in accordance with its risk management strategies, may enter into various derivative financial instruments to protect itself against the risk of fluctuations in interest rates.

The Credit Union manages interest rate risk through interest rate swaps. These derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value, in both cases shown on the Statement of Financial Position.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

2. Material Accounting Policy Information (Continued)

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

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Credit Union's risk management objective and strategy for undertaking the hedge;
- For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss;
- The effectiveness of the hedge can be reliably measured; and
- The hedge is expected to be highly effective at inception and remains highly effective on each date it is tested. The Credit Union has chosen to test the effectiveness of its hedges on a quarterly basis.

The swap contracts can be designated as fair value hedge instruments or cash flow hedge instruments. The Credit Union has not entered into any fair value hedges at this time.

Cash flow hedges modify exposure to variability in cash flows for variable rate interest bearing instruments or the forecasted assurance of fixed rate liabilities. The Credit Union's cash flow hedges are primarily hedges of floating rate deposits as well as commercial and personal loans.

For cash flow hedges that meet the hedging documentation criteria, gains and losses resulting from changes in the fair value of the effective portion of the derivative instrument are recorded in other comprehensive income until the hedged item is recognized in income, at which time such change is recognized as interest income. The ineffective portion is recognized immediately in income as other income.

If the Credit Union closes out its hedge position early, the cumulative gains and losses recognized in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to profit or loss using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognized in net income within interest expense or interest revenue.

Other Non-Hedge Derivatives

The Credit Union may designate certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). Financial instruments included in this category are the embedded derivatives and derivatives related to index linked term deposits and interest rate swaps not designated as hedging instruments.

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

Member Loans

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

Member loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

2. Material Accounting Policy Information (Continued)

Member loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses.

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

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

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

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in net income.

Bad Debts Written Off

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

Property, Plant and Equipment

Property, plant and equipment is initially recorded at cost. Amortization is calculated on either the straight line basis or the declining balance basis as set out below, based on the estimated useful lives of the assets. No amortization is taken on assets purchased that have not been put into use during the year.

Building - main structure	- 40 years, straight-line method
Paved area	- 8%, declining balance method
HVAC system	- 20 years, straight-line method
Building - roof structure	- 25 years, straight-line method
Furniture and equipment	- 20%, declining balance method
Data processing equipment	- 33%, declining balance method

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

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

2. Material Accounting Policy Information (Continued)

Severance Payable

Severance is accounted for as a post employment benefit and accrued annually. It is calculated based upon years of service and current salary levels. The right to receive severance vests with employees having five or more years of continuous service. No provision has been made in the accounts for employees with less than five years of service. The amount is payable when an employee ceases employment with the Credit Union.

Impairment of Non-Financial Assets

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

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

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

Income Taxes

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

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

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

Recognition of future 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 would allow the future tax asset to be utilized. Future 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 future 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).

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

2. Material Accounting Policy Information (Continued)

Members' Deposits

All members' deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Members' deposits are subsequently measured at amortized cost, using the effective interest rate method.

Accounts Payable and Other Payables

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

Provisions

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

Members' Shares

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

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

Revenue Recognition

Interest is accrued on a daily basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income is recognized when the right to receive payment is established. Revenue from the provision of services to members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonably assured.

Revenue from Contracts with Customers

The IFRS 15 standard is a control-based model that focuses on risk and rewards. Under this standard, revenue is recognized when a customer obtains control of a good or service.

Transfer of control occurs when the customer can direct the use of and obtain the benefits of the good or service. The standard introduces a new five step model governing revenue recognition to be applied to contracts with customers. The Credit Union must also determine whether its performance obligation is to provide the service itself (i.e. the Credit Union acts as a principal) or to arrange another party to provide the service (i.e. the Credit Union acts as an agent).

This guidance includes a five-step, principles-based recognition and measurement approach, as well as requirements for accounting for contract costs, and additional disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from transactions with customers.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

2. Material Accounting Policy Information (Continued)

Patronage Distributions

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

Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

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

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

Leases

IFRS 16, Leases, was released by IASB in January 2016 to set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize: assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 was effective January 1, 2019.

Standards, Amendments and Interpretations Not Yet Effective

The following new standards, amendments and interpretations, which have not been applied in these financial statements, that will or may have an effect on the Credit Union's future financial statements are:

- Amendments to IAS 1 were issued on January 23, 2020 with an effective date of January 1, 2024. The amendment in Classification of Liabilities as Current or Non-Current affect only the presentation of liabilities in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expense, or the information that entities disclose about those items.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Credit Union's future financial statements.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

2. Material Accounting Policy Information (Continued)

Accounting Estimates and Judgements

Use of Estimates

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

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

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

Fair Value of Financial Instruments

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

The methods and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in Note 5.

