

Hellooo Canada!



MADE IN SASK. BUILT FOR CANADA.



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About Innovation Federal Credit Union

Innovation Federal Credit Union is one of the largest credit unions in Saskatchewan with over 500 employees and more than \$4.930 billion in managed assets. We serve over 62,000 members across 25 advice centre locations and offer in-person appointment service in both Regina and Saskatoon. With the support of our membership, we are excited to be the first credit union on the prairies to become a federal credit union under *The Bank Act*. As a member-owned co-operative, we provide quarterly Member Rewards to our members and reinvest 2% - 4% of our pre-tax profits back into the communities we serve.

62,297
members

across eight Canadian provinces



25



advice centre locations

Innovation is now only the third – and first on the prairies – federal credit union in Canada.



Assets Under Administration
+\$594.5 million (+13.7%) to
end the year at **\$4.930 billion.**

508 employees



To **simplify banking** for Canadians.



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 Federal 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 Federal 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.

Co-operation Among Co-operatives

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

Concern for Community

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



Board President's Message

We did it! Thanks to your support, in June 2023, we became the first federal credit union in Saskatchewan. It's been such a tremendous honor watching the hard work and preparation pay off, coming together as a Board, staff, and members, to make history—not only for Innovation but within our credit union system. In all our travels and discussions with credit union leaders across Canada this past year, they were amazed by what Innovation has accomplished and the direction our credit union is heading. Thank you for making Innovation the Saskatchewan credit union with national reach.

No matter how many Canadians we serve, you can always trust that we're still a credit union. We follow the Co-operative Principles, you will always have a voice through Board representation; and our Responsible Banking™ philosophy, created to help you save, earn, and give more, is stronger than ever. In 2023, we introduced a \$5 million community grant reserved for Saskatchewan people with Saskatchewan projects. We introduced two \$10,000 scholarships for Innovation student members. And we explored ways to bring financial services to northern communities that currently have none, welcoming our Île-à-la-Crosse advice centre staff and members to our Innovation family in November.

As a member, you earned \$4.2 million through our profit-sharing Member Rewards program in 2023. We also gave back \$1.1 million to the communities we serve all thanks to your business! Because of this community support, we were once again honored to be named a Caring Company by Imagine Canada. Our Board, management, and staff, thank you for choosing our Caring Company to do your banking with.

In closing, I'd like to thank your Innovation Board members for their ongoing dedication and leadership. Every Board member has a development plan, attends a minimum of two training and development days each year, along with additional courses that build our governance skill set. They are truly devoted to Innovation's purpose of simplifying banking for all Canadians.

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



Russ Siemens

Board President

 @russ_siemens

 [linkedin.com/in/russsiemens](https://www.linkedin.com/in/russsiemens)

CEO's Message

Dear Members, Partners, and Colleagues:

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 organizational culture.

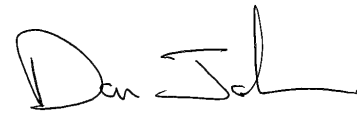
2023 was a testament of our collective ambition and strength as we concluded our multiyear journey to become a federal credit union. We also experienced solid growth in a time of elevated political uncertainties, economic pressures on our members and companies, and environmental concerns. Our teams rallied together, remaining efficient with remote work, and supporting one another. This commitment to resilience was unwavering as we continue to transform to a digital business model.

Our strategy consists of the foundations of leveraging our national reach and embracing digitalization. In addition, we have three pillars: thriving teams, being member obsessed, and financial strength. This balanced strategy has allowed Innovation to thrive as our industry is being disrupted with new competitors, rapidly changing consumer behavior and expectations, as well as aging demographics in our local communities.

Our greatest asset is our people. Their dedication, creativity, and unwavering spirit fueled our resilience. We invested in their well-being, fostering a sense of community even in virtual spaces.

Innovation continues to reimagine processes, streamline workflows, and embrace digital tools. Our agility allowed us to pivot swiftly, ensuring simplified services to our staff and members.

Thank you to our remarkable staff teams and for your ongoing support and business. Innovation is well positioned for long term sustainability!



Daniel Johnson

CEO

 @johnsoda123

 [linkedin.com/in/danjohnson](https://www.linkedin.com/in/danjohnson)

Board of Directors



Russ Siemens
Board President



Michele Wilde
1st Vice President



Mike Davis
2nd Vice President



Meagan Cockrill
Board Member



Bruce Sack
Board Member



Brian Guillemain
Board Member



Liam Choo-Foo
Board Member



Karen McBride
Board Member



Ian Hamilton
Board Member



Joan Baer
Board Member



Dayna Whitney
Board Member



Peter Brown
Board Member



Daniel Johnson
Board Member



Bryon Zanyk
Retired Board Member

Executive Agile Squad



Daniel Johnson
Chief Executive Officer



Sheldon Hess
Chief Financial Officer



Brad Appel
Chief Business Banking Officer



Ian McArthur
Chief People & Governance Officer



Dean Gagne
Chief Disruption Officer



Sandra Meinig
Chief Risk Officer
*as of February 2023



Shalane Pathammavong
SVP, Consumer Banking



Kathy Irwin
VP, People & Development



Derek Vanthuyne
VP, Strategy & Innovation



Vishnu Singh
VP, Marketing & Data Analytics



Gwen Renwick
VP, Wealth Management



Shahani Perera
SVP, Digital Transformation

The **Executive Agile Squad** includes chief officer roles as well as key senior leadership and subject experts who provide diverse perspectives and solutions as respected voices at the Executive level.

Company Highlights and Achievements Our achievements in 2023 were driven by our members and their ongoing financial needs - from becoming a credit union with national reach 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™.



2023 Company Highlights



On June 16, 2023, the Minister of Finance provided Innovation Credit Union with Letters Patent of Continuance and the Office of the Superintendent of Financial Institutions (OSFI) issued an Order to Commence and Carry on Business as a Federal Credit Union. These notices were effective June 23, 2023, upon which Innovation Federal Credit Union became Canada's third federal credit union.

The process involved gaining approval from many regulators, as well as both levels of government. Members approved the change in December 2017 when 82% of the 17,214 casting ballots voted in favour of the proposal.

The ability to expand our boundaries will help us to diversify our membership and deposit base and address challenges - including an aging membership and competition from banks and technology companies vying for members' financial business from across the country.

#MadeInSaskBuiltForCanada

2023 Company Highlights



Total Innovation Wealth assets in 2023 grew by 13.3%.



Innovation achieved 19.9% in annual loan growth in 2023.

By achieving national reach, Innovation was able to secure twelve new strategic federal partnerships to help drive growth and financial stability.



