NOVA SCOTIA
FARM LOAN BOARD

2025-2026

Annual Report

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Message from the

Board Chair

On behalf of the Board of Directors, I am pleased to present the 2025–2026 Annual Report for the Nova Scotia Farm Loan Board (NSFLB), summarizing the activities of both the NSFLB and the Nova Scotia Timber Loan Board (NSTLB) over the past fiscal year.

Despite challenges including drought, wildfires, and economic uncertainty, the Boards provided targeted support and flexibility to clients. A total of 138 loans were approved by NSFLB — the highest in a decade. This new lending totaled $62.6 million - the second highest dollar value approved in the history of the Board. Arrears remained at historically low levels, demonstrating strong financial stewardship and providing a solid foundation for new programming and targeted industry development. NSTLB activity increased as well, with 11 loans totaling $9.51 million supporting forestry projects, including value-added processing, product innovation, and enhanced sector competitiveness.

Key partnerships were expanded with organizations such as Futurpreneur, the Centre for Women in Business, and Community Business Development Corporations (CBDC). New and revised programs were launched, including the Program for Accessing Agricultural Land, small equipment and livestock financing, and enhanced options for diverse and equity-deserving businesses. Regulatory updates further modernized lending frameworks and streamlined approval processes for large loans.

On a personal note, as my time on the Board concludes, I extend my appreciation to staff and my fellow Directors, both past and present, for their dedication. I am confident that the Board will continue supporting the growth and resilience of Nova Scotia's agriculture, agri-food, and forestry sectors for decades to come.

Andy Vermeulen, Board Chair

Board of Directors

The Board of Directors of the Nova Scotia Farm Loan Board also serves as the Board of Directors for the Nova Scotia Timber Loan Board. Biographies of current directors can be found at: nsfarmloan.ca/board-of-directors.

Director	Position	Term
As of March 31, 2026		
Andy Vermeulen	Chair, Audit Committee Member	October 2025 – September 2026
Jeannie van Dyk	Vice-Chair and Audit Committee Member	September 2025 – September 2029
Kevin Colvey	Audit Chair and Director	August 2023 – August 2027
Jon Porter	Director and Audit Committee	August 2024 – August 2028
Alix Redden	Director and Audit Committee	September 2025 – September 2029
Rod Kennedy	Director	August 2023 – August 2027
Stephen Streatch	Director	September 2025 – September 2029
Past Directors		
William Versteeg	Director and Audit Committee Chair	October 2020 - September 2025
Jack Hamilton	Director	February 2021 - February 2026

About

Nova Scotia Farm Loan Board

Mission

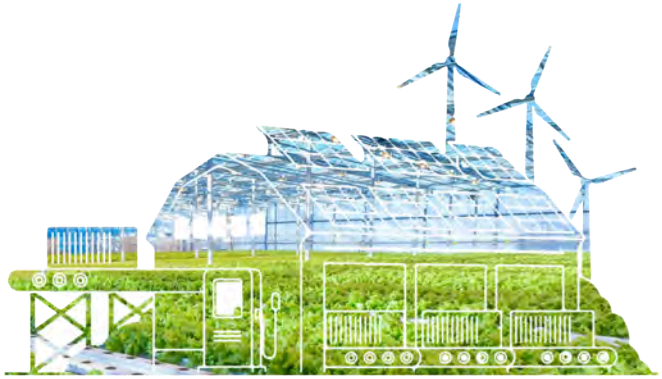
The NSFLB builds on the success of agricultural primary production and related value-added processing in Nova Scotia by providing lending opportunities to grow, innovate, and succeed.

Vision

To be a preferred and trusted lender for the development of agriculture and food and beverage processing in communities throughout Nova Scotia.

Mandate

To support Nova Scotia's agricultural industry through the provision of capital financing. NSFLB operates as a Crown corporation under the *Agriculture and Rural Credit Act*. This Act provides authority to the NSFLB to make loans to, or guarantee loans of, a borrower for acquiring or improving any farm asset, including livestock, machinery, and equipment. Regulations made under the Act govern the terms and conditions of loans provided by the NSFLB.



About

Nova Scotia Timber Loan Board

Crown Lending Agencies

The operational functions of the NSFLB and NSTLB are administered by the Crown Lending Agencies division of the Nova Scotia Department of Agriculture. This division includes loan officers and loan administrators, supported by risk management and finance teams. Together, they provide operational support to both the NSFLB and NSTLB and its sister board— the Nova Scotia Fisheries and Aquaculture Loan Board.