Member Loan Loss Provision

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

The Credit Union business model is to hold financial assets in the form of loans for the objective of collection of contractual cash flows of solely payments of principal and interest. The Credit Union assesses on a forward-looking basis the expected credit losses (ECL) associated with its Member loans and commitments. The Credit Union recognized a loss allowance for such losses at each reporting date. The measurement of ECL reflects, an unbiased and probability-weighted amount, the time value of money and reasonable and supportable information that is available without undue cost at the reporting date about past events, current conditions and future economic indicators.

Note 6 provides more detail of how the expected credit loss allowance is measured.

In determining the collective loan loss provision Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment. Further details on the estimates used to determine the allowance for impaired loans collective provision are provided further along in Note 6 and Note 2.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

2. Material Accounting Policy Information (Continued)

Income Taxes

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

Financial Instruments

Financial assets and liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as detailed below. The following table presents the classifications of financial assets and financial liabilities in accordance with IFRS 9:

Classification under:	IFRS 9
Cash and cash equivalents	Amortized cost
Investments – debt instruments	FVOCI
Investments – equity instruments	FVOCI elected
Other assets	Amortized cost
Loans and mortgages	Amortized cost
Member deposits	Amortized cost

A financial asset is derecognized when the contractual rights to the cash flows from the asset have expired, or the Credit Union 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 Credit Union 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.

Changes in fair values of financial assets and financial liabilities classified as FVTPL are reported in earnings, while the changes in value of FVOCI financial assets are reported within other comprehensive income (OCI) until the financial asset is disposed of or becomes impaired.

Accumulated OCI is reported on the statement of financial position as a separate component of Members' Equity. It includes, on a net of taxes basis, the net unrealized gains and losses on FVOCI financial assets.

3. Cash and Cash Equivalents

The Credit Union's cash and current accounts are held with Atlantic Central. Cash and cash equivalents also includes redeemable interest bearing term investments with Concentra Financial. The average yield on the accounts at December 31, 2025 is 3.15% (2024 - 3.82%).

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

4. Investments

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

Deposits - interest bearing liquidity accounts

	<u>2025</u>	<u>2024</u>
Atlantic Central Liquidity reserve deposit	\$ 4,344,683	\$ 4,049,548

The Credit Union must maintain liquidity reserves with Atlantic Central of not less than 6% of total deposits in, and borrowings of, the Credit Union in accordance with legislation. Note 13 provides the Credit Union's position in this regard. The deposits can be withdrawn only if there is a sufficient reduction in the Credit Union's total deposit and borrowings or upon withdrawal of membership from Atlantic Central. The liquidity reserves are due within one year. At maturity, these deposits are reinvested at market rates for various terms.

Discount deposits at Atlantic Central are due within one year. The carrying amounts for deposits at Atlantic Central approximates fair value due to having similar characteristics as cash and cash equivalents.

Equity Instruments

	<u>2025</u>	<u>2024</u>
Atlantic Central Common Shares	\$ 633,267	\$ 633,267
Atlantic Central Class B	61,000	61,000
Atlantic Central NL Shares	37,000	37,000
Atlantic Central NS Shares	31,000	31,000
Atlantic Central LSM Shares	449,525	449,525
League Data Shares	265,130	265,130
Central 1 Share	100	100
CU Financial Management Limited Common Shares	<u>43,713</u>	<u>43,713</u>
Total Equity Instruments	<u>\$ 1,520,735</u>	<u>\$ 1,520,735</u>

During 2020 the Credit Union transferred the financial management services of certain member investment accounts over to CU Financial Management Limited (CUFM). In exchange for this intangible the Credit Union received 5 common shares in CUFM with a fair value of \$43,713.

The shares in Atlantic Central are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Atlantic Central. In addition, the member Credit Unions are subject to additional capital calls at the discretion of the Board of Directors of Atlantic Central.

Atlantic Central common shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares however, fair value is determined to be equivalent to the par value due to the fact transactions occur at par value on a regular and recurring basis.

League Data is owned by the Credit Unions in Atlantic Canada and is part of the Credit Union System and League Savings and Mortgage Company (LSM) is a Atlantic Central subsidiary. There is no separately quoted market value for these shares and the fair value could not be measured reliably. Therefore, they are recorded at cost.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

4. Investments (Continued)

The Credit Union is not intending to dispose of any Atlantic Central, League Data or LSM shares as the services supplied by these entities are relevant to the day to day activities of the Credit Union.