- PEAK SECURITIES
- Yield Exchange
- EMPIRICAL CAPITAL CORP.
- CROWN PRIVATE CREDIT
- QTRADE
- MCAP
- Farm Lending Canada
- VECTOR FINANCIAL
- Investments
- Indigenous Wealth Finance Group Inc.
- neo FINANCIAL
- RESEARCH CAPITAL CORPORATION

2023 Company Highlights



Save

More than 38,000 members have a No-Fee Bank Account



Earn

\$4.2 million paid to members in 2023 (and \$43.3 million since 2007)



Give

\$9.0 million given back to our communities since 2007

“Our members are why we exist. And rewarding them for their business is what we do!” - Leslie Swistun – Payments Specialist, Digital Transformation



2023 Corporate Scorecard Results

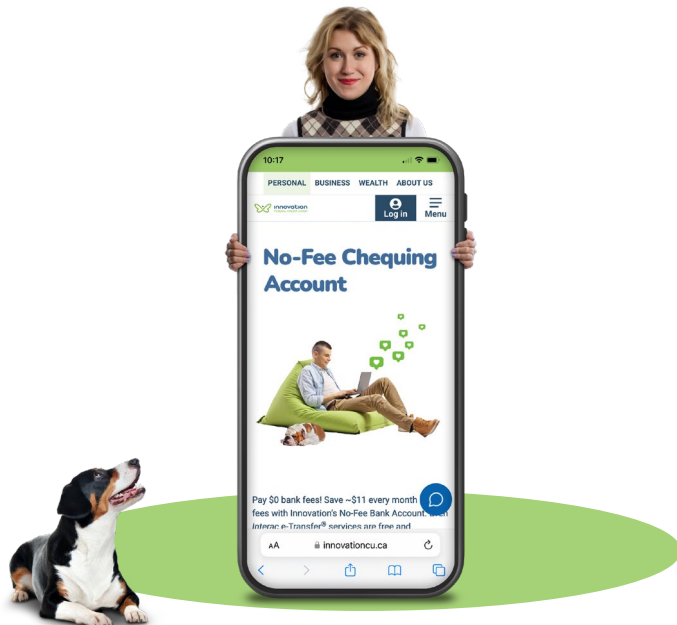
Pillar	Key Performance Indicator	Key Result	Performance Measures	
			Actual	Target
Member Obsessed	Digital Sales/Service	Total Membership	62,297	61,643
	MRM Adoption	% Cases Resolved Within SLA	87.64%	85%
Thriving Teams	Employee Engagement	Engaged from Staff Engagement Survey	69.64%	60.00%
	Leadership Index	Coaching/1-on-1 Time one hour per month per staff	89.00%	65.00%
Financial Strength	Efficiency Ratio	% Revenue/Expenses	73.91%	72.94%
	RoE	% Net Income/Retained Earnings (triple net)	6.38%	6.28%
Digitalization	VeriPark Module Implementation	Finish Implementation of Identified VeriPark Modules	5	6
	Employee Digital Adoption	MS Analytics Adoption Score That Exceeds Benchmark	7	5
National Reach	Federal Credit Union Status Received	Operating as a Federal Credit Union	June 23	May 31
	Federal Partnerships	Partnerships Directly related to Having Federal Powers	12	4
Risk	Delinquency	Delinquency > 90 Days	0.584%	0.75-0.50%
	Quality-Assurance Credit	Quality Assurance Score	88.00%	87.00%

Responsible Banking™ Innovation Federal Credit Union 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.



\$4,241,119

Being an Innovation member means sharing in the success of the credit union. For simply doing business with us, we approved \$4,241,119 in member distributions in 2023 – an increase of **26.8%** over 2022.



Member Rewards

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

Save

Members save on fees - as much as \$11/month – 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 2023, we returned over \$2.8 million to members in the form of allocations.

We also pay cash dividends based on the amount of equity members have. We paid over \$1.3 million to members in the form of dividends. In Q2 of 2023, Innovation's youth dividend (for members 18 years old and under) was increased from \$5 to \$10 cash every three months, totaling \$0.1 million.

Give

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

Innovation Legacy Community & Development Funds

\$5,000,000

In becoming the first federal credit union headquartered on the prairies in Saskatchewan, Innovation is ensuring that local community support remains a vital and strategic component of our values, both as a credit union and a co-operative.

In 2023, Innovation was proud to announce a \$5 million Legacy Community & Development Fund, reserved for Saskatchewan people with Saskatchewan projects. The fund will award local projects over a ten-year period and is comprised of the following components:

- **Legacy Community Grant Allocation,**
- **Naming Rights Reserve, and**
- **Indigenous Community Development Fund**

Having national reach will positively impact our longstanding local presence, community spirit, and the well-being of the people who helped make us what we are today.



\$1.1 million

given in 2023 to local organizations who are making a difference!

In 2023, we invested \$1.1 million into our communities in the form of sponsorship, naming rights, community development, legacy funds, grants, and scholarships. This is a contribution of 4.43% of our pre-tax profits.



We were honoured to be designated as a Caring Company by Imagine Canada once again in 2023. This designation is awarded to companies that lead by example and set the standard for corporate giving.

Legacy Community & Development Grant Fund

\$311,690
given to 26 deserving
organizations and
community projects



Community Development Grant

The Meadows Auxiliary, Silver Wings Access Van - \$25,000
Board of Education Chinook School Division No 211 O.M. Irwin School North Playground Proposal - \$25,000
Lyceum Theatre, Lobby Modernization - \$25,000
Kincaid & District Health Centre Board Inc., Clinic Construction - \$25,000
Meadow Lake Homeplate Shelter Coalition Corp. - \$25,000
Frontier and District Ambulance, Purchase of New Ambulance - \$25,000
Village of Shell Lake, Curling Rink Rebuild - \$15,000
Swift Current Community Youth Initiative, Counselling Program Expansion - \$15,000
Eastend Wolf Willow Health Centre, Ceiling Lift Project & Lend a Hand Resident Transfers - \$15,000
Town of Hafford, Ball Diamond & Concession Stand Upgrade - \$12,500
Medstead Central School, Outdoor Playground - \$10,000
Hafford & District Recreation Board, Playground Upgrade - \$10,000
Village of Meota, Playground - \$10,000
Cut Knife Bowling Alley, Synthetic Lanes & Update Computer System - \$10,000
Meadow Lake Curling Club, Kitchen Renovation - \$7,500
Eastend Community Swimming Pool Stay and Play, Green Space Enhancement- \$5,000
Eastend Memorial Hall, Refurbishing Hardwood Floor - \$5,000
Eastend Arts Council Wallace Stegner House, Educational Installation & Community Space - \$5,000
Hazlet Regional Park Inc., Phase 1 Playground Upgrade - \$4,996
Success Community Hall Co-operative Association, Flooring Replacement - \$3,000
MADRA Leisure Life Club Inc., Club Room Improvements - \$2,500
Village of Climax, Playground Gazebo/Shade Shelter - \$2,500

Goodsoil Legacy Fund

Goodsoil & District Parks & Rec Kitchen Renovation - \$15,000
Goodsoil Recreation Community Hall Board, Floor Maintenance and Projector System - \$5,000

Pierceland Legacy Fund

Pierceland Volunteer Fire Department, Wildlife Suppression Tank - \$5,200
Pierceland Recreation Association Community Hall, Sound and Presentation System - \$3,500

Innovation's Commitment to Truth and Reconciliation

\$1,000,000

over ten years was approved by the Board as part of our new Indigenous Community Development Fund.



Innovation and the Île-à-la-Crosse Cooperative Association partnered to develop a micro advice centre, bringing much-needed financial services to the northern community. Innovation also donated \$50 to the community for every new account opening. The advice centre/branch officially opened on November 15, 2023, while plans are underway to open an advice centre in La Loche, SK in 2024.