Timber Loan Board

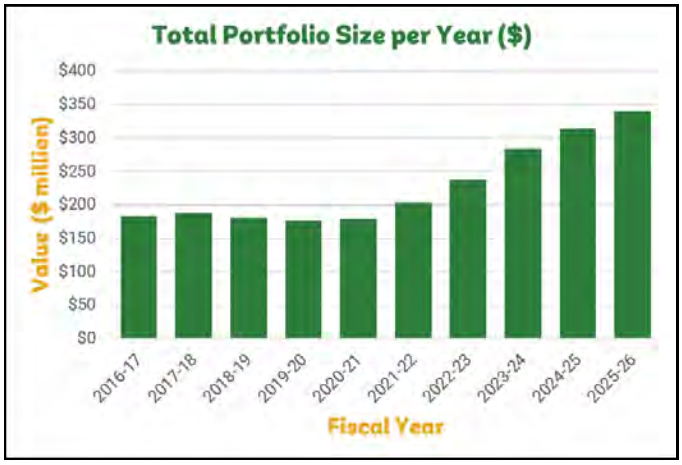
The NSFLB also carries out the functions of the Nova Scotia Timber Loan Board (NSTLB). The NSTLB supports the forestry sector by providing financing that promotes sustainable growth and long-term development. Loan terms are established under regulations made pursuant to the *Forests Act*.

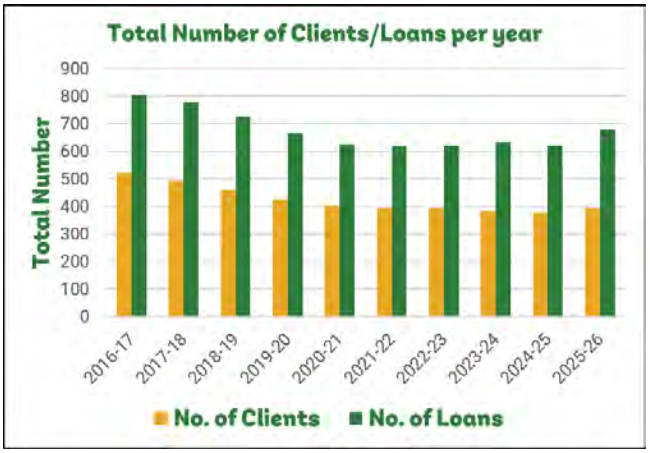
For more than 60 years, the NSTLB has supported the forestry sector and rural communities by improving access to capital through flexible lending programs. In 2025–2026, the Board continued to finance projects that enhance sector competitiveness and long-term sustainability. Eligible applicants may access a range of products, including Fixed and Term Mortgages, Equipment Financing, Succession Planning, and Value-Added Processing, consistent with programs available to NSFLB clients.

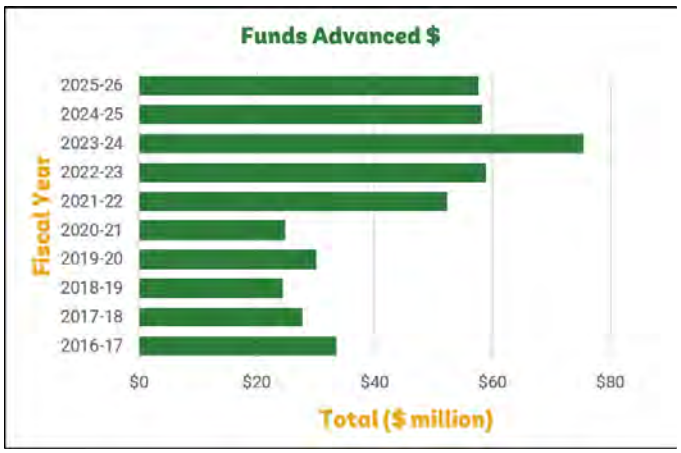
Throughout the year, the Board engaged with industry stakeholders to ensure programs remain responsive to evolving sector needs. Through consultations and participation in key forestry events, the NSTLB promoted financing solutions that support sustainable forest management, value-added production, land acquisition, and the adoption of innovative technologies. Regulatory updates and expanded program flexibility contributed to an outstanding loan balance of $12.6 Million, an increase from $8.1 million in the previous year.