Dividends on these shares are at the discretion of the Board of Directors of Atlantic Central, League Data and LSM respectively.

5. Derivative Financial Instruments

The Credit Union has not entered into any derivative financial instruments.

6. Loans and Mortgages Receivable

	<u>2025</u>	<u>2024</u>
Current loans	\$ 13,544,183	\$ 16,001,989
Current mortgages	33,910,461	34,526,702
Impaired loans and mortgages	<u>1,013,500</u>	<u>1,042,580</u>
	48,468,144	51,571,271
Less: allowance for impaired loans	<u>(190,983)</u>	<u>(309,053)</u>
Net loans and mortgages receivable	<u>\$ 48,277,161</u>	<u>\$ 51,262,218</u>

Total allowance for impaired loan provision is comprised solely of individual specific provisions:

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 309,053	\$ 351,442
Loans written off as uncollectible	<u>(30,416)</u>	<u>(69,955)</u>
	278,637	281,487
Additional provision (recovery)	<u>(87,654)</u>	<u>27,566</u>
Balance, end of year	<u>\$ 190,983</u>	<u>\$ 309,053</u>

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

6. Loans and Mortgages Receivable (Continued)

The number of loans outstanding at December 31 has been summarized as follows:

	<u>2025</u>	<u>2024</u>
Current loans	699	779
Current mortgages	213	227
Impaired loans and mortgages	<u>18</u>	<u>15</u>
	<u>930</u>	<u>1,021</u>

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

	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
	<u>Carrying Value</u>	<u>Individual Specific Provision</u>	<u>Carrying Value</u>	<u>Individual Specific Provision</u>
Period of delinquency				
Less than 90 days	\$ 995,999	\$ 115,075	\$ 964,451	\$ 159,485
Over 90 days	<u>17,501</u>	<u>17,486</u>	<u>78,129</u>	<u>67,563</u>
Total loans in default	1,013,500	132,561	1,042,580	227,048
Total loans not in arrears	<u>47,454,644</u>	<u>58,422</u>	<u>50,528,691</u>	<u>82,005</u>
Total loans	<u>\$ 48,468,144</u>	<u>\$ 190,983</u>	<u>\$ 51,571,271</u>	<u>\$ 309,053</u>

Terms and Conditions

Member loans can have either a variable or fixed rate of interest and they mature within seven years.

Some variable rate loans are based on a "prime rate" formula. The rate is determined by the type of security offered and the member's credit worthiness.

The interest rate, on fixed rate loans being advanced at December 31, varies with the type of security offered and the member's credit worthiness.

Current mortgages are loans that are secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Current loans consist of personal term loans, commercial loans, member overdrafts and lines of credit that are non real estate secured and, as such, have various repayment terms. Some of the current loans are secured by personal property and equipment or investments, and a general security agreement or conditional sales contracts.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

6. Loans and Mortgages Receivable (Continued)

Average Yields to Maturity

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

	<u>Principal</u>	<u>2025 Yield</u>	<u>Principal</u>	<u>2024 Yield</u>
Variable rate	\$ 8,345,882	5.99%	\$ 8,137,716	6.30%
Fixed rate	<u>40,122,262</u>	4.25%	<u>43,433,555</u>	4.80%
	<u>\$ 48,468,144</u>		<u>\$ 51,571,271</u>	

Credit Quality of Loans

The following table sets out information about the credit quality of loans and mortgages measured at amortized cost.

	<u>Normal risk Stage 1</u>	<u>Watch list Stage 2</u>	<u>Credit- impaired Stage 3</u>	<u>2025 Total</u>	<u>2024 Total</u>
Insured Mortgages	\$ 5,229,750			\$ 5,229,750	\$ 5,295,137
Uninsured Mortgages	27,578,350		\$ 838,847	28,417,197	30,263,427
Secured Personal Loans	5,188,474		58,759	5,247,233	7,093,354
Unsecured Personal Loans	2,169,999		73,225	2,243,224	1,065,959
Commercial Loans	219,989			219,989	
Syndication Loan	735,636			735,636	393,385
Lines of Credit and Overdraft	<u>6,332,446</u>		<u>42,669</u>	<u>6,375,115</u>	<u>7,460,009</u>
Subtotal loans advanced	47,454,644		1,013,500	48,468,144	51,571,271
Unused Lines of Credit	<u>5,826,972</u>			<u>5,826,972</u>	<u>5,948,214</u>
Total	53,281,616		1,013,500	54,295,116	57,519,485
Allowance for Doubtful Accounts	<u>58,422</u>		<u>132,561</u>	<u>190,983</u>	<u>309,053</u>
Total loans and commitments	<u>\$ 53,223,194</u>	<u>\$ NIL</u>	<u>\$ 880,939</u>	<u>\$ 54,104,133</u>	<u>\$ 57,210,432</u>