Innovation was proud to be the Presenting Sponsor for the Global First Nations Carbon Summit

Innovation became a member of the Canadian Council for Aboriginal Business (CCAB) - which promotes, strengthens and enhances a prosperous Indigenous economy through the fostering of business relationships, opportunities and awareness.



Canadian Council for
**ABORIGINAL
BUSINESS**

\$68,000 in scholarships

To reach and help more post-secondary students with rising education costs, our 'No Essay Scholarship Program' 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.

In 2023, two \$10,000 scholarships were added for students who were Innovation members.



Indigenous Arts Partnership



Our Community team was proud to continue its support of the Innovation Indigenous Art Partnership Project – led by Big Brothers Big Sisters of the Battlefords.

As a symbol of gratitude, the project gifted Innovation with a dreamcatcher, which was installed as a testament of community, kinship and connection at our advice centre in North Battleford.



“The commitment to diversity and community is truly embraced by everyone at Innovation.” - Jasmine Dreger - Senior Director, Indigenous Relations



10,000
meals donated



With inflation still significantly impacting Saskatchewan residents and local charitable organizations, our **2023 Community Impact Campaign** focused on ensuring that the underserved continued to receive food during this difficult time.

The campaign donated a total of **\$54,500** to the following outstanding organizations:

- Meadow Lake Outreach Ministries Door of Hope Soup Kitchen
- BGC Battlefords
- Souls Harbour Rescue Mission, Regina
- Saskatoon Friendship Inn Meal Sponsorship Program
- The Swift Current Salvation Army Wednesday Night Meal
- Aboriginal Friendship Centres of Saskatchewan
 - Île-à-la-Crosse, Buffalo Narrows, and La Loche

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



Recognizing that photos of Canadian Indigenous Peoples are difficult to source on stock photography websites, Innovation’s Marketing and Community teams partnered with Saskatchewan Indian Institute of Technologies (SIIT) to co-produce a photoshoot of their students and staff – including utilizing a young Indigenous photographer, Alexandra Jarrett, from northern Saskatchewan. The library of images created now help Innovation to better reflect the Indigenous people of our country within various marketing materials and promotions.



Co-operative Week and Credit Union Day

\$10,000
and **100s of smiles**



Co-operative Week and Credit Union Day were celebrated in the third week of October of 2023 with our members and co-operative partners.

Our staff surprised people in their communities with Random Acts of Kindness to brighten their day - **\$10,000 in gift cards** were given out – while each advice centre provided coffee, treats and special camping mugs to members.

Innovation committed financial support to other co-operatives such as Cooperative Development Foundation, Saskatchewan Cooperatives Association, and the Centre for Co-operatives.



EV charging stations

To help meet growing demand of member and staff electric vehicle (EV) charging needs, Innovation has begun providing charging stations at targeted Innovation advice centres. The installation of four stations are currently underway.

Picnic in the Park

Over **5,000 people** attended our 42nd Annual Picnic in the Park on June 4th - enjoying an afternoon filled with free games, entertainment, sunshine, and a concession with old-fashion prices.



Responsible Banking™

Investing in Our Employees

As an employer, Innovation Federal 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 committee creates an environment that increases the development and engagement of its members, positively impacts the culture and engagement of the organization and contributes to its communities. Their 2023 achievements include hosting its 3rd annual speaker and workshop event, 'Gimme a Break' sessions, and expanding the committee to include spots for IYL Champions to further promote engagement and leadership. They have also partnered with numerous committees and departments throughout the year to assist with different initiatives.

iMentor Program

The iMentor Program allows more experienced Innovation employees to give back by helping others grow. 2023 was the seventh year of a collaborative partnership with Cornerstone Credit Union. Sixteen pairs of employees were matched between the two credit unions.



30 summer students hired in 2023

\$805,766

learning & development spend

Development Index

98.15%



employee participation in professional development



“Being a summer student provided me with hands on experience and insightful mentorship.” - Meadow Coates, USask Edwards School of Business Student

Female Leadership Representation

63.8%

Leadership Team Representation

72 Total Leadership Team Members
46 Female / 26 Male



42.0%

Female Board Representation

12 Total Board Members
5 Female / 7 Male



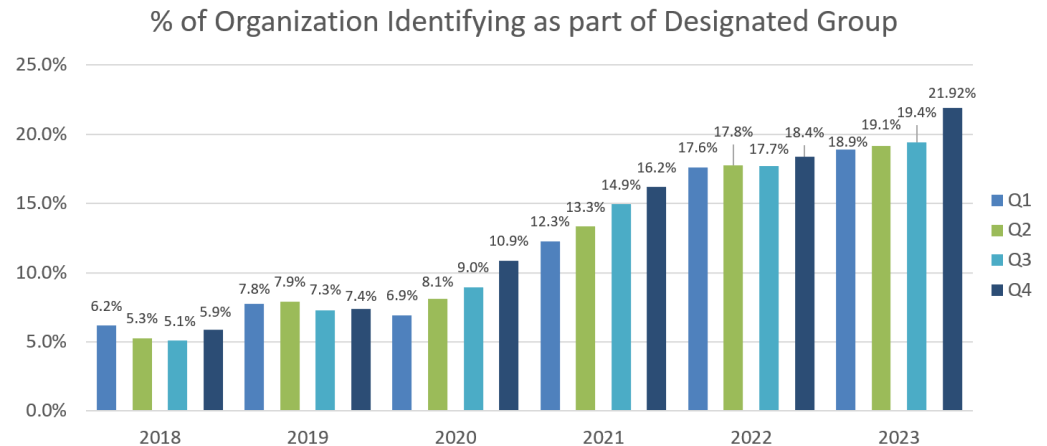
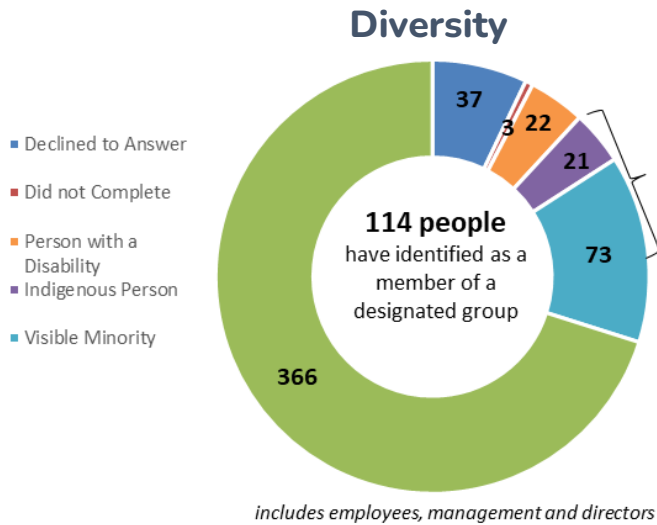
Innovation continues its prosperous partnership with the Canadian Centre for Diversity and Inclusion (CCDI). We also provide and support diversity learning opportunities for staff and have created a company-wide diversity celebration calendar.