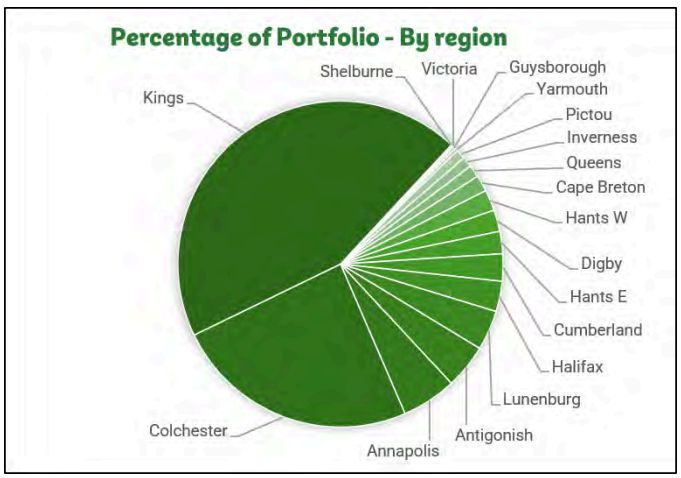
Lending

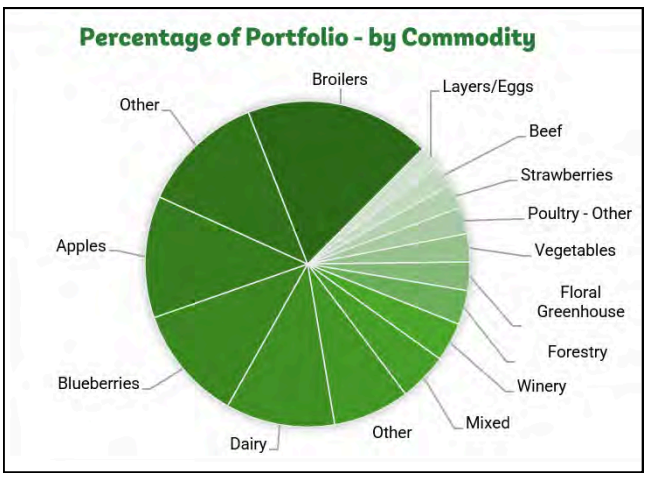
Highlights



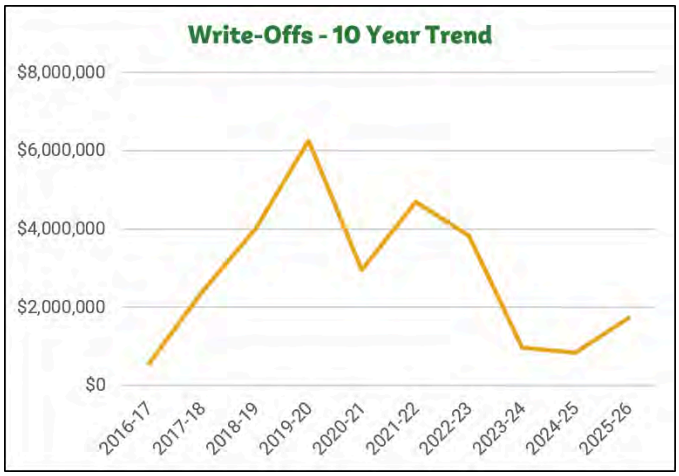


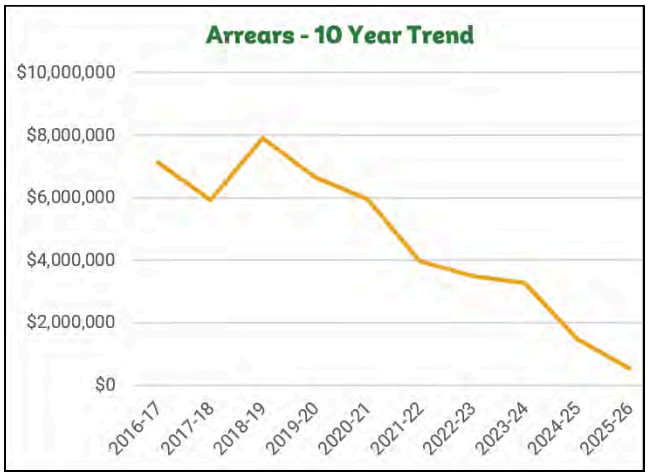






Highlights continued...





Performance Measure	Baseline (March 31, 2025)	Target	Actuals (March 31, 2026)
Value of New Loans Approved	$58,376,000	$60,000,000	$62,626,616
Number of Loans Approved	91	100	138
Total Number of Loans Within Portfolio	623	650	681
Total Number of Clients Within Portfolio	381	400	396
New Clients	30	25	45
Percentage of Portfolio in Arrears	0.47%	Less than 3%	0.16%

Alignment with Department Priorities

In 2025–2026, the Nova Scotia Farm Loan Board supported key Department of Agriculture priorities through its lending programs and services.

