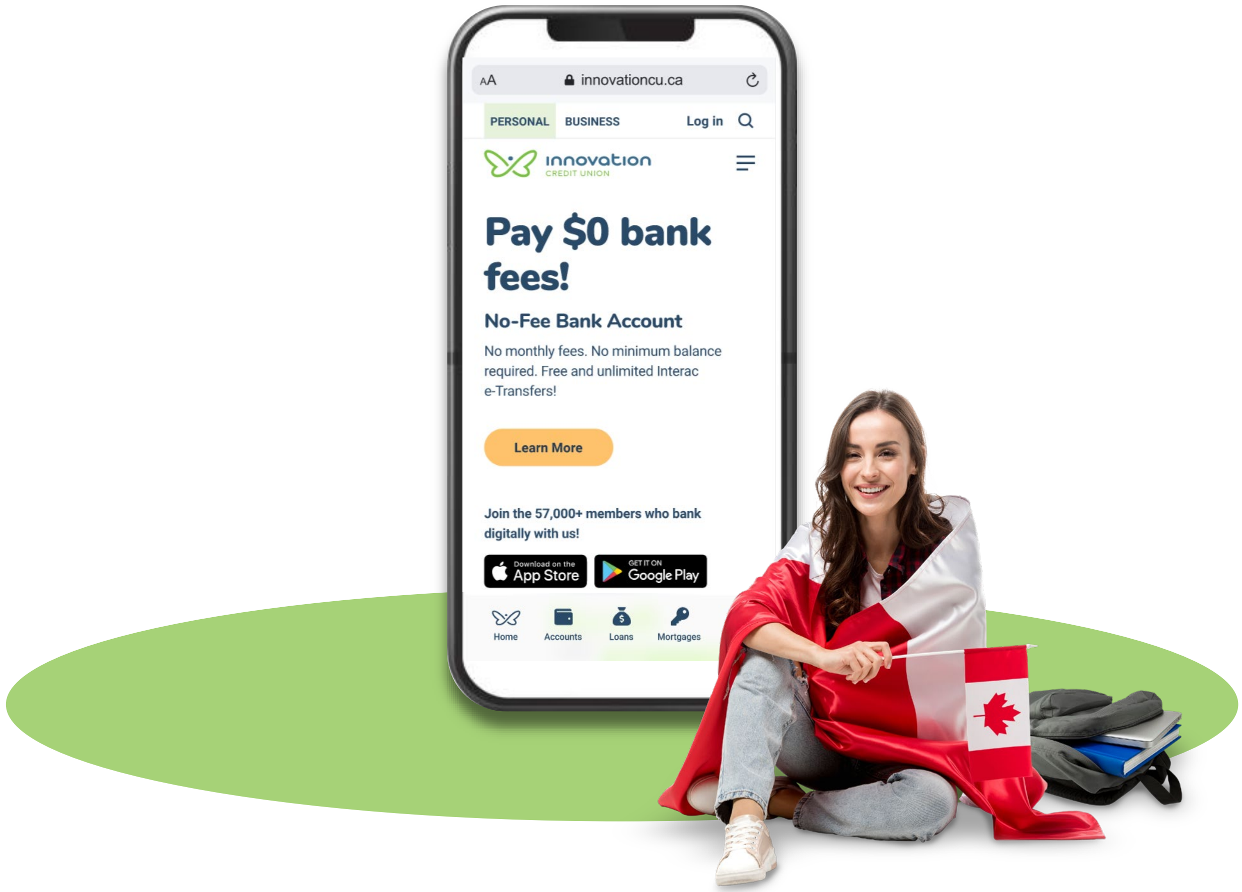
Innovation Credit Union 2022 Annual Report



Simplifying banking for Canadians.

innovation
CREDIT UNION

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In Memoriam - Gordon Lightfoot

Gordon Lightfoot
1948 - 2022

In late December 2022, we sadly learned of the passing of long time Innovation Credit Union Director and former Board Chair, Gordon Lightfoot of Swift Current. Gord served as a Board member with Innovation (Western/Southwest Credit Union) for 40 years. His other noteworthy credit union system experience includes being:

- A SaskCentral Board Member for 17 years
- A Credit Union Central of Canada Board Member
- A Concentra Financial Board Member
- A Chairman of the Board for the Credit Union Deposit Guarantee Corporation (CUDGC)

Gord's dedication and leadership to the co-operative system will be missed greatly, not only by Innovation but all the organizations he impacted. He leaves a legacy of achieving growth and sustainability through partnerships and pushing boundaries. Leading by way of example, he always based his decisions on the co-operative principles and encouraged his peers to do the same. Innovation members' best interests were his biggest interest. Gord will be remembered as a truly innovative, future focused, and caring man.

Gord was a long-standing generous supporter of the Co-operative Development Foundation of Canada (CDF Canada) and its work for the past 20 years. CDF Canada is a global social impact partner that collaborates with local communities to achieve sustainable economic and social development. Innovation therefore made a $25,000 donation to CDF Canada in Gord's memory.

Thank you, Gord for being a true mentor and friend.

About Innovation Credit Union

Innovation Credit Union is one of the largest credit unions in Saskatchewan with over 450 employees and more than $4.335 billion in managed assets. We serve over 59,000 members across 24 advice centre locations and offer in-person appointment service in both Regina and Saskatoon. With the overwhelming support of our membership, we are excited to be one of the first credit unions in Canada to be pursuing a Federal Credit Union charter under *The Bank Act*. As a member-owned co-operative, we provide quarterly returns to our members and reinvest 2% - 4% of our pre-tax profits back into the communities we serve.

59,470

members

across eight Canadian provinces

24

advice centre locations

Innovation is one of the first credit unions in Canada to be pursuing a Federal Credit Union charter under *The Bank Act*

Assets Under Administration

+289.1 million (+7.1%) to end the year at **$4.335 billion**

450 employees

To **simplify banking** for Canadians.

Our Values

Accountability

We take ownership of problems and fix what's broken. When we think we've made a mistake (we all do), we ask. We're best when we collaborate and share in success.

Integrity

We say what we do; we do what we say. We speak the truth, kindly. We do the right thing, even when it's hard, and we honour the commitments we make to each other.

Respect

We are courteous and concerned. We recognize that the thoughts and backgrounds of others are as important as our own. We consider what others are feeling and what they might be going through, because we believe in treating everyone with decency and dignity.

Member First

At Innovation Credit Union we want to be known for our unwavering commitment to providing exceptional member service at every opportunity. Our employees are encouraged to provide members with the kind of service that they themselves would want to experience.

We continuously train new employees on our Member First philosophy to enhance our three C's approach (competence, courtesy, and concern) for members. We look to be more responsive to member needs in an anywhere/anytime service environment, adopting new methods of serving you to match how you would like to conduct your business.

Co-operative Principles

As a true co-operative financial institution, Innovation Credit Union acts in accordance with internationally recognized principles of co-operation.

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.

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.

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 or all the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Autonomy and Independence

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

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 cooperation.

Cooperation 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.

Concern for Community

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

Board President's Message

Doesn't it feel wonderful when you identify your purpose and see progress towards fulfilling it? At Innovation, our purpose is to simplify banking for Canadians. We want to make your lives easier! And in 2022, our digital advancements were beginning to do just that. Change of any kind, however, is never easy. I'd personally like to thank you for your patience and fast adaptation to all the enhancements we made in 2022.

At the start of the year, we launched a new website, online banking platform, and mobile banking app. We also introduced our business members to a new automated funds transfer system for their pre-authorized debits and direct deposits. Your feedback helped us continue to improve upon the new systems throughout the year, creating a better banking experience for everyone! We truly thank you for participating in furthering your credit union.

Our Responsible Banking™ philosophy was also at the forefront in 2022. Members earned $3,344,504 through our profit-sharing Member Rewards program and we gave back $494,539 to the communities we serve all thanks to your business! Because of our community support, we were once again honoured to be named a Caring Company by Imagine Canada in 2022. Our Board, management, and staff, thank you for choosing our Caring Company to do your banking with.

With the transition to becoming a federally regulated credit union right on the doorstep, I want to assure you one thing will not change: our commitment to our members, Innovation staff, and the communities we serve. We're thrilled that after many years of preparation, being able to promote our simplified, responsible approach to banking across Canada is in sight. We can't wait to celebrate this monumental event with you soon. Thank you for your ongoing support of our growth and success.

Last but certainly not least, I'd like to thank my fellow Board members for their tremendous leadership and assistance in 2022. Every Board member has a three-year development plan, attends a minimum of two training and development days each year, along with additional courses that build our governance skill set. Their devotion to Innovation members' needs is truly inspiring.

Thank you again for making Innovation the thriving credit union it is!

Russ Siemens
Board President
@russ_siemens
linkedin.com/in/russsiemens

CEO's Message

With a late surge in financial performance that exceeded our expectations, I am pleased to report that overall, we have had a successful year in 2022. As a purpose-driven organization, Innovation continues to accommodate disruption in our industry. We have the capacity and people to embrace substantial disruptors like incredible changes in member behavior and expectations, competition, and acceleration in technology requirements. From a risk perspective, our profile is appropriate, and we continue to manage risk effectively.

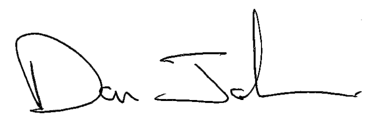
Innovation continues to integrate our business processes through enabling technology that automates workflows resulting in a more efficient and effective member experience. We will ensure that a robust enterprise data warehouse and integrated systems environment is available to all employees so they can maximize the value they deliver to both internal and external members. We are slightly behind on our aggressive three-year digital roadmap, but we are making progress and remain committed to our digital transformation.

Our entire team is member obsessed. When we serve our members, it isn't just those that you see on the front line of our advice centres, on video, or on the phone. We all play a role and each one is important to execute our Purpose. Our ability to work together makes even our biggest ideas believable and ultimately achievable. Innovation is purpose-driven, performance-oriented, and principles-led. The weaving together of these three capabilities simultaneously is what helps us get and stay out in front.

While we face some challenges with organic growth, we are confident that our strategic initiatives will drive growth in the coming year as Innovation is a game-changing organization that rewrites traditional playbooks. We stand out and create disproportionate member value relative to our size and resources. We have big dreams and know how to get things done. Innovation has a palpable "buzz" and a breakaway business model with a spirited and organizational culture.

I am very proud of the steps that we have taken over the past number of years to create one of Canada's strongest credit unions built on a solid capital base fueled by our Responsible Banking™ platform and co-operative principles. Thank you for your continued support and investment in our credit union.

In conclusion, we are at the juncture of an exciting period, as we are decisively taking control of our future by becoming the first federally regulated credit union headquartered in Saskatchewan. As a federal credit union, we will be able to continue to grow and diversify which provides us the flexibility to embrace the disruption in our industry.



Daniel Johnson
CEO
@johnsoda123
linkedin.com/in/danjohnson

Board of Directors

Russ Siemens

President

Michele Wilde

1st Vice President

Mike Davis

2nd Vice President

Meagan Cockrill

Board Member

Bruce Sack

Board Member

Brian Guillemin

Board Member

Liam Choo-Foo

Board Member

Karen McBride

Board Member

Ian Hamilton

Board Member

Bryon Zanyk

Board Member

Dayna Whitney

Board Member

Joan Baer

Board Member

Gord Lightfoot

Retired Board Member

Karen Yurko

Retired Board Member

Executive Team

Daniel Johnson

Chief Executive Officer

Sheldon Hess

Chief Financial Officer

Brad Appel

Chief Credit Officer

Ian McArthur

Chief People and Governance Officer

Sandra Meinig

Chief Risk Officer

*as of February 2023

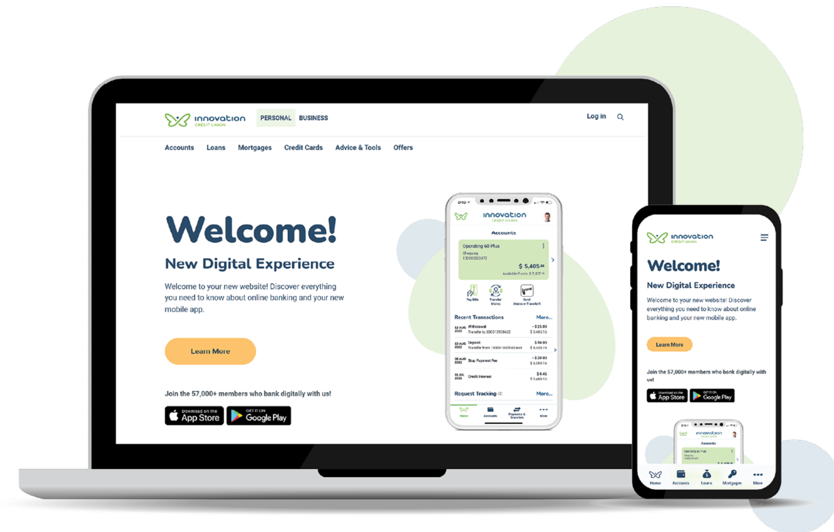
Dean Gagne

Chief Disruption Officer

NOTE: Innovation would like to acknowledge the service and contributions of both Kent Jesse and Cary Ransome during their time on the Executive Team.

Company Highlights and Achievements Our achievements in 2022 were driven by our members and their ongoing financial needs - from launching a new website and digital banking platform to providing community dollars to organizations and many activities in the markets we serve. We continue to strive to simplify banking for Canadians, helping them to reach and maintain their financial goals. By reinvesting profits into our members, our communities, and our people, we aim to provide more than just everyday banking. We are proud to provide Responsible Banking™.

2022 Company Highlights



Microsoft VERiPARK Adobe Experience Manager

Based on continued member feedback, we developed and launched a new, improved website, mobile app, and online banking experience in February 2022. Innovation members now enjoy a more intuitive, convenient digital banking experience with many new, easy-to-use features - as well as ongoing application enhancements. This exciting and ground-breaking digitalization is powered by Microsoft, VeriPark, and Adobe Experience Manager technology.

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We also unveiled our new, modernized logo and identity – reflecting our commitment to excellence in the digital banking landscape and our journey to becoming a federal financial institution.

2022 Company Highlights

Total Innovation Credit Union assets in 2022 grew by 9.52% to $3,299,031,428 from $3,012,262,174 in 2021.

Total Innovation Credit Union deposits in 2022 grew by 9.30% to $2,850,292,042 from $2,607,750,225 in 2021.

Innovation Wealth's 4.4% net sales growth was amongst the highest of all Canadian credit unions.

Save

35,394 members have
a No-Fee Bank Account

Earn

$39.1 million paid to members
since 2007

Give

$7.78 million given back to
our communities since 2007

“Save, Earn, Give is a terrific example of Responsible Banking™. It’s simply the right thing to do.” - Paul Schuck, VP Corporate Finance

2022 Corporate Scorecard Results

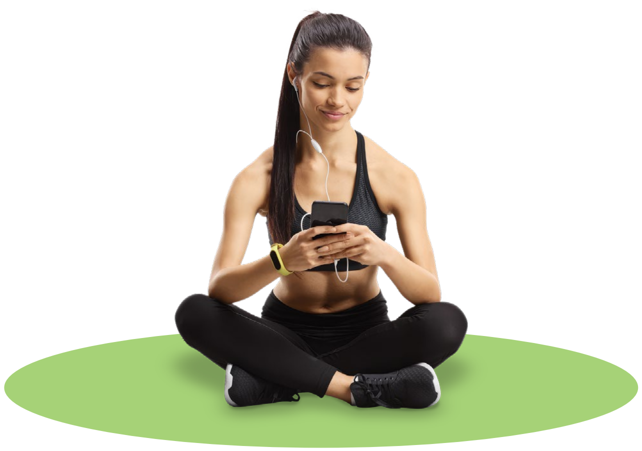
Category	Strategic Objectives		Performance Measures Actual	Target
Financial	Ensure efficient processes and productivity.	Efficiency Ratio	75.72%	78.20%
	Achieve earnings equal to or better than budget.	Return on Equity (RoE)*	5.15%	4.07%
Growth	Demonstrate and enhance member experience.	NPS	37.90%	47.00%
	Growth in membership is very important for future sustainability.	Membership	59,470	60,481
Business	The number of modules to be implemented in 2022 based on the current VeriPark implementation schedule.	VeriPark Modules Completed	6	14
	Productivity/Adoption Score provides insights into Innovation's digital transformation journey through its use of Microsoft 365 and the technology experiences that support it. It reflects people and technology experience measurements.	Productivity/Adoption Score	74%	73%
People	Employee engagement is a priority as we believe that engaged leaders = engaged people = engaged members.	Employee Engagement	58%	60%
	Improving quality and efficiency of meeting management practice allows leaders and staff to optimize their skillsets and talents to improve workflow and outputs.	Organizational Capacity/Meeting Efficiency	$1,501,375	$1.5M
Risk	Internal processing and review of new credit requests to ensure high quality results in new lending opportunities.	Quality Assurance	89%	87%
	The Enterprise Risk Management function of the organization monitors risks across all areas.	Enterprise Risk Management (ERM)	2.27	2.00-2.99

*excludes swap & venture capital market valuation adjustment

Responsible Banking™ Innovation has a long, distinguished history of reflecting the strength of its co-operative values by forging stronger, more diverse communities – driving economic development, sponsorship, scholarships, and a wide range of charitable giving. Sustaining strong communities is at the core of the credit union difference.

Being an Innovation member means sharing in the success of the credit union. For simply doing business with us, we approved $3,344,504 in member distributions in 2022 – an increase of **74.6%** over 2021.

$3,344,504



Member Rewards

There are three facets of the Member Rewards program: Save, Earn, and Give.

Save
Members save on fees - as much as $360/year – with our No-Fee Bank Account.

Earn
Members earn quarterly profit-sharing dollars paid to their Member Rewards Accounts based on the business they do with us. In 2022, $2.2 million was returned to members in the form of allocations.

We also pay cash dividends based on the amount of equity members have. We paid $1.1 million to members in the form of dividends. In addition, youth ages 18 and under receive $5 cash every three months, totaling $60,000.

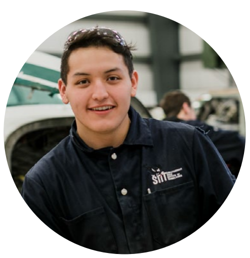
Give
Our members help us support our communities. Because we share our profits, their business helps us give back to the communities we serve.

Responsible Banking™

Our goal is to give back 2% - 4% of pre-tax profits each year. In 2022, we invested $494,539 into our communities in the form of sponsorship, naming rights, community development, and scholarships resulting in 2.48% of pre-tax profits.

$494,539

to **local** organizations who are making a difference



Food security sponsorship of **$5,000** each were given to the First Nations University of Canada (FNUC) and the Saskatchewan Indian Institute of Technologies (SIIT) to assist students in maintaining healthy diets and nutrition during their post-secondary studies.

We were honoured to be designated as a Caring Company by Imagine Canada once again in 2022. This designation is awarded to companies that lead by example and set the standard for corporate giving.

10,000 meals

With inflation significantly impacting Saskatchewan residents and local charitable organizations, our **2022 Community Impact Campaign** focused on ensuring that the underserved continued to receive food during this difficult time. The campaign donated a total of **$50,000** to the following organizations:

- Door of Hope – Meadow Lake, SK
- Food Bank – Meadow Lake, SK
- Battlefords Food & Resource Centre – North Battleford, SK
- BGC Battlefords – North Battleford, SK
- Food Bank – Regina, SK
- Souls Harbour – Regina, SK
- Food Bank & Learning Centre – Saskatoon, SK
- Salvation Army – Saskatoon, SK
- Salvation Army Food Bank – Swift Current, SK
- Salvation Army Meal Program – Swift Current, SK

The donation resulted in approximately **10,000 meals** being made available (one meal equals a $5 donation, based on the average meal cost across organizations).

Innovation recognized the Royal Canadian Legion National Poppy Trust Fund with a **$2,500 donation**, helping to provide financial assistance and support to Veterans, including Canadian Armed Forces and RCMP, and their families who are in need.

2057 **2,244**
7,273 **2,663**

Innovation continues to grow its followers and brand presence across four major social media platforms, including a 333% increase on Instagram from 2021.

Responsible Banking™

In 2022, Innovation signed as a Signature Investor in Tokata's Indigenous HR Strategy. The partnership aligns with Innovation's ongoing commitment to diversity and inclusion, ensuring its workforce is representative of the communities the credit union serves.

As part of the partnership, Innovation will educate, inform, mentor, and hire Indigenous people to create lifelong connections and opportunities. Tokata will in turn help their recruits find meaningful, fulfilling work in this important industry.

Tokata HR Solutions specializes in sourcing qualified Indigenous talent for employers and is a 100% Indigenous wholly-owned affiliate of FHQ Developments and a key business entity of the File Hills Qu'Appelle Tribal Council.

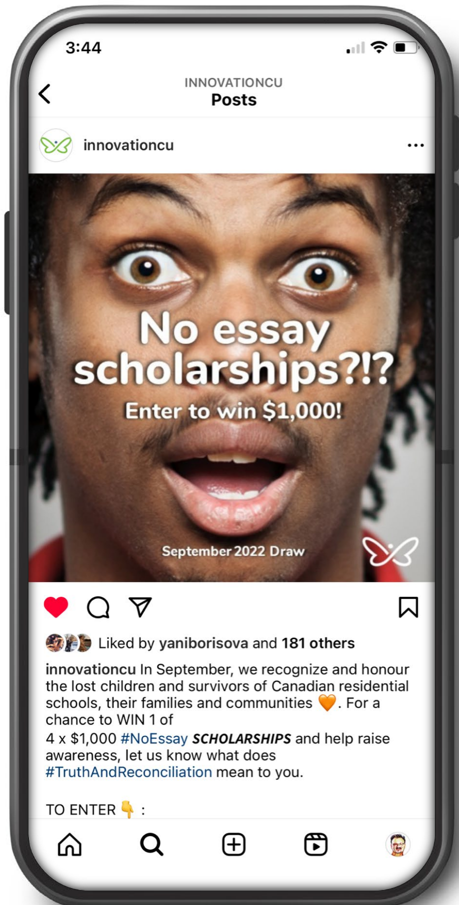
The Innovation/Tokata partnership officially begins in 2023.

We were proud to once again partner with Stark & Marsh CPA LLP for GoGreen in 2022. GoGreen marked its 11th anniversary as a city beautification project in partnership with the City of Swift Current and the Swift Current Creek Watershed Stewards.

Innovation stands in support of the people of Ukraine, as well as with our employees and members from the region. Over one million Canadians identify as Ukrainian, with many more directly impacted by recent events. Innovation Credit Union donated **$7,500** in support of the Red Cross' Ukraine Humanitarian Crisis Appeal, to support relief efforts for those affected by recent events in Ukraine.

“We take huge pride in community being a pillar of our ongoing commitment to our members.” - Brittany Ruest, Marketing Specialist, Community

No Essay Scholarship Program



To reach and help more post-secondary students with rising education costs, we launched our No Essay Scholarship Program that provides applicants a chance to win 1 of 4 monthly $1,000 scholarship draws. The program is available to both members and non-members and for students in any scholastic year of their studies – all without the hassle of writing an essay. The program resulted in 1,566 entries in just seven months – far exceeding our previous one-year high of 102 entries.

Indigenous Arts Partnership Project

The **Innovation Credit Union Indigenous Arts Partnership Project** is a community-wide youth programming opportunity for learning about the art, culture, language and history of our Indigenous friends and neighbours. Youth had the opportunity to learn:

- Beading
- Hand Drums
- Dream Catchers
- Ribbon Skirts and Shirts
- Tipi Teachings and Rising

Teachings are delivered by local instructors, Knowledge Keepers, and Elders. This project is made possible through our **$7,500** sponsorship partnership.

CAMP

Kindling

CO-OPERATIVE YOUTH RETREAT

Since 1928, Camp Kindling (also called the Saskatchewan Co-operative Youth Retreat or SCYR) has evolved into a series of summer camp sessions that contribute to the personal development of youth. The program encourages youth's active involvement in community and co-operative organizations.

More than 44,000 young people have taken part in Camp Kindling or its predecessors. In 2022, we were pleased to once again partner with the Saskatchewan Co-operative Association and Camp Kindling to sponsor the **Innovation Credit Union Earl Hanson Graduate Camp**.

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EST 2018

Earl Hanson

GRADUATE CAMP

In lieu of corporate Christmas gifts, we donated **$5,000** to **Teddy Bears Anonymous** for the purchase of 1,000 teddy bears for sick children in Saskatchewan hospitals, or those needing EMS, and Air Medevac Services.

Community Development Grant & Legacy Fund Program

$66,000

given to **13** deserving organizations and community projects

Community Development Grant

RM of Parkdale No. 498 (Glaslyn): New Fire Truck - $7,500
Leoville Community Hall Board: Kitchen/Bathroom Renovations- $5,000
Val Marie Recreation Board: Community Hall Renovations- $5,000
Southwest Saskatchewan Pride (Swift Current): Drop-In Centre - $5,000
Twin Lakes Community School (Buffalo Narrows): Outdoor Learning Centre - $2,500
École Père Mercure (North Battleford): Playground Upgrades - $2,500
Abbey Business and Community Centre: Playground Upgrades - $2,500

Goodsoil Legacy Fund

Goodsoil Volunteer Fire and Rescue: Equipment Purchases - $5,000
Goodsoil Historical Museum: Upgrades and Repairs - $6,305.85
Goodsoil Recreation Community Hall Board: Defibrillator Purchase - $5,000
Village of Goodsoil: Pavilion Project - $5,000

Pierceland Legacy Fund

Pierceland Recreation Association: Community Hall Roof Repairs - $10,000
Pierceland Volunteer Fire Department: Equipment Replacement - $4,800

Responsible Banking™

Investing in Our Employees

As an employer, Innovation Credit Union is recognized for progressive policies such as competitive fixed and variable compensation, flexible benefit plans, flexible work schedules, supporting volunteer work, employee wellness plans, and educational support. We work to ensure our employees are proud, feel valued, and are actively engaged in the achievement of our corporate vision.

Innovation Young Leaders (IYL) Committee

Formed in 2013, IYL is a cross organizational committee of young individuals 40 years and younger. The purpose of the committee is to create an environment that will increase the development and engagement of its members, positively impact the culture and engagement of the organization and contribute to its communities. A significant achievement in 2022 was the hosting of IYL's second annual speaker and workshop event. The committee also provided a monthly 'Gimme a Break' series, which has been hugely successful in keeping staff connected and entertained.

iMentor Program

The iMentor Program allows more experienced Innovation employees to give back by helping others grow. 2022 was the sixth year of a collaborative partnership with Cornerstone Credit Union. Eleven pairs of employees were matched between the two credit unions.

19 summer students hired in 2022

$531,712

learning & development spend

Development Index

96.34%

employee participation in professional development

"IYL is an engaging, valued experience that develops the next gen of Innovation's leaders." - Aleksandra Maslovski, Wealth Associate, Innovation Wealth

Female Leadership Representation

64.0%

Leadership Team Representation

55 Total Leadership Team Members
35 Female / 20 Male

42.0%

Female Board Representation

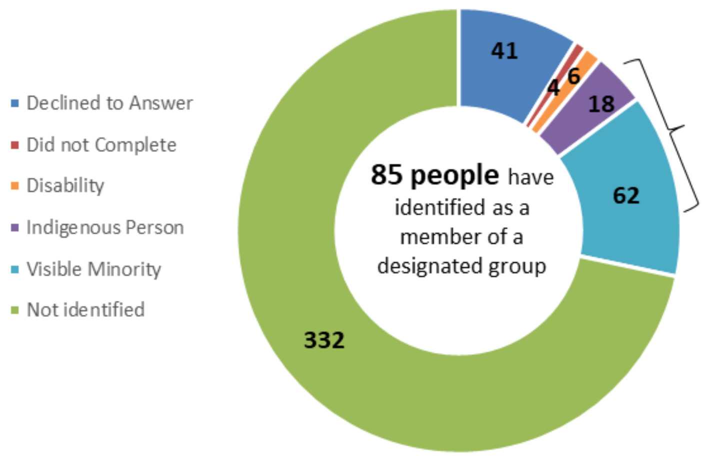
12 Total Board Members
5 Female / 7 Male

CCDI

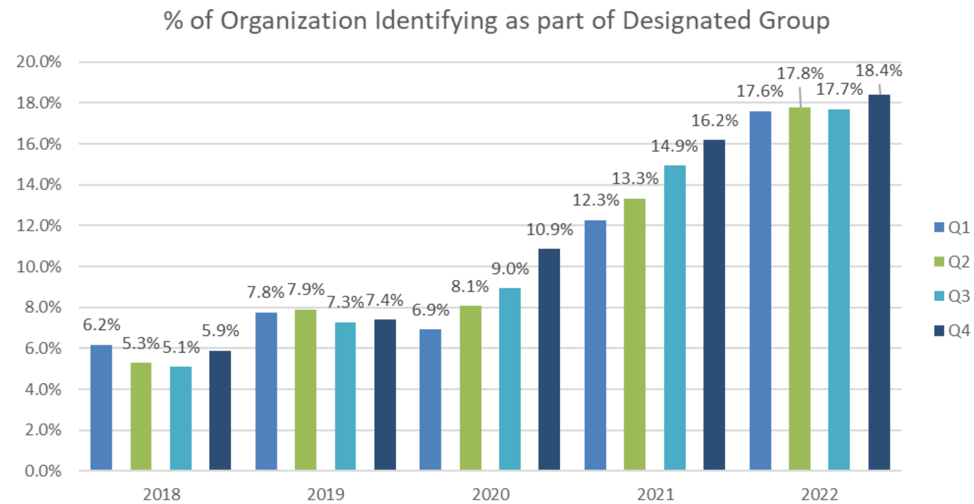
Innovation continues its prosperous partnership with the Canadian Centre for Diversity and Inclusion (CCDI), while also providing and supporting diversity learning opportunities for staff and the creation of a company-wide diversity celebration calendar.

In early fall of 2022, we hosted our first ever staff **hackathon** – allowing individuals and teams to pitch ideas in helping create the future of banking for our members, colleagues and partners. The event was co-hosted and judged by Innovation technology partners Microsoft and VeriPark.

18.4% of Innovation staff identify as a member of a designated group: visible minority, Indigenous, or disabled.



includes employees, mangement and directors



In 2022, we redesigned the Innovation compensation structure to align with best practices and the principles of pay fairness, along with the requirements for federal pay equity compliance. A new salary structure will be implemented in 2023 with further pay equity analysis continuing throughout the year. We remain committed to Pay Equity and the concept of Pay Fairness regardless of legislative requirements as part of our Responsible Banking™ approach to meeting our members' financial needs.

Corporate Structure and Governance Innovation Credit Union is a financial co-operative governed by a Board of Directors, accountable to the member owners of the credit union. Innovation Credit Union is committed to meeting the standards of legal and regulatory requirements in order to maintain member confidence and demonstrate financial success.

Corporate Structure and Governance

Innovation Credit Union (the Credit Union, Innovation) is a financial co-operative governed by a Board of Directors accountable to the member owners. To maintain member confidence and demonstrate financial success, Innovation is committed to meeting or exceeding the standards of legal and regulatory requirements.

The Credit Union is regulated by the Credit Union Deposit Guarantee Corporation of Saskatchewan (CUDGC) and must comply with *The Credit Union Act, 1998*; *the Credit Union Regulations 1999*; The Standards of Sound Business Practice; Innovation's bylaws and policy; and other applicable provincial and federal laws. The Credit Union provides regular reporting to CUDGC and is subject to periodic risk-based examinations.

In December of 2017, the membership of Innovation Credit Union provided a mandate to the Board and management of Innovation Credit Union to pursue continuance as a Federally Chartered Credit Union under *The Bank Act*. The Credit Union is going through the final stages of the application process through the Office of the Superintendent of Financial Institutions (OSFI) and expect approval in Q2, 2023.

Innovation Credit Union employs a modern and effective use of governance and risk frameworks to ensure the Credit Union is managed and operated in a sound and prudent manner. The Board ensures that the Credit Union maintains high standards for its governance framework and governance of the Credit Union.

Nomination Process

Directors are elected by members based on district. Terms are renewable every three years and have no term limits. Nominees can put their names forward by submitting nomination packages through the process identified in Innovation's bylaws. The voting period is a minimum of seven days with voting being performed either electronically or by paper. Election results are announced at the Annual Meeting.

Board Composition

The Board is composed of 12 individuals, elected by the Credit Union's membership. Committee composition is determined by the Board through analysis of individual Director's experience, education, and competencies so that Directors can be effective on the Committee they serve.

Diversity

Innovation Credit Union seeks to maintain a Board comprised of talented and dedicated Directors with a diverse mix of expertise, co-operative philosophy, experience, skills and backgrounds. Ideally, the Board will reflect the diverse nature of the business and the members. Within Innovation's Board Diversity Policy, the Credit Union seeks to maintain a Board in which no one gender represents more than 70% of Directors.

Board of Directors

Russ Siemens,
ICD.D, ACCUD, Ed.D, CCD
Board President

Director Since: 2007
Term Expiry: 2023
Swift Current

Russ is highly engaged in current leadership practices, has substantial governance experience, and has a strategic mindset. He has recent certifications in Governance (ICD.D, 2014), Fintechs (MIT, 2015), Cybersecurity (ISACA, 2017), Diversity and Inclusion (CCDI, 2019), and Environmental Sustainability (NYU, 2021- in progress).

He is consensus-motivated with significant HR, financial services, and educational administration experience. Following a fulfilling 30-year career serving educational communities, he presently focuses on using his team-building skills to lead boards in providing a clear vision, adding exceptional value and sustainable results for stakeholders.

He is future focused and an innovative thinker with an entrepreneurial spirit. He also has vast experience leading organizations through complex change processes.

Michele Wilde, Pro. Dir
1st Vice President
Chair of Corporate Governance and People Committee

Director Since: 2018
Term Expiry: 2025
Meadow Lake

Michele has served as a director on numerous Boards, specifically in the cooperative sector. Her passion for the credit union system and co-operative values and principles that it follows compelled her to serve the membership as a Director. As a lifelong credit union member, Michele strives to ensure Innovation strategies align with member value and member service.

In the past year Michele has worked to obtain her designation as a Professional Director. She is a devoted lifelong learner continuously participating in courses and webinars to keep on top of trends and governance best practices.

In addition, for over 20 years Michele co-owned and managed a small business she and her husband established, leading to her development and knowledge in Human Resources.

Board of Directors

Mike Davis

2nd Vice President
Chair of Audit and Conduct Review Committee

Director Since: 2007
Term Expiry: 2023
Swift Current

Mike is the Pharmacist/Manager at Pioneer Co-op in Swift Current. He currently serves as Chair of the Discipline Committee of the Saskatchewan College of Pharmacy Professionals. He is a Past President of the College and has chaired other committees.

Prior to the inception of Innovation Credit Union, Mike served on Southwest Credit Union Board and as President of the Board in the years leading to the formation of Innovation Credit Union. He has also coached and officiated Swift Current Minor Football and been a leader in Scouts.

He has a strong understanding of the cooperative movement, its benefits, and the challenges the credit union faces. As a Director, he makes sure there is a focus on executing the credit union's strategic plan, ensuring that Innovation is profitable and sustainable for future generations.

Liam Choo-Foo, B.Ed., M.Ed.

Admin; Pro.Dir
Board Member

Director Since: 2021
Term Expiry: 2024
Swift Current

Liam is the former CEO of the Chinook School Division where he oversaw a multimillion-dollar budget and over 1,000 staff members. He has served on a multitude of boards in his community and currently serves as Vice Chair of the Swift Current Broncos, Vice Chair of his Parish Council, and Governor to the Western Hockey League (WHL).

The combination of Liam's governance training and practical experience as both a CEO and a Board Chair puts him in a unique position of understating the full spectrum of how an organization should be effectively governed and led. He is focused on the future to ensure the credit union remains profitable for its members. Liam recognizes the importance of continuous learning and development. He has achieved his Governance Professional Director Accreditation and is currently working towards his Accredited Credit Union Director Achievement designation through Dalhousie University.

Liam gets great satisfaction in being a member of a team that accomplishes great things.

Board of Directors

Meagan Cockrill CPA, CA, BBAH
Board Member

Director Since: 2021
Term Expiry: 2024
Battleford

Meagan is a CPA, CA and obtained her Chartered Accountant designation with KPMG LLP in Vancouver. After obtaining her designation, she has worked as a Senior Financial Analyst and Business Analyst, implementing systems for budgeting, sales forecasting, and customer relationship management, performing financial modelling and data analysis, and finding and implementing opportunities for process optimization. Meagan is currently employed by the Targeted Strategies Group as a Business Optimization Consultant.

Meagan continues to pursue development opportunities to broaden her knowledge of the credit union system and governance best practices. She challenges the status quo to ensure that all perspectives are seen and assessed so that the best decision can be made for the credit union and its members. She is passionate about strengthening community and improving the financial lives of Canadians.

Bruce Sack, ACCUD
Board Member

Director Since: 2010
Term Expiry: 2023
North Battleford

Bruce was elected to Innovation Credit Union's Board of Directors in 2010 and held the position of Board President from 2016 – 2020. He is also a 2014 graduate of the Accredited Credit Union Institute of Canada through Dalhousie University.

He was employed from 1973 to 2003 in various mid and senior management positions and retired as the VP of Business Development and Human Resources from the Battlefords Credit Union Limited operating as BCU Financial in 2003.

He continues to be very involved in community organizations as a director and vice chair and has had past years' involvement as a player, coach and mentor in minor hockey, baseball and fastball. He currently enjoys watching his grandchildren participate in sports of choice and dance.

Bruce has a strong foundation in co-operative values serving as an employee for 32 years in retail and credit union co-operatives and 13 years as a Board Member. He focuses on ensuring the employees and members are at the forefront of Board decisions.

Board of Directors

Dayna Whitney

Board Member

Director Since: 2021
Term Expiry: 2024
Eastend

Dayna is self-employed working for a virtual bookkeeping and accounting business based in a small rural town in southern Saskatchewan, where she grew up. She understands the value of the credit union and its core principle of giving back to the members/owners.

Her accounting and bookkeeping experience have provided her with knowledge of financial literacy. Dayna also is very comfortable with technology using new software and platforms. She is passionate about the financial industry and cares about members of yesterday, today, and tomorrow.