In the fall of 2023, we hosted an “Innovation Experience Tour” – an information session around our organizational culture. These sessions provided an opportunity for Innovation employees from across Canada to come together in smaller groups to engage and learn together. The tour travelled to meet with teams in Alberta, Manitoba, Ontario and numerous Saskatchewan locations.

21.92%

of Innovation staff identify as a member of a designated group: visible minority, Indigenous or person with a disability.



In 2023 we implemented the new compensation structure and set the foundation for a pay equity review. We posted a notice to staff upon becoming federal and have three years to meet requirements. 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.



Environmental, Social, and Governance (ESG)



PRINCIPLES FOR
**RESPONSIBLE
BANKING**

An evolution of ESG is on the horizon. OSFI has released its B-15 guidelines that will require all federally regulated financial institutions to disclose their emissions.

As founding signatories to the United Nations Principles for Responsible Banking, Innovation Federal Credit Union is ahead of the curve when it comes to thinking about long term sustainability.

In 2023 Innovation worked with MNP to prepare for upcoming changes and to put ourselves in a position to not only help our members through the transition but to prosper from the opportunities it will bring.

We have conducted an initial baseline calculation of our GHG emissions in accordance with OSFI guidelines and conducted a current state assessment to better understand our capabilities today, what lies ahead, and how to successfully build towards the future.



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



Corporate Structure and Governance

On June 16, 2023, the Minister of Finance provided Innovation Credit Union with Letters Patent of Continuance and the Office of the Superintendent of Financial Institutions (OSFI) issued an Order to Commence and Carry on Business as a Federal Credit Union. These notices were effective June 23, 2023, upon which Innovation Federal Credit Union became Canada's third federal credit union.

Innovation is regulated by the Office of the Superintendent of Financial Institutions ('OSFI') and must comply with *The Bank Act* (SC 1991), Financial and Consumer Affairs Canada (FCAC), Canadian Deposit Insurance Corporation (CDIC), the Bank of Canada (BoC), Innovation's bylaws and policy, and other applicable laws. Prior to continuance as a federal credit union, Innovation was regulated by the Credit Union Deposit Guarantee Corporation of Saskatchewan (CUDGC) and complied with *The Credit Union Act, 1998*; *the Credit Union Regulations 1999*; and *The Standards of Sound Business Practice*. The Credit Union provides regular reporting to OSFI and is subject to periodic risk-based examinations.

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

Nomination Process

In 2023, four Directors were elected by members based on district. Terms at Innovation are renewable every three years and there are 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, with election results being announced at the Annual Meeting.

Board Composition

The Board is composed of 13 individuals (including the CEO, who became a member of the Board effective the date of Continuance), elected by Innovation'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 Federal 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, Innovation seeks to maintain a Board in which no one gender represents more than 70% of Directors, which was met in 2023.

Board of Directors



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

Director Since: 2007
Term Expiry: 2026
Swift Current, SK

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 Member and Community
Relations Committee

Director Since: 2018
Term Expiry: 2025
Meadow Lake, SK

Michele has served as a director on numerous Boards, specifically in the co-operative 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

Director Since: 2007
Term Expiry: 2026
Swift Current, SK

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's 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 co-operative movement, its benefits, and the challenges Innovation faces. As a Director, he makes sure there is a focus on executing Innovation's strategic plan, ensuring it 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, SK

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 Innovation 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, SK

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 Innovation 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: 2026
North Battleford, SK

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



Brian Guillemain, MBA

Board Member
Chair, Corporate Governance
and People Committee

Director Since: 2022
Term Expiry: 2025
Saskatoon, SK

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.



Dayna Whitney

Board Member

Director Since: 2021
Term Expiry: 2024
Eastend, SK

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 Innovation 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 Innovation supports the communities it serves and believes this is a key differentiator for people looking for a financial institution that aligns to their values.

Board of Directors



Joan Baer, ICD.D, MBA, ACUIC

Board Member
Chair, Risk Committee

Director Since: 2019
Term Expiry: 2025
Goodsoil, SK

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, SK

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 Innovation's members, striving to ensure that it continues to strengthen and grow its services while keeping member service a top priority.

Board of Directors



Karen McBride, MBA, ORMP

Board Member
Chair of Audit and Conduct Review
Committee

Director Since: 2022
Term Expiry: 2025
Regina, SK

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.



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

Retired Board Member
Chair of the Community and Member
Relations Committee

Director Since: 2016
Term Expiry: 2023
North Battleford, SK

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



Peter Brown

Board Member

Director Since: 2023

Term Expiry: 2025

Lloydminster, SK

Peter's roots are deep in the cooperative movement. He has worked in cooperatives for over 25 years, including communities that Innovation Credit Union serves, such as Swift Current, North Battleford, and Meadow Lake. He is currently proudly serving as the Chief Executive Officer (CEO) of Lloydminster and District Co-operative.

In Peter's previous role as a Business Advisor at Federated Co-operatives Limited, he helped support the missions and goals of up to 25 various co-operatives, which then helped the local co-operatives benefit their members and communities. The co-operative movement is a family thing as, throughout Peter's co-op management career, his wife, Jaime, worked at many of the corresponding credit unions for 15 years.

Peter has experience with Strategic Organizational Leadership, Corporate Performance Management, Sales Force Automation (SFA), Customer Relationship Management (CRM), digital marketing strategies, customer acquisition, and various forms of governance.

Peter provides strong leadership and guidance to his team, driving purpose and vision throughout the organization. He is currently finishing up his final few months of the Executive Masters of Business Administration (MBA) program through the University of Fredericton.

Corporate Structure and Governance

Competencies

In 2023, the Board updated the Competency Matrix including the ideal number of directors to possess each competency. These changes make the Matrix more reflective of Innovation’s strategy and future. The Matrix is used to determine the skills, competencies and experience that make up an ideal Board, and include ensuring commitment to the Co-operative Principles. The Board follows its Succession Planning Policy and evaluates all Directors to find any existing or possible future gaps in the Board's competencies. The Board employs various strategies to address any identified gaps, such as Board and Director Development plans and actively looking for potential nominees for future elections. The Matrix can be found as **Appendix A**.

Primary Financial Institution

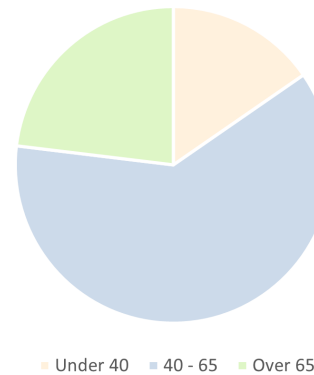
As per the Bylaws of Innovation Federal Credit Union, all Directors are required to use Innovation as their primary financial institution. We define this as:

The requirement to use Innovation Federal 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).

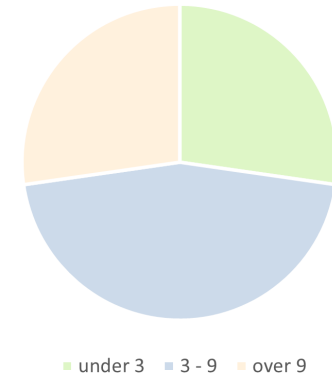
The requirement may also be supported through an active savings, lending or wealth management relationship that would indicate engagement with Innovation.