Support Local Food

- Targeted programs such as Season Extension, Livestock Herd Development, and support for apple and wild blueberry production strengthened the availability of locally produced food.

Grow and Strengthen Agriculture

- The Board advanced sector growth through tailored financing and partnerships with external organizations. The launch of PAAL further supported land access and expansion.

Increase Environmental Sustainability & Climate Readiness

- Investments in initiatives like Season Extension and Advancing Clean Technology helped reduce environmental impacts and improve climate resilience.

Progress on Goals

Focus on Relationship Development

Throughout the year, the Nova Scotia Farm Loan Board strengthened its provincial presence by participating in County Federation of Agriculture meetings and more than 25 industry events, including the Nova Scotia Federation of Agriculture's Farmers Forum. The Board also maintained strong relationships with industry organizations, having specific meetings with Dairy Farmers of Nova Scotia, Forestry Nova Scotia, the Nova Scotia Fruit Growers Association, and the Nova Scotia Federation of Agriculture.

The Board also advanced key partnerships through new MOUs with the Association of Nova Scotia CBDCs, Futurpreneur, the Centre for Women in Business, and the Nova Scotia Co-Operative Council to expand outreach and enhance support for agricultural producers.

Portfolio Development

In 2025–2026, the Board advanced its mandate by introducing new lending pathways, modernizing regulatory frameworks, and supporting broader sector initiatives. Program updates included:

- Land and Infrastructure Financing pre-approvals
- Diverse Futures in Agriculture for equity-deserving groups
- Program for Accessing Agricultural Land (PAAL), offering flexible leasing and financing streams to support new and expanding farmers
- Simplified Loan Stream (SLS), offering streamlined approval processes and flexible options for small equipment and livestock loans

Regulatory amendments further modernized operations by raising loan-approval limits, enhancing loan flexibility, and expanding the Board's authority to adjust loan terms.

Together, the NSFLB and NSTLB approved 138 new loans, providing $62.6 Million in financing to support growth across the agricultural, agri-food, and forestry sectors.

Board and Staff Development

Three new Directors—Vice-Chair Jeannie van Dyk, Alix Redden, and Steve Streatch—joined the Board in 2025–2026, bringing valuable insights and expertise and strengthening the Board's strategic oversight. Board Director and staff industry engagement deepened connections with producers and agri-businesses, improved understanding of regional challenges and opportunities, and supported ongoing relationships with sector organizations. Meetings held in Lantz, Canning, and Antigonish further enhanced awareness of local issues and facilitated discussions with clients and industry representatives.

Public Interest

Disclosure of

Wrongdoing Act

Each Department and Public Service Office Accountability Report must report with respect to the *Public Interest Disclosure of Wrongdoing Act* (PIDWA).

This requirement applies to all Departments / Public Service Offices/ Governmental Units including Crown Corporations and Agencies.

Annual Report under Section 18 of the Public Interest Disclosure of Wrongdoing Act

The *Public Interest Disclosure of Wrongdoing Act* was proclaimed into law on December 20, 2011. The Act provides for government employees to be able to come forward if they reasonably believe that a wrongdoing has been committed or is about to be committed and they are acting in good faith. The Act also protects employees who do disclose from reprisals, by enabling them to lay a complaint of reprisal with the Labour Board.

A Wrongdoing for the purposes of the Act is:

a) a contravention of provincial or federal laws or regulations

b) a misuse or gross mismanagement of public funds or assets

c) an act or omission that creates an imminent risk of a substantial and specific danger to the life, health or safety of persons or the environment, or

d) directing or counselling someone to commit a wrongdoing

The following is a summary of disclosures received by the Nova Scotia Farm Loan Board.

Information Required under Section 18 of the PIDWA	Fiscal Year 2025-2026
Number of disclosures received	0
Number of findings of wrongdoing	0

Independent

Auditor's Report

and Audited Financial Statements

Financial Statements of

NOVA SCOTIA FARM LOAN BOARD

Year ended March 31, 2026

NOVA SCOTIA FARM LOAN BOARD

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Year ended March 31, 2026

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Management's Report

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards, and the integrity and objectivity of these statements are management's responsibility. Management is responsible for the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board views internal financial reports on a regular basis and externally audited financial statements yearly.

BDO Canada LLP conducts an independent examination, in accordance with Canadian generally accepted auditing standards, and expresses their opinion on the financial statements. BDO Canada LLP has full and free access to financial information and management of the Nova Scotia Farm Loan Board and can meet as required.