It is not practical to value all collateral as at the statement of financial position date due to the variety of assets and conditions. A breakdown of the loans by security type on a portfolio basis is as follows:

	<u>2025</u>	<u>2024</u>
Unsecured term loans	\$ 2,243,224	\$ 1,065,959
Loans secured by cash, members' deposits	\$ 17,205	\$ 26,733
Unsecured lines of credit	\$ 1,304,601	\$ 1,327,884

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

6. Loans and Mortgages Receivable (Continued)

Fair Value

The estimated fair value of the variable rate loans is assumed to be equal to book value as the interest rates on these loans re-price to market on a periodic basis. The estimated fair value of fixed rate loans is determined by discounting the expected future cash flows at current market rates for products with similar terms and credit risks.

Key Assumptions in Determining the Allowance for Impaired Loans Collective Provision

The Credit Union would determine the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union estimates the potential impairment using the loan type, industry, geographical location, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any difference between loss estimates and actual loss experience.

An estimate of the collective provision is based on the period of repayments that are past due.

For purposes of the collective provision loans are classified into separate groups with similar risk characteristics, based on the type of product and type of security.

Definition of Default and Credit Impaired

The Credit Union defines a member loan in default and credit impaired when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments.
- The borrower meets unlikeliness to pay criteria such as the borrower is deceased, insolvent, is in breach of financial covenants, other concessions have been made by the lender or it is becoming probable that the borrower will enter bankruptcy.

Following the general IFRS 9 impairment approach, credit loss allowance is measured using a three-stage approach as defined in Note 2.

Loss Allowance

The loss allowance recognized in the period is impacted by factors, such as: transfers between stage 1 and stages 2 or 3 due to member loans experiencing significant risk or becoming credit-impaired in the period and consequently step up (or step down) between 12 month and lifetime expected credit losses. Also, the impact on the measurement of ECL due to changes in the risk adjusted probability of default, exposure at default and the loss given default in the period, arising from regular refreshing of the inputs to models.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

6. Loans and Mortgages Receivable (Continued)

The table below explains the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at December 31, 2024	\$ <u>82,005</u>	\$ <u>15,000</u>	\$ <u>212,048</u>	\$ <u>309,053</u>
Transfers from stage 1 to stage 2				
Transfers from stage 2 to stage 3				
Remeasurement of loss allowance	<u>(23,583)</u>	<u>(15,000)</u>	<u>(49,071)</u>	<u>(87,654)</u>
Net change during the period	<u>(23,583)</u>	<u>(15,000)</u>	<u>(49,071)</u>	<u>(87,654)</u>
Write-offs in the year	<u> </u>	<u> </u>	<u>(30,416)</u>	<u>(30,416)</u>
Loss allowance as at December 31, 2025	\$ <u>58,422</u>	\$ <u>NIL</u>	\$ <u>132,561</u>	\$ <u>190,983</u>

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

7. Property, Plant and Equipment

	<u>Land</u>	<u>Buildings</u>	<u>Paved Areas</u>	<u>Furniture and Equipment</u>	<u>Data Processing Equipment</u>	<u>Total</u>
Cost						
Balance on December 31, 2024	\$ 264,150	\$ 1,609,543	\$ 50,462	\$ 170,617	\$ 404,483	\$ 2,499,255
Additions		100,654			13,457	114,111
Disposals		(71,589)			(41,270)	(112,859)
Balance on December 31, 2025	<u>264,150</u>	<u>1,638,608</u>	<u>50,462</u>	<u>170,617</u>	<u>376,670</u>	<u>2,500,507</u>
Accumulated Amortization						
Balance on December 31, 2024		680,699	12,739	162,077	312,482	1,167,997
Amortization expense		31,050	3,018	1,708	32,910	68,686
Disposals		(71,589)			(41,270)	(112,859)
Balance on December 31, 2025		<u>640,160</u>	<u>15,757</u>	<u>163,785</u>	<u>304,122</u>	<u>1,123,824</u>
Net Book Value						
December 31, 2024	<u>\$ 264,150</u>	<u>\$ 928,844</u>	<u>\$ 37,723</u>	<u>\$ 8,540</u>	<u>\$ 92,001</u>	<u>\$ 1,331,258</u>
December 31, 2025	<u>\$ 264,150</u>	<u>\$ 998,448</u>	<u>\$ 34,705</u>	<u>\$ 6,832</u>	<u>\$ 72,548</u>	<u>\$ 1,376,683</u>