All Directors meet this requirement.

Age of Directors



Tenure (in years)



Board Independence/Affiliation

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

No more than $\frac{2}{3}$ of the Board can be affiliated to Innovation, as per definition of affiliated in *The Bank Act*. In 2023, $\frac{1}{4}$ of Directors were affiliated. The Innovation Board of Directors was completely independent in 2023. The Board and its Committees met in camera, without management present, at minimum once every meeting.

Director Attendance

Directors are required to attend a minimum of $\frac{2}{3}$ of all Board and committee meetings. Board meetings were held at least quarterly (following fiscal quarter-end), December and in June. Standing Committees met prior to the Board meeting to discuss, review and recommend resolutions to the full Board. All Directors met attendance requirements in 2023.

Corporate Structure and Governance

2023 Board Competency Matrix

	Senior Leadership Experience	Other Board Experience	Financial Literacy	Accounting	Human Resources & Compensation	Governance & Ethics	Strategic Planning & Sustainability	Digital, IT & Security	Commercial Credit	Financial Services	Legal, Regulatory & Compliance	Growth & Market Expansion	Risk Identification & Management	Leadership with Co-operatives	Stakeholder Engagement & Community Leadership
Brian Guillemain	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓	✓	✓
Bruce Sack	✓		✓	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓
Bryon Zanyk	✓		✓		✓		✓	✓	✓						✓
Daniel Johnson	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
Dayna Whitney															
Ian Hamilton		✓	✓	✓											✓
Joan Baer	✓	✓	✓	✓	✓	✓	✓			✓	✓		✓	✓	✓
Karen McBride	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Liam Choo-Foo	✓	✓	✓		✓	✓	✓								✓
Meagan Cockrill			✓	✓											
Michele Wilde	✓	✓	✓		✓	✓								✓	✓
MikeDavis	✓	✓	✓	✓		✓	✓					✓		✓	✓
Peter Brown	✓	✓	✓		✓		✓		✓	✓	✓	✓	✓	✓	✓
Russ Siemens	✓	✓	✓		✓	✓	✓	✓						✓	✓

✓ = 4 (advanced) or 5 (expert) ranking

Corporate Structure and Governance

Director Remuneration

Remuneration for Board members is in accordance with Innovation's Elected Officials and Remuneration Policy. Directors received an honorarium payment, in recognition of their service, event attendance, preparation for meetings etc. Per diems were also paid for attendance at meetings, travel and formal training. The Remuneration Policy was reviewed by the Governance Committee in 2023.

The By-laws of Innovation Federal Credit Union limit remuneration paid to Directors as a whole does not exceed \$400,000 in a fiscal year. In 2023, the Board reached the remuneration cap of \$400,000.

Director Expenses

Innovation reimburses Directors for accommodation, travel, and food expenses. In 2023 the total cost of Director expenses was \$77,671.

Board Succession, Effectiveness and Renewal

Annually the Board of Directors reviews its Succession Plan 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, independence 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.

In 2023, the Board approved, on the recommendation of the Corporate Governance and People Committee, a roster of potential successors for each leadership role and their readiness to fill the position. Upon completion of the Gap

Assessment, the Board identified areas that could be bolstered to avoid potential gaps in future years. The Board continues to grow its Evergreen List of potential director candidates. The Board recognizes the need to have a robust Evergreen List to minimize potential gaps in the future and ensure that Innovation has a Board capable of overseeing a federally regulated financial institution.

Director Education/Development

Innovation requires Directors engage in ongoing learning and development. During 2023, Directors continued to demonstrate their commitment to education and personal development through individual development plans and as a collective. The Board as a whole, engaged in development on:

- Executive Compensation and Long-Term Incentive Plans
- Director Conduct
- ESG -with a focus on Environment
- Capital Adequacy Guidelines
- Federal Regulatory Environment
- Open Banking

Individual Director training and development in 2023, included but are not limited to:

- Credit Union Director Achievement Program (two Directors achieved graduate status)
- Risk Governance Certification
- Professional Director Designation (P. Dir)
- World Council of Credit Unions Conference Attendance
- Governance Best Practices
- Artificial Intelligence and Digital Transformation
- Cyber Security

Corporate Structure and Governance

Innovation had Board and Management representation at Canadian Credit Union Association hosted 'Hike the Hill' in the Fall, which provides opportunity to speak with government officials on pertinent issues that impact Innovation and the communities we serve.

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, 2023, 10 of 12 Directors met this requirement.

Board Highlights

The most notable accomplishment of the Board in 2023 was obtaining Letters Patent to become a federal credit union. The process began in 2017, when members gave the Board a mandate to pursue becoming a federal entity. Throughout the organization and at the Board level, many hours were devoted to reach this landmark achievement of being the third federal credit union in Canada.

The Board was successful in moving forward several important initiatives in 2023. Notable initiatives include:

- Continued focus on an exceptional digital experience for our members through the implementation of the VeriPark digital banking platform.
- Alignment of Executive Compensation to the Financial Stability Board Guidelines.
- Continued evolution of governance practices with focus on electoral reform, director succession planning and Board competencies.
- Establishment of a Nominating Committee

- CEO Performance Management
- Conducted individual and committee assessments
- Quarterly strategic discussions

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 Innovation.

Audit and Conduct Review Committee

Six Directors and Board Chair

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.

2023 Committee Accomplishments

- Approved an additional layer to the Member Rewards Program
- 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 Structure and Governance

Attendance and Remuneration

Board Member	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)
Brian Guillemin	9/11	8/8		✓		✓	33,221
Bruce Sack	10/10	8/8		✓		✓	28,241
Bryon Zanyk*	2/2	1/2		✓*	✓* C*		8,975
Dayna Whitney	9/9	7/8	✓*		✓	✓**	25,091
Ian Hamilton	9/9	7/8	✓		✓		32,716+
Joan Baer	9/10	8/8	✓	✓ C			33,696
Karen McBride	10/12	8/8	✓ C**	✓		✓*	34,496
Liam Choo-Foo	9/11	6/8	✓			✓	28,341
Meagan Cockrill	9/9	8/8	✓		✓		25,241
Michele Wilde VC	10/10	7/8			✓ C**	✓ C*	35,226
Mike Davis VC	10/10	8/8	✓ C*	✓			28,116
Peter Brown**	6/6	5/6		✓**	✓**		21,566
Russ Siemens BC	16/19	8/8		ex officio			53,897
							388,276

*Until April 2023 **Since April 2023 + \$6,075 was paid in 2023 for 2022 meetings
C - Committee Chair **VC** - Vice Chair **BC** - Board Chair

Ad hoc and informational meetings were held, as needed, in addition to the meeting calculated above.
 \$20,075 was paid for taxable benefits for a total of \$408,351 paid in Director Compensation.

Payments have been rounded to the nearest dollar.

Corporate Structure and Governance

Corporate Governance and People Committee

Five Directors and Board Chair

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 bylaws. In 2023 The Committee oversaw the nomination and election processes for elections for the Board of Directors.