She values the different ways that the credit union supports the communities it serves and believes this is a key differentiator for people looking for a financial institution that aligns to their values.

Bryon Zanyk, ICD, B.S.A., M.Sc

Board Member
Chair of the Community and Member Relations Committee

Director Since: 2016
Term Expiry: 2023
North Battleford

Bryon has worked for over 20 years at North West College in various roles ranging from marketing, analytics, and human resources. He holds a B.S.A, M.Sc and has completed the Directors Education program offered through ICD.

Serving his community is important to Bryon. He has served as director on the Battlefords' Boys and Girls Club and Battlefords Tourism. He was also the project leader for 'Industry Canada's Community Access Project, Battleford'.

The combination of Bryon's education, practical experience, co-operative values, and interest in economics and finance are valuable skills to the Innovation Board.

Board of Directors

Joan Baer, ICU.D, MBA, ACUIC

Board Member

Director Since: 2019
Term Expiry: 2025
Goodsoil

Joan is the owner of Baer Values which provides consulting services in the areas of strategic planning, risk management, CEO performance evaluations, capital and liquidity management, business cases and project management. During her career, Joan focused on implementing internal audit functions for Saskatchewan credit unions.

She is a passionate, strong motivator and committed team player with enthusiastic leadership, communication, decision making, problem solving and interpersonal skills.

She holds an MBA in Executive Management, Organizational Management Project, and ACUIC Designation.

Ian Hamilton

Board Member

Director Since: 2017
Term Expiry: 2024
North Battleford

Ian is a retired CPA and former Mayor of North Battleford. He has demonstrated commitment to his community through various roles on a multitude of boards and committees over the last 40 years.

Through his education, training, and experience, Ian has a robust understanding of the importance of proper financial reporting, especially to the board so that the best decision can be made for the members.

Further, his years of service on Council and as Mayor, has given Ian a strong appreciation of what good governance means and the board's role in fulfilling its fiduciary duty.

Ian is committed to the credit union's members, striving to ensure that Innovation continues to strengthen and grow its services while keeping member service a top priority.

Board of Directors

Brian Guillemin, MBA

Board Member

Director Since: 2022
Term Expiry: 2025
Saskatoon

Brian worked for almost 30 years within the credit union system. During that time, he was actively involved in the financial/payment card industry and participated in major technology changes and organizational transformations.

Throughout Brian's career, he gained significant experience in technology implementations, project management, strategy development, change management, risk management, vendor management and succession/talent management.

Brian has received his Certificates in Digital Transformation: Leading People, Data & Technology and, Platform Strategies for Success. In 2011 he also received his International Executive M.B.A.

In addition to his experience and education, Brian has contributed to his community through directorships on the following boards: Saskatchewan Science Centre (current), Saskatchewan Fencing Association, and Child Find Saskatchewan. He also has served on multiple advisory committee's surrounding the finance and technology sectors.

Gord Lightfoot

Retired Board Member

Chair of Risk Committee

Director Since: 2007
Term Expiry: 2022
Swift Current

Gord was a farmer in southwest Saskatchewan. He has many years of experience in the governance of co-operatives and has sat on the Boards of Concentra Financial, Credit Union Deposit Guarantee Corporation, SaskCentral, and Credit Union Central of Canada.

He was very passionate about the credit union system and the values and principles of co-operatives, always ensuring that all members had their voices heard and that the credit union remained democratic.

Gord was a recipient of the Saskatchewan Lifetime Co-operative Achievement Award in 2022.

Board of Directors

Karen McBride, MBA, ORMP

Board Member

Director Since: 2022
Term Expiry: 2025
Regina

Karen has more than forty years of experience in the financial services industry, most of them within the Saskatchewan credit union system. Executive level experience includes risk management, compliance, credit risk oversight, finance, treasury and capital management, disaster preparedness and response, corporate policy, and internal audit.

Additionally, over the years Karen held a variety of mid and senior management level positions, including accounting, technology, and corporate services. She obtained her MBA at Queen's University, Masters Certificate in Operational Risk from York University, and Operational Risk Management Professional Designation from the International Institute for Operational Risk Management.

She was a key player in the design and launch of Concentra Financial, serving as its first Chief Risk Officer. In 2012, Karen retired from Concentra as Executive Vice President, Chief Risk Officer & Chief Compliance Officer, and has since operated Risk Lens Consulting.

Engaged in the transformation of lives and communities through the power of financial co-operatives, Karen has completed volunteer missions in Africa, including Malawi, Ghana, and Burundi. Karen and her husband Blair spent a year in Malawi, where Karen assisted the financial co-operative system to comply with new regulatory requirements and legislation, develop risk management systems and policies, and strengthen leadership competencies. Together Karen and Blair launched a brand-new SACCO (credit union) for the Malawi national police service.

Karen Yurko

Retired Board Member

Director Since: 2019
Term Expiry: 2022
Pierceland

Karen is an effective public speaker, has proven leadership and people skills, and an ability to absorb and analyze data through margin analysis and strategic planning.

She has a keen interest in serving her community and applying the co-operative principles in her work as a Director. Karen was a Director of Pierceland Credit Union for 19 years and the Board Chair and Delegate for SaskCentral. She completed the Credit Union Director Achievement program (CUDA), and in 2021 she received her ICD.D director designation.

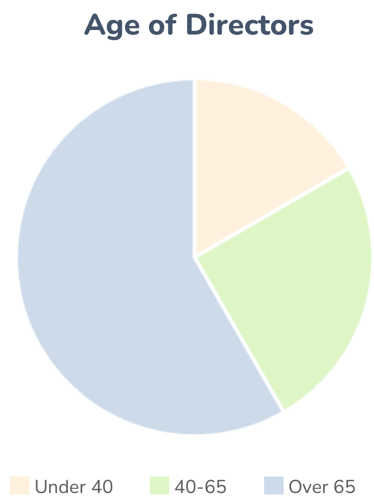
Competencies

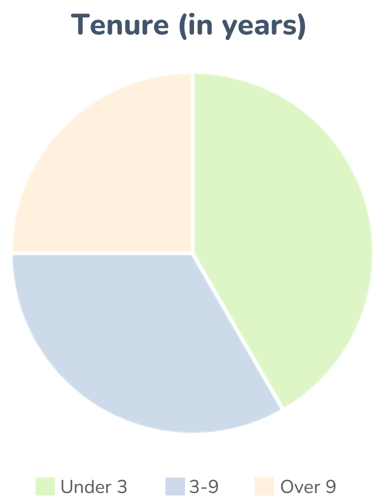
In 2022, the Board utilized its Competency Matrix and updated Director Self Assessments to determine potential competency gaps on the Board. The Matrix can be found as **Appendix A**.

	Senior Leadership Experience	Other Board Experience	Financial Literacy	Accounting	Human Resources & Compensation	Governance & Ethics	Strategic Planning & Sustainability	IT & Security	Financial Services	Regulatory & Compliance	Growth & Market Expansion	Risk Identification & Management	Digital Technology	Leadership with Co-operatives	Stakeholder Engagement & Community Leadership
Brian Guillemin	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓
Bruce Sack	✓	✓			✓	✓			✓			✓		✓	
Byron Zanyk	✓		✓		✓		✓	✓	✓						✓
Dayna Whitney			✓												
Gordon Lightfoot*	✓	✓	✓		✓	✓			✓	✓		✓		✓	✓
Ian Hamilton		✓	✓	✓		✓									✓
Joan Baer	✓		✓	✓		✓	✓		✓	✓		✓		✓	
Karen McBride	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓		✓	✓
Karen Yurko*		✓													✓
Liam Choo-Foo	✓	✓	✓		✓	✓	✓			✓					✓
Meagan Cockrill			✓	✓											
Michael Davis	✓	✓	✓	✓	✓	✓	✓		✓		✓	✓		✓	✓
Michele Wilde	✓	✓	✓		✓	✓			✓		✓			✓	✓
Russ Siemens	✓	✓	✓		✓	✓	✓	✓		✓				✓	✓

✓ = 4 (advanced) or 5 (expert ranking) *retired as of April 2022

Corporate Structure and Governance





Board Independence/Affiliation

At all times, the majority of Innovation's Board and committee members will be independent to ensure that Directors are able to preserve independent, objective and prudent business judgement, and provide unbiased leadership for the credit union.

No more than ⅔ of the Board can be affiliated to Innovation, as per definition of affiliated in *The Bank Act*. In 2022, ¼ of Directors were affiliated. The Innovation Board of Directors was completely independent in 2022. The Board and its committees met in camera, without management present, at minimum once every meeting.

Primary Financial Institution

As per the Bylaws of Innovation Credit Union, all Directors are required to use the credit union as their primary financial institution. We define primary financial institution as:

> *The requirement to use Innovation Credit Union as a Director's primary financial institution will be considered satisfied if the Director has a personal account that has activity indicating usage as a transactional account demonstrated by monthly activity of both payments (outflows) and deposits (inflows). The requirement may also be supported through an active savings, lending or wealth management relationship that would indicate engagement with the credit union.*

All Directors meet this requirement.

Director Attendance

Directors are required to attend a minimum of ⅔ of all Board and committee meetings. Board meetings are held at least quarterly (following fiscal quarter-end), and in December and June. Standing committees meet prior to the Board meeting to review and recommend the resolutions to the full Board.

Director Remuneration

Remuneration for Board members is in accordance with Innovation's Elected Officials and Remuneration Policy. Directors receive an honorarium payment, in recognition of a Director's service, event attendance, preparation for meetings etc. Per diems are also paid for attendance at meetings and formal training.

Director Expenses

Innovation reimburses Directors for accommodation, travel, and food expenses. In 2022 the total cost of Director expenses was $55,719.32.

See table on following page for attendance and remuneration disclosures.

Corporate Structure and Governance

Attendance and Remuneration

	Attendance		Committee Structure				Remuneration
	Committee Meeting	Board Meeting	Audit and Conduct Review Committee	Risk Committee	Community & Member Relations Committee	Corporate Governance & People Committee	Per Diem and Honorarium inc. Taxable Benefit (in dollars)
Joan Baer	11/11	6/7	✓	✓ **C****			29,100
Bruce Sack	10/11	7/7		✓		✓	26,325
Bryon Zanyk	9/10	7/7		✓	✓ **C**		31,850
Dayna Whitney	7/9	5/7	✓		✓		26,000
Gordon Lightfoot**	2/2	1/1	✓	✓ **C***			7,100
Brian Guillemin**	8/8	6/6		✓		✓	24,750
Ian Hamilton	8/9	5/6	✓		✓		24,450+
Karen Yurko*	3/3	1/1		✓		✓	7,975
Liam Choo-Foo	9/10	5/7	✓**	✓*		✓	28,800
Meagan Cockrill	9/9	6/7	✓		✓		25,850
Michele Wilde **VC**	9/9	7/7			✓	✓ **C**	41,075
Mike Davis **VC**	9/11	7/7	✓ **C**	✓			30,075
Karen McBride**	8/8	6/6		✓		✓	23,125
Russ Siemens **P**	19/20	7/7	ex officio				52,571
							Total 354,596

*Until April 2022 **Since April 2022 + Some payments occurred in 2023 **C** - Committee Chair **VC** - Vice Chair **P** – President
Ad hoc and informational meetings were held, as needed, in addition to the meeting calculated above.

Corporate Structure and Governance

Board Succession, Effectiveness and Renewal

Annually the Board of Directors reviews its Succession Plan (as outlined in the **Board Mandate**) which ensures the appropriate level of governance is always achieved with minimal disruption during Board turnover. The plan focuses on maintaining a balance of competencies, tenure, diversity and commitment to co-operative principles. Throughout the succession planning process, the Board considers the need of any potential emerging technical skills and expertise required on the Board because of evolving priorities, risks or changes in Innovation's business operations.

Director Education/Development

Innovation encourages and supports Directors' ongoing learning and development. During 2022, Directors continued to demonstrate their commitment to education and personal development both through individual development plans and as a full Board. The Board as a whole, engaged in development on:

- Indigenous Awareness and Development
- Board Oversight of Digital and IT
- Governance Post Continuance
- Asset Liability
- E-13 Regulation
- FCPF/FCAC Regulation

Some topics that were explored by individual Directors in 2022 include, but are not limited to:

- Credit Union Director Achievement Program
- Institute of Corporate Directors (ICD) Professional Designation
- Professional Director Designation (P. Dir)
- ESG
- CCUA Conference
- Governance Best Practices
- Blockchain: Applications for Business (MIT)

As set out in the Director Development Policy, all Directors are required to meet a minimum educational requirement prior to completion of the first three-year term. As of December 31, 2022, 11 of 12 Directors are meeting this requirement.

Board Highlights

The Board was successful in moving forward several important initiatives in 2022. Notable initiatives include:

- Implementation of the VeriPark digital banking platform
- Evolution of governance practices and process to align with best practice
- Advancement of Innovation's cyber security and maturity of Microsoft Strategy
- CEO 2021 performance evaluation, facilitated by Governance Solutions
- Conducted a full board assessment, facilitated by Governance Solutions
- Simplified Innovation's purpose and strategy
- Oversight of completion of OSFI requirements for application for Federal Continuance.
- Quarterly strategic discussions
- Compensation Plan and Policy alignment to FSB Principles

Corporate Structure and Governance

Committee Highlights

The Board has four standing committees that have been delegated responsibilities through their respective Terms of Reference. This delegation of responsibilities enables a clear focus on specific areas vital to the effective operation of the credit union.

Audit and Conduct Review Committee

Six Directors and Board President

The Audit and Conduct Review Committee ('ACRC') oversees the financial reporting process, reviews financial statements, liaises with internal and external auditors and regulators, and reviews internal control procedures. The Committee also has oversight of the business conduct and ethics of all staff and directors, and related party transactions.

2022 Committee Accomplishments

- External Auditor Comprehensive Review
- Streamlined the CFO and Internal Auditor assessment process
- Provided prudent oversight of the financial plan, reviewed budget variances, and financial forecasts
- Fulfilled its fiduciary duty to oversee the capital and liquidity of the credit union
- Satisfied all duties as set forth in the Terms of Reference

Corporate Governance and People Committee

Five Directors and Board President

The Corporate Governance and People Committee establish and maintain effective governance guidelines, monitor the performance and succession of senior leadership, oversee people practices, and ensure compliance with governance policies and Innovation Credit Union bylaws. The Committee oversees the nomination and election processes for elections of credit union Directors.

2022 Committee Accomplishments

- Engaged a third party to conduct a Board Assessment
- Revised employee engagement surveys and frequency
- Developed a revised process for the Director Evergreen list
- Created an annual board development and strategic discussion schedule
- Created a Vice Chair Mandate
- Fulfilled all duties as set forth in the Terms of Reference

Risk Committee

Six Directors and Board President

The Risk Committee ensures that Innovation Credit Union acts with the full integrity and objectivity of its Directors and employees by having in place policies, practices and frameworks that protect people and the organization from claims and from the perception of unfair benefit or conflict of interest. This Committee also oversees cyber security and data governance.

Corporate Structure and Governance

2022 Committee Accomplishments

- Approved the Data Governance Framework
- Revamp of Whistleblower Policy, now called 'Integrity in Action Program'
- Risk Matrix Update and Heat Map Update
- Approved the Regulatory Compliance Management Framework
- Oversaw a Cyber Risk Review
- Created and approved the Contingency Capital Plan
- Fulfilled all duties as set forth in the Terms of Reference

Community and Member Relations Committee

Five Directors and Board President

The Community and Member Relation Committee ensures an effective framework for social responsibility by ensuring the credit union is effectively linked to and contributing to the community. They establish efficient and effective service delivery channels to serve current and future members and to oversee the implementation of member education programs. The committee also maintains an effective mechanism to understand member needs and ensure the membership's voice is integrated in governance and operations.

2022 Committee Accomplishments

- Amended the approach to the Net Promotor Score
- Received updates on the implementation of VeriPark modules, enhancements and benefits
- Added responsibilities to the Committee's Terms of Reference for FCAC requirements
- Fulfilled all duties as set forth in the Terms of Reference

Corporate Structure and Governance – Executive Team

Daniel Johnson
Chief Executive Officer

Daniel Johnson is the Chief Executive Officer of Innovation Credit Union and has over 28 years of experience in the credit union system. Other current responsibilities include board governance positions for: Concentra Bank (Chair) and Westcap MBO Investment GP Inc.

His prior positions include Chief Executive and Senior Executive position in the Alberta credit union system; various managerial positions at SaskCentral, Concentra and in the Saskatchewan credit union system. Prior governance experience includes Credit Union Electronic Account Management Services (CEAMS); Celero Solutions - Governance Committee; former chair of the Canadian Credit Union Executives Society (CUES); and Apex Investment Fund.

Throughout his life, Daniel has been committed to education and continuous study. He is a Chartered Director (C.Dir.) from McMaster University the Director's College. Additional post-secondary educational achievements include a Bachelor of Commerce degree from the University of Saskatchewan and presently, Daniel is a Chartered Financial Analyst (CFA) candidate and has completed levels I and II of the program. His other professional development accomplishments include studies in the areas of negotiations (Ivey) product and project methodology, change management and strategic management.

Daniel believes in community volunteerism, which reflects his personal values and priorities. His dedication to community is evident by his involvement in coaching youth sports. Past involvement includes: CurePSP, Rotary Club of Rocky Mountain House (President), President of BabyBiz, Board member of the Saskatchewan Science Centre, member of the Financial Executives Institute (FEI), former Board Vice President of ACE Credit Union and past President of the Treasury Management Association of Canada (TMAC) - Regina Chapter.

Daniel and his wife Laureen live in Swift Current. Their kids Hunter and Kamryn are attending university and stay active with sports. They all love camping and travelling.

Sheldon Hess
Chief Financial Officer

Upon graduation from the University of Saskatchewan in the spring of 1995 with a Bachelor of Commerce degree, Sheldon began his credit union career with Moosomin Credit Union in the fall of 1995. Early in 1997, Sheldon moved to Swift Current and has worked in various capacities with the credit union since that time.

Sheldon is committed to lifelong continuous learning which is evident in the following academic achievements:

- Executive MBA
- Post-Baccalaureate Diploma in Management
- Bachelor of Commerce – accounting major
- Certified Financial Planning (CFP) designation
- Associate with the Credit Union Institute of Canada (ACUIC)

Sheldon was born in Yorkton, SK and raised on a farm east of that community. He and his wife Barb have two children, Duncan and Chloe. Sheldon enjoys spending time with his family and traveling.

Brad Appel

Chief Credit Officer

Brad has over 28 years of experience in the credit union system, spending the past 15 years at the executive level. With a passion for credit management, Brad has strategically expanded Innovation's quality assurance and portfolio management programs.

His leadership background in operational improvement and productivity has earned him a vast array of relationships across the industry. He has an ongoing focus on development with designations in Fellow of the Credit Union Institute of Canada and Business Administration (Management).

Brad has volunteered with many community organizations, and keeps busy coaching hockey, softball and volleyball.

Brad was raised on a mixed farm near Lucky Lake, Saskatchewan and is a sports enthusiast who enjoys the outdoors and spending time with his family and friends. He and his wife Brandie have three daughters: Shelby, Paris, and Vegas and live in Swift Current.

Dean Gagne

Chief Disruption Officer

Dean Gagne is the Chief Disruption Officer of Innovation Credit Union. Dean has been with Innovation since December of 2013, previously holding the position of Vice President, Alternate Channel Banking. Dean has over 25 years of experience in the financial services industry.

Prior to joining Innovation Credit Union, Dean's work experience covered research, consulting, strategy, technology management, digital marketing, marketing, and advertising. He has worked on projects for Fortune 500 companies in Canada, the United States, England, Sweden, Germany, Hong Kong, Taiwan, China, Korea, Philippines, Malaysia, Singapore, Thailand, Indonesia, New Zealand, Australia, and India. Dean has previously held high-level research/consulting positions, as well as line management positions, for leading edge corporations and consulting firms.

Corporate Structure and Governance – Executive Team

Dean brings a vast amount of business experience to every project, as both a practitioner and an academic. He has taught marketing strategy, consumer behavior and marketing research for several universities throughout the world. Dean was educated (both undergraduate and graduate studies) at the University of Saskatchewan. His undergraduate studies were in Marketing and Finance (B.Comm. program) and his graduate studies focused on Strategic Thinking and Technology Management (M.Sc. program).

Dean, and his wife Katherine and their three daughters, live in Regina, Saskatchewan, Canada. His two oldest daughters are both enrolled in the Desautels Faculty of Management at McGill University. Dean was born in North Battleford, SK and grew up on a farm just south of Medstead. He is Metis, which is one of Canada's three distinct Aboriginal groups identified in the Canada Constitution.

Ian McArthur

Chief People and Governance Officer

With twenty years in the credit union system, Ian has a deep and intimate knowledge of credit unions and an undeniable commitment to the credit union community. Ian joined Innovation Credit Union in April of 2015 and provides leadership to the People Division and Operations Support Team. He also provides oversight to the credit union's governance practices.

During his 15 plus years at SaskCentral, Ian gained a wealth of operational experience and earned a reputation of being an innovative leader and trusted and effective facilitator. He had the responsibility of managing the department responsible for credit union operations such as internal audit, risk management, training, operational compliance, deposit and lending support, cash and armored car services, HR consulting and strategic planning. Ian has worked with credit union board and executive teams from across Canada.

Ian graduated with a Bachelor of Commerce Degree. He takes pride in leading people to look for new efficiency opportunities that enhance the member experience.

Sandra Meinig

Chief Risk Officer

Sandra Meinig is the Chief Risk Officer of Innovation and has over 25 years of experience in the financial industry. Sandra is known as a business-oriented risk executive and has built a successful track record developing strategies and executing major shifts in how risk management supports the business objectives. Her proven leadership of collaborative and cross-functional teams provides strategic direction, oversight and stewardship across the organization ensuring effective risk management practices in protection of member value and the fulfillment of regulatory requirements. Sandra lives in Toronto with her husband Dave and enjoys gardening, cooking, kayaking and travel.

Corporate Structure and Governance

Executive Compensation

The Executive compensation packages for Innovation Credit Union are designed to retain talented and experienced leaders while ensuring high integrity and market competitiveness. Performance based metrics found both in the corporate scorecard as well individual performance objectives determine a portion of the compensation for the Executive Team each year. The credit union must meet a minimum threshold of financial performance in order for Executives to be eligible for variable compensation.

Innovation is aligning compensation for Executive and Senior Management in the role of oversight functions to the Financial Stability Board Principles for Sound Compensation. Any areas of misalignment have been identified and a plan is in place to ensure any gaps are mitigated.

The information below provides transparency into the compensation of Innovation's Executive Team.

	Salary	Variable Pay	Benefits	Total
CEO	409,890	146,198	56,926	466,816
Executive Team	1,246,492	39,765	192,255	1,438,747

*All values are rounded to the nearest dollar

Ethics

Innovation Credit Union ensures that it acts in a transparent manner and provides all the necessary disclosures so that members and other key stakeholders have the appropriate information to allow them to make informed decisions and encourage confidence in the credit union. This includes:

- Protecting consumers. The credit union follows the Saskatchewan Credit Union Market Code. The Board of Innovation Credit Union is required to approve, oversee and periodically review and assess the effectiveness of policies and procedures respecting market practice that ensure good business practices and fairness to consumers. The Market Code can be found in Appendix B.

- Respecting the privacy of its members and customers, through the Board's adopted Credit Union Code for the Protection of Personal Information. The credit union has policies and procedures in place to protect your privacy and the right to protect the collection, use and disclosure of personal information. Further information can be found on our website at https://www.innovationcu.ca/legal/privacy-and-security.html

- Outlining the expectation for business conduct and decision making through its Code of Conduct and related procedures and practices. Annually, the Code of Conduct is signed by all employees, officers and Directors acknowledging that they have read, understood and complied to the code. In addition, the credit union has an Integrity in Action Program which is reviewed biennially by the Board.

Co-operative Industry Directorships

Ian McArthur, Chief People & Governance Officer, was elected to the Board of SaskCentral in April 2021 for a three-year term. In 2022, he was also elected to the Cooperative Development Foundation of Canada Board for a three-year term.

Management Discussion and Analysis

This Management's Discussion and Analysis (MD&A) is presented to enable readers to assess material changes in the financial condition of the operating results of Innovation Credit Union (Innovation) for the year ended December 31, 2022, compared with prior years, planned results and future strategies. This MD&A is prepared in conjunction with the Consolidated Financial Statements and related Notes for the year ended December 31, 2022, and should be read together. The MD&A includes information up to March 3, 2023. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from Innovation's annual Consolidated Financial Statements.

Management Discussion & Analysis

Caution Regarding Forward-Looking Statements

This MD&A may contain forward-looking statements concerning Innovation's future strategies. These statements involve uncertainties in relation to prevailing economic, legislative, and regulatory conditions at the time of writing. By their very nature, forward-looking statements are based on assumptions that involve inherent risks and uncertainties, both general and specific in nature. It is therefore possible that the forecasts, projections, and other forward-looking statements will not be achieved or will prove to be inaccurate. Although the credit union believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct.

Factors That May Affect Future Results

Although Innovation is based in Saskatchewan, the economic and business conditions in Canada and abroad can impact Canada and local economies, affecting business, consumer prices, and personal incomes. The prevailing conditions nationally can impact financial markets and the Bank of Canada's monetary policy, causing changes in interest rates and the value of the Canadian dollar. Fluctuations in the capital markets and the extent of competition can impact the market share and price of Innovation's products and services. All these factors impact the environmental conditions in which Innovation operates and accordingly affects performance.

Innovation operates in an extremely competitive industry with competition coming from traditional banking institutions along with a host of non-traditional and new market entrants. This heightened level of competition along with the rapid pace of change in technology and consumer behavior has strong influences over how the organization provides financial services to current and future members.

2022 Economic Conditions and Future Outlook

Global

According to the International Monetary Fund global economic growth was estimated at 3.4 percent in 2022. Future expectations project this annual growth rate slowing to 2.9 percent in 2023 and then rise to 3.1 percent in 2024. The rise in central bank rates to fight inflation and Russia's war in Ukraine continue to weigh on economic activity. The rapid spread of COVID-19 in China dampened growth in 2022, but the recent reopening has paved the way for a faster-than-expected recovery. Global inflation is expected to fall from 8.8 percent in 2022 to 6.6 percent in 2023 and 4.3 percent in 2024, still above pre-pandemic (2017-19) levels of about 3.5 percent. *(IMF, World Economic Outlook, January 2023)*

Downside risks associated with these forecasts include the possibility of severe health outcomes in China which could hold back the recovery, Russia's war in Ukraine could escalate, and tighter global financing conditions could worsen debt distress. Financial markets could also suddenly reprice in response to adverse inflation news, while further geopolitical fragmentation could hamper economic progress. *(IMF, World Economic Outlook, January 2023)*

This global outlook is further supported by the January 2023 Monetary Policy Report published by the Bank of Canada. Global growth expectations contained within this report are found below. *(Bank of Canada, Monetary Policy Report, January 2023)*

Table 1: Projection for Global Economic Growth

	Share of real global GDP* (%)	Projected growth† (%)			
		2021	2022	2023	2024
United States	16	5.9 (5.9)	2.0 (1.8)	0.5 (0.2)	1.1 (1.0)
Euro area‡	12	5.3 (5.2)	3.4 (3.1)	0.2 (-0.5)	0.9 (1.6)
Japan	4	2.1 (1.7)	1.2 (1.7)	1.2 (1.6)	1.2 (1.2)
China	19	8.4 (8.1)	3.0 (2.4)	5.4 (4.9)	5.0 (5.0)
Oil-importing EMEs§	33	8.4 (8.7)	5.0 (4.5)	2.2 (1.8)	2.4 (2.6)
Rest of the world◊	17	5.2 (5.1)	3.6 (3.4)	0.3 (0.3)	2.1 (2.3)
World	100	7.1 (7.1)	3.6 (3.2)	1.9 (1.6)	2.4 (2.6)

* GDP shares are based on International Monetary Fund (IMF) estimates of the purchasing-power-parity valuation of country GDPs for 2021 from the IMF's October 2022 *World Economic Outlook*. The individual shares may not add up to 100 due to rounding.

† Numbers in parentheses are projections used in the previous Report.

‡ Croatia joined the euro area on January 1, 2023. The current projection and historical data do not include the change in membership.

§ The oil-importing emerging-market economies (EMEs) grouping excludes China. It is composed of large EMEs from Asia, Latin America, the Middle East, Europe and Africa (such as India, Brazil and South Africa) as well as newly industrialized economies (such as South Korea).

◊ "Rest of the world" is a grouping of other economies not included in the first five regions. It is composed of oil-exporting EMEs (such as Russia, Nigeria and Saudi Arabia) and other advanced economies (such as Canada, the United Kingdom and Australia).

Source: Bank of Canada

2022 Economic Conditions and Future Outlook

National
As per the Bank of Canada:

CPI inflation in Canada is still too high but has declined from its recent peak. Ongoing excess demand in the economy continues to exert upward pressure on prices. But, with lower energy prices, improvements in global supply chains and effects of higher interest rates moving through the economy, inflation has started to ease.

CPI inflation is forecast to fall to 3% in mid-2023 and return to the 2% target in 2024.

Economic growth is projected to slow at the end of 2022 and to stall through the middle of 2023. The tightening of monetary policy initially slowed housing activity followed by consumer demand for durables in the middle of 2022. The effects of the rise in interest rates are expected to broaden and moderate consumer spending on services as well as investment spending in 2023. Growth is then projected to pick up in late 2023 (Table 2). *(Bank of Canada, Monetary Policy Report, January 2023)*

Table 2: Contributions to average annual real GDP Growth

Percentage points*†

	2021	2022	2023	2024
Consumption	2.8 (2.8)	2.7 (3.0)	0.7 (0.6)	0.9 (0.9)
Housing	1.3 (1.3)	-1.0 (-0.9)	-0.7 (-0.6)	0.3 (0.2)
Government	1.4 (1.5)	0.3 (0.4)	0.4 (0.3)	0.4 (0.5)
Business fixed investment	0.4 (0.2)	0.9 (0.7)	0.2 (0.2)	0.1 (0.2)
Subtotal: final domestic demand	6.0 (5.8)	2.9 (3.2)	0.6 (0.5)	1.7 (1.8)
Exports	0.4 (0.4)	0.9 (1.0)	1.0 (1.1)	1.0 (0.7)
Imports	-2.3 (-2.3)	-2.4 (-2.4)	0.4 (0.1)	-0.7 (-0.5)
Inventories	1.0 (0.7)	2.3 (1.5)	-1.0 (-0.8)	-0.2 (0.0)
GDP	5.0 (4.5)	3.6 (3.3)	1.0 (0.9)	1.8 (2.0)
Memo items (percentage change):				
Range for potential output	2.1–2.5 (2.1–2.5)	0.5–2.0 (0.5–2.0)	1.4–3.3 (1.4–3.3)	1.4–3.5 (1.4–3.5)
Real gross domestic income (GDI)	9.4 (8.8)	5.3 (5.2)	-1.5 (-1.4)	1.2 (1.1)
CPI inflation	3.4 (3.4)	6.8 (6.9)	3.6 (4.1)	2.3 (2.2)

* Numbers in parentheses are from the projection in the previous Report.

† Numbers may not add to total due to rounding.

Sources: Statistics Canada and Bank of Canada calculations and projections

2022 Economic Conditions and Future Outlook

Provincial

In 2022 the province of Saskatchewan's population grew by 1.9 percent which is below the national growth rate of 2.3 percent. The province's Consumer Price Index (CPI) increased by 6.0 percent from January 2022 to January 2023, just ahead of the national results of 5.9 percent. The unemployment rate for the province of Saskatchewan decreased from 5.6 percent as of January 2022 to 4.3 percent as of January 2023, a result below the national unemployment rate of 5.0 percent. *(Government of Saskatchewan website, Saskatchewan's Dashboard, Business and Economy)*

Provincial real GDP is projected to increase by 5.8 percent in 2022. Forecasted growth of 1.5 percent in 2023 and 1.6 percent in 2024 is anticipated. Strong global demand (and prices) for Saskatchewan's products, and major investments to further develop the province's natural resources will sustain moderate growth in the economy in 2023. *(RBC, Provincial Outlook, December 2022)*

Saskatchewan

	2017	2018	2019	2020	2021	2022F	2023F	2024F
Real GDP	2.6	1.8	-0.4	-4.8	-0.9	5.8	1.5	1.6
Nominal GDP	6.0	4.3	1.0	-7.6	13.1	20.7	0.1	3.3
Employment	0.0	0.5	1.9	-4.7	2.6	3.3	0.4	1.0
Unemployment Rate (%)	6.4	6.2	5.6	8.4	6.5	4.6	5.1	5.7
Retail Sales	4.4	0.1	1.1	0.3	14.6	6.6	1.8	3.0
Housing Starts (Thousands of Units)	4.9	3.6	2.4	3.1	4.2	4.3	4.1	4.4
Consumer Price Index	1.7	2.3	1.7	0.6	2.6	6.6	3.8	2.6

Source: RBC, Provincial Outlook, December 2022

Financial Highlights

Each year Innovation develops a corporate plan through a comprehensive budget and planning process. The following table provides an overview of key financial measures compared to targets for 2022. Actual results for 2021 have also been included for comparative purposes.

Table 1: Select Financial Information

	2022 Actual	2022 Plan	2021 Actual
Growth			
Total Assets	3,299,031,428	3,268,658,938	3,012,262,174
Annual Asset Growth	9.52%	8.51%	0.11%
Total Deposits	2,850,292,042	2,814,666,265	2,607,750,225
Annual Deposit Growth	9.30%	7.93%	1.79%
Total Loans	2,663,841,181	2,634,965,113	2,254,222,137
Annual Loan Growth	18.17%	16.89%	11.27%
Credit quality			
Delinquency greater than 90 days	0.65%	<= 1.25%	1.34%
Gross Impaired loans	7,522,616	15,014,310	21,309,569
Allowance for credit losses	10,558,243	11,701,376	16,646,358
Provision for credit losses	3,352,470	5,076,960	7,350,429
Liquidity management			
Liquidity Coverage Ratio (CUDGC)	777.98%	970.28%	764.63%
Liquidity Coverage Ratio (OSFI)	184.36%	152.75%	165.81%
Loan to asset ratio	80.75%	80.61%	74.83%
Capital			
Common Equity Tier 1 Capital / Risk Weighted Assets (CUDGC)	14.59%	13.94%	13.80%
Total Tier 1 Capital / Risk Weighted Assets (CUDGC)	14.59%	13.94%	13.80%
Total Eligible Capital / Risk Weighted Assets (CUDGC)	15.84%	15.25%	15.18%
Leverage Ratio (CUDGC)	9.93%	8.88%	9.30%
Profitability and member return			
Operating income before member distributions and tax *†	21,973,099	15,809,100	12,951,875
Member distributions	3,344,504	2,371,457	1,915,299
Net income excl one-time SaskCentral dividend †	14,005,259	11,070,562	10,818,722
Net income	44,943,494	11,070,562	10,818,722
Return on assets (ROA) excl one-time SaskCentral dividend †	0.42%	0.34%	0.36%
Return on equity (ROE) excl one-time SaskCentral dividend †	5.15%	4.07%	4.14%
Efficiency ratio *†	75.72%	78.20%	76.78%

* Excludes unrealized gains (losses) and member distributions
† Excludes one-time SaskCentral dividend(2022)

Financial Review – Results of Operations

The financial review provides an analysis of the significant categories as shown on the Consolidated Statement of Comprehensive Income (Income Statement) and includes a review of revenue and expense results of the current year along with historic comparative results.

The Consolidated Statement of Comprehensive Income (Income Statement) includes the operational results of the credit union as well as Innovation subsidiaries.

Total Net Revenue

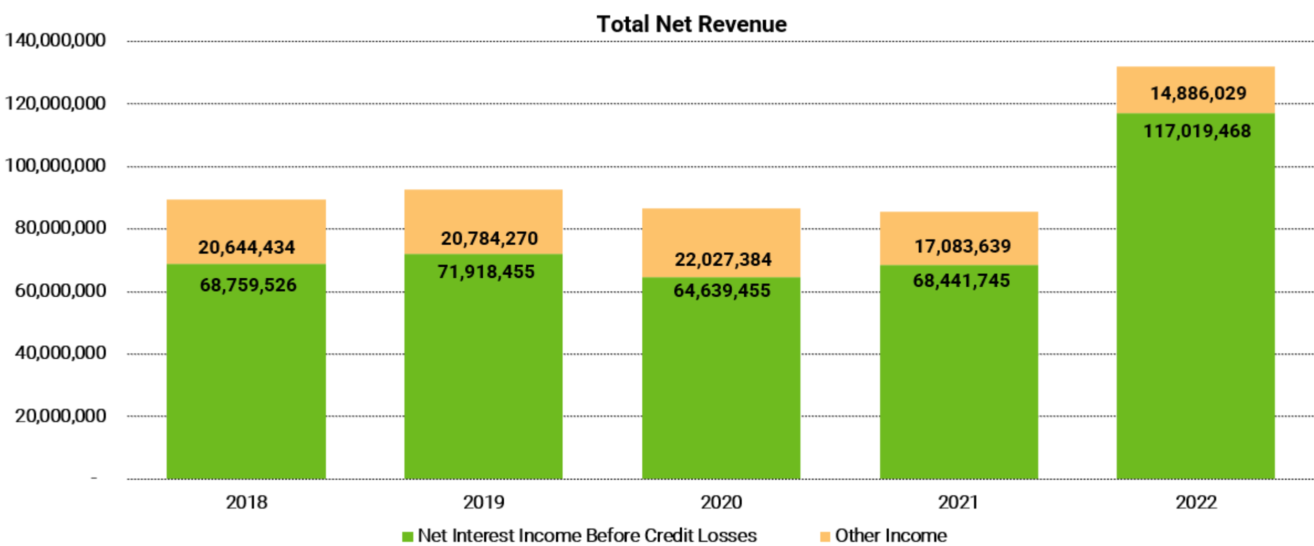
Total revenue earned by Innovation consists of net revenue generated by interest bearing assets and liabilities held on the balance sheet as well as revenue generated from non-interest sources.