On behalf of the Nova Scotia Farm Loan Board

Signed by:
Andrew Vermeulen
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Andrew Vermeulen
Director

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Signed by:
Kevin Colvey
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Kevin Colvey
Director

2026-06-22 | 07:28:47 PDT

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6940 Mumford Road, Suite 510
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Independent Auditor's Report

To the Board of Directors of Nova Scotia Farm Loan Board

Opinion

We have audited the financial statements of Nova Scotia Farm Loan Board, (the "Loan Board"), which comprise the statement of financial position as at March 31, 2026, and the statements of operations and accumulated operating surplus, changes in net debt, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Loan Board as at March 31, 2026, and the results of its operations, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Loan Board'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 Loan Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Loan Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Chartered Professional Accountants
Halifax, Nova Scotia
June 22, 2026

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NOVA SCOTIA FARM LOAN BOARD

Statement of Financial Position

March 31, 2026
(in thousands of dollars)

	2026	2025
Financial assets		
Interest and other receivables (Note 4)	$ 2,065	$ 2,136
Loans receivable, net (Note 5)	330,400	302,835
	332,465	304,971
Liabilities		
Accounts payable	40	49
Due to Province of Nova Scotia (Note 6)	334,418	306,875
	334,458	306,924
Net debt	(1,993)	(1,953)
Non-financial assets		
Real estate (Note 7)	1,993	1,953
	1,993	1,953
Accumulated surplus	$ -	$ -

Commitments (Note 11)

Approved on behalf of the Nova Scotia Farm Loan Board:

Signed by:
Andrew Vermeulen
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Director 2026-06-23 | 02:08:28 PDT

Signed by:
Kevin Colvey
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Director 2026-06-22 | 07:28:47 PDT

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

NOVA SCOTIA FARM LOAN BOARD

Statement of Operations and Accumulated Operating Surplus

Year ended March 31, 2026
(in thousands of dollars)

	Budget	**2026**	2025
Revenues			
Interest on loans	$ 6,300	**$ 15,829**	$ 14,328
Loan processing and other fees	231	**333**	180
Life insurance program revenue, net	-	**-**	10
	6,531	**16,162**	14,518
Expenses			
Lending expenses (Note 8)	6,040	**12,981**	13,135
	6,040	**12,981**	13,135
Annual surplus before distributions to the Revenue Fund of the Province	491	**3,181**	1,383
Distributions to the General Revenue Fund of the Province	(491)	**(3,181)**	(1,383)
Annual surplus for the year and Accumulated surplus - beginning and end of year	$ -	**$ -**	$ -

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

NOVA SCOTIA FARM LOAN BOARD

Statement of Changes in Net Debt

Year ended March 31, 2026
(in thousands of dollars)

	Budget	**2026**	2025
Net surplus	$ -	**$ -**	$ -
Net change in real estate	-	**(40)**	(69)
Net financial debt, beginning of year	(1,953)	**(1,953)**	(1,884)
Net financial debt, end of year	$ -	**$ (1,993)**	$ (1,953)

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

NOVA SCOTIA FARM LOAN BOARD

Statement of Cash Flows

Year ended March 31, 2026
(in thousands of dollars)

	2026	2025
Net decrease in cash and cash equivalents		
Operating activities		
Annual surplus	$ -	$ -
Net charges to operations not involving cash		
Valuation allowance for impaired loans	**1,114**	(398)
Valuation allowance for accrued interest	**(315)**	(19)
	799	(417)
Net change in non-cash operating working capital balances		
Increase in interest and other receivables	**419**	(121)
Increase in accounts payable	**(9)**	26
Cash (used by) provided by operating activities	**1,209**	(512)
Financing activities		
Increase in advances from the Province of Nova Scotia, net	**27,543**	29,579
Proceeds from sale of real estate	**-**	39
Acquisition of real estate	**(40)**	(69)
Cash provided by financing activities	**27,503**	29,549
Investing activities		
Increase in loans receivable	**(59,739)**	(57,275)
Proceeds from loan receivable repayments	**31,027**	28,238
Cash used by investing activities	**(28,712)**	(29,037)
Change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	**$ -**	$ -

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

1. Nature of operations

Authority

The Nova Scotia Farm Loan Board (the "Loan Board") supports the development of sustainable agriculture, agri-food, and forestry business in Nova Scotia through responsible lending.

The Board is a provincial agency and under the authority of the Agriculture and Rural Credit Act and the Forests Act (for timber loans).

Principal in loans outstanding is limited by regulation to $500 million. Maximum advances to be disbursed in any given year, are established through the annual budgeting process. For the year ended March 31, 2026, new advances were $57,543 (2025 - $58,140). During the year, the Loan Board received repayments of loan principal of $31,027 (2025 - $28,238).