2023 Committee Accomplishments

- Updated the Competency Matrix and completed a gap analysis of competencies on the Board
- Recommend revisions to Innovation Bylaws to ensure clear alignment to the Federal Regulatory environment and to provide flexibility required to operate as a federal credit union.
- Simplified Director Remuneration and Development Policies
- Aligned, where necessary, to requirements of being a Federally Regulated Financial Institution.
- Approved a revised process for the 2024 Nomination and Elections process
- Developed Terms of Reference for a Nominating Committee
- Reviewed the “Innovation Code Book,” clearly establishing expectations for culture, values and leadership.
- Review of compensation policies for the organization and oversight of Executive Compensation.

- Increased frequency of employee Short-Term Incentive Plan payments to quarterly in an effort to reward employees for their efforts in a timelier manner.
- Ensured that the organization has an effective process in place for executive and critical position succession and recommended to the Board the succession plan for the CEO.
- Fulfilled all duties as set forth in the Terms of Reference, including review of metrics and strategies pertaining to Human Resources including results of two employee engagement surveys.

Risk Committee

Six Directors and Board Chair

The Risk Committee ensures that Innovation Federal 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.

2023 Committee Accomplishments

- Created Chief Risk Officer and CAMLO Mandates
- Revamp of the Risk Appetite Framework
- Aligned risk reporting to governance best practices
- Fulfilled all duties as set forth in the Terms of Reference

Corporate Structure and Governance

Community and Member Relations Committee

Five Directors and Board Chair

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.

2023 Committee Accomplishments

- Established processes for inquiries received by the Board
- First reports to the Commissioner as a federal entity (FCAC)
- Developed a more robust process for complaint handling and monitoring member feedback/satisfaction
- Received detailed updates on the ESG and Indigenous strategies
- Fulfilled all duties as set forth in the Terms of Reference

Executive Compensation

The Executive compensation packages for Innovation Federal 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. Innovation must meet a minimum threshold of financial performance for Executives to be eligible for variable compensation.

The Corporate Governance & People Committee is delegated the responsibility of reviewing, and recommending to the Board, and changes to compensation structure or policy. In 2023, the Committee engaged the services of a third party with expertise in executive compensation at federally regulated financial institution to assist with the review and redesign of executive compensation. The goal was to ensure that Innovation is aligning compensation to the Financial Stability Board Principles for Sound Compensation as well as ensuring a competitive, market based total compensation package. The Committee recommended the implementation of a Long-Term Incentive Program be provided at the executive level of Innovation. This was subsequently approved by the Board for implementation in 2024.

Innovation manages compensation programs to ensure that these programs do not cause regulatory, financial, reputational, operational, and talent retention risks. Innovation's Risk Management Team and Internal Audit functions provide independent oversight and reporting to the Board to ensure these risks are managed within Innovation's approved risk appetite.

The CEO, executive and employee remuneration is based on both business and individual performance objectives and is structured to incentivize employees to meet strategic

Corporate Structure and Governance

business objectives in a manner that is aligned with our Board-approved risk appetite statement and corporate scorecard. The information below provides transparency into the compensation of Innovation’s Executive Team.

	Salary	Variable Pay	Benefits	Total
CEO	402,521	97,905	62,285	562,711
Executive Team	1,270,895	256,057	185,635	1,712,586

*All values are rounded to the nearest dollar

Ethics

Innovation Federal Credit Union acts in a transparent manner. It provides all the necessary disclosures to members and stakeholders, ensuring they feel confident and informed to make decisions.

Innovation depends on its values of accountability, integrity and respect to ensure honesty in all its interactions and in conducting business. Innovation abides by several policies and requirements as set out by the Credit Union and its Regulators. This includes, but is not limited to:

- **Protecting consumers.** Innovation follows *The Bank Act* and Financial Consumer Protection Framework Regulations overseen by the Financial Consumer Agency of Canada as well as co-operative principles endorsed by the International Co-operative Alliance and the international credit union operating principles as endorsed by the World Council of Credit Unions. Innovation’s Board is required to approve, oversee and periodically review and assess the effectiveness of policies and procedures respecting market practice that ensures 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.** Innovation 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 acknowledged by all employees, officers and Directors acknowledging that they have read, understood and complied to the Code. In addition, Innovation has an Integrity in Action Program (whistleblower) which is reviewed biennially by the Board and shared with all employees on an annual basis as well as part of their onboarding. Management investigates all incidents of non-compliance with the Code of Conduct and determines appropriate responses to non-compliance.

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.

Derek Vanthuyne, VP Strategy, is a member of the Board of Directors of the Saskatchewan Cooperative Association.

Kimberley Enge, Manager Liquidity and Capital is an Employer Delegate for the Cooperative Superannuation Society.

Corporate Structure and Governance – Executive Team



Daniel Johnson
Chief Executive Officer

Dan Johnson is the Chief Executive Officer of Innovation Credit Union and began his credit union career in 1994.

To embrace transformation and disruption, Dan is dedicated to lifelong learning and curiosity! He recently completed the Postgraduate Diploma in Digital Business from MIT Sloan & Columbia Business School. Dan is a Chartered Director (C.Dir.) from McMaster University the Director's College and has a Bachelor of Commerce degree from the University of Saskatchewan.

Dan believes in community and volunteerism which reflects his personal values and priorities. Dan 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 a Chartered Director (C.Dir.) from McMaster University the Director's College and 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. Sheldon and his wife Barb have two children, Duncan and Chloe. Sheldon enjoys spending time with his family and traveling.

Corporate Structure and Governance – Executive Team



Brad Appel
Chief Business Banking Officer

Brad began his career in the credit union system in 1993 and has spent the past 17 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. Brad 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 Credit Union since December of 2013 and 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. Dean has previously held high-level research/consulting positions, as well as line management positions, for leading edge corporations and consulting firms. He has also taught marketing strategy, consumer behavior and marketing research for several universities throughout the world.

Dean attended the University of Saskatchewan. His undergraduate studies were in Marketing and Finance (B.Comm. program) and graduate studies focused on Strategic Thinking and Technology Management (M.Sc. program).

Dean was born in North Battleford, Saskatchewan, and grew up on a farm just south of Medstead, Saskatchewan. He lives with his wife Katherine and their three daughters in Regina. Dean is Metis, which is one of Canada’s three distinct Aboriginal groups identified in the Canada Constitution.

Corporate Structure and Governance – Executive Team



Ian McArthur
Chief People and Governance Officer

Ian’s credit union career began in 1994. He 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 currently holds the role of Chief People & Governance Officer. He has a passion for leadership and take strives to influence continuous improvement in governance practices within all companies he works for or with.

Ian graduated with a Bachelor of Commerce Degree from the University of Saskatchewan and holds a Fellow of the Credit Union Institute of Canada designation. Through Queen’s University Smith School of Business, he has obtained his Executive Education Certificate in General Management and has obtained his Chartered Director’s Designation (C. Dir) through McMaster University. He currently holds Director positions on the Board of SaskCentral and the Co-operative Development Foundation of Canada (CDF.)

Ian lives in Regina with his wife Donna and two young daughters, Hayley and Sara. In his spare time, he is an avid fisherman, camper, He is active volunteer with particular emphasis on pediatric healthcare. His family has actively supported numerous fundraising activities for the Pattison Children’s Hospital Foundation and the Hospitals of Regina Foundation.