Table 2: Total Net Revenue

	2022		2021	
	Actual ($)	% Of Total	Actual ($)	% Of Total
Net Interest Income Before Credit Losses*	117,019,468	88.7%	68,441,745	80.0%
Other Income	14,886,029	11.3%	17,083,639	20.0%
Total Net Revenue	**131,905,497**		**85,525,384**	

**Net Interest Income Before Credit Losses includes the one-time dividend revenue received from SaskCentral in 2022 related to the sale of Wyth Financial*

Total net revenue increased $46.4 million or 54.2% to $131.9 million in 2022 which includes the 2022 one-time dividend revenue received from SaskCentral in the amount of $30.9 million. Excluding this one-time revenue source, total net revenue increased by $15.4 million or 18.1% in 2022. Prior years of 2018-2019 also include revenues generated by the previously owned insurance subsidiaries in the respective years.



Financial Review – Results of Operations

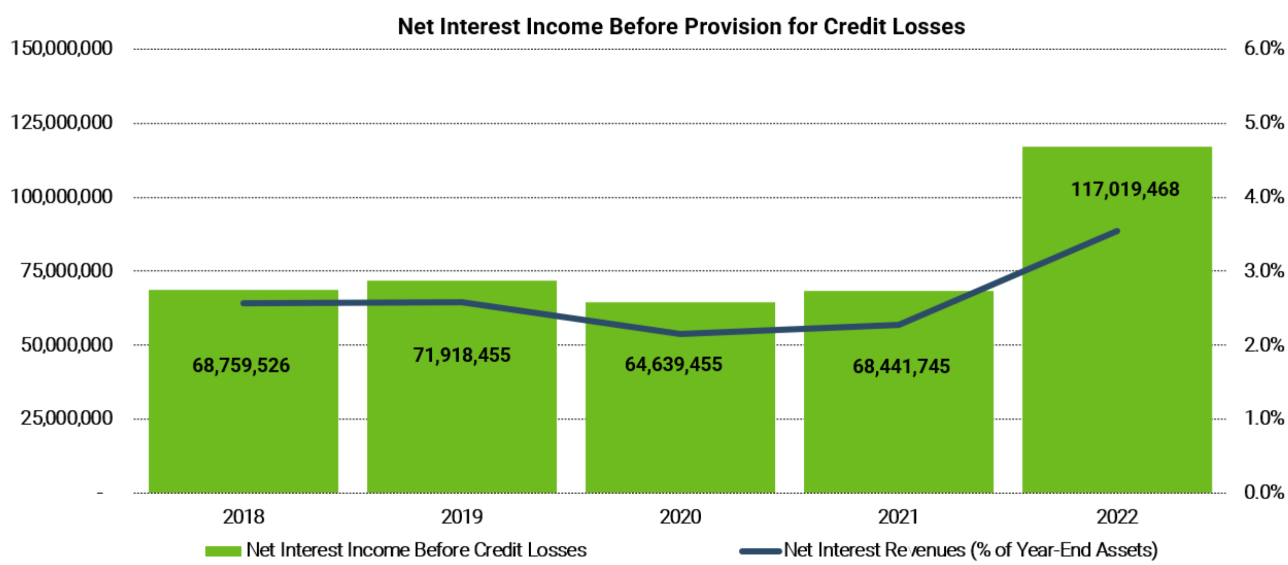
Net Interest Income Before Credit Losses

Net interest income before credit losses represents the difference between the interest earned on assets and interest paid on deposits and other funding liabilities. Also included in this amount is the realized gain (loss) on investments classified as Fair Value Through Profit or Loss (FVTPL). Net interest income before credit losses is driven by the volume of interest-bearing assets and liabilities held by the organization, the mix or types of interest-bearing assets and liabilities held on the balance sheet as well as the interest rates associated with these assets and liabilities.

Table 3: Net Interest Income Before Credit Losses

			Change	
	2022	2021	$	%
Interest Income	148,114,348	86,851,198	61,263,150	70.5%
Interest Expense	32,550,860	19,551,377	12,999,483	66.5%
Realized Gain (Loss) on FVTPL Investments	1,455,980	1,141,924	314,056	27.5%
Net Interest Income Before Credit Losses	**117,019,468**	**68,441,745**	**48,577,723**	**71.0%**

Net interest income before credit losses increased by $48.6 million or 71.0% to $117.0 million in 2022. The 2022 result is inclusive of the one-time dividend revenue received from SaskCentral in the amount of $30.9 million. The annual pace of growth in net interest income before credit losses exceeded the pace of growth of total assets held on the balance sheet in 2022.



Financial Review – Results of Operations

Member Distributions

Member distributions are included in net interest income before provision for credit losses. In 2022, the board of directors declared total member distributions of $3.3 million, an increase of 74.6% over the prior year, which were distributed on a quarterly basis. Total annual member distributions are targeted at a level of 15% of pre-tax income excluding one-time revenue sources, however, are at the full discretion of the board of directors.

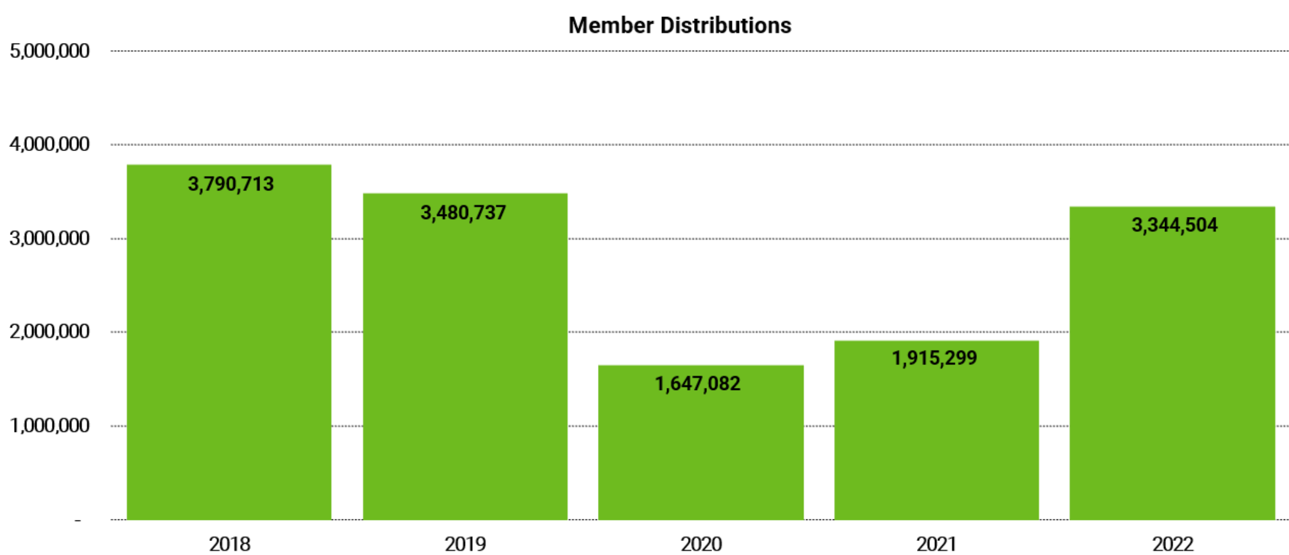
Distributions to members through the Member Rewards Program contain three distinct elements:

- **Allocations:** patronage allocations, based on total interest paid on qualifying loans as well as total interest earned on qualifying deposits, which is utilized to increase the value of member shares held by each member of Innovation. Of the $3.3 million total 2022 authorized member distributions, $2.2 million was returned to members in the form of allocations.

- **Dividends:** fully accessible dividends paid to members based on outstanding Member Rewards Account balances and approved dividend rates authorized by the board of directors. In 2022 the board of directors authorized quarterly dividends at an annualized rate of 4.65% (Q1), 5.62% (Q2), 6.86% (Q3) and 7.01% (Q4). Of the $3.3 million total 2022 authorized member distributions, $1.1 million was returned to members in the form of dividends.

- **Youth Dividends:** fully accessible dividends paid to members under the age of 19 as at the date of distribution. In 2022 the board of directors authorized quarterly youth dividends of $5.00 (Q1), $5.00 (Q2), $5.00 (Q3) and $5.00 (Q4). Of the $3.3 million total 2022 authorized member distributions, $0.06 million was returned to members in the form of youth dividends.

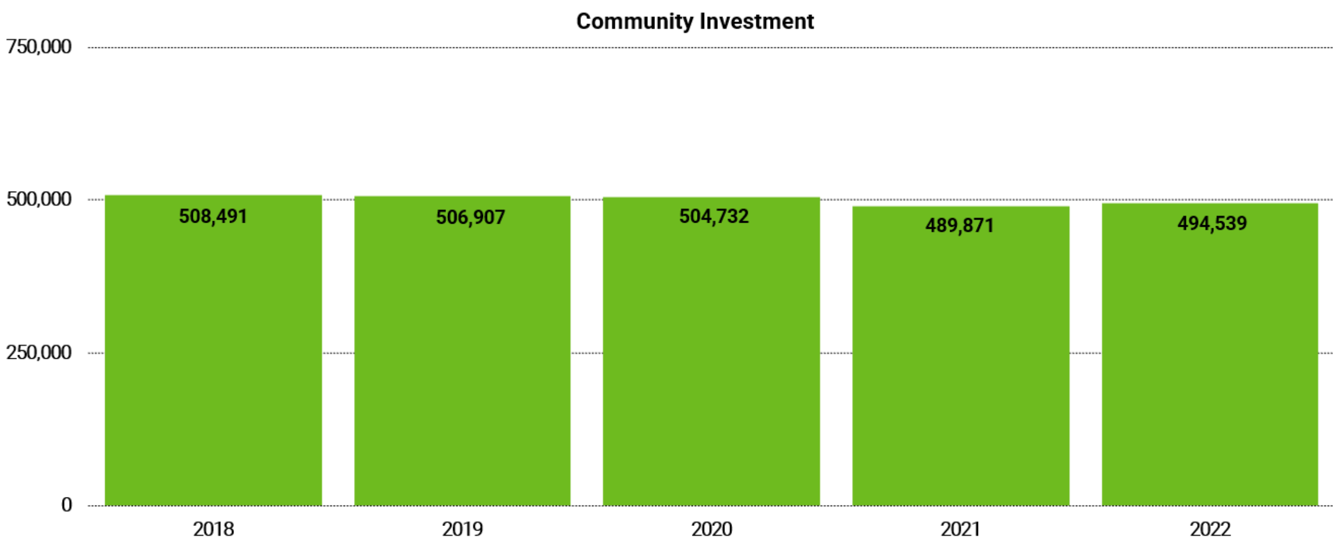
The Member Rewards Program is an important differentiator for Innovation and demonstrates the organization's commitment to the cooperative principles. Total member distributions are influenced by the profitability level of the credit union. As profitability levels improved in 2022 the corresponding amounts distributed to members through the Member Rewards Program also increased. Innovation continues to show consistency in ensuring the member-owners benefit from the success of the organization.



Financial Review – Results of Operations

In addition to this member distribution, Innovation views the no-fee personal account as another method by which profits are repatriated to the membership. An upfront real-time benefit is provided to all personal members as there are no monthly service charge fees tied to this account.

Continued strong community support is an important cooperative principle to Innovation. In 2022, $0.49 million ($0.49 million in 2021) representing an annual increase of 1.0% was returned to communities serviced by Innovation in the form of contributions to various community projects and sponsorships. This amount is included in operating expenses under the general business category. Additional information can be found within the Corporate Social Responsibility (CSR) section of the 2022 Annual Report.



Provision for Credit Losses

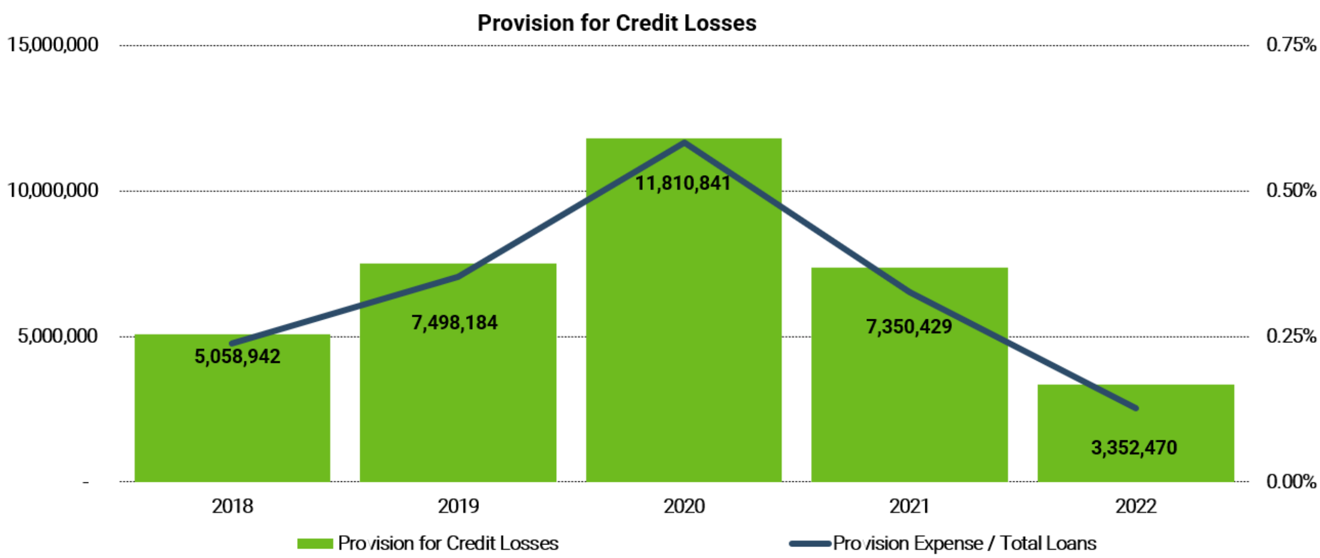
The provision for credit losses includes both the realized losses / recoveries on loans which are no longer considered collectible (net write-offs) and the expected shortfall in cash flows on individual loans and portfolio of loans where there is evidence of credit impairment (change in allowance). The provision for credit losses represents management's best estimate of loss formations during the year after carefully assessing the overall portfolio and individually reviewing impaired loans. The amount of provision may vary year-to-year based on impaired loan balances, estimates of the credit losses on those loans and economic conditions.

Financial Review – Results of Operations

Table 4: Provision for Credit Losses

	2022	2021	Change $	%
Agriculture Loans	975,326	(111,980)	1,087,306	(971.0%)
Commercial Loans	976,358	6,662,337	(5,685,979)	(85.3%)
Consumer Loans	1,467,383	824,971	642,412	77.9%
Investments	(66,597)	(24,899)	(41,698)	167.5%
Provision for Credit Losses	3,352,470	7,350,429	(3,997,959)	(54.4%)
Provision for Credit Losses (% of Year-End Total Loan Portfolio)	0.13%	0.33%		

Provision for credit losses decreased by ($4.0) million or (54.4%) to $3.4 million in 2022. In relation to the size of the total year-end loan portfolio, the 2022 provision for credit losses figure decreased to 13 basis points.



Provision for credit losses is influenced by the prevailing economic conditions along with the future economic outlook and in turn the resulting impacts on the membership of Innovation. Changes in provision for credit losses are naturally dependent on changes in the anticipated recoverable amounts held against loans that may become uncollectible in the future. Deteriorating conditions related to individual loans held on the balance sheet will lead to an increase in provision for credit losses.

Financial Review – Results of Operations

Other Income

Innovation's non-interest revenue consists of the following major components:

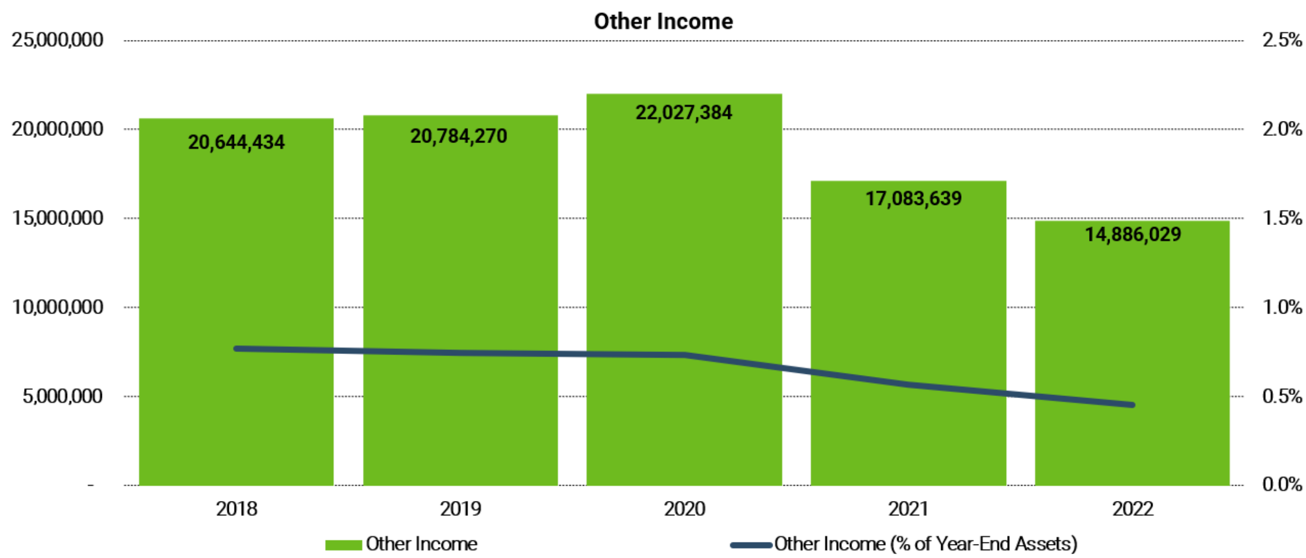
- **Service charges on products:** fees charged to members on the various operating and savings account products offered by the organization.
- **Loan fees, commissions, and insurance:** fees collected from members related to lending products along with commission revenue earned on the sale of various loan insurance products.
- **Other fees and commissions:** include ATM revenue, foreign exchange revenue, credit card portfolio revenue as well as fees charged to members on NSF and overdraft occurrences.
- **Wealth management:** revenue generated by Innovation Wealth, a wholly owned subsidiary.
- **Other**: includes revenue generated through rental of physical properties owned by the organization, contracted services provided to other organizations as well as revenue earned through Innovation's ownership interest in CU Dealer Finance Corp.
- **Canada Emergency Subsidy Programs**: companies meeting specified eligibility criteria based on declines in revenue experienced during the pandemic are eligible to receive a subsidy to cover a portion of their employee wages, commercial rent, and property taxes through federal government assistance programs offered during the pandemic.

Table 5: Other Income

			Change	
	2022	**2021**	**$**	**%**
Service charges on products	1,209,844	1,210,517	(673)	(0.1%)
Loan fees, commissions, and insurance	3,701,896	3,794,393	(92,497)	(2.4%)
Other fees and commissions	3,385,974	2,803,235	582,739	20.8%
Wealth management	5,485,689	5,377,484	108,205	2.0%
Other	1,102,626	1,223,613	(120,987)	(9.9%)
Canada Emergency Subsidy Programs	-	2,674,397	(2,674,397)	(100.0%)
Other Income	**14,886,029**	**17,083,639**	**(2,197,610)**	**(12.9%)**

Other income decreased by ($2.2) million or (12.9%) to $14.9 million in 2022. In relation to the size of the organization's balance sheet, other income fell by 12 basis points in 2022 to 0.45% of total assets. Revenue from the Canada Emergency Subsidy Programs recognized in 2021 with no further revenue recognized in 2022 contributed significantly to the annual decrease.

Financial Review – Results of Operations



Operating Expenses

Innovation's operating expenses consist of the following major components:

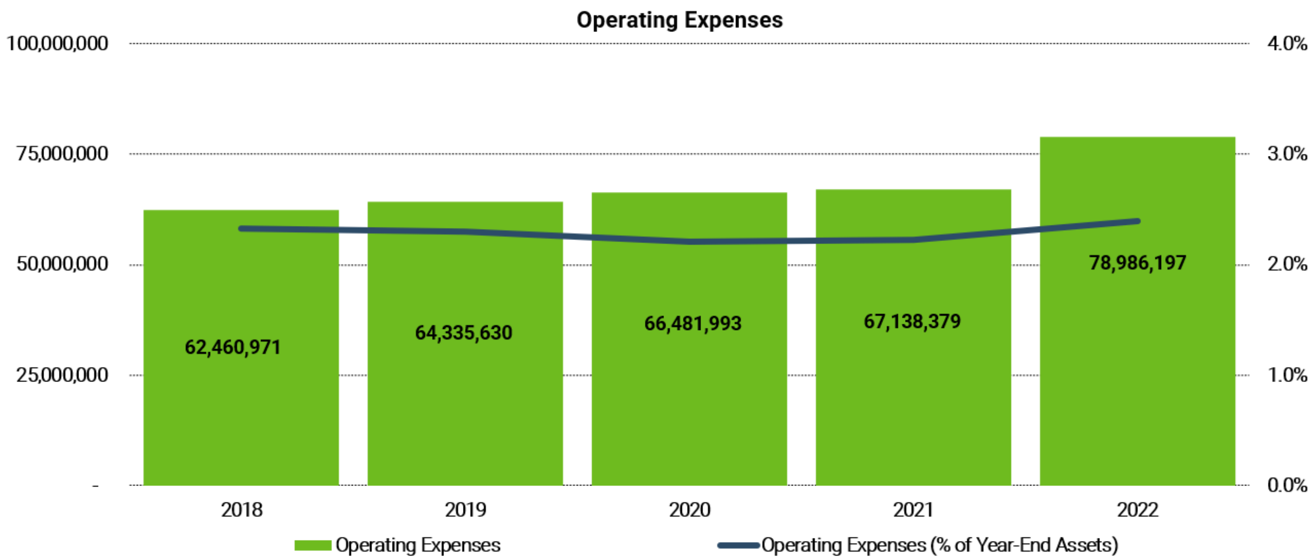
- **Personnel:** costs directly associated with staff in the employment of the credit union and subsidiary organizations including fixed and variable compensation along with costs of recruiting, benefits, and training.
- **Security:** costs associated with regulatory oversight and deposit insurance along with fidelity and burglary insurance.
- **Organizational:** various costs associated with the governance of the credit union including board of director's remuneration and training, annual meeting costs along with costs associated with the organization's relationship with SaskCentral and the Canadian Credit Union Association (CCUA).
- **Occupancy:** various costs related to the various locations owned or leased by the organization including property taxes, insurance, utilities, rent, security, maintenance, and depreciation.
- **General business:** includes a wide range of operating costs including marketing, technology costs including new technology development as well as existing infrastructure security and maintenance, communication costs, postage and statement costs, costs associated with the organization's ATM network, legal and external audit costs as well as equipment and supplies.

Table 6: Operating Expenses

			Change	
	2022	**2021**	**$**	**%**
Personnel	44,256,491	38,905,405	5,351,086	13.8%
Security	2,571,517	2,489,558	81,959	3.3%
Organizational	888,053	812,477	75,576	9.3%
Occupancy	3,804,340	3,852,356	(48,016)	(1.2%)
General business	27,465,796	21,078,583	6,387,213	30.3%
Operating Expenses	**78,986,197**	**67,138,379**	**11,847,818**	**17.6%**

Financial Review – Results of Operations

Operating expenses increased by $11.8 million or 17.6% to $79.0 million in 2022. In relation to the size of the organization's balance sheet, operating expenses increased by 16 basis points in 2022 to 2.39% of total assets. The average annual growth rate over the past five years equates to 6.3%. 2022 growth of 17.6% exceeded this five-year average while also exceeded the prior year annual growth rate of 1.0%.



Net Income

Net income results are shown after provision of income taxes. This figure is also inclusive of all unrealized gains or losses as required under current accounting guidelines. The 2022 one-time dividend from SaskCentral in the amount of $30.9 million naturally impacts year-over-year comparisons.

Table 7: Net Income

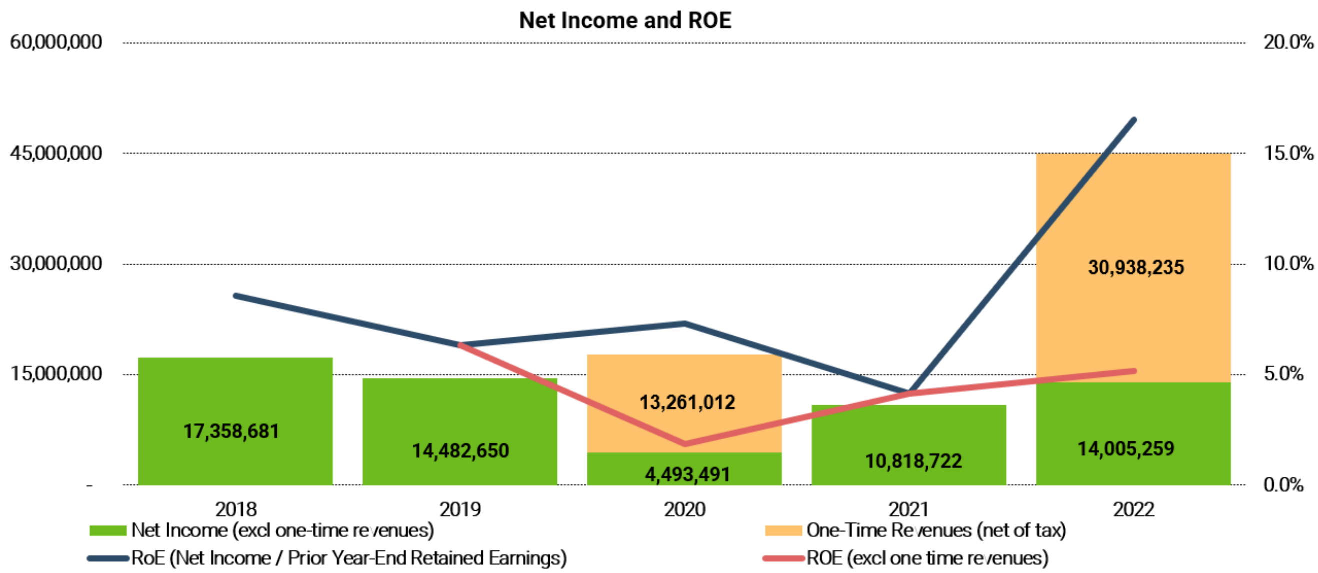
	2022	2021	Change $	Change %
Net Income	44,943,494	10,818,722	34,124,772	315.4%
Net Income (excl one-time dividend)	14,005,259	10,818,722	3,186,537	29.5%
Return on Assets*	1.36%	0.36%		
Return on Assets* (excl one-time dividend)	0.42%	0.36%		
Return on Equity†	16.51%	4.14%		
Return on Equity† (excl one-time dividend)	5.15%	4.14%		

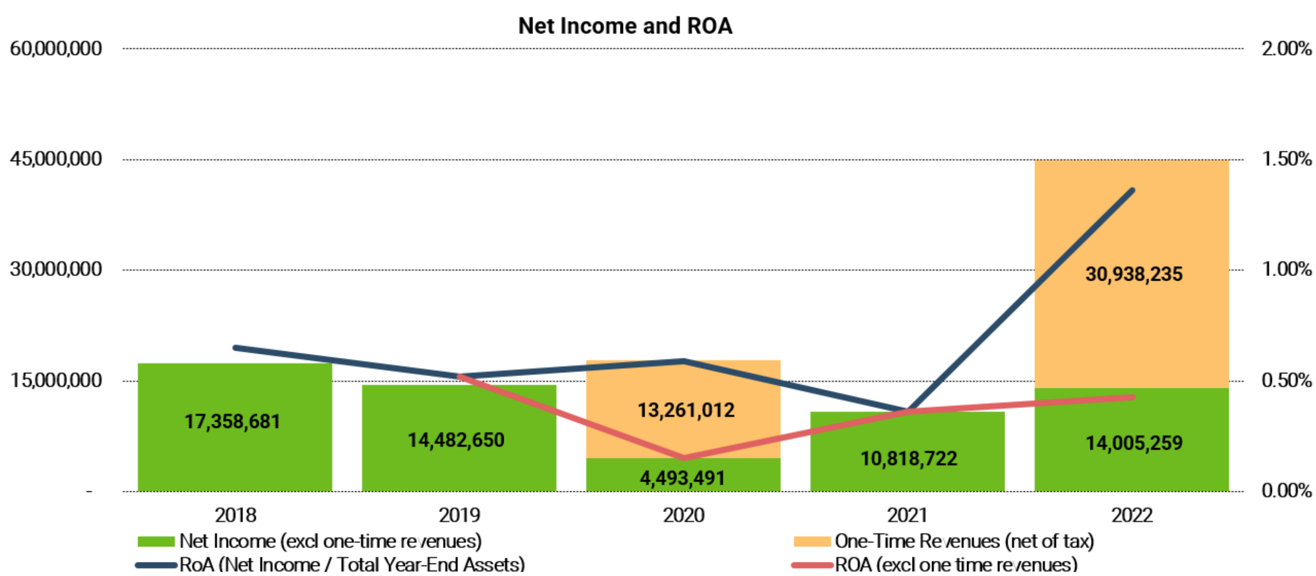
**Return on Assets = Net Income / Year-End Assets*
†Return on Equity = Net Income / Prior Year-End Retained Earnings

Financial Review – Results of Operations

Net income after tax increased by $34.1 million or 315.4% to $44.9 million in 2022. Excluding the one-time dividend revenue from SaskCentral related to the sale of Wyth Financial, net income results realized in 2022 increased $3.2 million or 29.5%.

Historic trends illustrated below articulate the impact of significant one-time items including the gain on sale of the insurance agencies (2020) along with the special SaskCentral dividend (2022).





Financial Review – Results of Operations

Efficiency

The efficiency ratio measures the percentage of income earned that is spent on the operation of the business. A low efficiency ratio indicates efficient use of resources. The ratio is calculated by comparing operating expenses and total revenue. Total revenue used in this measure is calculated as the sum of net interest income before credit losses (excluding member distributions) and other income.

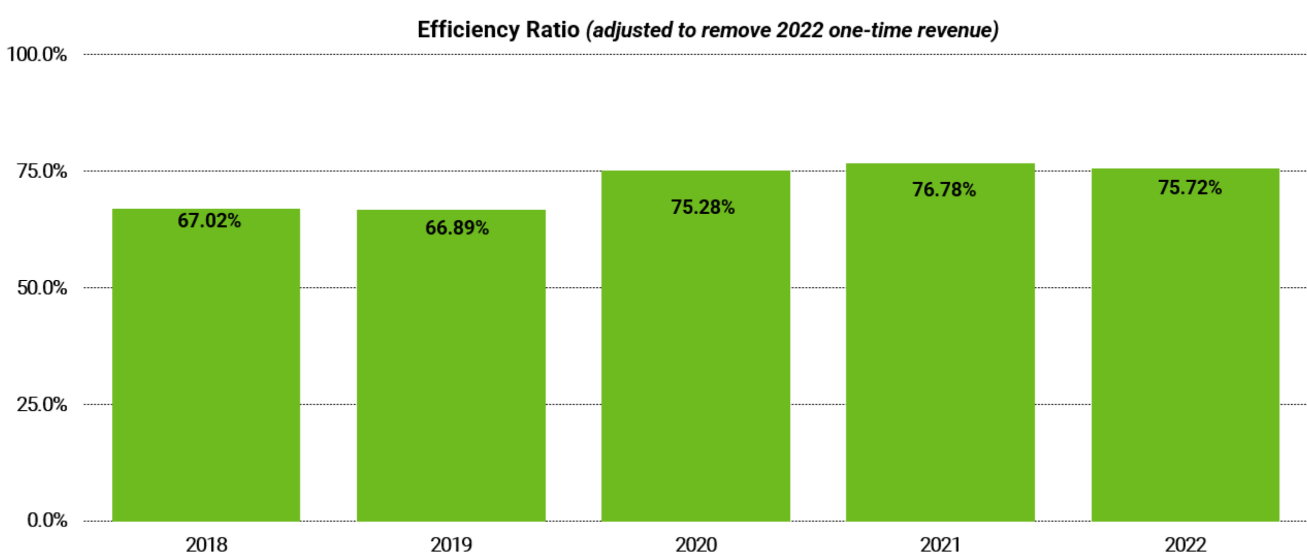
Income generated and expenses incurred from the insurance subsidiaries during the respective fiscal period have been included in this calculation except for the gain on the sale of the insurance agencies which has been excluded.

Table 8: Efficiency Ratio

			Change	
	2022	2021	$	%
Operating Expenses	78,986,197	67,138,379	11,847,818	17.6%
Net Interest Income Before Credit Losses	117,019,468	68,441,745	48,577,723	71.0%
Exclude: Member Distributions	3,344,504	1,915,299	1,429,205	74.6%
Exclude: One-Time Revenue *	30,938,235	-	30,938,235	n/a
Other Income	14,886,029	17,083,639	(2,197,610)	(12.9%)
Total Net Revenue (excl Member Distributions) *	104,311,766	87,440,683	16,871,083	19.3%
Efficiency Ratio *(adjusted)*	**75.72%**	**76.78%**		

**Excludes one-time dividend revenue of $30,938,235 from SaskCentral related to the sale of Wyth Financial*

The efficiency ratio (adjusted) improved in 2022 to 75.72%, compared to a weaker result of 76.78% in 2021. The improved result in 2022 was driven by the fact that total net revenue (prior to member distributions and excluding the one-time revenue recognized in 2022) increased in 2022 by $16.9 million or 19.3% while total operating expenses increased by $11.8 million or 17.6%. As net revenue growth outpaced expense growth, the efficiency ratio improved in 2022.



Financial Review – Balance Sheet

The financial review provides an analysis of the significant categories as shown on the Consolidated Statement of Financial Position (Balance Sheet) and includes a review of the assets and liabilities of the organization along with information pertaining to the capital and liquidity position.

Total Assets Under Administration

Total assets under administration includes assets held on Innovation's balance sheet, such as loans and investments, as well as off-balance sheet assets, such as Innovation Wealth administered investment portfolios and loans syndicated to partner organizations.

Table 9: Assets Under Administration

	2022	2021	Change $	%
On-Balance Sheet Assets	3,299,031,428	3,012,262,174	286,769,254	9.5%
Off-Balance Sheet Assets Under Administration				
Innovation Wealth	844,102,258	875,719,386	(31,617,128)	(3.6%)
Sold/Syndicated Loans	107,280,273	64,933,505	42,346,768	65.2%
CEBA Loans under Administration	85,249,265	93,636,157	(8,386,892)	(9.0%)
Total Assets Under Administration	**4,335,663,224**	**4,046,551,222**	**289,112,002**	**7.1%**

Total Assets (On-Balance Sheet)

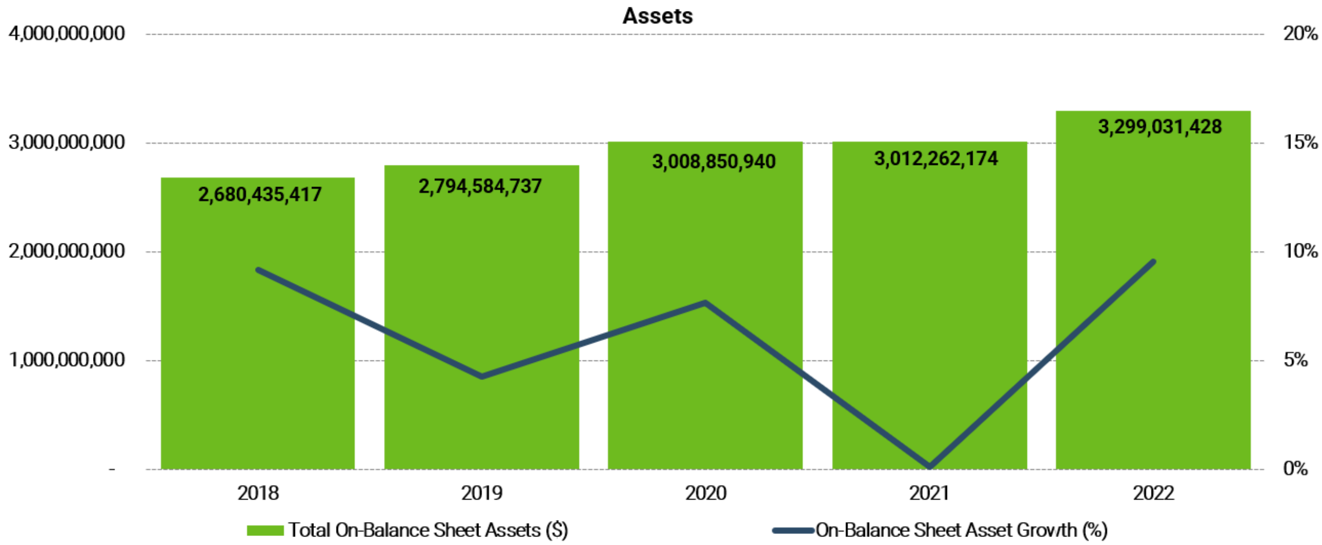
Innovation strives to build and manage a well-diversified balance sheet comprised of high-quality assets providing an appropriate return to the credit union. Funding of the balance sheet is achieved through a variety of sources. Capital is held at levels required based on the size of the balance sheet and the underlying risks faced by the organization.

Table 10: Total Assets

	2022	2021	Change $	%
Cash and cash equivalents	123,887,520	205,631,871	(81,744,351)	(39.8%)
Investments	429,772,798	502,086,564	(72,313,766)	(14.4%)
Loans	2,663,841,181	2,254,222,137	409,619,044	18.2%
Property and equipment	12,971,631	14,054,126	(1,082,495)	(7.7%)
Investment property	1,081,599	1,154,617	(73,018)	(6.3%)
Right of use assets	374,096	562,032	(187,936)	(33.4%)
Goodwill & intangibles	1,562,563	8,470,314	(6,907,751)	(81.6%)
Other assets	65,540,040	26,080,513	39,459,527	151.3%
Total Assets	**3,299,031,428**	**3,012,262,174**	**286,769,254**	**9.5%**

Total assets increased by $286.8 million or 9.5% to $3.299 billion in 2022. The average annual growth rate over the past five years equates to 6.1%. 2022 growth of 9.5% exceeded this five-year average while also exceeded prior year annual growth rate of 0.1%.