Total indebtedness in excess of $5 million requires Ministerial approval. Total indebtedness in excess of $20 million and any write-offs require Governor in Council approval.

2. Summary of significant accounting policies

Basis of accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards.

(a) **Revenue recognition**

Interest income is recorded on an accrual basis until such time as the loan is classified as impaired. The loan reverts to an accrual status when all provisions for impairment are reversed and the ultimate collection of the principal and interest is likely.

All loan related fees are reported as revenue in the period in which they were earned.

Government transfers are recognized as revenue when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made.

(b) **Restricted cash and accounts receivable**

The Loan Board operates as an agency of the Province of Nova Scotia. All cash is received and disbursed through accounts managed centrally by the Province.

2. Summary of significant accounting policies (continued)

(c) **Loans receivable**:

Loans receivable are recorded at the principal amount of loans outstanding less an allowance for loan impairment. Loans are considered for impairment when, in managements opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest.

(d) **Valuation allowance for loan impairment**:

The valuation allowance for loan impairment represents management's best estimate of losses due to impaired loans in the Loan Board's portfolio. The valuation allowance is determined based on management's identification and evaluation of the problem accounts and estimated losses that exist in the remaining portfolio. These judgments are influenced by the composition and quality of the portfolio, general economic conditions and conditions affecting specific commodities, as well as the Loan Board policy to act as a patient lender, providing additional time for repayment where full future repayment appears reasonable.

The Loan Board records a specific valuation allowance based on a loan-by-loan review. Impaired loans are valued at the lower of their recorded investment or the estimated net recoverable value of their underlying security.

In addition, the Loan Board calculates a collective valuation allowance for loans in the portfolio not addressed in the specific reserve. This is an estimate of incurred but unidentifiable losses based on a review of historic loan write-offs on an industry sector basis.

(e) **Real estate**:

Real estate acquired through foreclosure is initially recorded at the lower of the recorded investment in the foreclosed loan and the estimated fair value based on the resale value of the security held, less disposal costs.

Net operating costs incurred on real estate are added to the carrying value of the property. The related provision is used to adjust the carrying value to net recoverable value, resulting in inclusion of these costs in bad debt expenses if the carrying value exceeds net recoverable value.

In subsequent periods, real estate is recorded at the carrying value and is not amortized throughout its life.

2. Summary of significant accounting policies (continued)

(f) **Pension and post retirement benefits**:

The Loan Board has a defined contribution pension plan for all full-time employees. The Loan Board's pension costs are charged to operations as contributions are due. Contributions are a defined amount based upon a set percentage of salary.

(g) **Financial instruments**:

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. There has been no remeasurement gains/losses during the year therefore, there is no statement of remeasurement gains and losses.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost.

Financial instruments consist of interest and other receivables, loans receivable, accounts payable, and advances from the province. All are carried at cost or amortized cost, less any provision on loans receivable.

(h) **Use of estimates**:

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period.

Estimates are based on the best available information at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates and the differences could be material.

3. Capital management

As an agency of the Province of Nova Scotia, the Loan Board does not maintain its own capital. Operations are funded by capital contributions from the Province.

4. Interest and other receivables, net

	2026	2025
Interest receivable	**$ 255**	$ 542
Accrued interest	**2,198**	2,289
Other charges	**1**	41
	2,454	2,872
Valuation allowance for interest on impaired loans	**-**	(16)
Suspended interest on impaired loans	**(389)**	(720)
	$ 2,065	$ 2,136

5. Loans receivable

a) Loans receivable, net

The following schedule sets out the scheduled maturities of the principal balances of the financial assets as at March 31, 2026, together with the weighted-average interest rates being earned on the financial assets:

	Under 1 year	1-5 years	Over 5 years	**2026 Total**	2025 Total
Performing loans					
Farm loans	$ 23,221	$ 72,186	$ 210,207	**$ 305,614**	$ 284,522
Timber loans	3,619	1,519	1,393	**6,531**	3,242
	26,840	73,705	211,600	**312,145**	287,764
Impaired loans				**26,359**	24,290
Total loans				**338,504**	312,054
Provision for loan impairment				**(8,104)**	(9,219)
Loans receivable				**$ 330,400**	$ 302,835
Annual effective interest rate	4.75 %	4.92 %	5.06 %	5.00 %	5.11 %

5. Loans receivable (continued)

b) Allowance for impaired loans

Loans are considered impaired when they are risk rated as substandard or worse or when the loans is more than 90 days in arrears at year end and there is insufficient collateral security valued at forced sale to cover the balance outstanding. The allowance is comprised of two components, the specific allowance for individually identified impaired loans and a collective allowance for unidentified impaired loans.