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.

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 Federal Credit Union (Innovation, the credit union, the organization) for the year ended December 31, 2023, 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, 2023 and should be read together. The MD&A includes information up to March 3, 2024. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from Innovation's annual Consolidated Financial Statements.



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 Federal Credit Union (Innovation, the credit union, the organization) for the year ended December 31, 2023, 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, 2023 and should be read together. The MD&A includes information up to March 3, 2024. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from Innovation's annual Consolidated Financial Statements.

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. 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

The economic and business conditions in Canada and abroad can impact domestic and local economies, affecting business, consumer prices, and personal incomes. The prevailing conditions nationally influence 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, environmental conditions and competition can impact the market share and price of Innovation's products and services, affecting 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.

2023 Economic Conditions and Future Outlook

This section contains forecasts and predictions based on information and assumptions from sources considered reliable. Actual outcomes may be materially different from the outlook.

Global

According to the International Monetary Fund global economic growth is projected at 3.1 percent in 2024 and increasing slightly to 3.2 percent in 2025. This global growth forecast trails historic averages in large part driven by elevated central bank policy rates to fight inflation, a withdrawal of fiscal support amid high debt weighing on economic activity, and low underlying productivity growth. (IMF, *World Economic Outlook, January 2024*)

With disinflation and steady growth, the likelihood of a hard landing has receded, and risks to global growth are broadly balanced. On the upside, faster disinflation could lead to further easing of financial conditions. On the downside, new commodity price spikes from geopolitical shocks – including continued attacks in the Red Sea – and supply disruptions or more persistent underlying inflation could prolong tight monetary conditions. (IMF, *World Economic Outlook, January 2024*)

This global outlook is further supported by the January 2024 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 2024*)

Table 1: Projection for global economic growth

	Share of real global GDP* (%)	Projected growth† (%)			
		2022	2023	2024	2025
United States	16	1.9 (1.9)	2.5 (2.2)	1.7 (0.8)	1.2 (1.2)
Euro area	12	3.4 (3.4)	0.4 (0.5)	0.5 (0.7)	1.6 (1.5)
Japan	4	0.9 (1.0)	2.0 (2.0)	0.7 (0.8)	1.1 (0.9)
China	18	3.0 (3.0)	5.2 (5.1)	4.5 (4.5)	4.5 (4.4)
Oil-importing EMEs‡	34	4.5 (4.5)	3.7 (3.6)	3.1 (3.0)	3.6 (3.4)
Rest of the world§	16	3.5 (3.5)	1.2 (1.7)	1.5 (1.4)	1.5 (1.3)
World	100	3.4 (3.4)	3.0 (2.9)	2.5 (2.3)	2.7 (2.6)

* Shares of gross domestic product (GDP) are based on International Monetary Fund (IMF) estimates of the purchasing-power-parity valuation of country GDPs for 2022 from the IMF’s October 2023 *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

‡ 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).

Sources: National sources via Haver Analytics and Bank of Canada calculations and projections

1 The global projection was completed before the release of fourth-quarter activity data for China.

2023 Economic Conditions and Future Outlook

National

As per the Bank of Canada:

CPI inflation continued to ease, reaching 3.3% in the fourth quarter of 2023. Since the October Report, data have provided further evidence that monetary policy is working as expected to slow growth and eliminate excess demand pressures on inflation. However, inflation remains too high, with persistent strength in shelter and food price inflation.

Economic growth is anticipated to remain close to zero through the first quarter of 2024. It is then expected to pick up gradually as the effects of past interest rate increases on growth begin to fade and the recent easing in financial conditions supports demand. Inflation is expected to remain close to 3% over the first half of 2024 before easing gradually and returning to the 2% target in 2025.

Despite significant progress since the summer of 2022, considerable uncertainty remains about the pace of future decreases in inflation. While the slowdown in the economy is anticipated to reduce inflationary pressures, other forces could keep inflation above the target for longer than expected. (Bank of Canada, Monetary Policy Report, January 2024)

Table 2: Contributions to average annual real GDP growth

Percentage points**

	2022	2023	2024	2025
Consumption	2.7 (2.5)	1.2 (1.3)	0.3 (0.4)	0.9 (0.9)
Housing	-1.2 (-1.1)	-0.9 (-1.1)	0.4 (0.2)	0.5 (0.7)
Government	0.8 (0.5)	0.5 (0.3)	0.6 (0.6)	0.5 (0.5)
Business fixed investment	0.5 (0.7)	0.1 (0.2)	-0.1 (0.0)	0.3 (0.5)
Subtotal: final domestic demand	2.8 (2.6)	0.9 (0.7)	1.2 (1.2)	2.2 (2.6)
Exports	1.0 (0.9)	1.6 (1.6)	0.3 (0.3)	1.3 (0.8)
Imports	-2.4 (-2.4)	-0.3 (0.4)	-0.1 (-0.6)	-0.9 (-0.8)
Inventories	2.4 (2.3)	-1.2 (-1.5)	-0.6 (0.0)	-0.2 (-0.1)
GDP	3.8 (3.4)	1.0 (1.2)	0.8 (0.9)	2.4 (2.5)
Memo items (percentage change):				
Range for potential output	0.5–2.0 (0.5–2.0)	1.4–3.2 (1.4–3.2)	1.0–3.2 (1.0–3.2)	1.0–3.2 (1.0–3.2)
Real gross domestic income (GDI)	5.3 (5.1)	-1.0 (-1.7)	0.3 (0.7)	1.4 (2.3)
CPI inflation	6.8 (6.8)	3.9 (3.9)	2.8 (3.0)	2.2 (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

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 2023. Actual results for 2022 have also been included for comparative purposes.

Table 1: Select Financial Information

	2023 Actual	2023 Plan	2022 Actual
Growth			
Total Assets *	3,785,183	3,867,597	3,299,032
Annual Asset Growth	14.74%	17.23%	9.52%
Total Deposits *	3,305,029	3,385,487	2,850,292
Annual Deposit Growth	15.95%	18.78%	9.30%
Total Loans *	3,193,839	3,135,044	2,663,841
Annual Loan Growth	19.90%	17.69%	18.17%
Credit quality			
Delinquency greater than 90 days	0.58%	<= 1.25%	0.65%
Gross Impaired loans *	8,972	7,205	7,524
Allowance for credit losses *	12,786	12,633	10,559
Provision for credit losses *	4,166	5,403	3,352
Liquidity management			
Liquidity Coverage Ratio (OSFI)	238.56%	196.53%	184.36%
Loan to asset ratio	84.38%	81.06%	80.75%
Capital §			
Common Equity Tier 1 Capital / Risk Weighted Assets	16.43%	14.25%	14.59%
Total Tier 1 Capital / Risk Weighted Assets	16.43%	14.25%	14.59%
Total Eligible Capital / Risk Weighted Assets	16.79%	14.59%	15.84%
Leverage Ratio	8.87%	8.68%	9.93%
Profitability and member return			
Operating income before member distributions and tax **	29,401	29,062	21,973
Member distributions *	4,241	4,358	3,345
Net income excl one-time SaskCentral dividend **	20,228	19,923	14,005
Net income *	20,228	19,923	44,943
Return on assets (ROA) excl one-time SaskCentral dividend †	0.53%	0.52%	0.42%
Return on equity (ROE) excl one-time SaskCentral dividend †	6.38%	6.28%	5.15%
Efficiency ratio ††	73.91%	72.94%	75.72%

*In thousands of Canadian \$

†Excludes unrealized gains (losses) and member distributions

‡Excludes one-time SaskCentral dividend (2022)

§2022 results shown as a provincially regulated credit union, 2023 results shown as a federally regulated credit union

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 net revenue earned by Innovation consists of income and expense generated by interest bearing assets and liabilities held on the Consolidated Statement of Financial Position (balance sheet) as well as revenue generated from non-interest sources.