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

8. Other Assets

	<u>2025</u>	<u>2024</u>
Prepaid expenses	\$ 38,141	\$ 34,680
Prepaid service contract costs (Honeybee Mission) (Note 18)	875,389	963,730
Other accounts receivable	<u>30,198</u>	<u>7,018</u>
	<u>\$ 943,728</u>	<u>\$ 1,005,428</u>

9. Members' Deposits

	<u>2025</u>	<u>2024</u>
Chequing accounts	\$ 13,558,699	\$ 11,721,971
Savings accounts	25,232,440	25,005,188
Term deposits and accrued interest	17,795,661	14,612,843
RRSP funds plus accrued interest	9,402,261	10,119,532
RRIF funds plus accrued interest	4,788,257	4,373,660
Non-equity share accounts	655,074	670,157
Equity share accounts	<u>319,674</u>	<u>331,083</u>
	<u>\$ 71,752,066</u>	<u>\$ 66,834,434</u>

Terms and Conditions

Chequing deposits are due on demand.

Demand deposits (savings accounts) are due on demand and bear interest at various rates. Interest is calculated daily.

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semiannually, monthly or upon maturity.

The registered retirement savings plan (RRSP) accounts can be fixed or variable rates. The fixed rate RRSP's have terms and rates similar to the term deposit accounts described above.

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

Fair Value

The estimated fair value of the demand deposits and variable rate deposits are assumed to be equal to book value as the interest rates on these deposits re-price to market on a periodic basis. The estimated fair value of fixed rate deposits is determined by discounting the expected future cash flows of these deposits at current market rates for products with similar terms and credit risks.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

10. Income Taxes

The components of income tax expense are:

	<u>2025</u>	<u>2024</u>
Income taxes - current	\$ 25,918	\$ 18,209
Future income taxes	<u>1,665</u>	<u>10,167</u>
	<u>\$ 27,583</u>	<u>\$ 28,376</u>

11. Related Party Transactions

Director fees and salary replacement paid to directors and salary to key management personnel having authority and responsibility for planning, directing and controlling the activities of the Credit Union were \$473,023 (2024 - \$408,345).

At December 31, 2025, the aggregate value of interest bearing personal and mortgage loans outstanding to directors, key management and employees totaled \$1,936,857; (2024 - \$2,244,222). The aggregate value of interest bearing deposits outstanding to directors, key management and employees totaled \$1,017,911; (2024 - \$821,956). These loans and deposits are on the same terms and conditions as have been accorded to all members of the Credit Union.

12. Financial Instrument Classification and Fair Value

The following table represents the carrying amount by classification.

	<u>Fair Value through OCI</u>	<u>Amortized Cost Assets</u>	<u>Amortized Cost Liabilities</u>
December 31, 2025			
Cash and deposits		\$ 28,215,578	
Investments	\$ 1,520,735		
Loans to members		48,277,161	
Other assets		950,255	
Members' deposits			\$ 71,752,066
Other liabilities			<u>961,535</u>
	<u>\$ 1,520,735</u>	<u>\$ 77,442,994</u>	<u>\$ 72,713,601</u>
December 30, 2024			
Cash and deposits		\$ 20,416,844	
Investments	\$ 1,520,735		
Loans to members		51,262,218	
Other assets		1,048,650	
Members' deposits			\$ 66,834,434
Other Liabilities			<u>1,323,595</u>
	<u>\$ 1,520,735</u>	<u>\$ 72,727,712</u>	<u>\$ 68,158,029</u>

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

12. Financial Instrument Classification and Fair Value (Continued)

Capital Adequacy/Capital Management

Pursuant to S.22 of the regulations related to the Credit Union Act, a Credit Union shall maintain a capital adequacy reserve of 5% of total assets consisting of share capital and retained earnings. The minimum retained earnings amount is 1% of total assets. The maximum share capital to be used in the determination of capital adequacy is 1% of total assets. As outlined below, the Credit Union was in compliance with the requirement as at December 31, 2025. During 2011 the Credit Union received a stock dividend in the amount of \$61,000 on the formation of Atlantic Central. This amount is included in retained earnings.