Financial Review – Balance Sheet



Cash and Investments

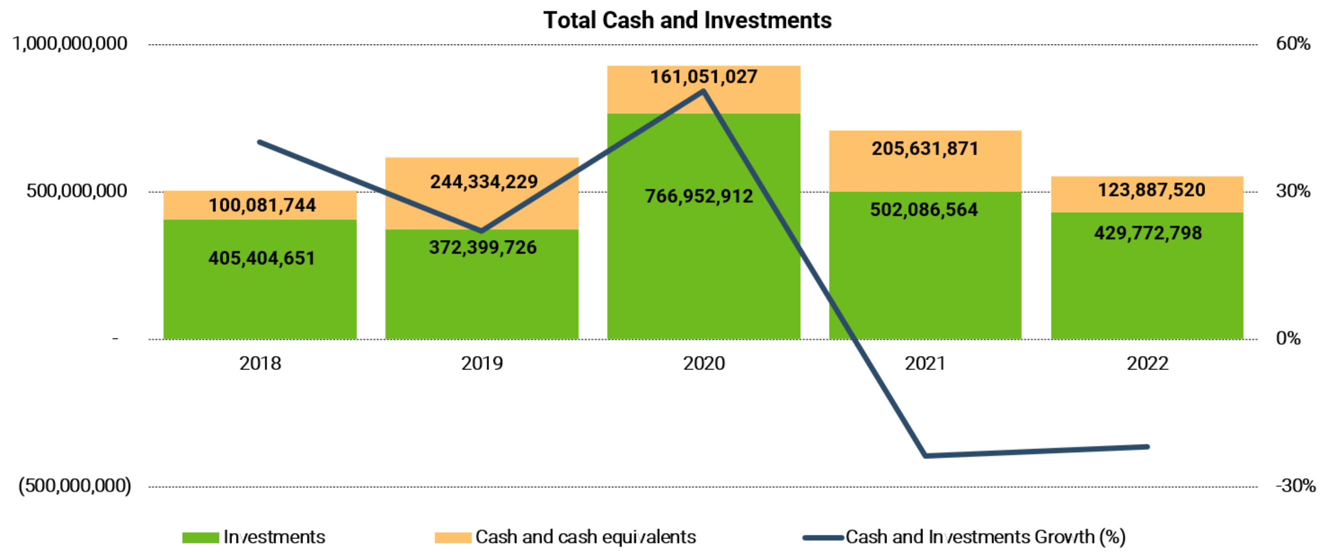
Innovation manages a portfolio of investments along with cash holdings based on the liquidity needs of the organization in a manner which provides appropriate returns to the organization. Under the current provincial regulatory environment, Saskatchewan credit unions are required to maintain 10% of liabilities using a prescribed formula in specified statutory liquidity deposits administered by SaskCentral. As of December 31, 2022, Innovation met the statutory liquidity requirement.

Table 11: Cash and Investments

			Change	
	2022	**2021**	**$**	**%**
Cash and cash equivalents	123,887,520	205,631,871	(81,744,351)	(39.8%)
Investments				
Debt Investments (Amortized Cost)	103,177,173	186,333,435	(83,156,262)	(44.6%)
Debt Investments (FVTPL)	287,178,030	280,938,946	6,239,084	2.2%
Equity Securities (FVTPL)	39,417,595	34,814,183	4,603,412	13.2%
Total Investments	429,772,798	502,086,564	(72,313,766)	(14.4%)
Total Cash and Investments	**553,660,318**	**707,718,435**	**(154,058,117)**	**(21.8%)**

Total cash and investments decreased by ($154.1) million or (21.8%) to $553.7 million in 2022 as the organization was successful in redeploying excess liquidity into higher yielding assets. Holding an appropriate amount of cash and investments on the balance sheet assists in the management of liquidity risk to the organization. Too high a liquidity level can have a detrimental impact on profitability as cash and investments tend to be held in products that carry a lower yield to the credit union.

Financial Review – Balance Sheet



Performing Loans

Innovation manages a portfolio of loans generated through relationships with both members and non-members of the credit union. The total loan portfolio held by the organization consists of performing loans, impaired loans less allowances established.

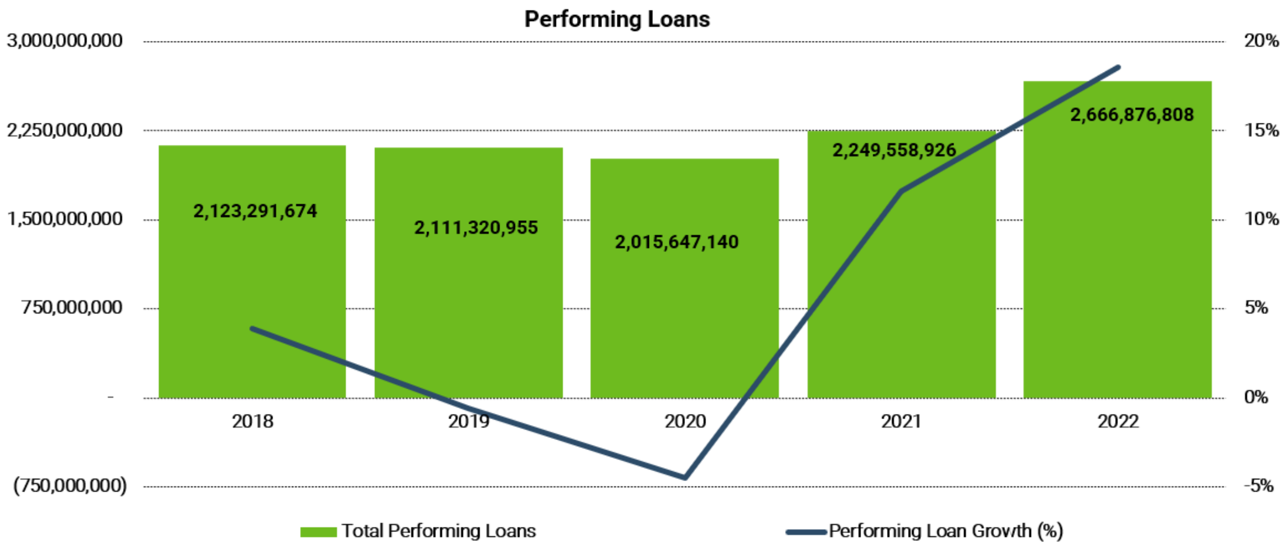
Performing loans contain the principal balance and accrued interest on all loans that have not been deemed as impaired by the organization.

Table 12: Performing Loan Portfolio

			Change	
	2022	**2021**	**$**	**%**
Agriculture	431,713,458	460,591,498	(28,878,040)	(6.3%)
Commercial	854,767,305	689,535,420	165,231,885	24.0%
Consumer	1,356,051,015	1,078,122,489	277,928,526	25.8%
Finance Leases	11,254,292	12,697,628	(1,443,336)	(11.4%)
Accrued Interest	13,090,738	8,611,891	4,478,847	52.0%
Total Performing Loans	**2,666,876,808**	**2,249,558,926**	**417,317,882**	**18.6%**

The total performing loan portfolio increased by $417.3 million or 18.6% to $2.667 billion in 2022. Robust growth was driven from the commercial and consumer loan categories. The credit union was successful in redeploying excess liquidity during the year into higher yielding loan assets. 2022 annual loan growth of 18.6% exceeded the previous five-year average annual growth rate of 5.8% while also exceeded the prior year growth rate of 11.6%.

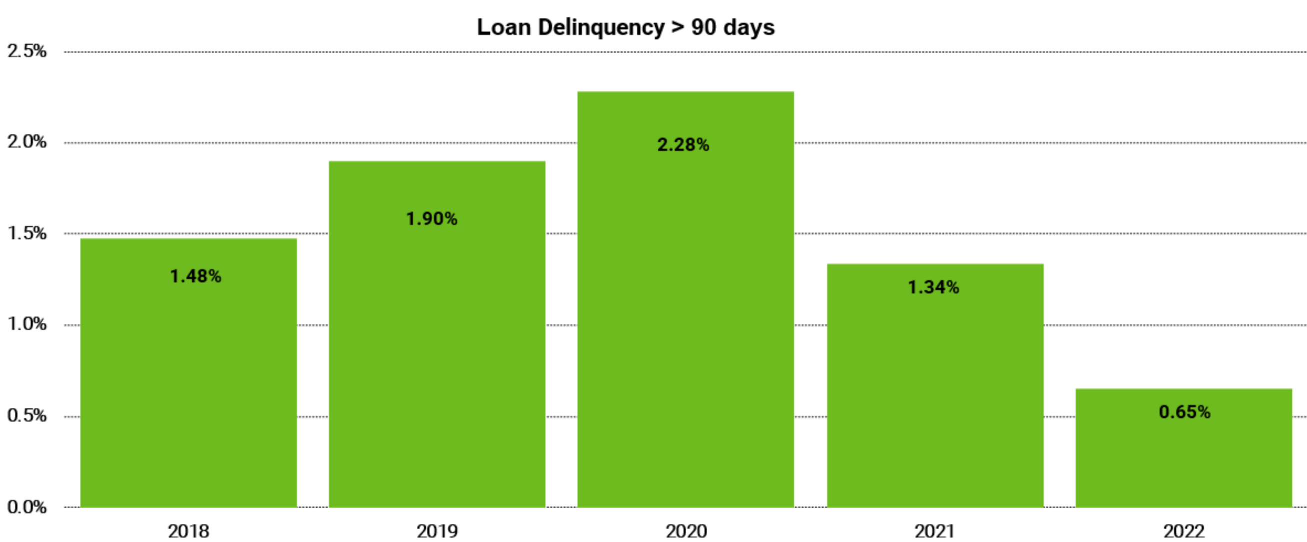
Financial Review – Balance Sheet



Credit Quality

Innovation focuses on the origination of high-quality credit to members and non-members. To achieve this objective the credit union employs stringent underwriting criteria and closely monitors loan portfolios.

A loan is considered past due when a counterparty is contractually in arrears but where payment in full is expected. Loan delinquency is a natural risk faced by all financial institutions. Innovation continues to manage this risk in a prudent fashion, working with members impacted by changing economic conditions. Delinquency greater than 90 days ended 2022 at 0.65%, an improvement from 1.34% in the prior year.



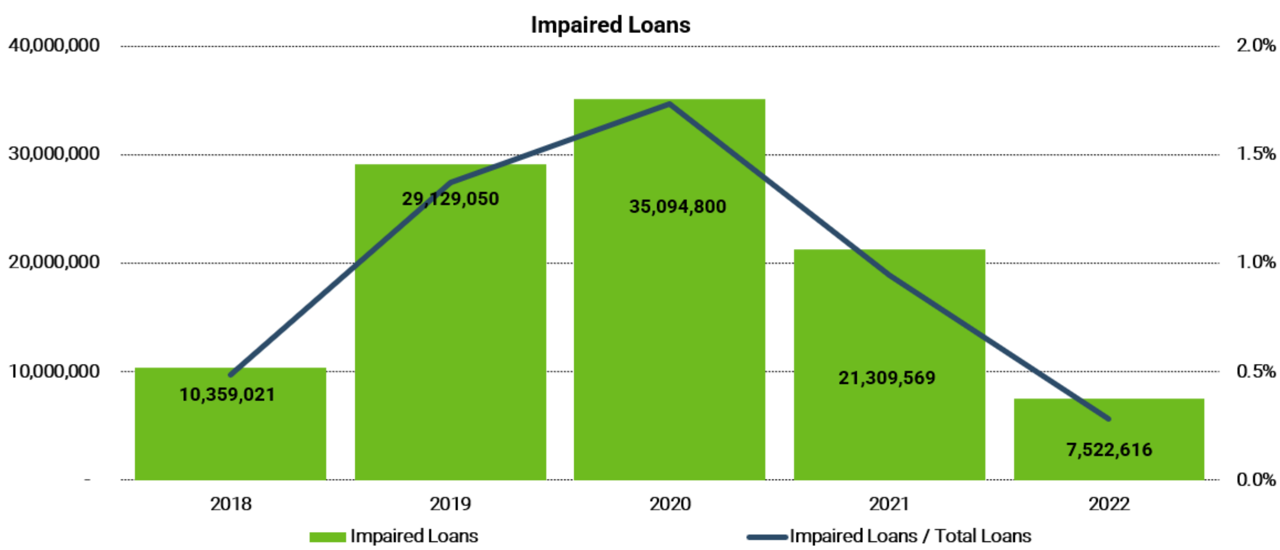
Financial Review – Balance Sheet

In situations where the organization may be unable to collect all principal and interest due according to the contractual terms of the loan agreement, the specific loan will be moved into the impaired category.

Table 13: Impaired Loan Portfolio

	2022	2021	Change $	Change %
Agriculture	-	-	-	n/a
Commercial	4,136,844	16,220,105	(12,083,261)	(74.5%)
Consumer	1,696,597	1,736,456	(39,859)	(2.3%)
Finance Leases	375,636	596,963	(221,327)	(37.1%)
Foreclosed Property	701,000	415,238	285,762	68.8%
Accrued Interest	612,539	2,340,807	(1,728,268)	(73.8%)
Total Impaired Loans	**7,522,616**	**21,309,569**	**(13,786,953)**	**(64.7%)**

The total impaired loan portfolio decreased by ($13.8) million or (64.7%) to $7.5 million in 2022. In relation to the size of the total loan portfolio, total impaired loan balances decreased to a level of 0.28% of total loans in 2022 from a level of 0.95% in 2021. Exposures to large, connected relationships which move into or out of the impaired category will naturally introduce volatility to this asset class.



IFRS 9 uses an expected credit loss (ECL) model to determine impairment in financial instruments as opposed to the incurred loss model under IAS 39. The ECL model is forward looking, in that an actual event that signifies a credit loss no longer needs to occur to record the loss. Under IFRS 9, 12-month ECL are calculated for the assets that have not had a significant increase in credit risk and a lifetime ECL is calculated on those assets that have had an increase in credit risk since initial recognition. Financial institutions involved in lending activities are the most affected with the introduction of IFRS 9.

Total ECL can be broken out by loan portfolio as well as by ECL recognition stage.

Financial Review – Balance Sheet

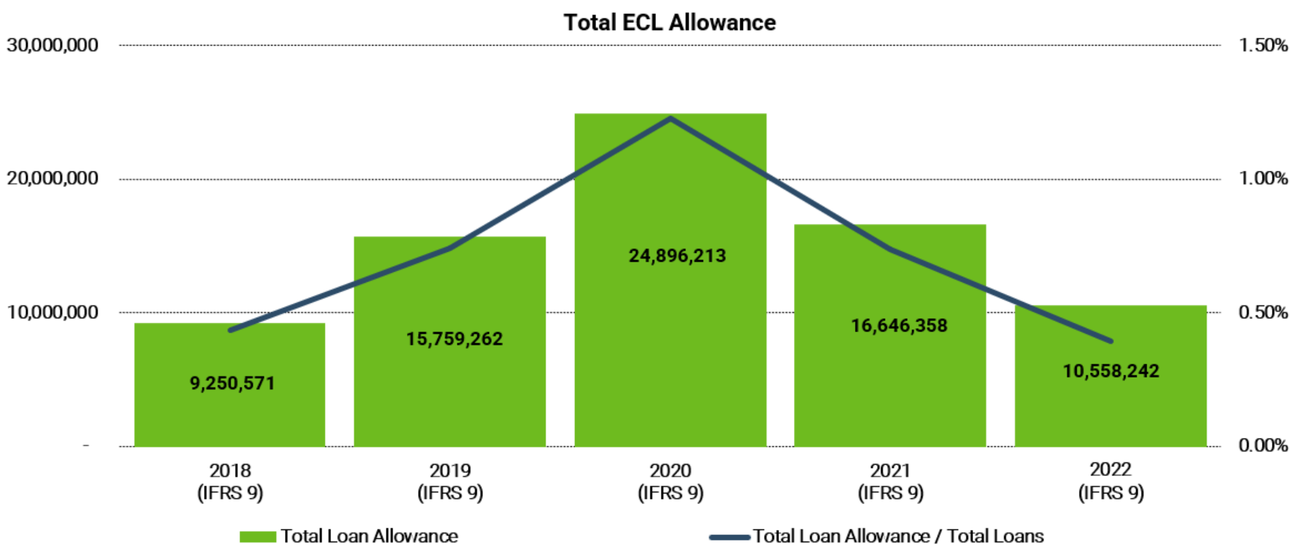
Table 14 (a): Total ECL Allowance by Portfolio

	2022	2021	Change $	Change %
Agriculture	1,664,854	724,293	940,561	129.9%
Commercial	5,701,248	13,292,715	(7,591,467)	(57.1%)
Consumer	3,192,141	2,629,350	562,791	21.4%
Total ECL	**10,558,243**	**16,646,358**	**(6,088,115)**	**(36.6%)**

Table 14 (b): Total ECL Allowance by Recognition Stage

	2022	2021	Change $	Change %
Stage 1 – 12-month ECL	3,193,190	2,450,007	743,183	30.3%
Stage 2 – Lifetime ECL not credit impaired	4,410,154	4,929,158	(519,004)	(10.5%)
Stage 3 – Lifetime ECL credit impaired	2,954,899	9,267,193	(6,312,295)	(68.1%)
Total ECL	**10,558,243**	**16,646,358**	**(6,088,115)**	**(36.6%)**

In relation to the size of the total loan portfolio, total loan allowances ended 2022 at a level of 0.40% of the total loan portfolio, which is a decrease from the prior year-end results of 0.74%.



Management is confident that all known issues within the loan portfolio have been captured in the loan allowance figure reported above. Thorough internal processes and controls continue to operate effectively to ensure the value of loans as reported on the balance sheet are accurate and free from misstatement.

Financial Review – Balance Sheet

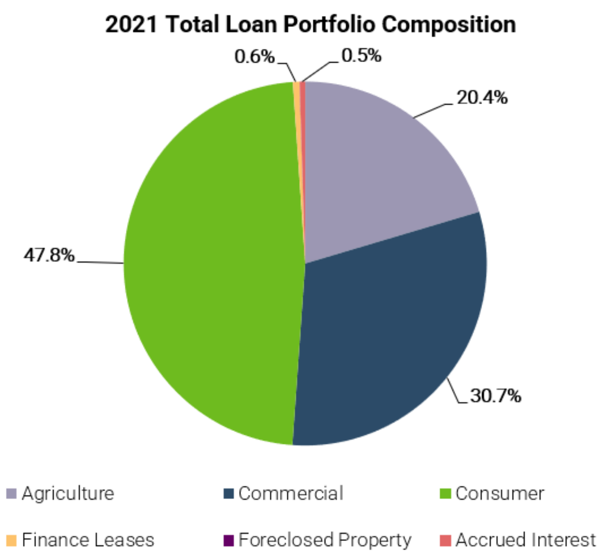
Total Loans

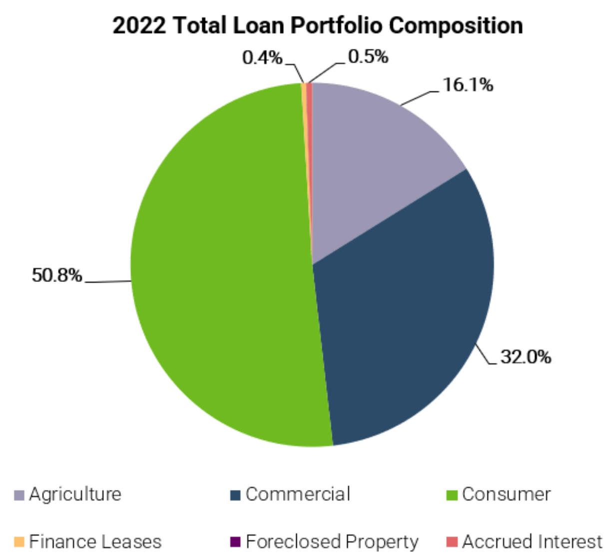
The total loan portfolio aggregates the performing loan portfolio with the impaired loan portfolio less loan allowances.

Table 15: Total Loan Portfolio

	2022	2021	Change $	%
Agriculture	430,177,663	460,076,150	(29,898,487)	(6.5%)
Commercial	853,234,553	692,446,406	160,788,147	23.2%
Consumer	1,354,555,470	1,077,229,595	277,325,875	25.7%
Finance Leases	11,469,218	13,102,050	(1,632,832)	(12.5%)
Foreclosed Property	701,000	415,238	285,762	68.8%
Accrued Interest	13,703,277	10,952,698	2,750,579	25.1%
Total Loans	**2,663,841,181**	**2,254,222,137**	**409,619,044**	**18.2%**

The total loan portfolio increased by $409.6 million or 18.2% to $2.664 billion in 2022. Robust growth was driven from the commercial and consumer portfolios. As a result of this growth pattern, the proportion of the total loan portfolio held in the commercial and consumer loan categories has increased when compared to the prior year.





The average annual growth rate over the past five years equates to 5.7%. 2022 growth of 18.2% exceeded this five-year average while also far exceeding the prior year annual growth rate of 11.3%.

Financial Review – Balance Sheet

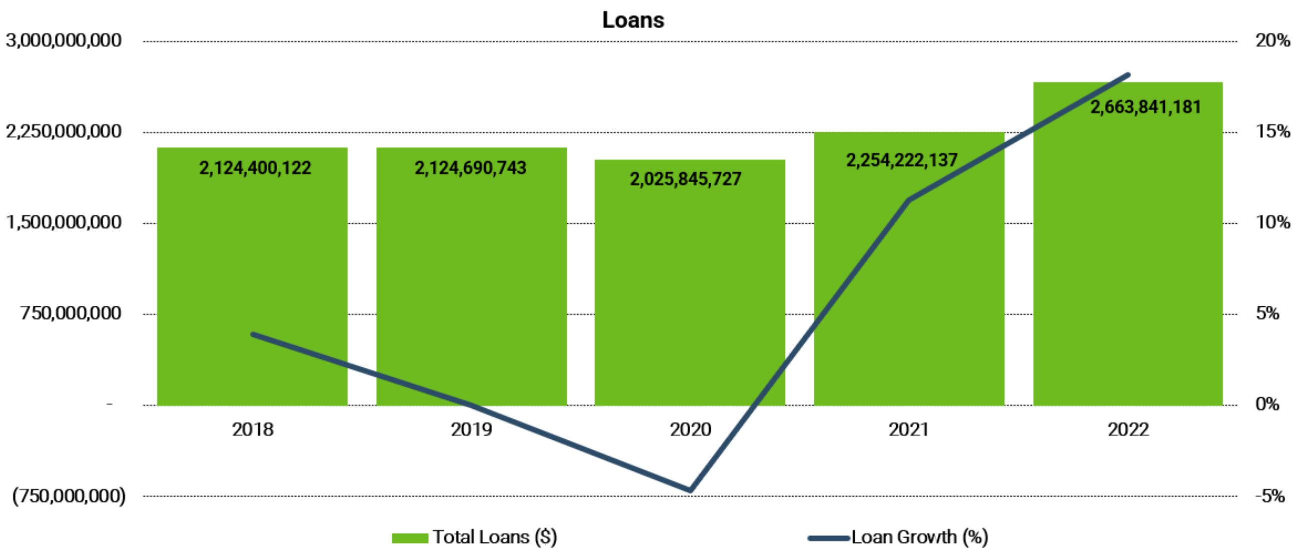


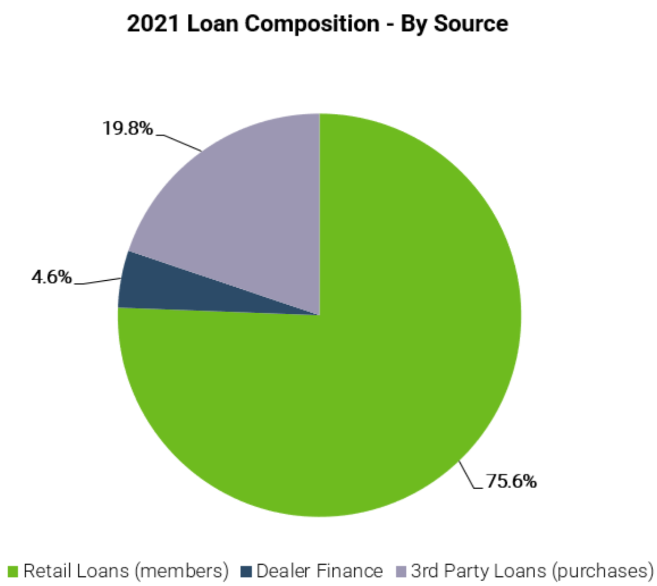
Table 16: Loan Concentration – By Source

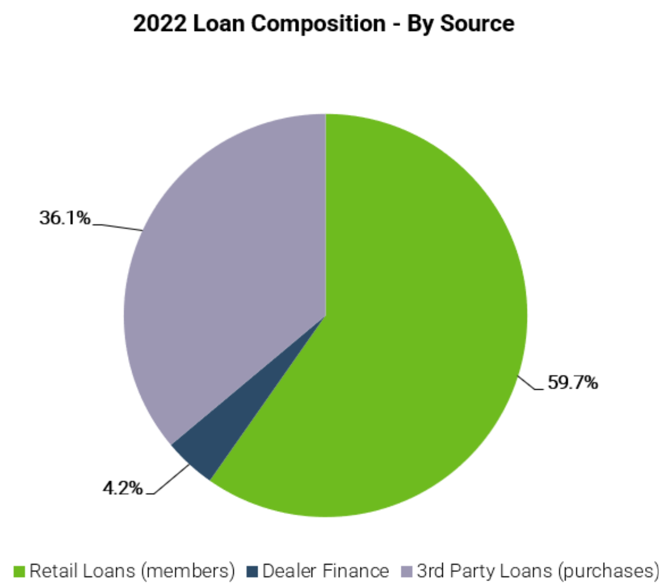
	2022	2021	Change $	%
Retail Loans (members)	1,588,584,257	1,708,248,909	(119,664,652)	(7.0%)
Dealer Finance Loans	111,410,526	103,490,550	7,919,976	7.7%
3rd Party Loans (purchases)	960,000,363	447,761,100	512,239,264	114.4%
Total Loans*	**2,659,995,147**	**2,259,500,559**	**400,494,588**	**17.7%**

**Total Loans excludes ECL allowance, foreclosed property, and accrued interest*

Innovation has established numerous strategic partnerships with various financial entities across the country to ensure the credit union has the ability to purchase commercial and residential mortgages that fall within Innovation's risk appetite. Innovation leverages these additional loan sources to augment the activity generated from the membership of the credit union.

Loan growth sourced directly from Innovation's membership declined in 2022 while loan growth sourced through the dealer finance entity witnessed positive growth in 2022. As a result, Innovation successfully leveraged its various strategic partnerships to satisfy overall loan demand. These activity levels resulted in the proportionate share of total purchased loans increasing from 19.8% as of December 31, 2021, to 36.1% as of December 31, 2022.





Residential Mortgage Portfolio

In accordance with regulatory guidelines, Innovation is required to provide additional credit disclosures regarding our residential mortgage portfolio.

Innovation is limited to providing residential mortgages of no more than 80% of the collateral value. Lending at a higher loan-to-value (LTV) is permitted but requires default insurance. The insurance is contractual coverage that protects Innovation's real estate secured lending portfolio against potential losses caused by borrower default. Default insurance can be provided by either government backed entities or other approved private mortgage insurers. Currently Innovation uses Canada Mortgage and Housing Corporation (CMHC) and Sagen to provide mortgage default insurance.

A Home Equity Line of Credit (HELOC) is a form of non-amortizing (revolving) credit that is secured by a residential property. Unlike a traditional residential mortgage, most HELOCs are not structured to fit a predetermined amortization, although regular, minimum periodic payments are required. Innovation is limited to providing HELOCs of no more than 65% of the collateral value.

To determine the potential impact of an economic downturn, which may result in an increase in defaults and a decrease in housing prices, Innovation performs stress tests. The stress testing uses historical delinquency and write-off information over the past 5 years. Our results show that in an economic downturn, Innovation's capital position would be sufficient to absorb residential mortgage and HELOC losses.

The following tables 17-24 provide details of Innovation's residential mortgage portfolio to allow for evaluation of the soundness and condition of Innovation's residential mortgage operations.

Financial Review – Balance Sheet

Table 17: Residential Mortgage Loan Portfolio

	2022	% of Portfolio	2021	% of Portfolio	Change $	Change %
Insured	434,385,443	37.4%	364,937,399	40.9%	69,448,044	19.0%
Uninsured – Prime	428,004,662	36.8%	428,436,027	48.0%	(431,365)	(0.1%)
Uninsured – Alt A	287,826,930	24.7%	84,852,934	9.5%	202,973,996	239.2%
Non-conforming	7,982,114	0.7%	8,829,239	1.0%	(847,125)	(9.6%)
HELOC (Home Equity Line of Credit)	4,614,157	0.4%	5,018,501	0.6%	(404,344)	(8.1%)
Total Loans	**1,162,813,306**	**100%**	**892,074,100**	**100%**	**270,739,206**	**30.3%**

Table 18: Residential Mortgage by Amortization

Amortization Range	Number	Mortgage Balance	% of Portfolio	Average Balance
Less than 10 years	806	36,547,718	3.1%	45,345
10 – 15 years	1,025	103,340,233	8.9%	100,820
16 – 20 years	1,739	288,903,655	24.9%	166,132
21 – 25 years	1,478	326,697,037	28.1%	221,040
26 – 30 years	802	406,800,599	35.0%	507,233
Greater than 30 years	3	524,064	0.0%	174,688
Total	**5,853**	**1,162,813,306**	**100%**	**198,670**

Table 19: Residential Mortgage Portfolio by Province

Location	Number	Mortgage Balance	% of Portfolio	Average Balance
Saskatchewan	4,877	714,186,890	61.4%	146,440
Ontario	544	297,752,012	25.6%	547,338
Alberta	280	78,275,599	6.7%	279,556
British Columbia	136	68,933,299	5.9%	506,862
Prince Edward Island	7	1,959,489	0.2%	279,927
Manitoba	4	856,076	0.1%	214,019
Nova Scotia	3	647,753	0.1%	215,918
Newfoundland and Labrador	2	202,188	0.0%	101,094
Total	**5,853**	**1,162,813,306**	**100%**	**198,670**

Table 20: Residential Mortgage Loan Term Portfolio by Loan to Value (LTV)

Loan to Value (LTV)	Number	Mortgage Balance	% Of Portfolio	Average Balance
Less than 25%	599	23,005,729	2.0%	38,407
25% – 50%	1,107	133,268,990	11.5%	120,388
50% – 60%	696	118,097,175	10.2%	169,680
60% – 70%	958	212,290,367	18.2%	221,597
70% – 80%	1,596	493,104,598	42.4%	308,963
80% – 90%	481	89,976,980	7.7%	187,062
Greater than 90%	416	93,069,467	8.0%	223,725
Total	**5,853**	**1,162,813,306**	**100%**	**198,670**

Table 21: Residential Mortgage Loan Term Portfolio by Credit Score

Category	Beacon Score	Number of Borrowers	Mortgage Balance	% Of Portfolio
Super Prime	741+	2,731	599,928,116	51.6%
Prime	681 – 740	1,262	303,346,554	26.1%
Near Prime	621 – 680	577	180,833,097	15.6%
Sub Prime	541 – 620	198	47,811,269	4.1%
Deep Sub Prime	< 540	68	8,396,928	0.7%
No score		181	22,497,342	1.9%
Total		**5,017**	**1,162,813,306**	**100%**

Table 22: Residential Mortgage Loan Portfolio by Age of Borrower

Age	Number of Borrowers	Mortgage Balance	% Of Portfolio
19 to 24	110	24,385,813	2.1%
25 to 34	1,007	254,963,209	21.9%
35 to 44	1,399	378,132,576	32.5%
45 to 54	1,078	255,028,824	21.9%
55 to 64	872	168,964,252	14.5%
65+	551	81,338,632	7.0%
Total	**5,017**	**1,162,813,306**	**100%**

Table 23: Residential Mortgage Loan Portfolio by Delinquency Category

Delinquency	Number	Mortgage Balance	% Of Portfolio
Not Delinquent	5,770	1,147,361,448	98.7%
1 – 29 days	52	9,429,168	0.8%
30 – 89 days	22	5,027,867	0.4%
90 – 179 days	4	475,146	0.1%
180 – 364 days	2	339,049	0.0%
365 days or greater	3	180,628	0.0%
Total	**5,853**	**1,162,813,306**	**100%**

Table 24: Residential Mortgage Loan Portfolio by Write Offs

	2022	#	2021	#
Insured	12,931	7	32,350	6
Uninsured	276,716	5	248,661	9
HELOC (Home Equity Line of Credit)	-	-	-	-
Total Loans	**289,646**	**12**	**281,011**	**15**

Deposits

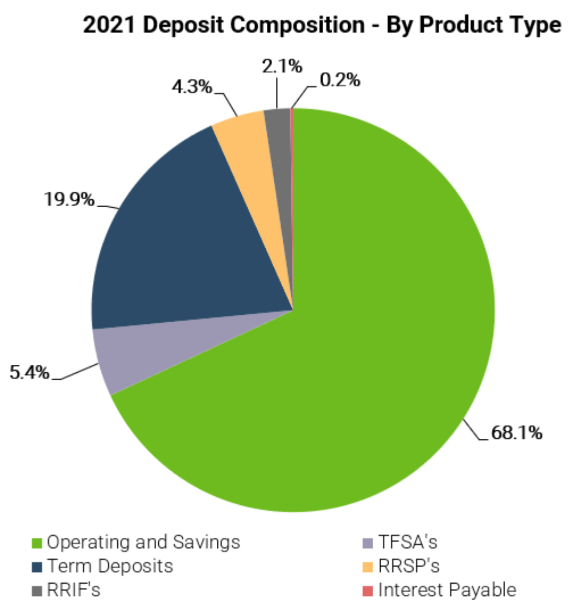
Innovation offers a variety of competitive deposit products to members including registered and non-registered investments.

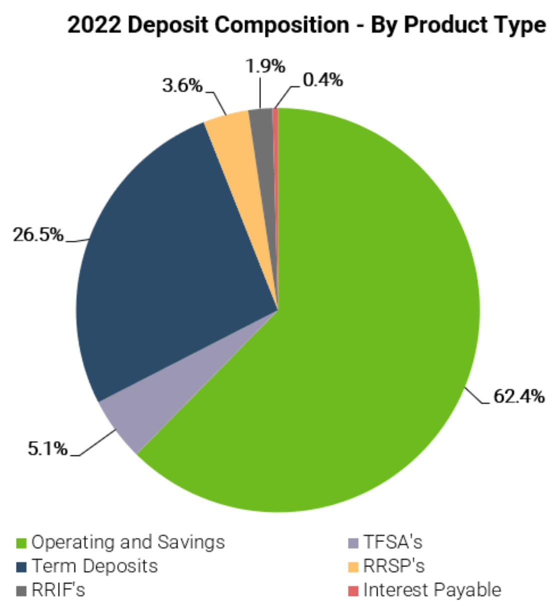
Table 25: Deposit Concentration – By Product Type

	2022	2021	Change $	%
Operating and Savings	1,777,918,515	1,774,982,289	2,936,226	0.2%
TFSA's	145,104,874	140,938,842	4,166,032	3.0%
Term Deposits	756,143,829	518,514,945	237,628,884	45.8%
RRSP's	103,683,020	111,855,397	(8,172,377)	(7.3%)
RRIF's	55,140,601	55,525,853	(385,252)	(0.7%)
Interest Payable	12,301,203	5,932,899	6,368,304	107.3%
Total Deposits	**2,850,292,042**	**2,607,750,225**	**242,541,817**	**9.3%**

Total deposits grew by $242.5 million or 9.3% to $2.850 billion in 2022. The primary source of deposit growth was from within the term deposit category while the RRSP category declined year-over-year.

Financial Review – Balance Sheet





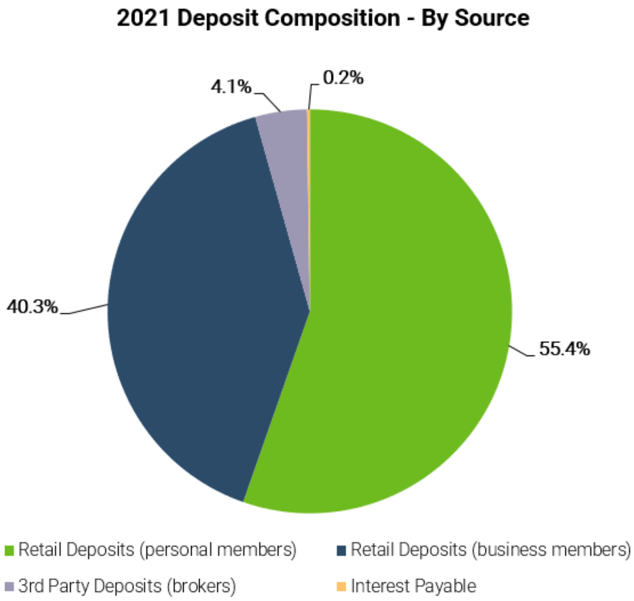
The organization strives to continue to grow the deposit portfolio through enhancing relationships with current personal and business members as well as through expanding the membership base. To provide greater funding assurance, Innovation has established multiple diversified deposit funding sources outside the current membership base. These 3rd party sourced deposits are sourced through individual relationships with multiple national investment dealers while also leveraging Innovation's listing on the CANNEX Financial Network.

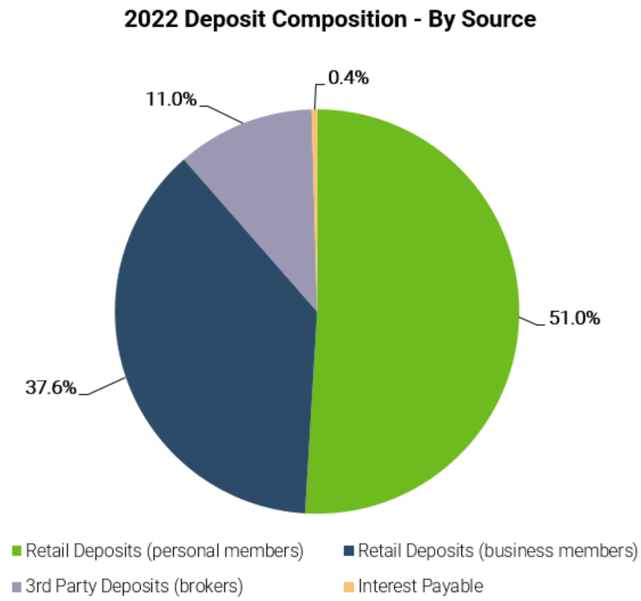
Table 26: Deposit Concentration – By Source

	2022	2021	Change $	%
Retail Deposits (members)				
Personal Members	1,452,227,309	1,443,419,433	8,807,876	0.6%
Business Members	1,071,945,392	1,050,621,252	21,324,140	2.0%
Total Retail Deposits (members)	2,524,172,701	2,494,040,685	30,132,016	1.2%
3rd Party Deposits (brokers)	313,818,138	107,776,641	206,041,497	191.2%
Interest Payable	12,301,203	5,932,899	6,368,304	107.3%
Total Deposits	**2,850,292,042**	**2,607,750,225**	**242,541,817**	**9.3%**

Innovation continues to leverage its wide range of funding sources based on the cash flow needs of the credit union. Growth patterns witnessed during 2022 resulted in a shift in the mix of the total deposit portfolio. The proportionate share of total deposits sourced from 3rd parties (brokers) increased from 4.1% as of December 31, 2021, to 11.0% as of December 31, 2022.