The specific allowance for individually identified loans was established based upon a review of impaired loans. Primary factors considered in estimating the specific allowance on individual loans were the security pledged and the financial condition of the borrower and/or, there applicable, guarantors.

The collective allowance for unidentified impaired loans is management's best estimate of the loss that is likely to be experienced on impaired loans that were not known to be impaired at the year end. The collective allowance was calculated based on management's judgment and recent experience by calculating the average estimated historical loss ratio by loan type and then applying these ratios to the current portfolio of unimpaired loans.

	2026		2025	
	Impaired loans	Allowance for impairment	Impaired loans	Allowance for impairment
Specific allowance	**$ 26,359**	**$ 6,078**	$ 24,290	$ 6,701
Collective allowance	**-**	**2,026**	-	2,518
	$ 26,359	**$ 8,104**	$ 24,290	$ 9,219

Significant judgment was exercised by management in making these estimates. As such, actual losses that occur on loans outstanding at March 31, 2026 will differ from these estimates and the differences could be material.

5. Loans receivable (continued)

c) Continuity for allowance for impaired loans

	2026	2025
Allowance for impaired loans - beginning of year	**$ 9,235**	$ 8,862
Amounts written off	**(1,722)**	(826)
Valuation allowance for impaired loans	**591**	1,199
Allowance for impaired loans - end of year	**8,104**	9,235
Valuation allowance on principal	**8,104**	9,219
Valuation allowance on interest	**-**	16
	$ 8,104	$ 9,235

d) Loans past due but not impaired

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of loans that are past due but not classified as impaired because they either: (i) have a strong risk rating; (ii) have an arrears amount less than $1; or (iii) are fully secured and collection efforts are reasonably expected to result in repayment. Loans that are past due but not impaired are as follows:

1-30 days	31-60 days	61-90 days	91+ days	2026	2025
$ 2,084	$ 559	$ 169	$ 1,253	**$ 4,065**	$ 3,060

6. Advances from the Province of Nova Scotia, net

Advances are provided by the Province of Nova Scotia to fund loans issued by the Loan Board. The amortization periods of the advances range from 2 to 30 years. Advances are repayable in quarterly instalments of interest and principal. Interest rates vary from 1.0% to 5.7% with terms ranging from July 1, 2026 to January 1, 2048. Interest expense is calculated in accordance with a Memorandum of Understanding with the Nova Scotia Department of Finance. (Note 9).

7. Real estate

	2026	2025
Real estate held for long-term use:		
Nova Scotia Provincial Exhibition Grounds	**$ 576**	$ 576
Property used by community pastures	**1,417**	1,377
	$ 1,993	$ 1,953

The Board has recorded these properties as former loan properties under lease at the lower of the principal loan balance and the assessed value of the property. Subsequently, the Board entered into lease agreements over the properties. The Board has not recorded amortization on these properties.

The Nova Scotia Principal Exhibition Grounds in Bible Hill are an important piece of agriculture history in Nova Scotia.

The Farm Loan Board has community pastures located throughout rural Nova Scotia. Developed in the 1950's, the Community Pastures program was designed to help beef farmers keep their costs down by providing grazing lands for their animals throughout the summer months.

8. Lending expenses

	Budget	2026	2025
Bad debt expense (Note 10)	$ 232	**$ 590**	$ 1,198
Interest expense (Note 9)	4,700	**10,875**	10,801
Other	19	**17**	21
Professional services	59	**92**	64
Salaries and benefits	953	**1,280**	942
Supplies and services	55	**89**	76
Training and development	-	**5**	3
Travel	22	**33**	30
	$ 6,040	**$ 12,981**	$ 13,135

9. Interest expense

Since April 1, 1998, a Memorandum of Understanding ("MOU") between the Loan Board and the Nova Scotia Department of Finance has formalized the Loan Board's funding arrangement. Under the MOU arrangement, the Loan Board estimates projected lending requirements on a quarterly basis. The Nova Scotia Department of Finance arranges the requested financing for terms requested and provides this financing to the Loan Board at interest rates related to the terms and volumes requested. Funding is maintained to cover the Loan Board's investment in loans receivable and in real estate. The Loan Board tracks the draws arranged with the Nova Scotia Department of Finance and computes the interest cost based on the terms of these draws. Actual financing costs are included as interest costs of the Province.