	<u>2025</u>	<u>2024</u>
Required capital per regulations:		
5% of total assets (regulatory)	\$ 4,017,021	\$ 3,778,985
Actual capital		
Retained Earnings	7,626,811	7,421,676
Adjustment for stock dividend	(61,000)	(61,000)
Equity shares	<u>319,674</u>	<u>331,083</u>
	<u>7,885,485</u>	<u>7,691,759</u>
Excess of capital per regulatory requirement	3,868,464	3,912,774
Additional 4.75% of total assets (per Board policy)	<u>3,816,170</u>	<u>3,590,036</u>
Excess (Shortage) of capital per Board policy	\$ <u>52,294</u>	\$ <u>322,738</u>

13. Financial Instrument Risk Management

General Objectives, Policies and Processes

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

Credit Risk

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

Risk Management

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

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

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

13. Financial Instrument Risk Management (Continued)

Liquidity Risk

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

Risk Measurement

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

Objectives, Policies and Procedures

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

Provisions of the Credit Union Act require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals. The Credit Union has set a minimum liquidity ratio of 6%.

The Credit Union manages liquidity risk by:

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

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

Liquidity Requirement

As at December 31, 2025, the position of the Credit Union is as follows:

	Maximum Exposure
Qualifying liquid assets on hand	
Cash and cash equivalents	\$ 23,870,895
Liquidity reserve deposit	<u>4,344,683</u>
	28,215,578
Total liquidity requirement (6% Member Deposits)	<u>4,305,124</u>
Excess liquidity	<u>\$ 23,910,454</u>

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

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

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

13. Financial Instrument Risk Management (Continued)

Market Risk

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

Senior management is responsible for managing market risk in accordance with the Credit Union's Asset and Liability Management and Investment Policy as set by the Board.

Interest Rate Risk

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

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

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

Risk Measurement

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

Objectives, Policies and Procedures

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

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union's management.

	<u>Assets</u>	<u>Yield (%)</u>	<u>Liabilities</u>	<u>Cost (%)</u>	<u>Asset / Liability Gap</u>
Maturity dates, interest sensitive					
Variable	\$ 6,970,070	5.59	\$ 38,513,224	0.14	\$(31,543,154)
0-3 months	10,495,178	3.91	8,877,878	2.89	1,617,300
4-9 months	9,153,582	3.67	6,042,303	2.81	3,111,279
1 year	18,145,280	3.36	10,510,658	2.48	7,634,622
2 years	12,572,076	3.98	3,369,008	2.71	9,203,068
3 years	7,385,241	6.11	988,626	3.00	6,396,615
4 years	4,993,725	5.73	357,051	2.95	4,636,674
5 years	7,751,978	4.97	434,575	2.21	7,317,403
> 5 years			319,674		(319,674)
	<u>77,467,130</u>		<u>69,412,997</u>		<u>8,054,133</u>
Non interest sensitive	<u>2,873,282</u>		<u>3,300,604</u>		<u>(427,322)</u>
Total	<u>\$ 80,340,412</u>		<u>\$ 72,713,601</u>		<u>\$ 7,626,811</u>

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

13. Financial Instrument Risk Management (Continued)

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The Credit Union can utilize interest rate swaps in managing this rate gap. One of the roles of a Credit Union is to intermediate between the expectations of borrowers and depositors.

If applying a simple interest calculation to the above schedule, with the exclusion of any assumptions regarding shock reduction adjustments, the effect of the Credit Union's risk resulting from an increase in interest rates of 1% on variable interest sensitive instruments could result in an increase to net income of approximately \$84,040 while a decrease of interest rates of 1% could result in a decrease to net income of approximately \$89,332.

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

14. Other Income

	<u>2025</u>	<u>2024</u>
Dividends and rebates	\$ 11,382	\$ 15,987
Other income	<u>20,991</u>	<u>50,820</u>
	<u>\$ 32,373</u>	<u>\$ 66,807</u>

15. Members' Security

	<u>2025</u>	<u>2024</u>
Insurance	\$ 26,290	\$ 24,871
Credit Union Deposit Guarantee Corporation assessment	<u>96,192</u>	<u>86,422</u>
	<u>\$ 122,482</u>	<u>\$ 111,293</u>

16. General Business Expenses

	<u>2025</u>	<u>2024</u>
Employee salaries and benefits	\$ 1,277,269	\$ 1,335,008
Data processing	555,050	210,258
Interac service charges	52,258	72,869
Professional fees	81,738	57,397
Postage and courier	20,258	23,567
Atlantic Central assessments	91,517	99,292
Business tax	36,465	36,127
Service charges	91,138	54,614
Advertising and promotion	13,167	35,557
Corporate social responsibility	25,000	24,500
Office and stationary	35,866	30,229
Travel	9,793	14,171
Meetings and training	20,243	32,460
Computer consulting	65,959	27,775
Interest and penalties	2,009	1,057
Miscellaneous foreign exchange, subscriptions etc.	10,019	6,785
Telephone	15,577	15,615
Equipment maintenance	18,137	54,205
Trustee fees for registered plans	14,091	19,592
Credit bureau and collections	<u>5,911</u>	<u>7,827</u>
	<u>\$ 2,441,465</u>	<u>\$ 2,158,905</u>

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2025

17. Commitments

Credit Facilities

The Credit Union has an authorized line of credit with Atlantic Central totalling \$1,889,000 (2024 - \$1,848,000) bearing interest at the rate of 4.45% (2024 - 5.45%), all of which remained unused at year end. These borrowings are secured by a general assignment of book debts.