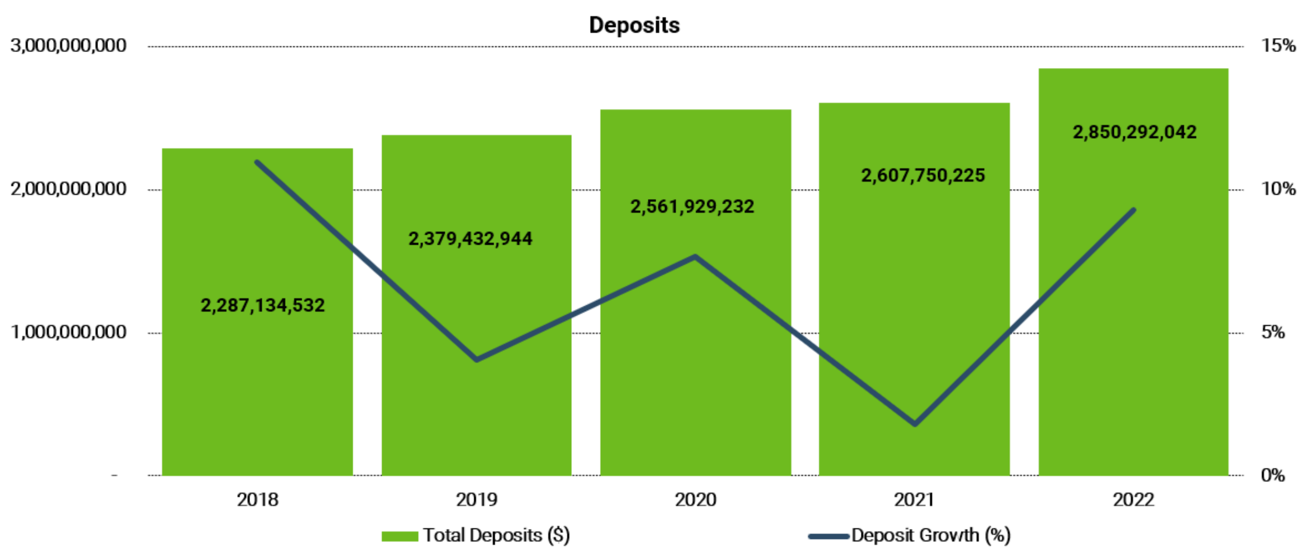
Financial Review – Balance Sheet





The average annual growth rate over the past five years equates to 6.8%. 2022 growth of 9.3% exceeded this five-year average while also exceeded the prior year annual growth rate of 1.8%.

Referencing the deposit portfolio sourced directly from the membership of Innovation, 2022 growth of 1.2% was below the five-year average growth rate of 5.8% while also trailing the prior year result of 5.3%.



Financial Review – Balance Sheet

Liquidity Management

One of Innovation's primary objectives as a financial institution is to prudently manage liquidity to ensure Innovation can generate or obtain sufficient cash or cash equivalents in a timely manner, at a reasonable price, to meet commitments as they become due. Innovation's liquidity management framework, targets and strategies are established and documented in a Liquidity Plan as well as a Contingency Funding Plan, which is approved by the board of directors on an annual basis.

The principles of Innovation's liquidity management framework are:
- maintaining a strategy and policies for managing liquidity risk
- maintaining a stock of liquid assets
- measuring and monitoring funding requirements
- managing market access to funding sources
- contingency planning
- ensuring internal controls over liquidity risk management process

Innovation has an established policy with respect to liquidity and has many processes and practices with respect to the management of funding requirements. Innovation has built and maintains access to numerous funding sources. A very important source of funding is the deposit portfolio which totaled $2.850 billion as at 2022 year-end.

In addition to deposits, Innovation maintains external borrowing facilities from various sources with a combined credit limit of $211.3 million. These credit sources are well diversified and are comprised of the following individual credit arrangements:
- $36.5 million (CDN) line of credit with SaskCentral
- $0.5 million (USD) line of credit with SaskCentral
- $18.8 million (CDN) demand loan with SaskCentral
- $45.0 million (CDN) line of credit with Central 1
- $0.5 million (USD) line of credit with Central 1
- $20.0 million (CDN) demand loan with Central 1
- $40.0 million (CDN) demand loan with National Bank
- $50.0 million (CDN) demand loan with Desjardins

During 2022 Innovation used external borrowing facilities minimally. Liquidity testing was conducted during the year to assure funding channels are available and accessible while also ensuring internal processes and procedures are in place for efficient advancement as required. Innovation leverages the securitization market for funding purposes as well as to assist in building an effective liquidity management framework. Innovation periodically securitizes assets to generate funding through the capital markets, resulting in on-balance sheet securitization liabilities or high-quality liquid assets.

In 2022 a total of 17 securitization pools were created totaling $205.2 million, 16 of which were held as HQLA. Total securitization liabilities decreased by $16.0 million (16.6%) to $80.5 million in 2022 due to repayments on the underlying assets contained within this portfolio.

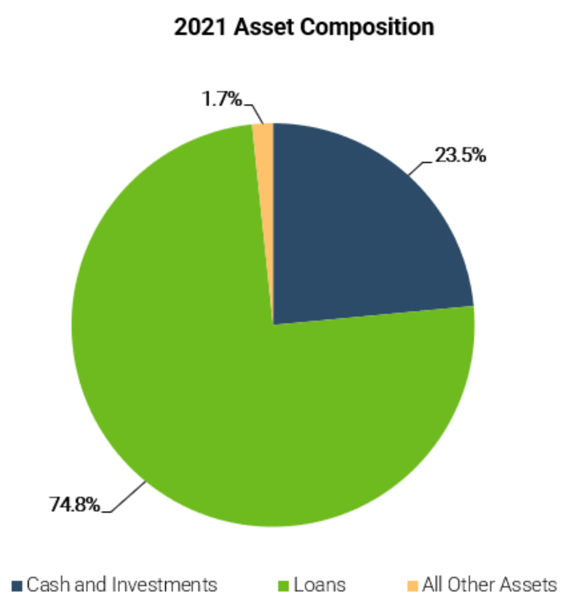
Loans may also be syndicated/sold to numerous credit unions and other organizations for funding purposes. In 2022, Innovation was able to fund several loan opportunities with syndication partners, ensuring the total commitment exposure was acceptable. Utilizing these diversified funding sources improves the overall funding assurance of the organization. The balance sheet structure continues to influence the organization's ability to manage liquidity risk.

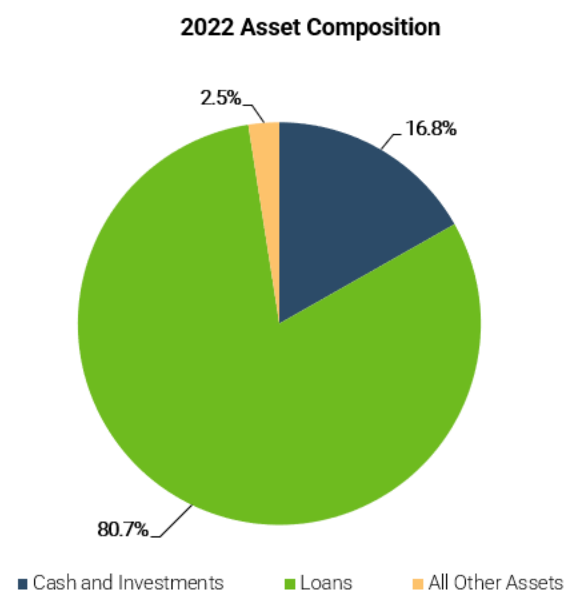
Financial Review – Balance Sheet

Table 27: Asset Composition

	2022	2021	Change $	%
Cash and Investments	553,660,318	707,718,435	(154,058,117)	(21.8%)
Loans	2,663,841,181	2,254,222,137	409,619,044	18.2%
All other assets	81,529,929	50,321,602	31,208,327	62.0%
Total Assets	**3,299,031,428**	**3,012,262,174**	**286,769,254**	**9.5%**

Throughout 2022 the organization was successful in redeploying excess liquidity into higher yielding loan assets. As a result of these efforts, the structure of the balance sheet has shifted to hold more loans as a proportionate share of total assets which is in line with risk appetite expectations.





Balance sheet composition is important from a liquidity management perspective as the organization must ensure it carries an appropriate level of high-quality liquid assets. Innovation maintains a cushion of high quality, liquid assets to be drawn upon to meet unforeseen funding requirements. These assets are reported on the balance sheet as cash or cash equivalents, investments, and residential mortgages. Residential mortgages securitized and held as HQLA totals $157.6 million as of December 31, 2022.

An important measure of liquidity risk Innovation employs is the Liquidity Coverage Ratio (LCR). The objective of the LCR is to ensure there is an adequate stock of unencumbered high-quality liquid assets (HQLA) that:

- consists of cash or assets that can be converted into cash at little or no loss of value; and
- meet the liquidity needs for a 30-calendar day stress scenario, by which time it is assumed corrective actions have been taken.

In the pursuit to become a federal credit union, processes and reporting have been established to meet the regulatory capital and liquidity requirements set by the Office of the Superintendent of Financial Institutions.

Financial Review – Balance Sheet

Table 28 (a): Liquidity Coverage Ratio (LCR) – provincial regulatory environment

	2022	2021	Change $	Change %
Level 1 Weighted Assets	314,174,594	296,058,136	18,116,458	6.1%
Level 2A Weighted Assets	1,660,031	1,616,708	43,323	2.7%
Level 2B Weighted Assets	55,735,522	52,530,855	3,204,667	6.1%
High Quality Liquid Assets (HQLA)	**371,570,147**	**350,205,699**	**21,364,448**	**6.1%**
Retail and Small Business Deposit Run-Off	57,304,263	59,355,196	(2,050,933)	(3.5%)
Unsecured Wholesale Funding Run-Off	107,192,824	102,556,641	4,636,183	4.5%
Secured Funding Run-Off	-	-	-	-
Additional Requirements	26,545,634	21,291,937	5,253,697	24.7%
Total Prescribed Outflows	191,042,721	183,203,775	7,838,946	4.3%
Total Prescribed Cash Inflows *	143,282,041	137,402,831	5,879,209	4.3%
Net Prescribed Cash Outflows	**47,760,680**	**45,800,944**	**1,959,736**	**4.3%**
Liquidity Coverage Ratio (LCR) - provincial	**777.98%**	**764.63%**		

** Prescribed cash inflows are capped at 75% of total prescribed outflows (2022 calculated prescribed inflows = $167,252,728)*

Table 28 (b): Liquidity Coverage Ratio (LCR) – federal regulatory environment

	2022	2021	Change $	Change %
Level 1 Weighted Assets	433,880,426	335,764,929	98,115,497	29.2%
Level 2A Weighted Assets	-	192,138	(192,138)	(100.0%)
Level 2B Weighted Assets	7,125,000	12,480,978	(5,355,978)	(42.9%)
High Quality Liquid Assets (HQLA)	**441,005,426**	**337,846,929**	**92,567,381**	**26.6%**
Eligible Non-Operational Demand Deposits	32,861,419	77,315,611	(44,454,192)	(57.5%)
HQLA & Eligible Non-Op Demand Deposits	**473,866,845**	**425,753,656**	**48,113,189**	**11.3%**
Retail and Small Business Deposit Run-Off	75,713,212	78,291,279	(2,578,067)	(3.3%)
Unsecured Wholesale Funding Run-Off	205,563,937	191,769,637	13,794,300	7.2%
Secured Funding Run-Off	-	-	-	-
Additional Requirements	44,237,567	114,295,076	(70,057,509)	(61.3%)
Total Prescribed Outflows	325,514,716	384,355,993	(58,841,277)	(15.3%)
Total Prescribed Cash Inflows	68,476,373	127,589,005	(59,112,632)	(46.3%)
Net Prescribed Cash Outflows	**257,038,343**	**256,766,988**	**271,355**	**0.1%**
Liquidity Coverage Ratio (LCR) – federal	**184.36%**	**165.81%**		

Financial Review – Balance Sheet

The organization's risk appetite statement (RAS) contains a board of director approved LCR range of 120%-200% under the federal environment. The LCR ended 2022 within this range as defined in the risk appetite statement.

In 2018, Innovation introduced the net cumulative cash flow (NCCF) liquidity risk metric to the organization. The NCCF metric is used within the federal regulatory environment to supervise and monitor liquidity at an individual financial institution. The NCCF calculates a horizon for net positive cash flows to capture the risk posed by funding mismatches between assets and liabilities. By utilizing this type of cash flow analysis, institutions may be able to better mitigate the risk of disruption to market confidence and maintain the ability to meet short-term liabilities in a liquidity crisis.

In addition, Innovation continues to monitor liquidity risk utilizing a stress testing program which models the impacts of twenty-one distinct scenarios and calculates a survival horizon over a twelve-month period. The results of this stress testing program are reported monthly to senior management and quarterly to the Audit & Conduct Review Committee of the board.

Finally, Innovation also conducts a variety of stress tests against the future financial forecast. The results of these stress tests are consolidated and presented to the board of directors as part of the annual budget process.

Capital Management

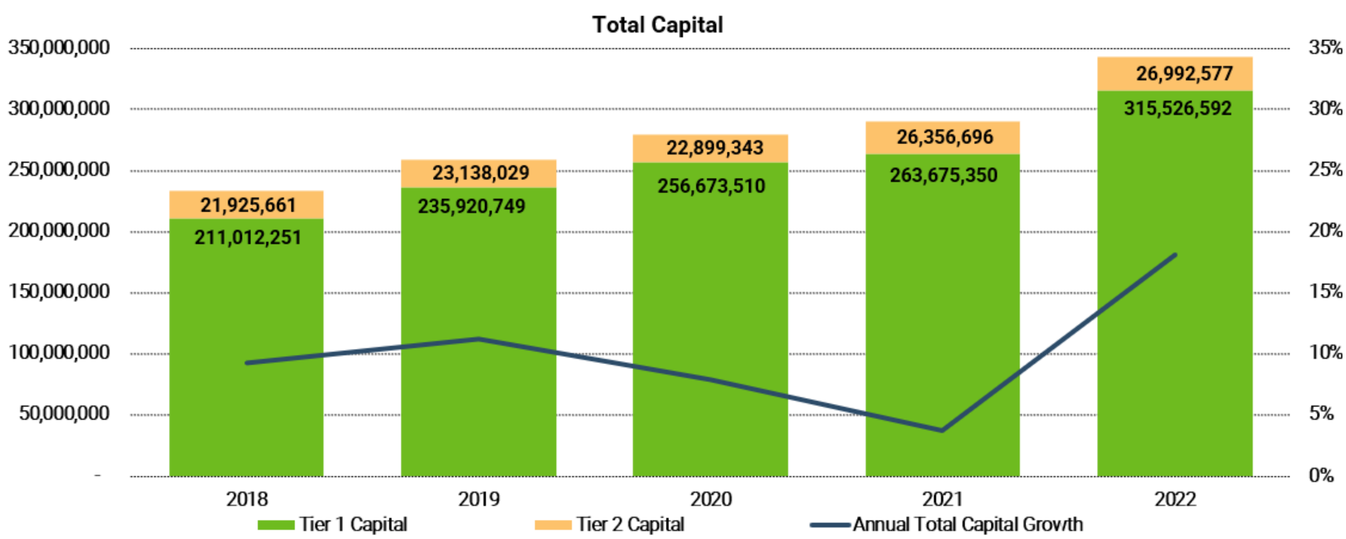
Innovation's capital management framework is designed to maintain an optimal level of capital. Accordingly, capital polices are designed to ensure that Innovation meets its regulatory capital requirement, meets its internal assessment of required capital and to build long-term membership value. Innovation retains a portion of its annual earnings to meet these capital objectives. Once these capital objectives are met, additional earnings are allocated to members through member distributions authorized by the board of directors. A portion of these quarterly member distributions are in the form of patronage allocations which are in turn utilized to increase the value of each member's membership share held in the organization.

Financial Review – Balance Sheet

Table 29: Regulatory Capital

	2022	2021	Change $	%
Retained Earnings	317,089,155	272,145,664	44,943,491	16.5%
Deduct: Intangible Assets	(1,562,563)	(8,470,314)	6,907,751	(81.6%)
Common Equity Tier 1 (CET1) Capital	**315,526,592**	**263,675,350**	**51,851,242**	**19.7%**
Additional Tier 1 Capital	**-**	**-**	**-**	**-**
Membership Shares – Par Value	297,350	293,265	4,085	1.4%
Membership Shares – Patronage Allocations	19,067,285	18,593,070	474,215	2.6%
ECL (stage 1 + stage 2)	7,627,942	7,470,361	157,581	2.1%
Tier 2 Capital	**26,992,577**	**26,356,696**	**635,881**	**2.4%**
Total Capital	**342,519,169**	**290,032,046**	**52,487,123**	**18.1%**

Total capital grew by $52.5 million or 18.1% to $342.5 million in 2022. Innovation continues to build and maintain a very solid capital base.



The adequacy of the capital base of the organization is measured in relation to either the risk weighted assets or total leverage exposures.

Risk weighted assets are determined by applying the regulatory prescribed rules to on-balance sheet and off-balance sheet exposures.

Financial Review – Balance Sheet

Table 30: Risk Weighted Assets – provincial regulatory environment

	2022			2021		
	Net Exposure	Effective Risk %	Risk-Weighted Amount	Net Exposure	Effective Risk %	Risk-Weighted Amount
On-Balance Sheet						
Cash and cash equivalents	123,887,520	0%	-	205,631,871	0%	-
Investments	429,772,798	21.2%	91,023,261	502,086,564	24.4%	122,576,621
Loans	2,663,841,181	61.8%	1,646,068,669	2,254,222,137	63.7%	1,435,270,584
Property and equipment	12,971,631	100.0%	12,971,631	14,054,126	100.0%	14,054,126
Investment Property	1,081,599	100.0%	1,081,599	1,154,617	100.0%	1,154,617
Right of Use Assets	374,096	100.0%	374,096	562,032	100.0%	526,032
Goodwill & intangible	1,562,563	0%	-	8,470,314	0%	-
All other assets	65,540,040	155.1%	101,664,116	26,080,513	231.4%	60,355,255
Total Assets	**3,299,031,428**	**56.2%**	**1,853,183,372**	**3,012,262,174**	**54.2%**	**1,633,973,235**
Off-Balance Sheet Items						
Derivatives	20,896,729	0.2%	34,348	21,767,188	0.2%	48,275
Credit Commitments	487,565,934	29.9%	145,963,696	412,797,082	26.5%	109,405,226
Total Credit Risk	**508,462,662**	**28.7%**	**145,998,044**	**434,564,270**	**25.2%**	**109,453,501**
Operational Risk			**163,742,089**			**167,748,767**
Total Risk-Weighted Assets	**3,807,494,090**	**56.8%**	**2,162,923,505**	**3,446,826,444**	**55.4%**	**1,911,175,503**

The Basel III capital reforms introduced a non-risk-based leverage ratio requirement to act as a supplementary measure to the risk-based capital requirements. The leverage ratio is defined by Credit Union Deposit Guarantee Corporation (CUDGC) as total capital divided by the leverage exposure. The leverage exposure is the total unweighted on-balance sheet assets and off-balance sheet commitments.

Table 31: Leverage Exposure

	2022	2021	Change $	Change %
On-Balance Sheet Assets	3,299,031,428	3,012,262,174	286,769,254	9.5%
Less: Deductions from Capital	(1,562,563)	(8,470,314)	6,907,751	(81.6%)
Add: Off-Balance Sheet Exposures	150,495,172	114,677,959	35,817,213	31.2%
Total Leverage Exposure	**3,447,964,037**	**3,118,469,819**	**329,494,218**	**10.6%**

CUDGC, the regulator of Saskatchewan credit unions, as well as the Office of the Superintendent of Financial Institutions (OSFI), have prescribed capital adequacy measures and minimum capital requirements. The capital adequacy requirements are based on the Basel III capital standards framework established by the Bank of International Settlements and adopted by financial institutions around the globe.

Four prescribed tests have been established to assess the capital adequacy of financial institutions:
- Common Equity Tier 1 (CET1) Capital / Total Risk Weighted Assets
- Tier 1 Capital / Total Risk Weighted Assets
- Total Eligible Capital / Total Risk Weighted Assets
- Total Eligible Capital / Total Leverage Exposure

Innovation's board of directors approves internal capital policy targets that:
- support prudent operations
- are appropriate for the organization's risk profile, risk appetite and risk tolerance
- are aligned with the credit union's stress testing program and internal capital adequacy assessment process (ICAAP)
- are stricter than regulatory minimums.

This standard setting is the first line of defense to ensure capital levels exceed regulatory minimums even in times of significant loss or unplanned growth. Capital planning is integral to Innovation's business planning. Innovation's business plan must demonstrate its ability to strive to meet board level capital standards. In addition to striving to meet board level standards for capital adequacy, management (as part of the Strategic Financial Management Committee) sets operating objectives for capital levels. Innovation manages capital to these operating objectives. Balance sheet strategies are designed to ensure these capital levels are achieved in addition to achieving other strategies, such as growth and profitability targets.

Current board capital management policies have been approved with the following targets:

	Regulatory Minimum	Policy Target
Common Equity Net Tier 1 / Risk Weighted Assets	7.00%	8.54%
Total Tier 1 Capital / Risk Weighted Assets	8.50%	10.37%
Total Eligible Capital / Risk Weighted Assets	10.50%	12.81%
Total Eligible Capital / Leverage Assets	5.00%	6.10%

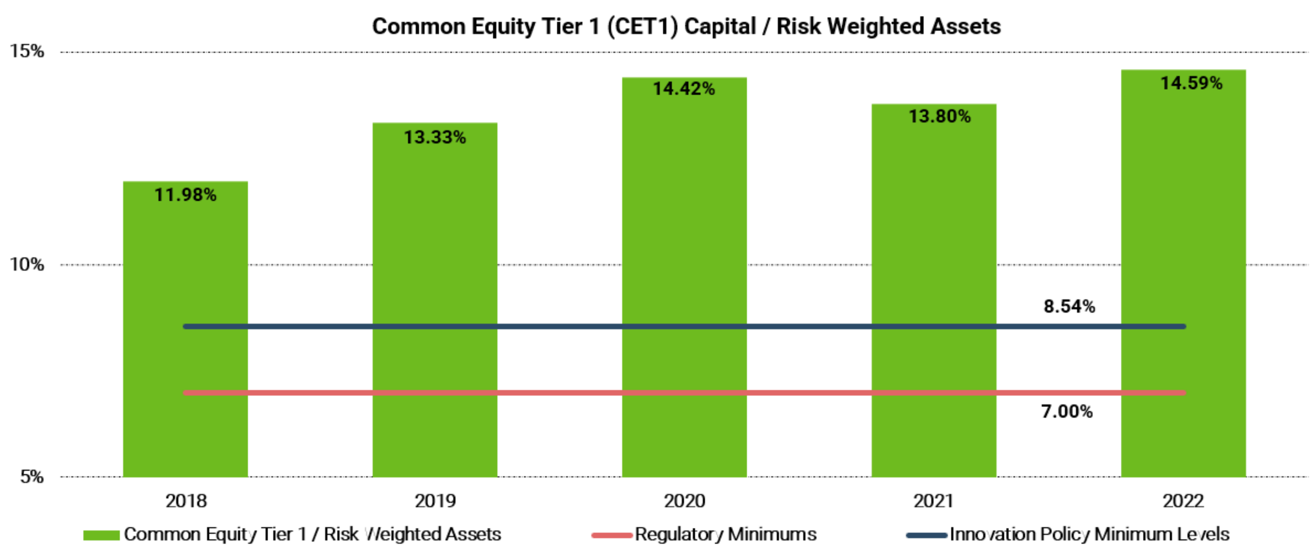
Financial Review – Balance Sheet

The first capital adequacy ratio focuses on the common equity tier 1 capital (CET1) as a percentage of total risk weighted assets.

Table 32: CET1 Capital Ratio

	2022	2021	Change $	%
Common Equity Tier 1 Capital	315,526,592	263,675,350	51,851,242	19.7%
Risk Weighted Assets	2,162,923,505	1,911,175,503	251,748,001	13.2%
CET1 Capital Ratio	**14.59%**	**13.80%**		

Common equity tier 1 (CET1) capital ratio increased in 2022 by 79 basis points to 14.59%. This result was driven by the annual 19.7% growth rate of CET1 capital outpacing the annual 13.2% growth rate of total risk weighted assets held by the organization. CET1 capital continues to be strong, well above internal policy targets and well above regulatory requirements.



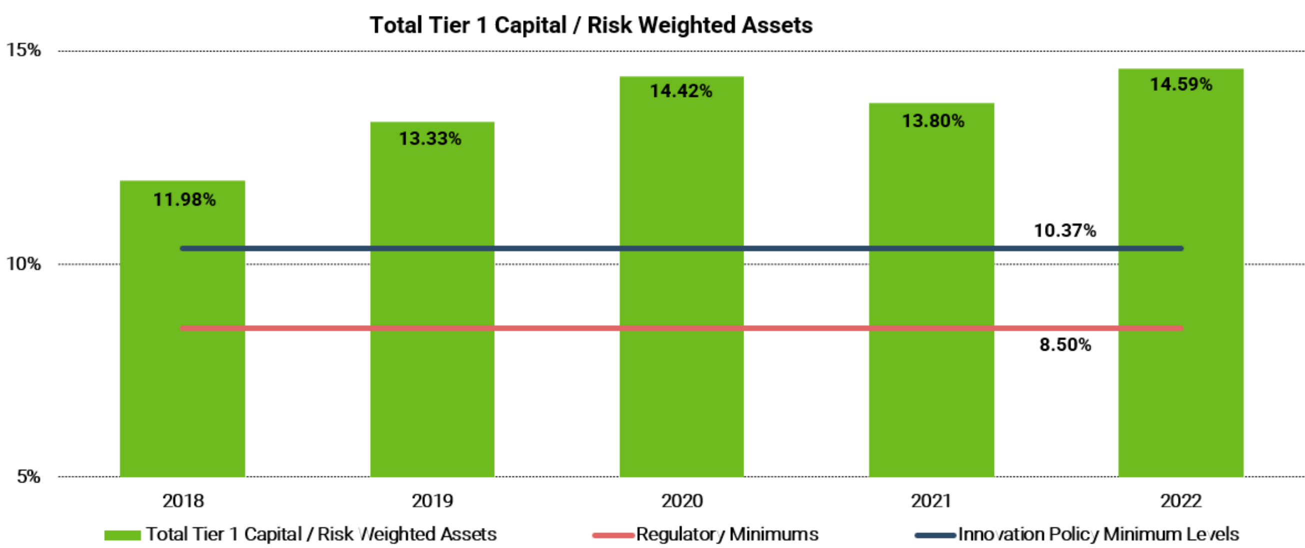
The second capital adequacy ratio focuses on total tier 1 capital as a percentage of total risk weighted assets. Innovation currently has no additional forms of tier 1 capital aside from the common equity tier 1 (CET1) capital.

Financial Review – Balance Sheet

Table 33: Total Tier Capital Ratio

	2022	2021	Change $	Change %
Common Equity Tier 1 Capital	315,526,592	263,675,350	51,851,242	19.7%
Additional Tier 1 Capital	-	-	-	-
Total Tier 1 Capital	315,526,592	263,675,350	51,851,242	19.7%
Total Risk Weighted Assets	2,162,923,505	1,911,175,503	251,748,001	13.2%
Total Tier 1 Capital Ratio	**14.59%**	**13.80%**		

The total tier 1 capital ratio increased in 2022 by 79 basis points to 14.59%. This result was driven by the annual 19.7% growth rate of total tier 1 capital outpacing the annual 13.2% growth rate of total risk weighted assets held by the organization. Total tier 1 capital continues to be strong, well above internal policy targets and well above regulatory requirements.



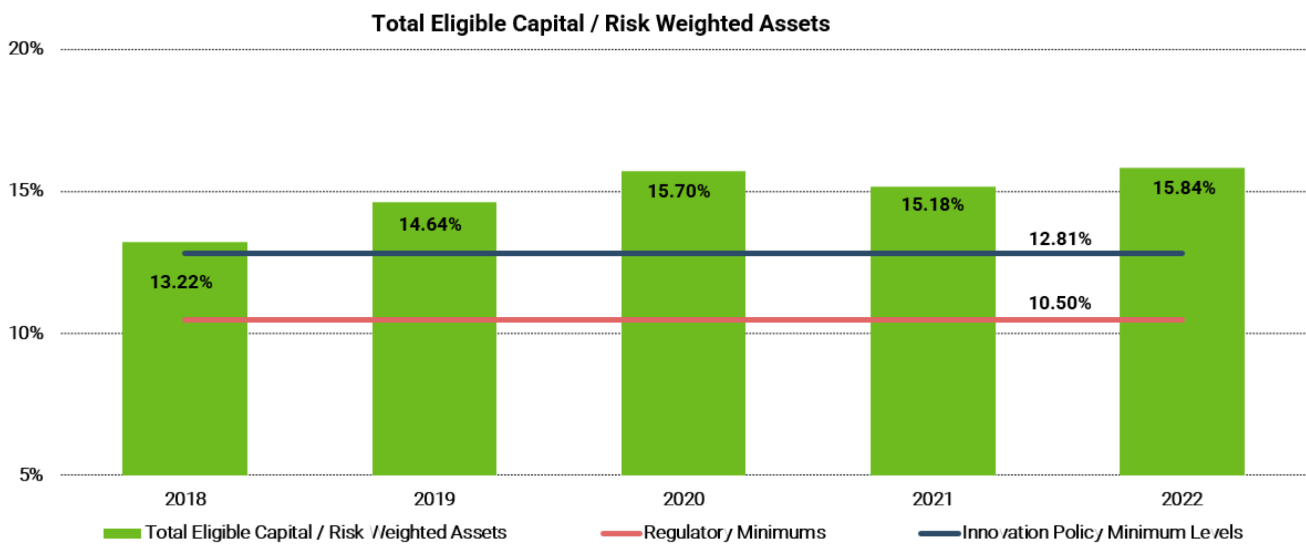
The third capital adequacy ratio focuses on total eligible capital as a percentage of total risk weighted assets.

Table 34: Total Capital Ratio

	2022	2021	Change $	Change %
Total Capital	342,519,169	290,032,046	52,487,123	18.1%
Risk Weighted Assets	2,162,923,505	1,911,175,503	251,748,001	13.2%
Total Capital Ratio	**15.84%**	**15.18%**		

Financial Review – Balance Sheet

The total capital ratio increased in 2022 by 66 basis points to 15.84%. This result was driven by the annual 18.1% growth rate of total capital outpacing the annual 13.2% growth rate of total risk weighted assets held by the organization. Total capital continues to be strong, well above internal policy targets and well above regulatory requirements.



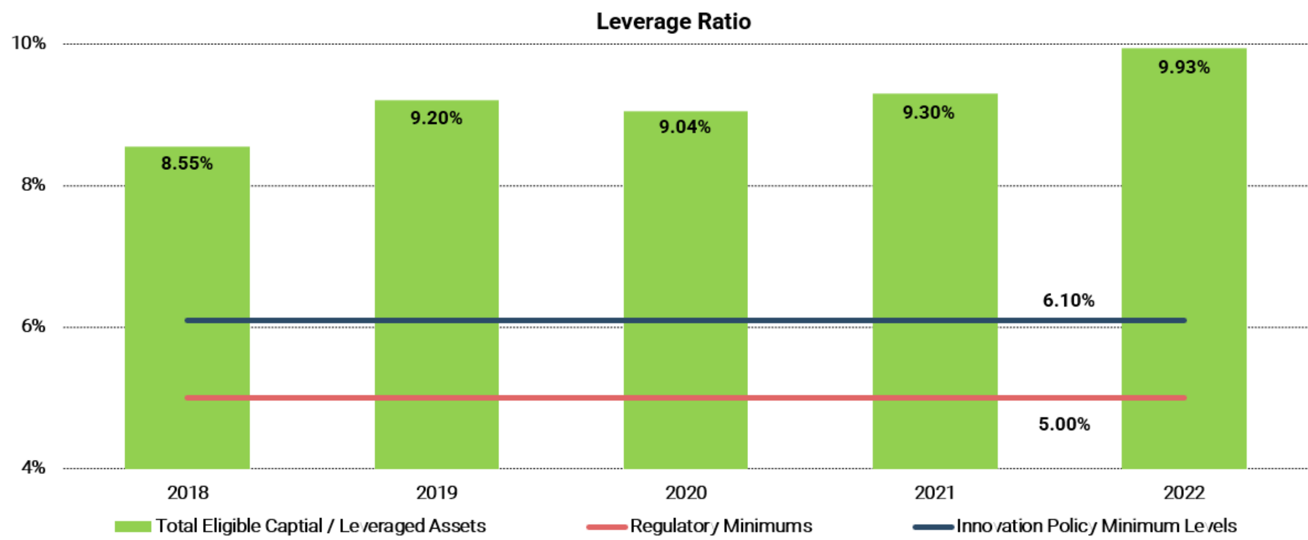
The final capital adequacy ratio focuses on total eligible capital in relation to total leverage exposures. This ratio is commonly referred to as the leverage ratio. Total leverage assets include on-balance sheet assets less deductions from capital along with specified off-balance sheet items such as the undrawn balances on approved loans and letters of credit.

Table 35: Leverage Ratio

			Change	
	2022	**2021**	**$**	**%**
Total Capital	342,519,169	290,032,046	52,487,123	18.1%
Leverage Exposure	3,447,964,037	3,118,469,819	329,494,218	10.6%
Leverage Ratio	**9.93%**	**9.30%**		

The total leverage ratio improved in 2022 by 63 basis points to 9.93%. This result was driven by the 18.1% pace of growth in total capital exceeding the 10.6% pace of growth in the leverage exposure. From a historic perspective, the 2022 results continue to trend far above internal policy targets and regulatory minimum standards.

Financial Review – Balance Sheet



Saskatchewan Credit unions that are not in compliance with the standards and expectations as set forth by the provincial regulator, CUDGC, may face necessary actions including but not limited to:

- reducing or restricting the credit union's authorities and limits
- subjecting the credit union to preventive intervention
- issuing a compliance order
- placing the credit union under supervision or administration
- issuing an amalgamation order

Enterprise Risk Management

As a financial institution, Innovation is exposed to a wide variety of risks. As a result, the credit union must properly measure and assess the existing and the potential risks to ensure it is adequately prepared to serve our members and communities now and in the future. The enterprise risk management (ERM) process is mandated by CUDGC as a requirement for all credit unions in Saskatchewan. The CUDGC ERM approach is used for the identification, measurement and monitoring of risks. Innovation has a structured ERM framework designed to not only manage its existing risks, but to anticipate potential changes that may negatively affect the organization.

Risk Governance

Innovation risk governance provides the oversight structure to ensure an appropriate risk framework with supporting risk policies/procedures/practices and a defined risk appetite have been implemented. It provides the organization clear levels of authority and specific responsibilities for risk decisions. The following groups and committees have the authority and responsibility for risk decisions within Innovation.

Board of Directors:

- Approve risk policies, the overall risk appetite, and oversees execution of our ERM program by management
- Monitor overall risk profile, key and emerging risks and risk management activities
- Review and assess the impact of business strategies, opportunities, and initiatives regarding the overall risk position

Risk Committee and the Audit and Conduct Review Committee of the Board:

- Responsible for Innovation's Risk Management framework.
- Monitors major risks and recommends acceptable risk levels to the board
- Reviews the appropriateness and effectiveness of risk management and compliance practices
- Provides oversight of external and internal audit functions

Executive Management:

- Implements strategies and policies approved by the board
- Develops processes that identify, measure, monitor and control risks
- Co-ordinates the completion and documentation of board and operating policy and procedures
- Co-ordinates the strategic and operational planning process

Enterprise Risk Committee (ERC)

- Ongoing review and assessment of current risks
- Identification of possible new risks
- Measurement of risk by analysis in terms of probability, and impact in the context of current controls and strategies as operationally implemented
- Evaluation and prioritization of risks
- Implementation and monitoring of risk control strategies including development of remediation strategies as well as action plan treatments
- Monitoring and reviewing the effectiveness of the risk management system

Credit Management Committee (CMC)

- Oversees, at the leadership and operational level, management of Innovation's loan portfolio.
- Ensures the efficient and effective management of Innovation's loan portfolio, consistent with direction from the Enterprise Risk Committee, with Innovation's risk appetite, and with applicable regulatory standards.
- Implements practices and procedures to identify, monitor and mitigate credit risk.
- Ensures those practices and procedures are designed to maintain operational viability and to safeguard Innovation's credit portfolio.

Internal Audit, Compliance and ERM areas:

These specialized areas each have a direct channel to report to the Risk Committee and the Audit and Conduct Committee of the Board.

- Monitor compliance with policy and procedure and assess the adequacy of controls
- Provide independent and objective assurance on the effectiveness of risk management and control processes to management and the respective Committees of the Board
- Oversee enterprise-wide management of risk and compliance throughout the organization

Strategic Financial Management Committee (SFM):

- Establishes market and liquidity risk policies and oversees related programs and practices
- Monitors overall market and liquidity risk profile, key and emerging risk exposures and risk management activities
- Monitors compliance with market and liquidity risk policies
- Establishes balance sheet operational strategies with a focus on achieving financial targets, managing marketing and liquidity risk, and optimizing the use of capital

Corporate Finance:

- Establishes capital management policies and oversees related strategies and practices
- Monitors capital and liquidity position
- Establishes pricing policies and tools

Significant Risk Areas

Seven categories of risk were identified as significant to Innovation, and they are as follows:

A. Strategic Risk

Strategic risk is the risk that adverse business decisions, ineffective or inappropriate business plans or failure to respond to changes in the competitive environment, customer preferences, product obsolescence or resource allocation will impact our ability to meet our objectives. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve these goals, the resources deployed against these goals and the quality of implementation.