10. Bad debt expense

Bad debt expense consists of:

	Budget	**2026**	2025
Allowance for impaired loans	$ 508	**$ 590**	$ 1,182
Allowance for interest	-	**-**	16
	$ 508	**$ 590**	$ 1,198

11. Commitments

The Board will hold interest rates for ninety days for any client from the date of loan approval. As of March 31, 2026, the Board has authorized loans of $37,988 (2025 - $24,836) which had not been disbursed.

12. Related party transactions

The Loan Board is related to all other departments, agencies, board and commissions of the Province of Nova Scotia. The Nova Scotia Department of Finance is the sole source of funding for loans (Note 1). Transactions with other provincial entities were entered into in the normal course of business.

The Province of Nova Scotia pays certain expenses, including rent, building maintenance, computer networks and support, computerized accounting systems and miscellaneous office expenses in relation to building and computer systems, on behalf of, and with no charge to, the Loan Board.

Loan receivables includes $10,592 (2025 - $5,306) and interest revenue includes $485 (2025 - $253) resulting from outstanding loans to Loan Board members and immediate family of Board members. These loans were issued under normal terms and conditions using market interest rates.

13. Pension and post retirement benefits

All full-time employees of the Loan Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The pension plan is funded by equal employee and employer contributions. The employer's contributions of $95 (2025 - $69) are included in the Loan Board's operating expenses. The Public Service Superannuation Fund is administered by the Public Service Supperannuation Trustee Inc. and any unfunded liability, as well as other obligations related to post-retirement benefits are the responsibility of the pension plan. It is not anticipated that any such future costs would be allocated to the Loan Board.

14. Financial Instruments

The Loan Board is exposed to a number of risks as a result of the financial instruments on its statement of financial position that can affect its operating performance. These risks include credit, liquidity, and market risk. Market risk is comprised of interest rate risk.

a) Credit risk

Credit risk is the risk that the Loan Board will suffer a financial loss because another party will fail to discharge an obligation. Credit risk arises primarily from the possibility that the individuals and entities to which the Loan Board provides loan services may experience financial difficulty and be unable to fulfill their obligations.

The risk that clients may not pay amounts owing on loans and lease accounts, resulting in a loss to the Loan Board, is managed through an initial assessment of the client's ability to pay and by review and follow-up of delinquent accounts by loan officers. In cases in which the client is unable to make payments due to cyclical industry, or other temporary difficulties, it is the Loan Board's policy to work with client's on an individual basis to provide time for recovery.

The total of loans receivable as at March 31, 2026, is $338,504 (2025 - $312,054). The majority of loans are secured primarily by real property using mortgage or Agreement of Sale (providing rights similar to a mortgage). Dairy and poultry loans are generally also secured by an irrevocable assignment of production quota. Collateral security may also be provided by equipment, livestock or chattels. The maximum exposure to credit risk is the total loans outstanding.

All clients are involved in agriculture, food and beverage productions, or forestry in Nova Scotia. Regulations provide that loans must not exceed 90% of security value without approval by the Loan Board. Collateral held for security is assigned a value by the loan officer considering the loan based on known transactions of similar property, with additional information provided by property assessments and external assessments, where available.

The Loan Board adjusts the valuation allowance for impairment to recognize management's estimate of recoveries on impaired accounts. Impairment is primarily identified by review of arrears, refinanced loans and accounts in sectors experiencing difficulty. No new loans were issued in 2025 to clients with significant arrears (2025 - $nil).

14. Financial Instruments (continued)

b) Liquidity risk

Liquidity risk is the risk that the Loan Board will not be able to convert financial assets to cash in order to meet financial liabilities. This risk is mitigated by monitoring the level of financial assets in relation to amounts due and implementing fiscal restraint when necessary. The Province of Nova Scotia provides funding and cash management services to the Loan Board. There is minimal risk that funds will be unavailable to meet lending commitments or payments of other expenses except to the extent of legislative and budgetary limitations on spending authority as identified in Note 1.

c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Loan Board is subject to interest rate risk relating to advances due to the province. Maximum exposures are noted on the statement of financial position.

The Loan Board mitigates the risk that future changes in interest rates may affect net interest revenue, the Loan Board attempts to match terms of loans offered with those of funds drawn through the Province. All loans provide for an optional 10% repayment at any time during each calendar year and an optional full repayment on each 5 year anniversary. Loans may be contracted for the full term of their amortization (from 1 to 30 years) or may be of fixed terms of 3, 5 or 10 years with an amortization period of up to 30 years. Funds drawn through the Province provide for 10% annual and 5-year full optional repayments. A 1% change in interest rates would have $3,308 (2025 - $3,812) impact on interest income and interest expense.

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NOVA SCOTIA
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