Member Loans

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

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Unadvanced loans	\$ <u>NIL</u>	\$ <u>NIL</u>
Unused lines of credit	\$ <u>5,826,972</u>	\$ <u>5,948,214</u>

18. Prepaid Service Contract Costs

The Credit Union has participated in a cost sharing arrangement to fund the costs for platform development related to a cloud computing service contract. In accordance with IFRS Interpretations Committee release, March 2019, these costs are related to the service contract and will be recorded as an expense over the contract term. The cloud computing platform development project is known as the Honeybee Mission. The Credit Union has provided funding in the amount of \$963,730. The committed cash outlays to fund the prepaid service contract costs were as follows; 2022 - \$181,869; 2023 - \$454,674 and 2024 - \$327,187. The Credit Union began using the platform in February 2025 and will amortize the expense over the period of 120 months at the rate of \$8,031 per month. This amount is included in data processing costs for 2025 for a total of \$88,341.

19. Comparative amounts

Certain comparative amounts have been reclassified to conform with the financial statement presentation adopted for the current year.

Products and Services

YOUR MONEY

Electronic Services

- *MemberDirect*® Integrated - Online Banking
- Mobile Web Banking
- Mobile Wallet for Apple®, Google and Samsung
- iPhone and Android™ Apps
- Lock'N'Block™
- Deposit Anywhere™
- *Interac*® Direct Payment
- *Interac* e-Transfer®
- *Interac* Flash®
- *Interac*® Online
- *Interac*® Autodeposit
- *Interac*® Request Money
- Cross-border Debit
- E-Statements
- ATM Networks (*Interac*®, *AccuLink*®, *Cirrus*®, *Exchange*®, *Plus*®)
- Ding-free® (Surcharge-Free ATMs)
- ICU (Integrated Credit Union Services CUs in the Atlantic)
- Payroll Deposits
- Direct Deposits
- Bill Payment
- *TeleService*®
- *Mastercard*® Credit Card
- Apple Pay on Credit Cards

Chequing Services

- Personal Chequing
- Youth Chequing and Savings
- Business Chequing
- Non Profit Chequing

Saving Services

- Savings
- High Interest Savings Account (HISA)
- Special Payroll Deposits
- Fat Cat Accounts®

YOUR FINANCING

- Personal Loans
- Conventional Mortgages
- Collateral Mortgages
- RRSP Loans
- Investment Loans
- Dealer Plan Financing
- Home Equity Lines of Credit
- Line of Credit-Loans
- Overdraft Protection

YOUR FUTURE

Investment Products and Services

- Term Deposits
- RRSP/RRIF/RESP
- Tax-Free Savings Accounts (TFSA)
- First Home Savings Account (FHSA)
- Retirement Planning

Insurance

- Credit Life & Disability Insurance
- Critical Illness Insurance
- Mortgage Insurance
- Home/Auto Group Insurance (Available through Cooperators Insurance)
- Travel Insurance
- Term Life Insurance

Financial Management

- Through CUFM: Wealth Management, Financial Planning and Insurance Services
- Financial Counselling
- Trust Services

Additional Services

- Foreign Exchange
- Canadian/Foreign Money Orders
- Bill Payments
- Safety Deposit Box Rentals
- Legal Witnessing
- Certified Cheques

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®*INTERAC* is a registered trademark owned by *Interac INC*, Credit Union authorized user of the mark.

®Registered trademark. Credit Union authorized user of the mark.

Deposit Protection

The Credit Union Deposit Guarantee Corporation (CUDGC) is a Provincial Crown Corporation established to protect eligible deposits of Credit Union Members in Newfoundland and Labrador. Coverage is automatic and free – there is no need to apply for coverage.

Providing Superior Deposit Insurance Protection, Credit Union Members' Eligible Deposits are insured to a maximum of \$250,000 (principal plus interest) per account type.

Insurable Deposits

Basic Deposits:

The total of Chequing and Savings Accounts, Term Deposits/Guaranteed Investment Certificates (GICs), Foreign Currency Deposits, Money Orders, Mortgage Tax Account Balances, Bank Drafts and Certified Cheques are insured to a maximum of \$250,000 per individual member.