Key Strategic Risks

Strategic risk is inherent in providing products and services to consumers. The Board direction and how it is translated into day-to-day activities must be compatible with what the consumer wants. Products and services must be competitive and profitable, and resources must be used appropriately for Innovation to be successful.

Strategic Risk Management
Innovation has annual strategic planning sessions for the Board and Executive Management. Strategic objectives, performance measures and key initiatives are identified and form part of the balanced scorecard which is communicated to all staff and used to measure organizational performance. Strategies are regularly reviewed and adapted as necessary due to the changing financial environment. Management is responsible to execute business plans and quarterly progress reports track performance.

B. Market Risk
The balance sheet of Innovation is subject to market risk, which is defined as the potential for change in the market value of rate sensitive assets and rate sensitive liabilities. Risk can arise from adverse changes in interest rates, credit spreads, foreign exchange rates and other relevant parameters, such as market volatility.

Key Market Risks
The key risk in this category are market changes and other specific risks including price risk, interest rate risk, foreign exchange risk and derivatives risk which can impact the credit union's financial strength. At Innovation, market risk primarily arises from movements in interest rates, and is caused specifically from timing differences in the re-pricing of assets and liabilities, both on and off statement of financial position.

Market Risk Management
Effective management of market risk includes documented policies which address roles and responsibilities, delegation of authority and limits, risk measurement and reporting, valuation, and back testing, hedging policies and exception management. Some elements of market risk management have been discussed in other parts of this report. Market risk exposure limits have been set in Innovation policy; methods of scenario and stress testing are carried out to determine if the limits are exceeded. The corporate finance department is responsible for reporting on and monitoring market risk, with oversight by the Audit and Conduct Committee of the Board. Corporate finance monitors market risk exposure by measuring the impact of interest rates on the financial position and earnings through several models and tests given various interest rate scenarios. Derivatives are utilized to manage market risks, such as economic value of equity and change in net interest income.

C. Liquidity Risk
Liquidity risk is the potential inability to meet obligations, such as liability maturities, deposit withdrawals, or funding loans without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.

Key Liquidity Risks
Liquidity risk falls into three categories: Mismatch – the risk that the demand for repayment of deposit obligations will outstrip the capacity to raise new liabilities or liquidate assets. Contingent – the risk of not having sufficient funds to meet future sudden and unexpected short-term obligations. Market – the inability to sell assets at or near fair market value. The key risk identified in this area is if liquidity restraints impact member service, financial strength, and reputation.

Liquidity Risk Management
Innovation uses a variety of sources to fund operating requirements, such as: member deposits, cash and securities, lines of credit and corporate borrowings, sale of assets through securitization and syndication and provincial and national statutory liquidity programs. Some of these sources of funds are immediate and some require more long-term planning.

The elements of liquidity risk management are similar to the other risk categories already discussed. Effective management of liquidity involves policies, limits, reporting and proactive management. Liquidity policies and limits are well documented at Innovation. The liquidity risk management plan is updated annually and presented to the Board. Corporate finance measures and monitors available liquidity daily, weekly, and forward over a twelve-month time horizon. The Audit and Conduct Committee of the Board receives quarterly reports on the liquidity position and sets operating targets. The Board also receives regular reports on liquidity.

D. Credit Risk

Credit risk refers to the inability of the organization to deal with adjudication, asset quality and asset growth challenges affecting its ability to fulfill the credit union mandate. Credit risk arises from a counterparty's potential inability or unwillingness to fully meet its on and/or off-balance sheet contractual obligations.

Key Credit Risks
At Innovation, credit risk comes primarily from our direct lending activities and to a lesser extent, our holdings of investment securities. Individual risks identified in this category are default risk, portfolio concentration risk, inadequate allowance risk, and policy exceptions risk. The key risk is that asset impairments could impact financial strength.

Credit Risk Management
Credit risk management focuses on underwriting and pricing loans according to their risk and ensuring the overall portfolio is well diversified. There are five parts to credit risk management including policy, credit granting, monitoring and exposure, portfolio management and audit.

Tolerances and lending practices are set by Board and operating policy and procedure. Review and revision of lending policy and procedures is done on an ongoing basis with regular reviews and updates.

Credit granting includes analysis, pricing, terms, and documentation of lending. Loan pricing tools are in place to support lenders in pricing decisions. Consistent lending documentation is used by all Innovation Advice Centres.

Reports based on North American Industry Classification System (NAICS) codes are used to monitor exposure by industry.

The Audit and Conduct Committee and the board committee meet on a quarterly basis and review liquidity and capital risk as well as financial results on a quarterly basis.

The internal audit department carries out credit review as part of their regular, ongoing audit plan.

E. Legal & Regulatory Risk

Legal and regulatory compliance risk is the risk associated with the failure to meet legal obligations from legislative, regulatory, or contractual perspectives, the risk associated with failing to obtain and/or enforce contractual commitments from third parties, and the risk associated with intentional or unintentional employee or director misconduct that creates liability for Innovation.

Key Legal & Regulatory Risks

As a financial institution, Innovation operates in a heavily regulated environment. In addition, each of the industries that our subsidiary companies operate in has their own specific regulatory requirements. As a business operating within Saskatchewan, we are also subject to all provincial and federal legislation applicable to our operations, such as labour and anti-money laundering laws. Key risk in this category is that compliance failures impact operational effectiveness, member service and Innovation's reputation.

Legal & Regulatory Risk Management

Governance, policy and procedures and awareness aid Innovation in complying with laws and regulations, and therefore, are effective ways to manage legal and regulatory risk. Innovation has established compliance functions that provide an oversight role to ensure that operational areas are aware of applicable laws and regulations. The compliance functions are also responsible to co-ordinate reporting to the Risk Committee of the Board on compliance.

There are specific departments that are responsible for creating and updating operating policy and procedures. These departments are responsible to make sure that policy and procedures take into consideration all applicable legal and regulatory parameters.

All departments are knowledgeable in the regulations that pertain to their areas. In some cases, third party expertise is used through contracted services. For example, Concentra Trust is our resource for trust and estate services and is the administrator of our registered products. The governance area also provides support to Innovation in regulatory matters and external legal advice is sought when necessary.

F. Reputation Risk

Reputation risk is where negative perception jeopardizes Innovation's credibility, achievement of business goals and strategic objectives, or ability to maintain the credit union as a preeminent financial institution. A risk of loss resulting from damages to an organization's reputation, in lost revenue, increased operating, capital or regulatory costs.

Reputation Risk Management

Reputation risk is defined as the risk resulting from changes in the credit union's reputation resulting from ethics, safety, security, sustainability, quality, or innovation which may result in lost revenue, increased operating, capital or regulatory costs, or destruction of shareholder value. It is inherent in everything that Innovation does, including the relationships it develops with third parties. It is generally thought of as a second order risk – i.e., a risk that results from an actual failure or perceived failure in one of the other risk categories.

Oversight of reputational risk management is the responsibility of the Board and the Community and Member Relations Committee. In addition, the Business Continuity Management Program has been established to address potential reputational risks that could arise from an event. The program includes a Business Continuity Plan, Pandemic Plan, Business Resumption Plans, Disaster Recovery Plan, and a Crisis Communication Plan.

G. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk. The risk of loss resulting from people includes, for example, operational risk events relating specifically to internal or external fraud, non-adherence to internal procedures, values, objectives, or unethical behaviour more broadly.

Key Operational Risks (Taxonomy)

The purpose of an operational risk taxonomy is to provide the identification and assessment of operational risk in an organized and consistent manner. These risks are deemed critical and could affect the organization's objectives. The following taxonomy has been adopted by Innovation.

- People: Human resource management risks include ensuring the ability to attract and retain a highly engaged, diverse, talented, and trained workforce. This includes monitoring for fraudulent or unsafe practices as well as adherence to all labour and compliance standards.
- Information Communication Technology: Information Communication Technology (ICT) risk includes threats and opportunities regarding the capacity and sustainability. Monitoring and managing risks for both the internal and member-facing ICT environment, including cyber security, are the basis of operational risk management.
- Outsourcing: Outsourcing (third party management) risk arises from adverse events and risk concentrations due to failures in vendor selection, insufficient controls, and oversight over a vendor and/or services provided by a vendor and other impacts to the vendor. The Outsourcing Risk Management Program consists of three elements: vendor management, the service level agreement and billing accuracy.
- Business Intelligence: The risk of incomplete or inaccurate collection and analysis of business information. Data integrity, reporting relevance and timeliness are of key concern.
- Business: Key operational business risks are processes, products, effectiveness, disruption, external fraud, and records management. All change management processes will also be reviewed.
- Growth: There is a close relationship between operational processes and the ability for the credit union to grow. This relationship is analyzed comparing the operational friction versus the growth mandate. Key metrics of growth include members, loans, and deposits.
- Financial Metrics: Financial Metrics are a key indicator of credit union health. If certain metrics are outside of acceptable standards, and this variance is the result of operational issues, the operations need to be reviewed and appropriate controls put into place.
- Legal/Regulatory: Legal risk could materialize in any of the operational risk categories. Innovation may be the subject of a claim or proceedings alleging non-compliance with legal or statutory responsibility and/or losses allegedly due to inaccurately drafted contracts.

Enterprise Risk Management

Operational Risk Management
Innovation has implemented a formal operational risk process. Accountability for the management of operational risk is a key component of the Innovation operational risk program. The basis is the use of the three lines of defence structure.

The first line of defence is responsible for planning, directing, and controlling the day-to-day operations of significant activity/enterprise-wide processes and for identifying and managing the inherent operational risks in products, activities, processes, and systems for which it is accountable.

The second line of defence designs and implements the operational risk management framework. Oversight activities include the identification, measurement, monitoring and reporting operational risk on an enterprise basis. The second line of defence provides an objective assessment of the business line inputs to and the outputs from Innovation risk management and establishes appropriate reporting tools to ensure reasonable assurance.

The third line of defence provides objective review and testing of Innovation operational risk management controls, processes, systems, and the effectiveness of the first and second line of defence functions. It is separate from both the first and second lines of defence and the internal audit function is charged with the third line of defence.

INNOVATION CREDIT UNION

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

Deloitte LLP
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Canada

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Independent Auditor's Report

To the Members of
Innovation Credit Union

Opinion

We have audited the consolidated financial statements of Innovation Credit Union (the "Credit Union"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS 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 GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Deloitte LLP

Chartered Professional Accountants
March 30, 2023

INNOVATION CREDIT UNION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	Note		2022		2021
ASSETS					
Cash and cash equivalents	4	$	**123,887,520**	$	205,631,871
Investments	5		**429,772,798**		502,086,564
Loans	6		**2,663,841,181**		2,254,222,137
Accounts receivable	5		**35,347,101**		4,637,570
Prepaid expenses			**13,565,219**		2,641,397
Derivative assets	8		**1,997,399**		1,027,697
Property and equipment	9		**12,971,631**		14,054,126
Investment property	9		**1,081,599**		1,154,617
Right of use assets	10		**374,096**		562,032
Intangible assets	11		**1,562,563**		8,470,314
Income taxes receivable			**891,380**		3,204,698
Deferred income tax asset	22		**13,738,941**		14,569,151
		$	**3,299,031,428**	$	3,012,262,174
LIABILITIES					
Deposits	12	$	**2,850,292,042**	$	2,607,750,225
Securitized borrowings	14		**80,492,082**		96,460,598
Accounts payable and accrued liabilities			**19,210,039**		7,749,990
Derivative liabilities	8		**248,697**		341,227
Lease liabilities	10		**395,886**		585,748
Deferred income tax liabilities	22		**3,404,697**		256,320
Deferred revenue			**414,085**		432,545
Membership shares and distributions	16		**27,484,745**		26,539,860
			2,981,942,273		2,740,116,513
Commitments	21				
EQUITY					
Retained earnings including contributed surplus			**317,089,155**		272,145,661
			317,089,155		272,145,661
		$	**3,299,031,428**	$	3,012,262,174

The accompanying notes are an integral part of the consolidated financial statements

APPROVED BY THE BOARD

DocuSigned by: Russ Siemens 078A8951A79040C .... Director Russ Siemens

DocuSigned by: Mike Davis 4C445BE638284A5 .... Director Chair, Audit and Finance Committee

INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended December 31, 2022

	Note	2022	2021
INTEREST INCOME			
Loans		$ 105,789,979	$ 78,507,872
Investments		42,061,446	8,343,326
Derivative instruments		262,923	-
		148,114,348	86,851,198
INTEREST EXPENSE			
Deposits		27,012,353	15,303,187
Borrowings		2,194,003	2,163,695
Member distributions	16	3,344,504	1,915,299
Derivative instruments		-	169,196
		32,550,860	19,551,377
REALIZED GAIN ON FVTPL INVESTMENTS		1,455,980	1,141,924
NET INTEREST INCOME BEFORE CREDIT LOSSES		117,019,468	68,441,745
PROVISION FOR CREDIT LOSSES	7	3,352,470	7,350,429
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES		113,666,998	61,091,316
UNREALIZED (LOSS) GAIN ON FVTPL INVESTMENTS		(793,763)	567,674
UNREALIZED GAIN ON DERIVATIVE INSTRUMENTS		1,062,232	855,253
OTHER INCOME	15	14,886,029	17,083,639
NET INTEREST AND OTHER INCOME		128,821,496	79,597,882
OPERATING EXPENSES			
Personnel		44,256,491	38,905,405
Security		2,571,517	2,489,558
Organizational		888,053	812,477
Occupancy		3,804,340	3,852,356
General business		27,465,796	21,078,583
		78,986,197	67,138,379
INCOME BEFORE PROVISION FOR INCOME TAXES		49,835,299	12,459,503
PROVISION FOR (RECOVERY OF) INCOME TAXES			
Current	22	913,218	(15,270)
Deferred	22	3,978,587	1,656,051
		4,891,805	1,640,781
NET INCOME AND COMPREHENSIVE INCOME		$ 44,943,494	$ 10,818,722

The accompanying notes are an integral part of the consolidated financial statements

INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended December 31, 2022

	Note	2022	2021
RETAINED EARNINGS INCLUDING CONTRIBUTED SURPLUS			
Balance, beginning of year		**$ 272,145,661**	$ 261,326,939
Net income		**44,943,494**	10,818,722
Balance, end of year		**$ 317,089,155**	$ 272,145,661

The accompanying notes are an integral part of the consolidated financial statements

INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended December 31, 2022

	Note	2022	2021
OPERATING ACTIVITIES			
Net income		$ **44,943,494**	$ 10,818,722
Adjustments for non-cash items:			
Net interest income before credit losses		**(117,019,468)**	(68,441,745)
Provision for credit losses	7	**3,352,470**	7,350,429
Unrealized gain on financial instruments		**(268,469)**	(1,422,927)
Gain on disposal of property and equipment		**(122,000)**	(11,713)
Depreciation - property and equipment	9	**2,117,770**	2,270,104
Depreciation - right of use assets	10	**193,077**	173,615
Depreciation - investment property	9	**73,018**	73,016
Amortization - intangible assets	11	**291,596**	655,622
Current income tax (recovery) expense	22	**913,218**	(15,270)
Deferred income tax expense	22	**3,978,587**	1,656,051
Changes in non-cash working capital			
Loans		**(410,287,532)**	(237,992,133)
Accounts receivable		**228,704**	4,031,416
Prepaid expenses		**(3,159,379)**	(874,889)
Deposits		**236,173,513**	50,736,284
Securitized borrowing		**(15,968,516)**	(46,016,842)
Accounts payable and accrued liabilities		**11,460,049**	(6,720,476)
Deferred revenue		**(18,460)**	(16,747)
Dividends received		**1,614,513**	1,650,123
Interest received		**112,798,284**	88,669,767
Interest paid		**(22,838,052)**	(22,642,721)
Income taxes received		**1,400,100**	3,388,462
		(150,143,483)	(212,681,852)
INVESTING ACTIVITIES			
Net change in investments		**73,055,317**	265,372,548
Purchase of property and equipment	9	**(1,187,735)**	(1,367,146)
Proceeds from disposal of property and equipment		**274,460**	50,932
Purchase of intangible assets	11	**(1,148,288)**	(4,472,507)
		70,993,754	259,583,827
FINANCING ACTIVITIES			
Repayment of lease liabilities	10	**(195,003)**	(169,695)
Membership distributions paid		**(2,403,704)**	(2,155,731)
Increase in membership shares		**4,085**	4,295
		(2,594,622)	(2,321,131)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(81,744,351)**	44,580,844
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**205,631,871**	161,051,027
CASH AND CASH EQUIVALENTS, END OF YEAR		$ **123,887,520**	$ 205,631,871

The accompanying notes are an integral part of the consolidated financial statements

1. REPORTING ENTITY

Innovation Credit Union and its subsidiaries (collectively the "Credit Union") is a credit union domiciled in Canada. The address of the Credit Union's registered office is 198 1st Avenue NE, Swift Current, Saskatchewan. The Credit Union is a financial service provider.

The Credit Union was continued pursuant to *The Credit Union Act, 1998* of the Province of Saskatchewan, and operates 25 (2021 – 25) Credit Union advice centers. The Credit Union serves members and non-members in North Battleford, Swift Current, Meadow Lake and surrounding areas. In accordance with *The Credit Union Act, 1998*, Credit Union Deposit Guarantee Corporation ("CUDGC"), a provincial corporation, guarantees the repayment of all deposits held in Saskatchewan credit unions, including accrued interest.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

The consolidated financial statements for the year ended December 31, 2022 were authorized for issue by the Board of Directors (the "Board") on March 30, 2023.

The consolidated financial statements have been prepared using the historical cost basis unless otherwise noted in the significant accounting policies. The consolidated financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below. These accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

Use of Estimates, Key Judgments and Assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and disclosure of contingent assets and contingent liabilities at the date of these consolidated financial statements as well as the reported amounts of income and expenses during the reporting year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates, Key Judgments and Assumptions (continued)

Accordingly, actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate was revised and in any future years affected.

The most significant uses of judgments, estimates and assumptions are as follows:

a) Valuation of Financial Instruments

The Credit Union determines the fair value of financial instruments for which there is no observable market price using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. The judgments include consideration of liquidity and other risks affecting the specific instrument.

b) Determination of Allowance for Credit Losses

The Credit Union measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for debt investments that are determined to have low credit risk at the reporting date, and loans where credit risk has not increased significantly since their initial recognition. The measurement of loss allowances on loans is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior. A number of significant judgments are also required in applying the account requirements for measuring the ECL, such as:

- Determining criteria for significant increase of credit risk: IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Credit Union takes into account qualitative and quantitative reasonable and supportable information.
- Choosing appropriate models and assumptions: The Credit Union uses various models and assumptions in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates, Key Judgments and Assumptions (continued)

c) Determination of Allowance for Credit Losses (continued)

- When measuring ECL the Credit Union uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers.
- Probability of default ("PD"): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, and assumptions/expectations of future conditions.
- Loss Given Default ("LGD"): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect the receive, taking into account cash flows from collateral.

d) Securitized Borrowings

The Credit Union securitizes groups of assets by selling them to an independent special purpose or qualifying special purpose entity ("SPE") or trust. Such transactions create liquidity for the Credit Union and release capital for future needs. As the Credit Union remains exposed to credit risk, the underlying loans have not been derecognized and are reported in the Credit Union's consolidated statement of financial position as secured borrowings. Securitized loans are derecognized from the consolidated statement of financial position when substantially all the risks and rewards of ownership are transferred to the SPE. Judgment is required in making this determination.

e) Property and Equipment

Depreciation methods, useful lives and residual values require estimation and are reviewed annually and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates, Key Judgments and Assumptions (continued)

f) Investment property

Investment property consists of land and buildings held to earn rental income. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Property held for use in the supply of service to members or for administrative use that has a portion that earns rental income is allocated between investment property and property and equipment, based on the floor space usage.

Depreciation is recorded in occupancy expense in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful life, commencing in the month the asset becomes available for use. The estimated useful lives of investment property are determined on the same basis as those of property and equipment above. Depreciation methods, residual values and estimates of useful lives are reviewed annually.

g) Intangible Assets

Amortization methods, useful lives and residual values require estimation and are reviewed annually and adjusted if appropriate.

h) Impairment of Non-Financial Assets

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets. These are called CGUs and the allocation of assets to CGUs requires estimation and judgment.

An impairment loss is recognized immediately in profit and loss if the carrying amount of an asset or a CGU exceeds its recoverable amount. There is estimation uncertainty in the determination of the recoverable amounts for CGUs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates, Key Judgments and Assumptions (continued)

h) Impairment of Non-Financial Assets (continued)

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed immediately through profit and loss if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

i) Classification of Financial Assets

Business Model Assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Credit Union's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated;
- the stated objective for managing the financial asset, frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates, Key Judgments and Assumptions (continued)

i) Classification of Financial Assets (continued)

Assessment whether contractual cash flows are solely payments of principal and interest

In assessing whether the contractual cash flows are solely payments of principal and interest, the Credit Union considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. Examples of events that could change the amount and timing of cash flows are leverage features, prepayment and extension terms, terms that limit the Credit Union's claim to cash flows from specified assets and features that modify consideration of the time value of money.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Credit Union and its subsidiaries. Assets, liabilities, income and expenses of subsidiaries are included in the consolidated financial statements after eliminating inter-company transactions and balances.

Subsidiaries are entities controlled by the Credit Union. Control is achieved where the Credit Union has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Included in the consolidated financial statements is Innovative Holdings Inc. and Innovation Wealth Ltd., both subsidiaries headquartered in Swift Current, Saskatchewan in which the Credit Union holds 100% of the voting rights.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognized when the Credit Union becomes a party to the contractual provisions of the instrument.

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Classification and Subsequent Measurement

a) Financial assets: debt instruments

Financial assets which meet the definition of debt, including loans, certain investments and derivatives are classified into one of the following measurement categories:

- Amortized cost; or
- FVOCI; or
- FVTPL

Debt instruments may be designated at FVTPL upon initial recognition if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise. For all other debt instruments, classification is determined based on an assessment of: (i) the business model under which the asset is held; and (ii) the contractual cash flow characteristics of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and subsequent measurement (continued)

The Credit Union does not hold debt instruments measured at FVOCI.

ai) Debt instruments measured at amortized cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent strictly payments of principal and interest (SPPI). After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization of premiums, discounts and other transaction costs is included in interest income in the consolidated statement of comprehensive income.

Impairment of debt instruments measured at amortized cost is calculated using the expected credit loss (“ECL”) approach. Debt instruments, including loans and certain investments are presented net of the related allowance for impairments on the consolidated statement of financial position.

aii) Debt instruments measured at FVTPL

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis, assets whose cash flows do not represent payments that are SPPI, and assets which are designated as such at initial recognition. These instruments are measured at fair value in the consolidated statement of financial position, with transaction costs recognized immediately in the consolidated statement of comprehensive income. Realized and unrealized gains and losses are recognized as part of realized and unrealized gains on FVTPL investments and derivatives in the consolidated statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

b) Financial assets: equity instruments

Financial assets which meet the definition of equity are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase.

For equity instruments measured at FVTPL, changes in fair value are recognized as part of the consolidated statement of comprehensive income.

The Credit Union can elect to classify non-trading equity instruments at FVOCI. This election will be used for certain equity investments for strategic or longer-term investment purposes. The FVOCI election is made upon initial recognition, on an instrument-by-instrument basis and once made is irrevocable. Both realized and unrealized gains and losses on these instruments are recorded in OCI and are not subsequently reclassified to the consolidated statement of comprehensive income. Dividends received are recorded in interest income in the consolidated statement of comprehensive income. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the consolidated statement of comprehensive income on sale of the security.

c) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities may be designated at FVTPL when one of the following criteria is met:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial liabilities at FVTPL are measured at fair value with changes in fair value being recognized in the consolidated statement of comprehensive income. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

With the exception of its derivative financial instruments which are FVTPL, the Credit Union’s holdings in financial liabilities are classified as measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

d) Derecognition

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or when the Credit Union has transferred substantially all the risks and rewards of ownership of the assets.

Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Credit Union derecognizes the transferred asset only if it no longer controls the asset. Control is represented by the practical ability to sell the transferred asset without the need to impose additional restrictions. If the Credit Union retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement. When a financial asset is derecognized in full, a gain or loss is recognized in net income for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received, including any new assets and/or liabilities recognized.

Financial liabilities are derecognized when the associated obligation has been discharged, cancelled, or otherwise extinguished.

e) Derivative Financial Instruments

The Credit Union enters into derivative transactions to manage interest rate risk. The Credit Union also enters into derivative transactions on an intermediary basis on behalf of its members. The Credit Union does not have a trading program for derivatives.

Derivative financial instruments are classified as FVTPL and measured at fair value in the consolidated statement of financial position. Changes in fair value are included in the consolidated statement of comprehensive income within unrealized gain on derivatives instruments.

f) Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. The Credit Union has embedded derivatives that require bifurcation in its index-linked deposit products.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

g) Fair value of financial instruments

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Fair values are determined, where possible, by reference to quoted bid or asking prices in an active market. In the absence of an active market, the Credit Union determines fair value based on internal or external valuation models, such as discounted cash flow analysis or using observable market-based inputs (bid and ask price) for instruments with similar characteristics and risk profiles.

The Credit Union classifies fair value measurements of financial instruments recognized in the consolidated statement of financial position using the following three-tier fair value hierarchy, which reflects the significance of the inputs used in measuring fair value as follows:

- Level 1: Quoted market prices (unadjusted) are available in active markets for identical assets or liabilities; and
- Level 2: Fair value measurements are derived from inputs other than quoted prices that are included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Fair value measurements derived from valuation techniques that include significant unobservable inputs.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy. See Note 19 for further discussion on the classification and fair value of financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

h) Financial asset impairment

The Credit Union establishes an allowance for credit losses for the following categories of financial assets that are not measured at FVTPL:

- Financial assets at amortized cost; and
- Undrawn lending commitments.

hi) Expected credit loss ("ECL") impairment model

The Credit Union uses an ECL methodology to measure impairment of its financial instruments. ECLs reflect the present value of all cash shortfalls related to default events which may occur over a specified period of time. The Credit Union's allowance for credit losses are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The allowances reflect an unbiased, probability-weighted outcome which considers multiple scenarios, based on reasonable and supportable forecasts.

The Credit Union's ECL impairment model measures loss allowances using a three-stage approach based on the change in credit risk since origination:

- 12-month ECL (Stage 1) – Where there has not been a significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12 months ECL is recorded. The ECL is computed using a probability of default occurring over the next 12 months.
- Lifetime ECL not credit-impaired (Stage 2) – When a financial instrument experiences a significant increase in credit risk subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of ECL based on the probability of default over the remaining estimated life of the financial instrument.
- Lifetime ECL credit-impaired (Stage 3) – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime ECLs.

Financial assets may migrate forward or backward through the three stages as their credit risk deteriorates or improves. When measuring ECLs, the Credit Union considers the maximum contractual period over which it is exposed to credit risk (expected life). All contractual terms are considered when determining the expected life, including prepayment and extension options.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

hii) Model parameters

The following variables represent the key inputs in the Credit Union's ECLs:

- 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 in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral.
- Exposure at Default ("EAD") – an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and expected drawdowns on committed facilities.

These parameters are generally derived from the Credit Union's own historical loss data by major asset class.

hiii) Significant increase in credit risk

At each reporting date, the Credit Union assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. In making this assessment, the Credit Union considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Credit Union allocates its loans to a relevant credit risk grade depending on their credit quality. The quantitative information is primary indicator of significant increase in credit risk and is based on the change in lifetime PD. Significant increase in credit risk is evaluated based on the risk rating migration of the exposures with consideration of forward-looking macroeconomic factors.

For corporate lending there is a particular focus on assets that are included on a 'watch list', given an exposure is on a watch list once there is a concern that the creditworthiness of the specific

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

counterparty has deteriorated. For retail lending the Credit Union considers the credit score changes of its members and events such as bankruptcy.

There is a rebuttable presumption that the credit risk of the financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days overdue. The Credit Union currently does not rebut this presumption.

hiv) Forward-looking information

The measurement of ECLs for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

In its models, the Credit Union relies on forward-looking macroeconomic factors, such as the Government of Canada bond rates, unemployment rates and real GDP.

The Credit Union utilizes multiple probability-weighted scenarios to estimate the forward-looking macroeconomic factors. The Credit Union considers both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Credit Union relies upon forecasts generated by an external vendor.

The external vendor provides multiple forecasted scenarios which are then assessed and probability-weighted by the Credit Union using judgment.

Typically, the Credit Union will probability-weight the “base case” scenario most heavily as it represents the most likely outcome and is aligned with information used by the Credit Union for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

The economic scenarios used in the determination of ECLs at December 31, 2022 include the following ranges of macroeconomic factors:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

	12 Month Average Forecast			5 Year Average Forecast		
% Change [1]	Base Case	Best Case	Worst Case	Base Case	Best Case	Worst Case
3 Month GOC Bond Rate	77.83%	121.73%	-54.99%	7.29%	21.30%	-3.43%
3 Month BA Rate	68.37%	103.50%	-40.56%	6.01%	17.51%	-3.66%
Unemployment Rate	6.18%	5.11%	7.41%	5.48%	4.68%	6.84%
Housing Price Index (HPI)	-8.21%	1.02%	-16.63%	-0.80%	2.48%	-2.95%

[1] The % change represents the change in the macro economic factor as a % difference from the most recent publicly available results as of December 31, 2022

The sensitivity of ECLs to future economic conditions is measured by assuming each forward-looking scenario (i.e. baseline, upside and downside) were weighted 100% instead of applying scenario probability weights across the three scenarios. The resulting increase (decrease) in the allowance for credit losses arising under these range of scenarios for the year ended December 31, 2022 would be $357,778 to ($189,976) (2021 - $31,762 to ($128,361)).

hv) Modified financial assets

If the terms of a financial asset are modified, the Credit Union evaluates whether the cash flows of the modified instrument are substantially different by comparing the present value of the original cash flows to the revised cash flows discounted at the effective interest rate. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial instrument are deemed to have expired. In this case, the original financial asset or liability is derecognized and a new financial asset or liability is recognized in the consolidated statement of financial position at fair value.

If the cash flows of the modified financial instrument carried at amortized cost are not substantially different, then the modification does not result in derecognition and the gross carrying amount of the asset or liability is adjusted to match the present value of the revised contractual cash flows. The difference between the original and revised gross carrying amount is recognized as a modification gain or loss in the consolidated statement of comprehensive income.

If such a modification is carried out on a credit-impaired (Stage 3) loan, then the gain or loss is included within the provision for credit losses. In all other cases, it is recorded as other income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

hvi) Definition of default

The Credit Union considers a financial instrument to be in default (Stage 3) as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- Significant financial difficulty of the borrower;
- High probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- Measurable decrease in the estimated future cash flows from the loan or value of the underlying collateral.

In addition to these observable indicators, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due. The Credit Union does not currently rebut this presumption except for certain insured loans where, due to the strength of the underlying credit enhancement, it is reasonably certain that collection efforts will result in a full recovery of the defaulted loan.

hvii) Write-off policy

The Credit Union writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may occur earlier. In subsequent periods, any recoveries of amounts previously written off are credited to the net provision for credit losses in the consolidated statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid securities with an original maturity of less than or equal to three months. They are subject to insignificant risk of changes in fair value and are used to manage short-term cash commitments. Cash and cash equivalents are carried at amortized cost on the consolidated statement of financial position.

Loans

Loans are measured initially at fair value plus transaction costs, and subsequently at amortized cost using the effective interest method, less any impairment losses. All loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Property and Equipment

Property and equipment are reported at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognized in profit and loss and is calculated using the straight-line method over the estimated useful life of the related asset as follows (with the exception of land, which is not depreciated):

Facilities	10 - 40 years
Computer hardware	4 - 8 years
Furniture and equipment	5 years
Automotive	5 years

The estimated useful lives, residual values and depreciation methods are reviewed annually and adjusted if appropriate.

Gains and losses on the disposal or retirement of property and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset and are recorded in profit or loss in the year of disposal or retirement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets

Intangible assets include certain computer software, naming rights and low-cost core deposits arising from stable member relationships obtained through business combinations where the Credit Union is considered the acquirer. All intangibles are initially recorded at cost or at their assessed fair value at the time of the business combination.

All the Credit Union's intangible assets have a finite life, and are amortized using the straight-line method over the useful life of the asset as follows:

Computer software	2 - 10 years
Naming rights	40 years
Core deposits	9 years

Amortization is included in general business expense in the consolidated statement of comprehensive income. The estimated useful lives and amortization methods are reviewed annually and adjusted if appropriate. Gains and losses on the disposal of intangible assets are recorded in profit or loss in the year of disposal.

In determining if a SaaS (Software as a Service) arrangement is eligible for capitalization as an intangible asset, the Credit Union assesses the arrangement to determine if it has control of the software or a specific portion of the software. For those arrangements, or specific portions of arrangements where control does not exist, the Credit Union recognizes any related implementation costs as prepaid expenses or operating expenses as incurred through net income and comprehensive income. Where control exists the costs are capitalized as intangible assets and depreciated over the respective useful lives.

Impairment of Tangible and Intangible Assets

Annually, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of a group of assets (or CGU) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Tangible and Intangible Assets (continued)

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Credit Union estimates future cash flows it expects to derive from the asset or group of assets along with expectations about possible variations in the amount and timing of those cash flows. The estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of a CGU is estimated to be less than the carrying amount, the carrying amount of the asset or assets within a CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount. The increased carrying amount will not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Income Taxes

Income tax expense comprises of current and deferred income tax. Current and deferred income taxes are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between financial statement carrying amounts and amounts used for taxation purposes. These amounts are measured using enacted or substantively enacted tax rates at the reporting date and re-measured annually for rate changes. Deferred income tax assets are recognized for the benefit of the deductions available to be carried forward to future periods for tax purposes to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Any effect of the re-measurement or re-assessment is recognized in the year of change, except when they relate to items recognized directly in other comprehensive income.

Deferred income taxes are offset when there is a legally enforceable right to offset current tax liabilities against current tax assets, and when they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Credit Union intends to settle its current tax liabilities and assets on a net basis or simultaneously.

Leases

a) As lessor

At inception, the Credit Union classifies a lease which transfers substantially all of the risks and rewards incidental to ownership of the underlying asset as a finance lease. All other leases are classified as operating leases.

When assets are held subject to a finance lease, the Credit Union recognizes a finance lease asset included in loans receivable in the consolidated balance sheet representing its net investment in the lease. Interest income is recognized over the term of the lease using the implicit interest rate, which reflects a constant rate of return.

For operating leases, the Credit Union recognizes lease payments received as income on a straight-line basis over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

b) As lessee

The Credit Union classifies a contract, or component of a contract, as a lease if it conveys a right to control the use of an identifiable asset for a period of time in exchange for consideration. With the exception of certain short-term and low-value leases, the Credit Union recognizes a right-of-use asset and lease liability for all leases at commencement.

Lease liabilities are initially measured at the present value of the lease payments due over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Credit Union's incremental borrowing rate. Lease payments included in the measurement of the lease liability include fixed contractual payments, variable contractual payments based upon a rate or index and any amounts payable with respect to purchase, extension and/or termination options when it is reasonably certain that the Credit Union will exercise the option. Subsequent to initial recognition, lease liabilities are measured at amortized cost using the effective interest method.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability plus initial direct costs and estimated decommissioning costs, less any lease incentives received. Right-of-use assets are subsequently amortized on a straight-line basis over the term of the lease or the estimated useful life of the asset, whichever is shorter.

Revenue Recognition

Interest income is accrued on a time 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. The interest income is calculated by applying the effective interest rate to the gross carrying amount of the non-credit impaired financial assets. For credit-impaired financial assets the interest income is calculated by applying the effective interest rate to the amortized cost of the credit-impaired financial assets.

Other income includes service charges on products, transaction fees, other fees and commissions and insurance fees, which are recognized over the period the services are performed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Membership Equity

Membership shares are classified as financial liabilities in the consolidated statement of financial position in accordance with their terms. All shares are redeemable at the option of the member after one year from the request of membership withdrawal.

Foreign Currency Translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities reflect the exchange rates at the reporting date. Carrying values of non-monetary assets and liabilities that are measured in terms of historical cost reflect the exchange rates at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value are translated to Canadian dollars at the exchange rate at the date that the fair value was determined.

Translation gains and losses are included in other income in the consolidated statement of comprehensive income.

Employee Future Benefits

The Credit Union's employee future benefit program consists of a defined contribution pension plan. A defined contribution plan is a post-employment benefit plan under which the Credit Union pays fixed contributions into a separate entity. The Credit Union has no legal or constructive obligation to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Credit Union contributions to the defined contribution plan are expensed as incurred. Pension benefits of $1,821,020 (2021 - $1,734,934) were paid to defined contribution retirement plans during the year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

COVID-19 Considerations

In response to the COVID-19 pandemic, the Credit Union participated in the following assistance programs provided by the Government of Canada:

- Canada Emergency Business Account ("CEBA"): under the CEBA program, the Credit Union has provided interest-free loans until December 31, 2022 (and at a rate of 5% thereafter), funded by the Export Development Bank of Canada ("EDC"), to existing eligible small business members. As the Credit Union does not retain substantially all the risks and rewards of the financial assets, and all cash flows are passed through to the EDC, these loans are derecognized from the Credit Union's consolidated statement of financial position.

4. CASH AND CASH EQUIVALENTS

	2022	2021
Cash on hand	**$ 10,330,722**	$ 6,143,727
Cash held with SaskCentral	**3,790,882**	11,408,516
Cash held with Concentra Bank	**1,904,497**	10,733,778
Cash held with Central 1	**12,367,703**	-
Cash held with National Bank	**95,493,716**	177,345,850
Total	**$ 123,887,520**	$ 205,631,871

5. INVESTMENTS

The following table provides information on the investments held by the Credit Union.

	2022	2021
Debt Investments (Amortized Cost)		
SaskCentral - Statutory Liquidity Term Pool	$ **26,148,198**	$ 27,364,130
Concentra Bank	**47,959,263**	89,041,860
Central 1 Term Deposits	-	1,588,250
Mortgage-Backed Securities	**8,095,991**	16,964,266
Government Bonds	**6,000,000**	6,000,000
Central 1 (Corporate Bonds)	**14,462,938**	25,003,100
Bank of Nova Scotia	-	9,956,500
RBC Bank	-	10,000,000
Accrued Interest	**535,381**	506,523
Impairment	**(24,598)**	(91,194)
	103,177,173	186,333,435
Debt Investments (FVTPL)		
SaskCentral - Statutory Liquidity Variable Depo	**252,540,540**	234,117,854
Central 1	**34,369,631**	41,516,007
Other	-	5,003,253
Accrued Interest	**267,859**	301,832
Equity Securities (FVTPL)		
SaskCentral Membership Shares	**19,278,471**	18,086,871
Equitable Bank Class A Series 1 Preferred Shar	**1,750,000**	1,750,000
APEX (I,II and III)	**6,215,720**	4,487,412
WestCap	**7,227,620**	6,177,322
WaterCredit	**1,521,146**	1,525,914
Other	**2,891,650**	2,271,531
Accrued Interest	**532,988**	515,133
	326,595,625	315,753,129
Total investments	$ **429,772,798**	$ 502,086,564

The Credit Union's investment securities portfolio is comprised of a large number of investment securities carrying a wide variety of terms, conditions and issuers held for the purpose of liquidity management and effective utilization of excess funds.

Pursuant to Regulation 18(1)(a), Credit Union Central of Saskatchewan ("SaskCentral") requires that the Credit Union maintain 10% of its liabilities using a prescribed formula in specified liquidity deposits in SaskCentral. The regulator of Saskatchewan Credit Unions, CUDGC, requires that the Credit Union adhere to these prescribed limits and restrictions. As of December 31, 2022, the Credit Union met this requirement.

5. INVESTMENTS (continued)

At December 31, 2022, $81,234,776 (2021 - $101,508,547) of debt investments mature more than 12 months after the reporting date.

SaskCentral Membership Shares

Currently the Credit Union holds $19,278,471 (2021 - $18,086,871) in membership shares of SaskCentral. The voting rights, characteristics, and value of membership shares are set out in the bylaws of SaskCentral. Membership shares of SaskCentral carry an issuance and redemption price of $10 per share.

These shares are classified as FVTPL. There is no active market for these shares as they are issued only by virtue of membership in SaskCentral. The shares are redeemable upon withdrawal of membership or at the discretion of the board of directors of SaskCentral. The shares may be surrendered upon withdrawal from membership for proceeds equal to the paid-in value, to be received in accordance with a SaskCentral by-law providing for the redemption of its share capital. The Credit Union has no intention of withdrawing from membership at SaskCentral.

On November 1, 2022 Equitable Bank acquired SaskCentral's 100% ownership of Concentra Bank. As a result of the sale, SaskCentral is distributing the net sales proceeds back to its shareholders. On December 6, 2022 SaskCentral Board of Directors approved a dividend distribution to its shareholders of which $30,938,235 is attributable to Innovation Credit Union and included in 2022 investment income and accounts receivable.

Equitable Bank Preferred Shares

Currently the Credit Union holds $1,750,000 in Class A Series 1 Preferred shares in Equitable Bank (2021 - $1,750,000). These shares entitle the holders to an annual, non-cumulative fixed dividend of $1.15 per share for an initial period expiring on January 31, 2026. Upon expiration of this initial period, and every five years thereafter, the annual, non-cumulative fixed dividend rate of the Class A – Series 1 preferred shares will reset to an amount equal to the Government of Canada five-year bond yield plus 3.59%.

These shares are classified as FVTPL. There is no active market for these. The shares are redeemable at the option of Equitable Bank for $25 per share no earlier than January 31, 2021, subject to the approval of OSFI and the requirements of the Bank Act (Canada).

6. LOANS

2022

	Performing	Impaired	ECL Allowance 12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Net
Agriculture	$ 431,713,458	$ -	$ 461,841	$ 1,073,954	$ -	**$ 430,177,663**
Commercial	854,767,305	4,136,844	1,252,777	2,451,860	1,964,959	**853,234,553**
Consumer	1,356,051,015	1,696,597	1,417,862	884,340	889,940	**1,354,555,470**
Finance Leases	11,254,292	375,636	60,710	-	100,000	**11,469,218**
Foreclosed Property	-	701,000	-	-	-	**701,000**
Accrued Interest	13,090,738	612,539	-	-	-	**13,703,277**
Total Loans	**$ 2,666,876,808**	**$ 7,522,616**	**$ 3,193,190**	**$ 4,410,154**	**$ 2,954,899**	**$ 2,663,841,181**

2021

	Performing	Impaired	ECL Allowance 12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Net
Agriculture	$ 460,591,498	$ -	$ 249,617	$ 265,731	$ -	$ 460,076,150
Commercial	689,535,420	16,220,105	1,245,852	3,858,136	8,205,131	692,446,406
Consumer	1,078,122,489	1,736,456	888,654	805,291	935,405	1,077,229,595
Finance Leases	12,697,628	596,963	65,884	-	126,657	13,102,050
Foreclosed Property	-	415,238	-	-	-	415,238
Accrued Interest	8,611,891	2,340,807	-	-	-	10,952,698
Total Loans	$ 2,249,558,926	$ 21,309,569	$ 2,450,007	$ 4,929,158	$ 9,267,193	$ 2,254,222,137

The aging of loans, including those that were past due but not impaired and those that were individually impaired, as at December 31, 2022 was:

	2022 Performing	**2022** Impaired	2021 Performing	2021 Impaired
Current	**$ 2,639,586,868**	**$ 180,622**	$ 2,231,236,873	$ 71,526
32-60 days	**5,748,033**	**70,488**	2,117,533	35,669
61-90 days	**1,269,362**	**45,346**	1,067,971	-
91 -120 days	**611,029**	**16,405**	1,122,009	14,514
120+ days	**6,570,778**	**6,597,216**	5,402,649	18,847,052
Accrued Interest	**13,090,738**	**612,539**	8,611,891	2,340,807
Total	**$ 2,666,876,808**	**$ 7,522,616**	$ 2,249,558,926	$ 21,309,569

The Credit Union holds collateral against loans to members in the form of interests over property, other securities over assets, and guarantees.

During the year, the Credit Union obtained residential property with a carrying value of $701,000 (2021 - $415,238) by taking possession of collateral held as security. Repossessed property is sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

7. ALLOWANCE AND NET PROVISION FOR CREDIT LOSSES

The following tables show reconciliations from the opening to the closing balance of the allowance for impairment by class of financial instrument.

	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	2022 Total ECL
Beginning Balance, January 1, 2022	$ 2,450,007	$ 4,929,158	$ 9,267,193	$ 16,646,358
Transfer to 12-month ECL	1,244,590	(1,244,590)	-	-
Transfer to lifetime ECL not credit-impaired	(94,271)	143,911	(49,640)	-
Transfer to lifetime ECL credit-impaired	(956)	(5,859)	6,815	-
Net remeasurement of loss allowance	(1,138,601)	1,301,680	1,762,539	1,925,618
New financial assets originated	1,048,830	161,925	11,651	1,222,406
Financial assets that have been derecognized	(316,409)	(876,071)	1,463,525	271,045
Write-offs	-	-	(9,852,834)	(9,852,834)
Recoveries	-	-	345,650	345,650
Balance at December 31, 2022	$ 3,193,190	$ 4,410,154	$ 2,954,899	$ 10,558,243

Agricultural	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Total ECL
Beginning Balance, January 1, 2022	$ 302,583	$ 321,710	$ 100,000	$ 724,293
Transfer to 12-month ECL	21,388	(21,388)	-	-
Transfer to lifetime ECL not credit-impaired	(12,663)	12,663	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
Net remeasurement of loss allowance[1]	144,821	838,402	-	983,223
New financial assets originated	94,110	4,902	-	99,012
Financial assets that have been derecognized	(59,340)	(82,335)	34,766	(106,909)
Write-offs	-	-	(43,810)	(43,810)
Recoveries	-	-	9,044	9,044
Balance at December 31, 2022	$ 490,899	$ 1,073,954	$ 100,000	$ 1,664,853

[1]Includes finance leases from our agricultural borrowers with a total allowance of $129,058.

Commercial	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Total ECL
Beginning Balance, January 1, 2022	$ 1,258,771	$ 3,802,156	$ 8,231,788	$ 13,292,715
Transfer to 12-month ECL	989,388	(989,388)	-	-
Transfer to lifetime ECL not credit-impaired	(30,679)	30,679	-	-
Transfer to lifetime ECL credit-impaired	(226)	(1,604)	1,830	-
Net remeasurement of loss allowance[2]	(1,051,600)	234,333	1,247,583	430,316
New financial assets originated	178,464	59,300	-	237,764
Financial assets that have been derecognized	(59,689)	(683,616)	1,051,584	308,279
Write-offs	-	-	(8,698,563)	(8,698,563)
Recoveries	-	-	130,737	130,737
Balance at December 31, 2022	$ 1,284,429	$ 2,451,860	$ 1,964,959	$ 5,701,248

[2]Includes finance leases from our commercial borrowers with a total allowance of $31,652.

7. ALLOWANCE AND NET PROVISION FOR CREDIT LOSSES (continued)

Consumer	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Total ECL
Beginning Balance, January 1, 2022	$ 888,654	$ 805,291	$ 935,405	$ 2,629,350
Transfer to 12-month ECL	233,814	(233,814)	-	-
Transfer to lifetime ECL not credit-impaired	(50,929)	100,569	(49,640)	-
Transfer to lifetime ECL credit-impaired	(730)	(4,255)	4,985	-
Net remeasurement of loss allowance	(231,823)	228,945	514,956	512,078
New financial assets originated	776,256	97,723	11,652	885,631
Financial assets that have been derecognized	(197,380)	(110,119)	377,174	69,675
Write-offs	-	-	(1,110,461)	(1,110,461)
Recoveries	-	-	205,869	205,869
Balance at December 31, 2022	$ 1,417,862	$ 884,340	$ 889,940	$ 3,192,142

				2021
	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Total ECL
Beginning Balance, January 1, 2021	$ 1,480,800	$ 2,478,489	$ 20,936,924	$ 24,896,213
Transfer to 12-month ECL	875,456	(862,510)	(12,946)	-
Transfer to lifetime ECL not credit-impaired	(91,373)	139,360	(47,987)	-
Transfer to lifetime ECL credit-impaired	(8,902)	(73,223)	82,125	-
Net remeasurement of loss allowance	147,201	4,039,093	23,246,072	27,432,366
New financial assets originated	253,512	108,779	307	362,598
Financial assets that have been derecognized	(206,687)	(900,830)	(19,312,119)	(20,419,636)
Write-offs	-	-	(15,625,183)	(15,625,183)
Balance at December 31, 2021	$ 2,450,007	$ 4,929,158	$ 9,267,193	$ 16,646,358

Agricultural	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Total ECL
Beginning Balance, January 1, 2021	$ 153,769	$ 373,402	$ 895,056	$ 1,422,227
Transfer to 12-month ECL	172,663	(172,663)	-	-
Transfer to lifetime ECL not credit-impaired	(1,340)	1,340	-	-
Transfer to lifetime ECL credit-impaired	(1,650)	-	1,650	-
Net remeasurement of loss allowance[1]	(87,079)	152,049	197,934	262,904
New financial assets originated	73,970	41,386	307	115,663
Financial assets that have been derecognized	(7,750)	(73,804)	(408,993)	(490,547)
Write-offs	-	-	(585,954)	(585,954)
Balance at December 31, 2021	$ 302,583	$ 321,710	$ 100,000	$ 724,293

[1]Includes finance leases from our agricultural borrowers with a total allowance of $134,654.

7. ALLOWANCE AND NET PROVISION FOR CREDIT LOSSES (continued)

Commercial		12-month ECL (Stage 1)		Lifetime ECL not credit-impaired (Stage 2)		Lifetime ECL credit-impaired (Stage 3)	Total ECL
Beginning Balance, January 1, 2021	$	380,381	$	975,337	$	19,078,759	$ 20,434,477
Transfer to 12-month ECL		327,051		(320,740)		(6,311)	-
Transfer to lifetime ECL not credit-impaired		(37,134)		64,708		(27,574)	-
Transfer to lifetime ECL credit-impaired		(2,496)		(43,127)		45,623	-
Net remeasurement of loss allowance[2]		640,460		3,807,635		21,542,058	25,990,153
New financial assets originated		57,793		6,013		-	63,806
Financial assets that have been derecognized		(107,284)		(687,670)		(18,596,668)	(19,391,622)
Write-offs						(13,804,099)	(13,804,099)
Balance at December 31, 2021	$	1,258,771	$	3,802,156	$	8,231,788	$ 13,292,715

[2]Includes finance leases from our commercial borrowers with a total allowance of $57,887.

Consumer		12-month ECL (Stage 1)		Lifetime ECL not credit-impaired (Stage 2)		Lifetime ECL credit-impaired (Stage 3)	Total ECL
Beginning Balance, January 1, 2021	$	946,651	$	1,129,749	$	963,109	$ 3,039,509
Transfer to 12-month ECL		375,742		(369,107)		(6,635)	-
Transfer to lifetime ECL not credit-impaired		(52,899)		73,312		(20,413)	-
Transfer to lifetime ECL credit-impaired		(4,756)		(30,096)		34,852	-
Net remeasurement of loss allowance		(406,180)		79,409		1,506,080	1,179,309
New financial assets originated		121,749		61,380		-	183,129
Financial assets that have been derecognized		(91,653)		(139,356)		(306,458)	(537,467)
Write-offs		-		-		(1,235,130)	(1,235,130)
Balance at December 31, 2021	$	888,654	$	805,291	$	935,405	$ 2,629,350

The following table summarized the net provision for credit losses and recoveries included in the consolidated statement of comprehensive income:

		2022		2021
Debt instruments at Amortized Cost				
Agriculture loans	**$**	**975,323**	$	(111,980)
Commercial loans		**976,359**		6,662,337
Consumer loans		**1,467,384**		824,971
Investments		**(66,596)**		(24,899)
Net provision for credit losses	**$**	**3,352,470**	$	7,350,429

8. DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at December 31, 2022 and are not indicative of either the market risk or the credit risk.

	Maturities of derivatives (notional amount)					Net fair value			
				2022	2021	2022		2021	
	Under 1 year	1 to 5 years	Over 5 years	Total	Total	Assets	Liabilities	Assets	Liabilities
Derivatives at FVPL									
Interest rate swaps	$ -	$ 20,000,000	$ -	$ 20,000,000	$ 20,000,000	$ 1,748,702	$ -	$ 686,470	$ -
Index-linked options	244,053	652,676	-	896,729	1,767,188	248,697	248,697	341,227	341,227
	$ 244,053	$ 20,652,676	$ -	$ 20,896,729	$ 21,767,188	$ 1,997,399	$ 248,697	$ 1,027,697	$ 341,227

Interest rate swaps

The Credit Union currently enters into interest rate swaps with Concentra Bank to manage exposure to interest rate risk. Interest rate swaps are contractual agreements between two parties to exchange a series of cash flows based on agreed upon rates to a notional amount.

Generally, counterparties exchange a fixed and floating interest rate payment to manage exposure to interest rate risk by modifying the interest rate characteristics of assets or liabilities.

Index-linked options

The Credit Union offers index-linked deposit products to its members that pay interest to the depositors at the end of the term, based on stock market index performance. The Credit Union has entered into index-linked options with SaskCentral that have equivalent maturities to offset the exposure associated with these products. The Credit Union pays a fixed amount based on the notional amount at the inception of the index-linked option contract. At the end of the term the Credit Union receives from SaskCentral payments equal to the amount that will be paid to the depositors based on the performance of the respective indices.

9. PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY

Property and equipment

2022

	Land	Facilities	Computer Hardware	Furniture & Equipment	Automotive	Total
Cost						
Balance at December 31, 2021	$ 1,717,525	$ 34,532,447	$ 11,317,070	$ 3,738,776	$ 1,273,566	**$ 50,346,172**
Additions	-	99,860	849,075	31,386	207,414	**1,187,735**
Disposals	-	(67,154)	(125,494)	(8,999)	(443,008)	**(644,655)**
Balance at December 31, 2022	**$ 1,717,525**	**$ 32,331,941**	**$ 12,040,651**	**$ 3,761,163**	**$ 1,037,972**	**$ 50,889,252**
Depreciation and impairment losses						
Balance at December 31, 2021	$ -	$ 23,441,824	$ 9,372,015	$ 3,501,958	$ 1,054,844	**$ 36,292,046**
Depreciation Expense	-	1,077,394	844,390	93,176	102,810	**2,117,770**
Disposals	-	-	(67,701)	-	(424,494)	**(492,195)**
Balance at December 31, 2022	**$ -**	**$ 23,440,623**	**$ 10,148,704**	**$ 3,595,134**	**$ 733,160**	**$ 37,917,621**
Net Book Value						
Balance at December 31, 2022	**$ 1,717,525**	**$ 8,891,318**	**$ 1,891,947**	**$ 166,029**	**$ 304,812**	**$ 12,971,631**

2021

	Land	Facilities	Computer Hardware	Furniture & Equipment	Automotive	Total
Cost						
Balance at December 31, 2020	$ 1,717,525	$ 34,390,917	$ 11,128,845	$ 3,755,596	$ 1,271,429	**$ 52,264,312**
Additions	-	174,608	1,112,234	33,554	46,750	**1,367,146**
Disposals	-	(33,078)	(924,009)	(50,374)	(44,613)	**(1,052,074)**
Transfer to investment property	-	(2,233,212)	-	-	-	**(2,233,212)**
Balance at December 31, 2021	**$ 1,717,525**	**$ 32,299,235**	**$ 11,317,070**	**$ 3,738,776**	**$ 1,273,566**	**$ 50,346,172**
Depreciation and impairment losses						
Balance at December 31, 2020	$ -	$ 22,200,364	$ $ 9,454,760	$ 3,446,342	$ 938,910	**$ 36,040,376**
Depreciation	-	1,242,011	841,264	105,990	153,855	**2,343,120**
Disposals	-	(551)	(924,009)	(50,374)	(37,921)	**(1,012,855)**
Transfer to investment property	-	(1,078,595)	-	-	-	**(1,078,595)**
Balance at December 31, 2021	**$ -**	**$ 23,441,824**	**$ 9,372,015**	**$ 3,501,958**	**$ 1,054,844**	**$ 36,292,046**
Net Book Value						
Balance at December 31, 2021	**$ 1,717,525**	**$ 8,857,411**	**$ 1,945,055**	**$ 236,818**	**$ 218,722**	**$ 14,054,126**

Investment property

	2022	2021
Cost		
Balance at December 31	**$ 2,233,212**	$ 2,233,212
Balance at December 31	**$ 2,233,212**	$ 2,233,212
Depreciation and impairment losses		
Balance at December 31	**$ 1,078,595**	$ 1,005,579
Depreciation Expense	**73,018**	73,016
Balance at December 31	**$ 1,151,613**	$ 1,078,595
Carrying value at December 31	**$ 1,081,599**	$ 1,154,617

9. PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY (continued)

Investment property (continued)

The fair value of the investment property above as at December 31, 2022 is $1,309,417 (2021 - 1,819,654). The fair value has been arrived at on the basis of external valuation.

10. LEASES

Right of use (ROU) asset

		Facilities		Other		Total 2022
Cost						
Balance at December 31, 2021	$	985,112	$	29,443	$	1,014,555
Additions				5,140		5,140
Balance at December 31, 2022	**$**	**985,112**	**$**	**34,583**	**$**	**1,019,695**
Depreciation and impairment losses						
Balance at December 31, 2021	$	427,872	$	24,651	$	452,523
Depreciation Expense		184,611		8,465		193,076
Balance at December 31, 2022	**$**	**612,483**	**$**	**33,116**	**$**	**645,599**
Net Book Value						
Balance at December 31, 2022	**$**	**372,629**	**$**	**1,467**	**$**	**374,096**

						2021
		Facilities		**Other**		**Total**
Cost						
Balance at December 31, 2020	$	792,975	$	29,443	**$**	**822,418**
Additions		192,137		-		**192,137**
Balance at December 31, 2021	**$**	**985,112**	**$**	**29,443**	**$**	**1,014,555**
Depreciation						
Balance at December 31, 2020	$	262,474	$	16,434	**$**	**278,908**
Depreciation		165,398		8,217		**173,615**
Balance at December 31, 2021	**$**	**427,872**	**$**	**24,651**	**$**	**452,523**
Net Book Value						
Balance at December 31, 2021	**$**	**557,240**	**$**	**4,792**	**$**	**562,032**

10. LEASES (continued)

Lease liabilities

		2022		2021
Lease Liabilities				
Interest expense on lease liabilities	$	19,820	$	24,495
Expense relating to variable lease payments		122,992		86,836
Total amounts recognized in profit or loss	**$**	**142,812**	$	111,331
Repayment of lease liabilities		195,003		169,695
Total cash outflows for leases	**$**	**337,815**	$	281,026

The variable lease payments that are not included in the calculation of the lease liability include operating costs associated with the lease that are not based on an index or rate.

The lease liability carrying value as at December 31, 2022 is $395,886 (2021- $585,748)

11. INTANGIBLE ASSETS

	Intangible Assets			**2022**
	Software	Naming Rights	Core Deposits	Total
Cost				
Balance at December 31, 2021	$ 13,174,662	$ 1,500,000	$ 901,145	$ 15,575,807
Transfers	(6,691,167)	-	-	(6,691,167)
Balance at December 31, 2022	**$ 6,483,495**	**$ 1,500,000**	**$ 901,145**	**$ 8,884,640**
Amortization and impairment losses				
Balance at December 31, 2021	$ 6,364,832	$ 437,500	$ 303,161	$ 7,105,493
Amortization expense	150,260	37,500	103,836	291,596
Transfers	(75,012)	-	-	(75,012)
Balance at December 31, 2022	**$ 6,440,080**	**$ 475,000**	**$ 406,997**	**$ 7,322,077**
Carrying Value				
Balance at December 31, 2022	**$ 43,415**	**$ 1,025,000**	**$ 494,148**	**$ 1,562,563**

11. INTANGIBLE ASSETS (continued)

2021

	Intangible Assets			
	Software	Naming Rights	Core Deposits	Total
Cost				
Balance at December 31, 2020	$ 8,702,155	$ 1,500,000	$ 901,145	$ 11,103,300
Additions	4,472,507	-	-	4,472,507
Balance at December 31, 2021	$ 13,174,662	$ 1,500,000	$ 901,145	$ 15,575,807
Amortization and impairment losses				
Balance at December 31, 2020	$ 5,849,619	$ 400,000	$ 200,252	$ 6,449,871
Amortization	515,213	37,500	102,909	655,622
Balance at December 31, 2021	$ 6,364,832	$ 437,500	$ 303,161	$ 7,105,493
Carrying Value				
Balance at December 31, 2021	$ 6,809,830	$ 1,062,500	$ 597,984	$ 8,470,314

12. DEPOSITS

	2022	2021
Operating and Savings	**$ 1,777,918,515**	$1,774,982,289
TFSA's	**145,104,874**	140,938,842
Term Deposits	**756,143,829**	518,514,945
RRSP's	**103,683,020**	111,855,397
RRIF's	**55,140,601**	55,525,853
Interest Payable	**12,301,203**	5,932,899
	$ 2,850,292,042	$2,607,750,225

At December 31, 2022, $320,222,000 (2021 - $235,536,000) of deposits are expected to be settled more than 12 months after the reporting date.

13. LOANS PAYABLE

The Credit Union has an authorized line of credit bearing interest at prime less 0.50% (2021 – prime less 0.50%) in the amount of $36,500,000 (CDN) (2021 - $36,500,000 (CDN)) with SaskCentral. The Credit Union also has an authorized line of credit bearing interest at prime plus 0.50% (2021 - prime plus 0.50%) in the amount of $500,000 (USD) (2021 - $500,000 (USD)) with SaskCentral. At December 31, 2022, the Credit Union had $Nil (2021 - $Nil) drawn on these lines of credit.

The Credit Union has an authorized line of credit bearing interest at the Canadian Overnight Bank Rate plus 1% in the amount of $45,000,000 (CDN) (2021 - $Nil) with Central 1 and an annual standby fee of 0.25%. The Credit Union also has an authorized line of credit bearing interest at the US Base Rate in the amount of $500,000 (USD) (2021 - $Nil) with Central 1 and an annual standby fee of 0.25%. At December 31, 2022, the Credit Union had $Nil (2021 - $Nil) drawn on these lines of credit.

The Credit Union has an authorized committed revolving credit facility with National Bank of $40,000,000 (2021 - $Nil) with a balance outstanding of $ Nil (2021 - $Nil) bearing interest at prime plus .50% and an annual standby fee of 0.10%.

The Credit Union has an authorized notice facility of $20,000,000 (2021 - $Nil) with Central 1 available on 1-month tom 11-month terms bearing interest variable based on term with a balance outstanding of $Nil (2021 - $Nil) and an annual standby fee of 0.07%.

The Credit Union has an authorized demand loan with Concentra Financial of $Nil (2021 - $40,000,000) with a balance outstanding of $ Nil (2021 - $Nil).

The Credit Union has an authorized demand loan of $18,800,000 (2021 - $18,800,000) under a commercial paper program with SaskCentral with a balance outstanding of $Nil (2021 - $Nil) bearing interest at 1 month Banker's Acceptance rate plus 0.375% (2021 – 0.375%).

The Credit Union has an authorized demand loan with Desjardin of $50,000,000 (2021 - $50,000,000) with a balance outstanding of $Nil (2021 - $Nil) bearing interest at Desjardin's internal cost of funds plus 0.70% for Tranche B funding (2021- 0.70%) and an annual standby fee of 0.20% (2021 – annual standby fee of 0.20% to 0.15%).

These loans are secured by an assignment of book debts, residential mortgages and accounts receivable, a financial services agreement and operating account agreement.

14. SECURITIZED BORROWINGS

The Credit Union participates in the Canada Mortgage and Housing Corporation ("CMHC") sponsored National Housing Act Mortgage-Backed Securities ("NHA MBS") program where the Credit Union assigns all legal rights, interest and title in certain insured residential mortgages to CMHC in exchange for NHA MBS certificates. As the Credit Union continues to be exposed to substantially all of the risks and rewards of ownership of the original mortgages, the Credit Union has determined that the assignment of the mortgages does not constitute a transfer.

At December 31, 2022, the carrying value of the residential mortgage loans, including accrued interest is $83,206,279 (2021 - $97,213,913). Due to retention of substantially all the risks and rewards of ownership of these assets, the Credit Union continues to recognize them within loans on the consolidated statement of financial position, and the transfers are accounting for as secured financing transactions. The associated liability of $80,492,082 (2021 - $96,460,598), secured by these assets, is included in securitized borrowings on the consolidated statement of financial position and is carried at amortized cost.

The Credit Union also retains certain amounts of its issued NHA MBS certificates as part of its liquidity management strategy. As at December 31, 2022 residential mortgages of $230,633,374 (2021 -$60,867,053) with a fair value of $217,426,522 (2021 - $61,251,434) were assigned to NHA MBS certificates and retained by the Credit Union. These unsold NHA MBS certificates are reported in consumer loans on the consolidated statement of financial position.

15. OTHER INCOME

	2022	2021
Service Charges on Products	$ **1,209,844**	$ 1,210,517
Loan Fees, Commissions and Insurance	**3,701,896**	3,794,393
Other Fees and Commissions	**3,385,974**	2,803,235
Wealth Management	**5,485,689**	5,377,484
Other	**1,102,626**	1,223,613
Canada Emergency Wage Subsidy Program	**-**	2,674,397
	$ **14,886,029**	$ 17,083,639

16. MEMBERSHIP SHARES AND DISTRIBUTIONS

Membership shares are as provided for by *The Credit Union Act* and administered according to the terms of Policy 1000.02 which sets out the rights, privileges, restrictions and conditions.

The authorized share capital is unlimited in amount and consists of fully paid shares with a par value of $5 per share. Prior to 1998, the Act allowed membership shares to be held jointly. *The Act* now requires each member to have a separate membership share. Those in place prior to 1998 were grandfathered Member share accounts and are not guaranteed by CUDGC. Characteristics include permanence, freedom from mandatory charge and subordination to the rights of creditors and depositors. *The Credit Union Act* also provides the ability for credit unions to distribute to members surplus earnings in the form of patronage allocations and/or dividends. Patronage allocations may be utilized to purchase additional membership shares in the credit union.

Membership shares and distributions is comprised of the following:

	2022	2021
Membership Shares - par value	**$ 297,350**	$ 293,265
Membership Shares - patronage allocations	**19,067,285**	18,593,070
Membership rewards - unrestricted	**8,120,110**	7,653,525
Total Membership Shares and Distributions	**$ 27,484,745**	$ 26,539,860

Unrestricted Member Rewards included available distributions made to members including dividends. These balances are disbursable at the option of the member.

The Board of Directors declared total member distributions in the amount of $3,344,504 (2021 - $1,915,299) based on 2022 earnings. The member distributions approved by the Board of Directors quarterly were based on the balance of active Member Reward accounts, members under the age of 19 as of that quarter, loan interest paid and deposit interest earned by each member during the quarter (excluding credit cards, dealer finance loans, and registered products deposits).

The member distributions of $3,344,504 (2021 - $1,915,299) are reported on the consolidated financial statements as follows: $1,100,567 (2021 - $674,182) cash dividends, $59,530 (2021 - $58,735) youth cash dividends, and $2,184,407 (2021 - $1,182,382) patronage allocations to Membership Shares.

17. CAPITAL MANAGEMENT

CUDGC prescribes capital adequacy measures and minimum capital requirements. The capital adequacy rules issued by CUDGC have been based on the Basel III framework, consistent with the financial industry in general. CUDGC's Standards of Sound Business Practice (SSBP) that incorporate the Basel III framework took effect on July 1, 2013.

The Credit Union follows a risk-weighted asset calculation for credit and operational risk. Under this approach, credit unions are required to measure capital adequacy in accordance with instructions for determining risk-adjusted capital and risk-weighted assets, including off balance sheet commitments. Based on the prescribed risk of each type of asset, a weighting of 0% to 250% is assigned. The ratio of regulatory capital to risk-weighted assets is calculated and compared to the standard outlined by CUDGC. Regulatory standards require credit unions to maintain a minimum total eligible capital to risk-weighted assets of 10.5%, a minimum total tier 1 capital to risk-weighted assets of 8.5% and a minimum common equity tier 1 capital to risk-weighted assets of 7.0%. Eligible capital consists of total tier 1 and tier 2 capital.

Tier 1 capital is defined as a credit union's primary capital and comprises the highest quality of capital elements while tier 2 is secondary capital and falls short of meeting tier 1 requirements for permanence or freedom from mandatory charges. Tier 1 capital consists of two components: common equity and additional tier 1 capital. Common equity includes retained earnings, contributed surplus and accumulated other comprehensive income. Deductions from common equity tier 1 capital include goodwill, intangible assets, deferred tax assets (except those arising from temporary differences), increases in equity capital resulting from securitization transactions, unconsolidated substantial investments, and fair value gains/losses on own-use property.

Additional tier 1 capital consists of qualifying membership shares and other investment shares issued by the Credit Union that meet the criteria for inclusion in additional tier 1 capital.

Tier 2 capital includes a collective allowance for credit losses to a maximum of 1.25% of risk weighted assets, subordinated indebtedness, and qualifying membership shares, restricted membership rewards, or other investment shares issued by the Credit Union that meet the criteria for inclusion in tier 2 capital and are not included in tier 1 capital.

17. CAPITAL MANAGEMENT (continued)

Regulatory standards also require the Credit Union to maintain a minimum leverage ratio of 5%. This ratio is calculated by dividing eligible capital by total assets less deductions from capital plus specified off-balance sheet exposures. Based on the type of off-balance sheet exposure, a conversion factor is applied to the leverage ratio. All items deducted from capital are excluded from total assets. The Credit Union may also exclude from total assets mortgages securitized through Canada Mortgage and Housing Corporate (CMHC) programs up to and including March 31, 2010 and all existing and future reinvestments related to Canada Mortgage Bonds (CMB) Insured Mortgage Purchase Program transactions completed up to and including March 31, 2010.

The Credit Union has adopted a capital plan that conforms to the capital framework and is regularly reviewed and approved by the Board of Directors. The following table compares CUDGC regulatory standards to the Credit Union's Board policy for 2022:

	Regulatory Minimum	Innovation Policy Target
Common Equity Tier 1 Capital/Total Risk Weighted Assets	7.00%	8.54%
Tier 1 Capital/Total Risk Weighted Assets	8.50%	10.37%
Total Eligible Capital/Total Risk Weighted Assets	10.50%	12.81%
Leverage Ratio	5.00%	6.10%

During the year, the Credit Union complied with all external capital requirements. Noncompliance may result in CUDGC taking necessary action including reducing or restricting authorities and limits of the Credit Union, imposing a higher deductible on any insured losses paid by the master bond fund, imposing preventive intervention, issuing a compliance order, or placing the Credit Union under supervision or administration.

17. CAPITAL MANAGEMENT (continued)

The following table summarizes key capital information:

Capital Summary	**2022**	2021
Eligible Capital		
Common Equity Tier 1 Capital	**$ 315,526,592**	$ 263,675,350
Total Tier 1 Capital	**315,526,592**	263,675,350
Total Tier 2 Capital	**26,992,577**	26,356,696
Total eligible capital	**$ 342,519,169**	$ 290,032,046
Risk-weighted assets	**$ 2,162,923,505**	$ 1,911,175,503
Leveraged assets	**3,447,964,037**	3,118,469,819
Common equity tier 1 to risk weighted assets	**14.59%**	13.80%
Total Tier 1 to risk weighted assets	**14.59%**	13.80%
Total eligible capital to risk weighted assets	**15.84%**	15.18%
Total eligible capital to leveraged assets	**9.93%**	9.30%

18. RELATED PARTY TRANSACTIONS

Related parties exist when one party has the ability to directly or indirectly exercise control, joint control or significant influence over the other or is a member, or close family of a member, of the key management personnel of the Credit Union. Related party transactions are in the normal course of operations and are measured at the consideration established and agreed to by the parties.

Loans

At December 31, 2022, certain directors, senior management and their spouses, children and dependents were indebted to the Credit Union for an amount totaling $2,533,002 (2021 - $3,473,008). The loans to the directors were granted under the same lending policies applicable to other members. Certain management loans qualify for the staff lending program at preferential rates. These loans have been recorded at amortized cost with the discount amortized using the effective interest method. Director and management loans are included in loans on the consolidated statement of financial position.

There were no loans forgiven or written down during the year with related parties.

18. RELATED PARTY TRANSACTIONS (continued)

Deposits

As of December 31, 2022, certain directors, executive management, their spouses and dependents, and companies over which the director or executive has substantial control had deposits at the Credit Union for an amount totaling $1,843,992 (2021 - $3,561,230).

Directors and other key management personnel may hold deposit accounts. These accounts are maintained under the same terms and conditions as accounts of other members and are included in deposits on the consolidated statement of financial position.

Remuneration

Compensation for directors and other key management personnel was comprised of:

	2022	2021
Salaries and other short-term employee benefits	**$2,463,896**	$2,863,096
Other long-term benefits	**113,574**	116,840
	$2,579,492	$2,979,936

19. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables summarize the classification of the Credit Union's financial instruments:

	2022			2021		
	FVTPL	**Amortized Cost**	**Total Carrying Value**	FVTPL	Amortized Cost	Total Carrying Value
FINANCIAL ASSETS						
Cash and cash equivalents	**$ -**	**$ 123,887,520**	**$ 123,887,520**	$ -	$ 205,631,871	$ 205,631,871
Investments	**326,595,625**	**103,177,173**	**429,772,798**	315,753,129	186,333,435	502,086,564
Loans	**-**	**2,663,841,181**	**2,663,841,181**	-	2,254,222,137	2,254,222,137
Accounts receivable	**-**	**35,347,101**	**35,347,101**	-	4,637,570	4,637,570
Derivative assets	**1,997,399**	**-**	**1,997,399**	1,027,697	-	1,027,697
						-
FINANCIAL LIABILITIES						
Deposits	**-**	**2,850,292,042**	**2,850,292,042**	-	2,607,750,225	2,607,750,225
Loans payable	**-**	**-**	**-**	-	-	-
Securitized borrowings	**-**	**80,492,082**	**80,492,082**	-	96,460,598	96,460,598
Accounts payable and accrued liabilities	**-**	**19,210,039**	**19,210,039**	-	7,749,990	7,749,990
Derivative liabilities	**248,697**	**-**	**248,697**	341,227	-	341,227
Membership shares and distributions	**-**	**27,484,745**	**27,484,745**	-	26,539,860	26,539,860

19. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair values represent estimates of value at a particular point in time and may not be relevant in predicting future cash flows or income. Estimates respecting fair values are based on subjective assumptions and contain significant uncertainty. Potential income taxes or other expenses that may be incurred on actual disposition have not been reflected in the fair values disclosed.

The following methods and assumptions were used to estimate fair values of financial instruments:

- The carrying values for cash and cash equivalents, accounts receivable, accounts payable and membership shares and distributions approximated their fair values.
- Estimated fair values of investments are based on quoted market prices of similar investments (Level 2). Venture capital funds are carried at the last disclosed net asset value (Level 3).
- For variable interest rate loans that re-price frequently, carrying values are assumed to be fair values. Fair values of other loans are estimated using discounted cash flow calculations with market interest rates for similar groups of loans to expected maturity amounts.
- Fair value of deposits without a specified maturity term is the stated value. Fair value for other deposits is estimated using discounted cash flow calculations at market rates for similar deposits.
- Fair values of securitized borrowings are estimated using discounted cash flow calculations with market interest rates for similar groups of loans to expected maturity amounts.
- The fair value of derivative financial instruments is estimated by referring to the appropriate current market yields with matching terms to maturity. These instruments have been valued assuming they will not be sold, using present value or other techniques, and are not necessarily representative of the amounts realizable in an immediate settlement of the instrument.