Joint Deposits:

Deposits held by a member and another individual are insured collectively to a maximum of \$250,000.

Registered Deposits:

Savings Accounts and Term Deposits/GICs held in Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), Registered Education Savings Plans (RESPs), Registered Disability Savings Plans (RDSPs) and Tax Free Savings Accounts (TFSA) are insured to a maximum of \$250,000 per plan type.

Trust Accounts:

The total of deposits having the same trustee and the same beneficiary are combined and insured to a maximum of \$250,000. If the trust deposit has more than one beneficiary, then each beneficiary's portion is insured to a maximum of \$250,000.

Uninsured Deposits

The following deposits are not insured:

- Mutual Funds
- Stocks and Bonds
- Exchange Traded Funds (ETF)
- T-bills
- Cryptocurrencies
- Travellers' Cheques
- Membership Shares and Certain Classes of Credit Union Shares

Disclosure

Deposits held with a credit union partner may be covered under another Deposit Insurance provider.



Examples of Coverage

The following illustrates an example of Deposit Insurance Coverage provided by CUDGC for credit union members, Mary and Bob, including the trust for their children, Krista and Jacob.

Depositor	Balance	Insured
Mary		
Chequing Accounts, Savings Accounts, Term Deposits/GICs, Foreign Currency, Certified Cheques, & Bank Drafts	\$75,000.00	\$75,000.00
RRSP**	\$140,000.00	\$140,000.00
TFSA	\$270,000.00	\$250,000.00
RESP	\$75,000.00	\$75,000.00
RDSP	\$50,000.00	\$50,000.00
Mutual Funds, T-bills, Exchange Traded Funds	\$50,000.00	\$0.00
Bob		
Chequing, Savings, Term Deposits/GICs, Foreign Currency	\$53,000.00	\$53,000.00
RRSP**	\$40,000.00	\$40,000.00
RRIF**	\$400,000.00	\$250,000.00
TFSA	\$25,000.00	\$25,000.00
Stocks and Bonds	\$30,000.00	\$0.00
Cryptocurrency	\$1,000.00	\$0.00
Bob and Mary		
Chequing, Savings, Term Deposits/GICs, Mortgage Tax Account, Foreign Currency	\$255,000.00	\$250,000.00
Bob in Trust for Krista & Jacob (equal beneficiary)*		
Term Deposits/GICs (7 years)	\$270,000.00	\$270,000.00 (\$135,000 for each (Beneficiary)
Total Coverage for Bob and Mary		\$1,478,000.00

*Note: Each Beneficiary is insured up to \$250,000 provided the required information about the trustee and the beneficiaries is disclosed on the records of the credit union.

**For the most up to date information on eligible deposits and examples of coverage limits, please refer to the CUDGC website or contact your credit union.

Deposit Protection

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Providing Superior Deposit Insurance Protection, Credit Union Members' Eligible Deposits are insured to a maximum of \$250,000 (principal plus interest) per account type.



Additional Information

Additional information is available by contacting your local Credit Union or by contacting the Credit Union Deposit Guarantee Corporation at:

MAILING ADDRESS
P. O. Box 340, Marystown, NL, A0E 2M0

PHONE NUMBERS
Local: 709-279-0170
Toll Free Number: 1-877-279-0170
Fax Number: (709) 279-0177

EMAIL
CUDGCNL@gov.nl.ca

WEBSITE
www.cudgcnl.com



INSURING DEPOSITS IN CREDIT UNIONS
IN THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

Insurable Deposits

BASIC DEPOSITS: The total of Chequing and Savings Accounts, Term Deposits/Guaranteed Investment Certificates (GICs), Foreign Currency Deposits, Money Orders, Mortgage Tax Account Balances, Bank Drafts and Certified Cheques are insured to a maximum of \$250,000 per individual member.

JOINT DEPOSITS: Deposits held by a member and another individual are insured collectively to a maximum of \$250,000.

REGISTERED DEPOSITS: Savings Accounts and Term Deposits/GICs held in Registered Retirement Savings Plans (RRSPs), Register Retirement Income Funds (RRIFs), Registered Education Savings Plans (RESPs), Registered Disability Savings Plans (RDSPs) and Tax Free Savings Accounts (TFSA) are insured to a maximum of \$250,000 per plan type.

TRUST ACCOUNTS: The total of deposits having the same trustee and the same beneficiary are combined and insured to a maximum of \$250,000. If the trust deposit has more than one beneficiary, then each beneficiary's portion is insured to a maximum of \$250,000.

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- T-bills
- Cryptocurrencies
- Travellers' Cheques
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