The interest rates used to discount estimated cash flows, when applicable, are based on the government treasury bill rates for investments with maturities less than a year and government bond rates for longer-term investments. Loan discount rates are based on the Credit Union's best consumer rate plus an adequate credit spread. These are as follows:

	2022	2021
Investments	**3.41% - 4.24%**	0.16% - 1.31%
Loans	**6.39% - 6.44%**	3.95% - 4.42%
Deposits	**1.88% - 4.25%**	0.00% - 1.75%

19. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair value and related carrying value of the financial instruments have been summarized in the table below by level within the fair value hierarchy, except for those financial instruments whose carrying amount is a reasonable approximation of fair value.

2022	Carrying Value	Fair Value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Measured at FVTPL					
Investments	$ 326,595,625	$ 326,595,625	$ -	$ 308,651,126	$ 17,944,499
Derivative assets	1,997,399	1,997,399	-	1,997,399	-
Measured at amortized cost					
Investments	103,177,173	100,554,608	-	100,554,608	-
Loans	2,663,841,181	2,584,663,194	-	2,584,663,194	-
	$ 3,095,611,378	$ 3,013,810,826	$ -	$ 2,995,866,327	$ 17,944,499
FINANCIAL LIABILITIES					
Measured at FVTPL					
Derivative liabilities	$ 248,697	$ 248,697	$ -	$ 248,697	$ -
Measured at amortized cost					
Deposits	2,850,292,042	2,802,649,500	-	2,802,649,500	-
Securitized borrowings	80,492,082	82,963,967	-	82,963,967	-
	$ 2,931,032,821	$ 2,885,862,164	$ -	$ 2,885,862,164	$ -

2021	Carrying Value	Fair Value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Measured at FVTPL					
Investments	$ 315,753,129	$ 315,753,129	$ -	$ 301,208,135	$ 14,544,994
Derivative assets	1,027,697	1,027,697	-	1,027,697	-
Measured at Amortized Cost					
Investments	186,333,435	186,270,244	-	186,270,244	-
Loans	2,254,222,137	2,253,492,718	-	2,253,492,718	-
	$ 2,757,336,398	**$ 2,756,543,788**	**$ -**	**$ 2,741,998,794**	**$ 14,544,994**
FINANCIAL LIABILITIES					
Measured at FVTPL					
Derivative Liabilities	$ 341,227	$ 341,227	$ -	$ 341,227	$ -
Measured at Amortized Cost					
Deposits	2,607,750,225	2,593,682,297	-	2,593,682,297	-
Securitized Borrowings	96,460,598	99,124,794	-	99,124,794	-
	$ 2,704,552,050	**$ 2,693,148,318**	**$ -**	**$ 2,693,148,318**	**$ -**

There were no transfers between Level 1 and Level 2 in the period and there are no liabilities measured using Level 3 of the fair value hierarchy.

19. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value:

	FVTPL Unlisted Shares	
	2022	2021
Opening Balance	**$ 14,544,994**	$ 11,707,392
Unrealized gains included in net income	**907,782**	1,938,864
Purchases	**3,400,000**	1,548,094
Disposals	**(926,127)**	(605,461)
Change in accrued interest	**17,849**	(43,895)
Closing Balance	**$ 17,944,499**	$ 14,544,994

20. FINANCIAL INSTRUMENT RISK MANAGEMENT

The Credit Union is exposed to the following risks as a result of holding financial instruments: credit risk, liquidity risk and market risk. The following is a description of these risks and how the Credit Union manages its exposure to them.

Credit Risk

The business of the Credit Union necessitates the management of credit risk. Credit risk arises from a counterparty's inability or unwillingness to fulfill its payment obligations. Credit risk may arise from principal and interest amounts on loans.

The Board of Directors of the Credit Union oversees the risk management process. In addition, CUDGC establishes standards with which the Credit Union must comply. Senior management coordinates policy setting on risk management issues, assesses the risk exposure of the Credit Union and reviews the effectiveness of internal control processes.

The Credit Union uses a disciplined lending approach with standard underwriting parameters for each category of loans. These parameters are used to assist the Credit Union in implementing a prudent and effective credit granting process to assess the borrower's ability to repay.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

The Credit Union also mitigates credit risk by obtaining quality collateral. The Credit Union considers collateral to be of good quality if it can determine the legal validity and market value on an ongoing basis. The Credit Union's internal policy provides additional information regarding the appropriate collateral based on the category of loan. Types of collateral generally obtained by the Credit Union are, but are not limited to, real and non-real property by way of mortgages and security agreements.

In addition, the Credit Union monitors its loan concentration to ensure it is in compliance with its policies.

Credit risk also may arise from principal and interest amounts on investments. The Credit Union manages credit risk through adherence to internal policies and procedures for the acquisition of investments. Safety of principal is accomplished by ensuring that all investments purchased are reasonable and prudent. Investment decisions are made with due diligence to avoid undue risk of loss while obtaining a reasonable return.

The Credit Union's investment portfolio excluding accrued interest and impairment is as follows:

	2022	2021
	Carrying Amount	Carrying Amount
Long Term Issuer Rating AAA	**$ 7,760,843**	$ 22,964,266
Long Term Issuer Rating AA(low) to AA(high)	**40,704,775**	-
Long Term Issuer Rating A(low) to A(high)	**52,872,577**	14,984,305
Long Term Issuer Rating BBB(low) to BBB(high)	**9,549,624**	10,018,795
Short Term Issuer Rating R-1 (low) to (high)	**278,688,739**	418,587,854
Unrated	**38,884,610**	34,299,050
	$ 428,461,168	$ 500,854,270

At December 31, 2022, the Credit Union does not hold any credit derivative financial instruments (2021 - $Nil). The Credit Union is exposed to credit risk in the event of non-performance by counterparties to its derivative financial instruments but does not anticipate non-performance by any of the counterparties. Management monitors the credit risk and credit standing of counterparties on a regular basis.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

In addition, in the normal course of business the Credit Union has entered various commitments to extend credit that may not be reported on the consolidated statement of financial position, as well as guarantees and standby letters of credit. The primary purpose of these contracts is to make funds available for the financing needs of members. These are subject to normal credit standards, financial controls, risk management and monitoring procedures.

Guarantees and standby letters of credit represent irrevocable commitments that the Credit Union will make payments in the event a member cannot meet its obligations to third parties, and they carry the same risk, recourse and collateral security requirements as loans extended to members. Documentary and commercial letters of credit are instruments issued on behalf of a member authorizing a third party to draw drafts on the Credit Union up to a stipulated amount subject to specific terms and conditions. The Credit Union is at risk for any drafts drawn that are not ultimately settled by the member and the amounts are collateralized by the goods to which they relate.

Commitments to extend credit represent unutilized portions of authorizations to extend credit in the form of loans, bankers' acceptances or letters of credit.

The unused portion of authorized loans and lines of credit and from standby letters of credit totals $481,294,353 (2021 - $404,575,504). This amount does not necessarily represent future cash requirements since many commitments will expire or terminate without being funded.

Liquidity Risk

Liquidity risk is the risk that the Credit Union is unable to generate or obtain the necessary cash or cash equivalents in a timely manner, at a reasonable price, to meet its financial commitments as they come due.

The Credit Union's objective is to implement a policy that addresses limits on the sources, quality and amount of assets to meet normal operational, contingency funding for significant deposit withdrawals and regulatory requirements.

The Board of Directors is ultimately responsible for the liquidity risk management policy. Management reports to the Board monthly on the Credit Union's compliance with the policy. In addition, CUDGC establishes standards to which the Credit Union must comply.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Liquidity Risk *(continued)*

The Credit Union enters into transactions to purchase goods and services on credit and to borrow funds from SaskCentral or Concentra Bank, for which repayment is required at various maturity dates. Liquidity is measured by reviewing the Credit Union's future net cash flows for the possibility of a negative net cash flow.

The Credit Union manages the liquidity risk resulting from these transactions by investing in liquid assets such as money market term deposits and by entering into agreements to access loans as described in Note 13.

CUDGC prescribes liquidity adequacy measures and minimum liquidity requirements. The liquidity adequacy rules issued by CUDGC have been based on the Basel III liquidity adequacy standards established for International Settlements and adopted by financial institutions around the globe, including Canadian banks.

The primary measures for liquidity adequacy at the Credit Union include the Liquidity Coverage Ratio (LCR). The LCR is calculated as the stock of high-quality liquid assets (HQLA) divided by net cash outflows over a 30-day stress scenario. The Credit Union seeks to maintain this ratio greater than or equal to 100%. HQLA are assets that can be easily converted into cash at little or no loss of value and include eligible investments held as liquidity pool deposits at SaskCentral. CUDGC defines the LCR in the Standards of Sound Business Practices – Liquidity Adequacy Requirements, by grouping HQLA into either Level 1 or Level 2 categories and applying various weightings to reflect their value in stressed conditions. Level 1 assets are the highest quality assets whereas Level 2 assets are considered less liquid. Net cash outflows are defined as total expected cash outflows minus total expected inflows; various categories of outflows are applied run-off rates while inflows are multiplied by the rate they are expected to flow in under a stressed scenario.

Regulatory standards require credit unions to maintain a minimum liquidity coverage ratio of 100% in 2022. During the year the Credit Union maintained internal liquidity adequacy targets that exceed regulatory requirements.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Liquidity Risk (continued)

The following are the undiscounted contractual maturities of the Credit Union's non-derivative financial liabilities:

	< 1 year	1-2 years	2-3 years	3 + Years	Total 2022
Non-derivative financial liabilities					
Deposits	$ 2,530,069,807	$ 170,064,517	$ 85,915,224	$ 64,242,494	$ 2,850,292,042
Securitized Borrowings	7,612,321	26,139,096	32,776,339	13,964,326	80,492,082
Accounts Payable	19,210,039	-	-	-	19,210,039
Membership Equity	-	-	-	27,484,745	27,484,745
Total	$ 2,556,892,167	$ 196,203,613	$ 118,691,563	$ 105,691,565	$ 2,977,478,908

	< 1 year	1-2 years	2-3 years	3 + Years	Total 2021
Non-derivative financial liabilities					
Deposits	$ 2,372,213,712	$ 100,785,725	$ 83,367,424	$ 51,383,364	$ 2,607,750,225
Securitized Borrowings	14,641,589	14,836,369	30,314,961	36,667,679	96,460,598
Accounts Payable	7,749,990	-	-	-	7,749,990
Membership Equity	-	-	-	26,539,860	26,539,860
Total	$ 2,394,605,291	$ 115,622,094	$ 113,682,385	$ 114,590,903	$ 2,738,500,673

Market Risk

Market risk is the risk of loss in value of financial instruments or the cash flows arising from them, which may arise from changes in market factors such as interest rates, foreign currency risk, equity prices and credit spreads. The Credit Union's exposure changes depending on market conditions. The primary market risk that the Credit Union is exposed to is interest rate risk.

The Credit Union uses different risk management processes to manage market risk.

Market risk is managed in accordance with policies and procedures established by the Board of Directors. In addition, CUDGC establishes standards to which the Credit Union must comply.

Senior management is responsible for managing market risk in accordance with the Credit Union's internal policy. Senior management reports monthly to the Board the Credit Union's compliance with the policy and regulatory requirements and dollar volume and yields of all investments by investment category. All exceptions noted are to be reported to the Board.

The Board is responsible for monitoring significant variances and to ensure that corrective measures are implemented.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk is the potential adverse impact on earnings due to changes in interest rates. The Credit Union's exposure to interest rate risk arises due to the timing differences in the re-pricing of assets and liabilities as well as due to financial assets and liabilities with fixed and floating rates.

The Credit Union's exposure to interest rate risk can be measured by the mismatch or gap, between the assets, liabilities and off-statement of financial position instruments scheduled to mature or re-price on particular dates. Gap analysis measures the difference between the amount of assets and liabilities that re-price in specific time periods.

To manage exposure to interest rate fluctuations and to manage asset and liability mismatch, the Credit Union may enter into interest rate swaps. These minimize the interest rate risk and cash required to liquidate the contracts by entering into counter-balancing positions. The Credit Union used interest rate swaps in the current year.

The table below summarizes the carrying amounts of financial instruments exposed to interest rate risk by the earlier of the contractual re-pricing/maturity dates. Re-pricing dates are based on the earlier of maturity or the contractual re-pricing date and effective interest rates, where applicable, representing the weighted average effective yield.

	On Demand	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest sensitive	2022
ASSETS						
Cash	$ 22,398,214	$ -	$ -	$ -	$ 26,489,307	$ 123,887,520
Effective interest rate	4.44%	-	-	-		4.85%
Investments	271,872,934	43,325,206	96,921,947	-	1,311,627	429,772,798
Effective interest rate	4.11%	3.22%	2.74%	0.00%	0.00%	3.64%
Loans	826,514,577	479,464,971	1,163,418,521	56,414,065	2,744,421	2,663,841,181
Effective interest rate	8.00%	4.69%	3.75%	4.73%	0.00%	5.29%
Accounts Receivable	-	-	-	-	35,347,101	35,347,101
	$ 1,120,785,725	**$ 522,790,177**	**$ 1,260,340,468**	**$ 56,414,065**	**$ 65,892,456**	**$ 3,252,848,600**
LIABILITIES						
Deposits	$ 1,622,543,002	$ 504,141,007	$ 319,927,436	$ 294,799	$ 232,239,026	$ 2,850,292,042
Effective interest rate	1.95%	2.74%	1.97%	0.16%	0.00%	2.05%
Securitized Borrowings	-	10,482,930	66,374,386	-	-	80,492,082
Effective interest rate	0.00%	1.49%	2.16%	0.00%	0.00%	0.00%
Accounts Payable	-	-	-	-	19,210,039	19,210,039
Member Equity	-	-	-	-	27,484,745	27,484,745
	$ 1,622,543,002	**$ 514,623,937**	**$ 386,301,822**	**$ 294,799**	**$ 278,933,810**	**$ 2,977,478,908**
2022 Statement of Financial Position gap	**$ (501,757,277)**	**$ 8,166,240**	**$ 874,038,646**	**$ 56,119,266**	**$ (213,041,354)**	**$ 275,369,692**

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Interest Rate Risk (continued)

	On Demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest sensitive	2021 Total
ASSETS							
Cash and cash equivalents	$ 88,079,630	$ 100,000,000	$ -	$ -	$ -	$ 17,552,241	$ 205,631,871
Effective interest rate	0.27%	0.40%	-	-	-	-	0.47%
Investments	152,257,706	138,247,447	102,671,524	101,267,973	6,409,620	1,232,294	502,086,564
Effective interest rate	0.36%	0.80%	1.33%	2.78%	2.55%	-	1.23%
Loans	748,867,166	80,268,930	301,284,480	1,074,305,320	55,657,970	(6,161,729)	2,254,222,137
Effective interest rate	3.94%	3.89%	3.69%	3.38%	4.50%	-	3.82%
Accounts receivable	-	-	-	-	-	4,637,570	4,637,570
	$ 989,204,502	$ 318,516,377	$ 403,956,004	$ 1,175,573,293	$ 62,067,590	$ 17,260,376	$ 2,966,578,142
LIABILITIES							
Deposits	$ 1,609,968,814	$ 191,989,518	$ 329,936,319	$ 235,343,447	$ 193,067	$ 240,319,060	$ 2,607,750,225
Effective interest rate	0.19%	0.78%	0.70%	1.41%	1.90%	-	0.70%
Securitized borrowings	-	6,309,238	18,973,910	71,177,450	-	-	96,460,598
Effective interest rate	-	1.90%	2.17%	1.43%	-	-	1.52%
Accounts payable	-	-	-	-	-	7,749,990	7,749,990
Membership shares and distributions	-	-	-	-	-	26,539,860	26,539,860
	$ 1,609,968,814	$ 198,298,756	$ 348,910,229	$ 306,520,897	$ 193,067	$ 274,608,910	$ 2,738,500,673
2021 Statement of Financial Position Gap	$ (620,764,312)	$ 120,217,621	$ 55,045,775	$ 869,052,396	$ 61,874,523	$ (257,348,534)	$ 228,077,469

The above tables do not identify management's expectations of future events where re-pricing and maturity dates differ from contractual dates. The above table excludes derivative instruments, including interest rate swaps and index-linked deposit options. Refer to Note 8 for maturity dates of derivative instruments.

A 1.00% reduction in interest rates with all other variables held constant would result in a decrease in the Credit Union's comprehensive income for the year ended December 31, 2022 of $3,717,510 (2021 - $3,468,940). A 1.00% increase in interest rates with all other variables held constant would result in an increase in the Credit Union's comprehensive income for the year ended December 31, 2022 of $5,453,130 (2021 - $4,643,670). These changes are primarily due to changes in cash flows from variable rate assets and liabilities.

The Credit Union uses both discrete and stochastic methods to simulate the effect of a change in the market rate of interest. The interest rate sensitivity information was prepared based on management's assumption that approximately $220 million (2021 - $240 million) of deposits have little or no sensitivity to changes in general market rates and $717 million (2021- $736 million) respond with 75% of the move in prime

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Credit Union's exposure to foreign currency risk arises due to members' U.S. dollar deposits. In seeking to manage the risks from foreign exchange rate fluctuations, the Credit Union enters into U.S. dollar money market investments which protect against any adverse movements in the exchange rate.

21. COMMITMENTS

The Credit Union has entered into various commitments that include the following:

- Invest up to $5,775,118 (2021 - $8,221,580) of additional capital in certain venture capital funds.
- Invest $1,096,606 (2021 - $1,096,606) in community development initiatives.

In addition, there are other commitments related to strategic initiatives and information technology contracts. These other commitments are as follows:

2023	$ 14,500,579
2024	10,378,825
2025	11,446,862
2026	13,951,656
Thereafter	13,999,332
Total Other Commitments	**$ 64,277,254**

22. INCOME TAXES

Income tax expense is comprised of:

Income tax expense is comprised of:	2022	2021
Current income tax expense		
Current period	$ 1,065,965	$ 143,203
Adjustments for prior periods	(152,747)	(158,473)
	913,218	(15,270)
Deferred income tax recovery		
Origination and reversal of temporary differences	3,978,587	1,656,051
	3,978,587	1,656,051
Provision for income taxes	$ 4,891,805	$ 1,640,781

The income tax expense for the year can be reconciled to the accounting net income as follows:

	2022	2021
Income before provision for income taxes	$ 49,835,302	$ 14,012,767
Combined federal and provincial tax rate	27%	27%
Income tax expense at statutory rate	$ 13,455,532	$ 3,783,447
Adjusted for effect of:		
Non-deductible expenses	26,562	10,018
Non-taxable dividends	(8,387,336)	(137,480)
Prior year true-up adjustments	(152,747)	(1,253,648)
Other	(50,206)	(254,807)
	$ 4,891,805	$ 2,147,530
Effective tax rate	9.82%	15.33%

Deferred income tax assets and liabilities recognized are attributable to the following:

	2022	2021
Deferred income tax assets are comprised of the following:		
Loans and leases	$ 2,387,958	$ 2,410,295
Premises and equipment	11,350,983	11,999,842
Other	-	159,014
	$ 13,738,941	$ 14,569,151
Deferred income tax liabilities are comprised of the following:		
Other	$ 502,315	$ -
Prepaids	2,670,782	-
Property and equipment	231,600	256,320
	$ 3,404,697	$ 256,320

23. FEDERAL CONTINUANCE

On December 12, 2017 the membership of the Credit Union approved by special resolution, an application to the Minister of Finance for continuance as a federal credit union pursuant to section 312(1) of The Credit Union Act, 1998 (Saskatchewan) and section 33(2) of The Bank Act (Canada). Continuance is a corporate procedure which allows the existence of an entity under a given law to continue under the provisions of a different law without interruption. Under the proposed continuance, the Credit Union would cease operations as a provincial credit union under The Credit Union Act, 1998 (Saskatchewan) and continue operations as a federal credit union under The Bank Act (Canada). The application is subject to final approval of the Minister of Finance and other regulatory authorities with a targeted continuance date of April 2023.

Appendix A

Board Competency Matrix: Desired Board Composition

Core Business Skills/Experience	Ideal Experience (# of Advanced [4] and Expert [5])
Senior Leadership Experience Experience as an executive or senior manager in a small-medium sized enterprise. Individuals with senior leadership experience have had experience working as a part of a team managing a company/organization and its people.	**2-3**
Other Board Experience Experience on a Board other than small charitable organization/community associations. Understands how to effectively collaborate with fellow directors and management to build consensus and utilizes communication/facilitation techniques to encourage debate, dialogue, and discussion.	**1-4** ***Ideal: Chair & VC – 4+***
Financial Literacy The ability to understand and effectively use various finance skills to make informed decisions. Ability to understand budgeting processes, financial objectives, and financial statements (balance sheets and income statement). Reviews financial reports presented by management and asks appropriate questions	**3-4** ***Require: 1 CPA***
Accounting Understands and incorporates processes to ensure compliance with internal controls and standards of sound business practices. Reads and interprets reports of the compliance officer, external auditor, internal auditor and the regulators. Asks appropriate questions about the credit union policies, practices, and reports and demonstrates a knowledge of resolution strategies to address any material weaknesses and deficiencies. Incumbents of an “expert” skill level would hold an CPA designation.	**1-2** ***Require: 1 CPA***
Human Resources & Compensation Experience with human resources issues in a corporate environment with relevant knowledge of compensation plan design and administration, leadership development/talent management, succession planning, and compensation decision-making.	**1-2**

Governance & Ethics Understands what corporate governance is and how it is applied to the credit union environment, the governance structure of the credit union, and the responsibilities of directors and the Board in order to satisfy the "G" pillar of ESG. Recognizes the role of ethics (code of conduct) and personal integrity in acting in the best interests of the credit union and safeguards confidential and sensitive information. Contributes fully to the Board and governance structures by asking appropriate questions, identifying material deficiencies, and seeking independent advice or expertise when required.	**3-5** ***Ideal: Board/Committee Chairs – 3+***
Strategic Planning & Sustainability Ability to generate and apply strategic thinking to the business insights and opportunities relevant to credit unions. Applies knowledge of corporate goals, strategies, and objectives to evaluate reports and recommendations by management to ensure alignment with the organization's vision and values. Understanding of sustainability and ESG matters specific to the credit union and experience with implementing ESG practices and policies, particularly as it relates to the "E" pillar (environment)	**2-3**
IT & Security Knowledge of current and emerging technologies, current risks, and regulatory requirements. Experience with implementation of technology strategy and understanding of emerging and industry technologies, cyber-security, and IT projects.	**1-2**

Core Industry Experience	Ideal Experience (# of Advanced [4] and Expert [5])
Financial Services Industry Experience at the senior management level with a good understanding of financial institutions and the ability to offer insights on the credit union's strategy and mission, key business drivers, organization structure and major stakeholders. Ability to compare operational efficiency against industry standards and best practices.	**2-4**
Regulatory & Compliance Demonstrates knowledge of the Acts, regulations, and other relevant legislation pertaining to the credit union. Understands the credit union's by-laws and related policies and promotes regulatory compliance. Able to identify gaps in the credit union's policies and initiates policy enhancements to deal with gaps.	**2-4**
Growth & Market Expansion Experience with a rapidly growing organization focused on direct-to-consumer product offerings, services, and member relations. Understanding of the complexities involved with expanding to different geographical regions and rapidly growing a member base.	**2-3**
Risk Identification & Management Understands the areas of risk to which the credit union may be exposed, and the risk management framework and policies of the credit union. Experience in developing and overseeing risk frameworks in large, complex organizations. Understanding of the Board's role in the oversight of risk management and the risk assessment tools and reports.	**3-5**
Digital Technology Understanding of the digital technology value proposition and opportunities for the credit union. Experience with evaluating digital technology alternatives and implementing solutions. Experience in digital transformation and digital platform development.	**2-3**
Leadership with Co-operatives Knowledge of member-owned organizations, with an understanding of the co-operative principles as guidelines by which credit unions put their values into practice. Understands the nature and extent of the credit union's operations and infrastructure including the major lines of business, services and delivery channels, and the membership profile.	**2-3**
Stakeholder Engagement & Community Leadership Familiarity with overseeing and ensuring effective engagement and communication strategies with key stakeholders, including members (particularly in underserved communities), employees, regulators, and the government. Volunteer experience with not for profit (charitable) or community-based organizations.	**2-3**

Gender: No more than 70% of the Board should be of the same gender.
Tenure: 1-2 new Directors at each renewal.
Diversity: 1 – 2 diverse incumbents

Innovation Credit Union – Director Self-Evaluation Guide

Directors will use the guidelines below to evaluate and report their skill/experience level for each competency.

Rating	Description
1	No formal education, experience, or competency
2	Basic understanding or experience level: • Education/training that provided basic understanding • Some experience related to the skill/experience • Capable of following the Board discussions on the topic
3	Competent understanding or experience level: • Management/Board experience or well-developed skills in this area that result in a fulsome understanding of the key issues/principles • Education or training specific to this skill • Capable of evaluating materials prepared by Management and contributing to the Board discussions
4	Advanced understanding or experience level: • Extensive Management or Board experience specific to this skill • Significant experience as a practitioner in this area • Able to review materials prepared by Management and ask practical questions • Capable of analysing data/explaining concepts and contributing significantly to board discussions
5	Expert-level understanding: • 8+ years of senior management experience, considered an expert or specialist more broadly by peers • Professional designation or post-graduate education relevant to this skill • Capable of analysing data/explaining concepts, leading Board discussions, developing long-term strategy and challenging experts

Appendix B

innovation
CREDIT UNION

Market Code

December 2021

Market Code

Innovation Credit Union and its employees have always been committed to delivering a high quality of service to members and customers. The Market Code that follows builds on this commitment. This Market Code identifies the market practice standards and how the credit union subscribes to the standards.

Our Conduct and Co-operative Values

The Market Code represents the standards the credit union embraces as an organization, the way the credit union conducts itself and how it will continue to treat existing and potential members and customers as it works to maintain the member's trust, while living out our co-operative values.

Innovation Credit Union subscribes to the co-operative principles as endorsed by the International Co-operative Alliance and the international credit union operating principles as endorsed by the World Council of Credit Unions. Innovation is member-owned and democratically controlled. The goal is to provide a measurable economic and social benefit to members and communities by incorporating the following values in all that it does:

Co-operation and Accountability – Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Co-operatives work together through a belief that we can accomplish more together than alone. Innovation takes into account the effect of its actions on others. In the tradition of our founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Communication –Innovation communicates in an open, effective and timely manner.

Community Impact –Innovation Credit Union actively supports the development of communities locally, provincially and beyond. Communities are stronger because of the credit union system.

Employee Satisfaction –Innovation respects its employees and their contribution to its success. It encourages employee involvement and participation. It recognizes and rewards them for their creativity, teamwork and achievement. Innovation supports employee development by providing training and educational opportunities. It respects its employees' need to balance personal and professional lives.

Financial Strength –Innovation Credit Union's strong financial performance allows it to invest in its members and the community for future growth. It balances the need for financial results with the needs of members and communities. The trust and confidence of members is maintained through sound business practice.

Product and Service Excellence –Innovation Credit Union works with members and communities to understand their needs, and respond with innovative, high quality products and services. Its employees provide friendly, knowledgeable and helpful service.

Professional Conduct – Members' financial affairs are conducted with integrity and in a professional manner. Innovation's ethical principles are rooted in concern for the individual. Confidentiality is integral to the way it does business.

The Co-operative Difference

Members, in addition to accessing financial services from Innovation, are also owners and decision-makers that have a say in its actions. Members elect a board of directors to provide leadership and ensure that members' views are represented.

Being an owner also means sharing in Innovation Credit Union's success. Its financial success is shared with its membership in accordance with the board's direction and in keeping with prudent business practices. Some credit unions offer lower interest rates and service fees, others distribute patronage dividends and many contribute to community initiatives.

As a community-owned financial institution, Innovation is sensitive to member satisfaction with the level of service members receive. It invites members to provide comments on their services.

To Whom Does the Market Code Apply?

Innovation Credit Union has adopted the Market Code which sets out the standards of good business practice to follow when dealing with consumers.

The Market Code reflects Innovation's vision, mission, values, policies and practices. Adherence to the Market Code is mandatory for all employees, directors, board-appointed committees and officers.

It is Innovation's responsibility to understand and follow the Market Code and act in accordance with the highest standards of personal and professional integrity. Similarly, Innovation expects third parties providing credit union services to maintain high standards of business conduct and ethics. To that end, service providers will be advised the Market Code is available on its website, or a copy will be provided on request.

Market Code applies to all products and services offered by the credit union whether provided by branches, over the phone, by mail, on the Internet or through any other service delivery method.

Innovation Credit Union is committed to supporting the Market Code by providing employees, directors, board-appointed committees and officers with orientation and information that ensures understanding, awareness and commitment. Their good judgment in applying the Market Code determines the conduct of it.

It will continuously explore and adhere to standards of practice and service in the financial services industry that are in keeping with co-operative values.

Innovation Credit Union's Key Commitments to You, the Member

Innovation will:

- act fairly and reasonably in all its dealings;
- make sure that advertising and promotional literature is clear and not misleading and that you are given clear information about its products and services;
- give you clear information about how an account or service works, the terms and conditions along with the fees and charges that apply to it;
- help you use its account and services by providing regular statements (where appropriate) and will keep you informed by providing notices of changes to the interest rates, charges or terms and conditions;
- try to help you deal with things that go wrong;
- have a complaint resolution process available to you, with no charge applied by the credit union, to address any complaints or concerns that may arise;
- as per the credit union's Privacy Code, treat all personal information as private and confidential, and operate secure and reliable banking and payments systems;
- train employees so they are qualified and capable of fulfilling their duties;
- abide by the co-operative values defining our standards of business conduct and ethics;
- publicize its Market Code, have copies available and make sure all employees are trained to put it into practice; and
- meet commitments in the Market Code.

Principles in Action

Products and Services to Meet Member Needs

Innovation will provide general information about the rights and obligations that arise out of its relationship with you in relation to the banking services it provides.

This will be provided at account opening when the Financial Services Agreement is completed, when the rights and obligations contained in the Financial Services Agreement are revised and throughout the relationship with you when the products/services you acquired from the credit union carry specific rights and obligations.

Innovation will facilitate informed decisions about its banking services:

- by providing disclosure of product and service information at the time of inquiry and/or at the time of acquisition. When this is not possible, information will be provided as soon as possible afterward. Relevant information will be provided along with product information to help you understand the basic financial implications of the transaction, the fees and charges associated and any terms and conditions that apply;
- by providing information in plain language;
- by answering any questions you may have;
- by providing a toll free # or branch number to call to enable you to speak to subject matter experts when you have a query or concern; and
- by explaining, when asked, the written information that has been provided.

If a member asks Innovation for assistance in helping plan the management of their financial affairs, it will:

- work with the member to provide advice through authorized and licensed staff; or
- refer you to appropriate external sources for advice; or
- recommend you seek advice from another source.

If a product supplied is acquired from a third party, we will disclose relevant relationships to you at the time of product inquiry and/or product acquisition. Innovation may receive compensation from the sale of third party products or services.

Innovation Credit Union will do its best to avoid situations where there is a conflict of interest. When there is a potential or perceived conflict of interest, Innovation will bring this to your attention and you will be given the opportunity to cancel, postpone or continue with the transaction.

It will not discriminate against you on the basis of race, religion, age, pregnancy, marital status, gender, sexual orientation, ethnic or social origin, disability, color, ethics, belief, culture, language or birth, except to the extent that a distinction is required or justified by any law, or to the extent that the factor has commercial implications, or if a special product or service offering is designed for all members of a particular target market group.

Advertising and Sales Practices

Innovation Credit Union will ensure its advertising and promotional literature is not deceptive or misleading.

It will not practice tied or coercive selling.

Innovation will not impose undue pressure or coerce you to obtain a product or service from the credit union and any of its affiliates as a condition of obtaining another product or service from the credit union. You will not be unduly pressured to buy a product or service that you do not want in order to obtain another desired product or service. Innovation Credit Union may show its interest in your business or appreciation of your loyalty by offering preferential pricing or bundling of products and services with more favorable terms. These practices should not be confused with coercive tied selling.

Its requirements will be reasonable and consistent with its level of risk. The law allows Innovation to impose reasonable requirements on consumers as a condition for granting a loan or to provide a specific service, but only to the extent necessary for the credit union to manage its risk or its cost or to comply with the law.

Innovation will not knowingly take advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of facts or any other unfair dealing or unethical activity.

Innovation will act fairly and reasonably towards you in an ethical manner; in doing so, it will consider your conduct, its conduct and the contract between us.

In meeting Innovation's key commitments to you, it will have regard to its prudential obligations.

Access to Basic Banking

Innovation recognizes the importance of access to banking services and will take reasonable measures to ensure access to a basic banking account. A credit union may restrict account services to reasonably protect itself from credit losses from account users.

Account Statements

To help you manage your account and check activity on it, Innovation will provide regular account statements depending on the financial services being accessed. Statements may be provided monthly, quarterly or, at a minimum, annually. A statement may not be provided if, after taking reasonable steps, Innovation is unable to locate you.

Notice of Service Fee Changes and/or Account Structure Changes

Innovation Credit Union will provide a minimum of 30 days' notice for changes in service fees and/or changes in account, product, or service structures that you are receiving.

Notice of Branch Closure

Innovation will provide a minimum of four months' notice in the event of a branch closure.

Changes to Terms and Conditions

Innovation will provide a minimum of 30 days' notice to the terms and conditions that govern the operation of your account(s) as soon as changes are made. Notice can be provided through its website, and either by mail, statement message, or electronically.

Employee Training and Competency

Innovation Credit Union will ensure its employees are trained with appropriate accreditation and licensing so that they:

- acquire an appropriate level of knowledge to competently and effectively carry out their roles and responsibilities and provide the products and services they are authorized to provide;
- meet professional ethical standards and act with a high level of honesty, integrity, fairness, due diligence and skill; and
- have adequate knowledge of the provisions of the Market Code and comply with this code in dealing with you.

If accreditation and/or licenses are not prominently displayed, employees will identify the relevant accreditations and/or licenses they maintain at the time of product inquiry and/or product sale.

Abiding by the Law

Innovation will ensure that all products and services comply with relevant laws and regulations.

It will comply with all applicable laws, rules and regulations of federal, provincial and local governments and other applicable public and self-regulating agencies as well as credit union policies that affect how we do our jobs.

Administration of the Market Code

Copies of the Market Code

Innovation Credit Union will provide a printed copy of Market Code upon request. It shall also provide a copy of the Market Code on its website.

Accountability

Innovation is responsible for adherence to the Market Code and will designate a Compliance Officer who is accountable for the credit union's compliance with the Market Code. Ultimate accountability for its compliance with the Market Code rests with Innovation's board of directors.

It will identify the Compliance Officer responsible for the day-to-day compliance with the Market Code to its members, customers and employees.

Innovation Credit Union will implement policies and procedures to give effect to the principles, including:

- procedures to receive and respond to concerns and inquiries;
- training staff to understand and follow its policies and procedures; and
- an annual review of the effectiveness of the policies and procedures to ensure compliance with the Market Code and to consider revisions.

Innovation will periodically remind employees, officers and directors of the importance of the Market Code. It has adopted a Code of Conduct that sets standards for the business and ethical conduct of employees. Employees, officers and directors are required to sign a declaration stating that they review the credit union's Code of Conduct annually and commit to uphold the principles in the Market Code.

Questions about the Market Code?

Contact Innovation's Compliance Officer if you have questions about the Market Code. The name of the Compliance Officer is available by contacting Innovation. They will respond to inquiries, questions or concerns within a reasonable amount of time and at no cost or at a reasonable cost to you. The requested information will be provided or made available in a form that is generally understandable.

If the Market Code is not being followed, Innovation will seek to correct the deficiency.

If your inquiry, question or concern is not resolved to your satisfaction, it will be recorded by the credit union. When you make an inquiry or lodge a complaint, you will be informed of complaint handling procedures by Innovation.

Complaint Handling (Problem Resolution)

Effective January 1, 2022, SaskCentral is no longer filling the role of Ombudsman and Saskatchewan credit unions will move to a two-tiered complaint handling model, escalating from the credit union level directly to the Ombudsman for Banking Services and Investments (OBSI).

Innovation will publish a complaint handling policy endorsed by its board of directors formalizing its commitment to the complaint handling process.

The details of the credit union's two-step complaint handling process are as follows:

Step 1: Your Credit Union

If you have a complaint or concern, the first place to make it known is at Innovation Credit Union. This process will be:

- free of charge;
- in accordance with industry complaint handling standards for an internal dispute resolution process. The standards reflect a commitment to a consumer- oriented approach to complaint handling and redress including accessibility, timeliness, courtesy, clarity, accuracy and consistency;
- available to you by contacting Innovation and asking for the Compliance Officer or employee that handles complaints and
- accessible via toll free telephone #, e-mail, in person, or in writing.

Innovation Credit Union
PO Box 1090 STN Main
Swift Current SK S9H 3X3
Telephone: (306)778-1700
Toll Free Telephone: 1-866-446-7001
Fax: (306)773-3381
Email: marketcode@innovationcu.ca

Step 2: Ombudsman for Banking Services and Investments

Consistent with industry standards, the credit union system has joined the OBSI, which is an external impartial organization that helps with matters that have not been resolved to your satisfaction. If you are dissatisfied after dealing with your credit union, you may contact the OBSI.

The OBSI will engage with Innovation's designated complaint handling contact, request documents from the credit union, and interview as required.

This external complaint handling process will be:

- free of charge;
- reflect a commitment to a consumer-oriented approach to complaint handling including accessibility, timeliness, courtesy, clarity, accuracy and consistency;
- in accordance with the principles of knowledge, fairness and impartiality, confidentiality, objectivity and independence;
- governed by a separate board of directors whose members include a majority of independent directors; and
- available to you by contacting the Ombudsman for Banking Services and Investments.

Ombudsman for Banking Services and Investments
401 Bay Street, Suite 1505
P.O. Box 5
Station Adelaide
Toronto, ON M5H 2Y4
Toll Free Telephone: 1-888-451-4519
Toll-Free Fax: 1-888-422-2865
E-mail: ombudsman@obsi.ca
Website: www.obsi.ca

Free of charge – a fee will not be charged to cover the costs incurred in dealing with a complaint. Expenses incurred by the consumer are not funded by Innovation Credit Union and there is no provision for the award of costs to solicitors or other professionals.