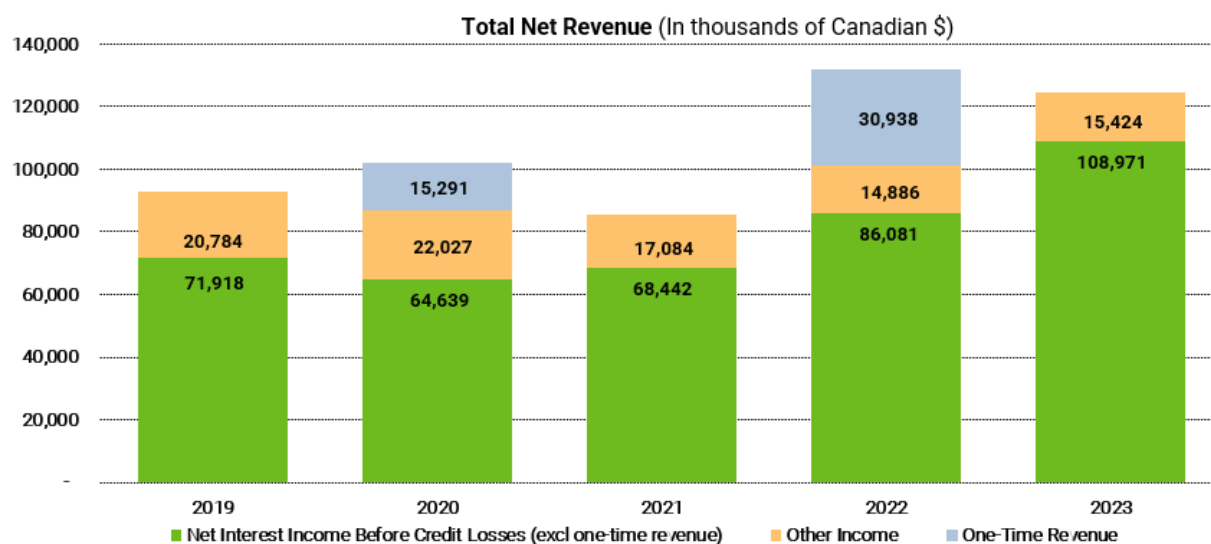
Table 2: Total Net Revenue

(In thousands of Canadian \$)	2023		2022	
	Actual (\$)	% Of Total	Actual (\$)	% Of Total
Net Interest Income Before Credit Losses*	108,971	87.6%	117,019	88.7%
Other Income	15,424	12.4%	14,886	11.3%
Total Net Revenue	124,395		131,905	

**2022 Net Interest Income Before Credit Losses includes the \$30.9 million one-time dividend revenue received from SaskCentral related to the sale of Wyth Financial*

Total net revenue decreased (\$7.5) million or (5.7%) to \$124.4 million in 2023. 2022 results are inclusive of the recognition of a \$30.9 million one-time dividend included as interest income. Excluding this one-time revenue source, total net revenue increased by \$23.4 million or 23.2% in 2023. Prior years of 2019-2020 also include revenues generated by the previously owned insurance subsidiaries which were sold in 2020 with the gain on sale representing a one-time revenue source in the 2020 fiscal period.

Financial Review – Results Of Operations



Net Interest Income Before Credit Losses

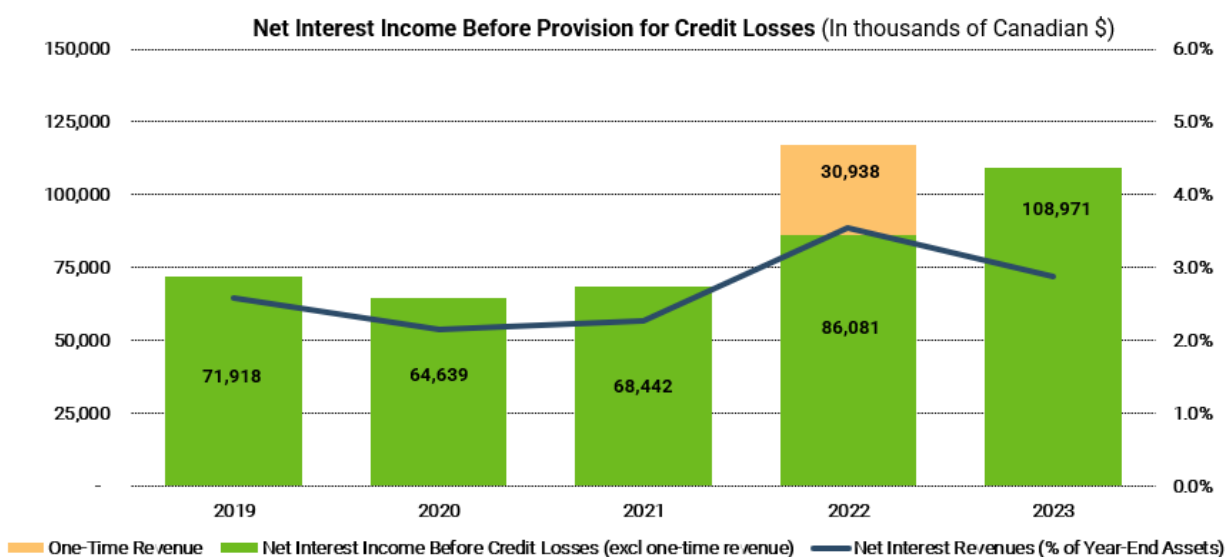
Net interest income before credit losses represents the difference between the interest earned on assets and interest paid on deposits and other funding liabilities. Also included in this amount is the realized gain (loss) on investments classified as Fair Value Through Profit or Loss (FVTPL). Net interest 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

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Interest Income	188,483	148,114	40,369	27.3%
Interest Expense	79,956	32,551	47,405	145.6%
Realized Gain (Loss) on FVTPL Investments	444	1,456	(1,012)	(69.5%)
Net Interest Income Before Credit Losses	108,971	117,019	(8,048)	(6.9%)

Net interest income before credit losses decreased by (\$8.0) million or (6.9%) to \$109.0 million in 2023. The 2022 interest income result is inclusive of the one-time dividend received from SaskCentral in the amount of \$30.9 million. The annual pace of growth in net interest income before credit losses fell short of the pace of growth of total assets held on the balance sheet in 2023.

Financial Review – Results Of Operations



Member Distributions

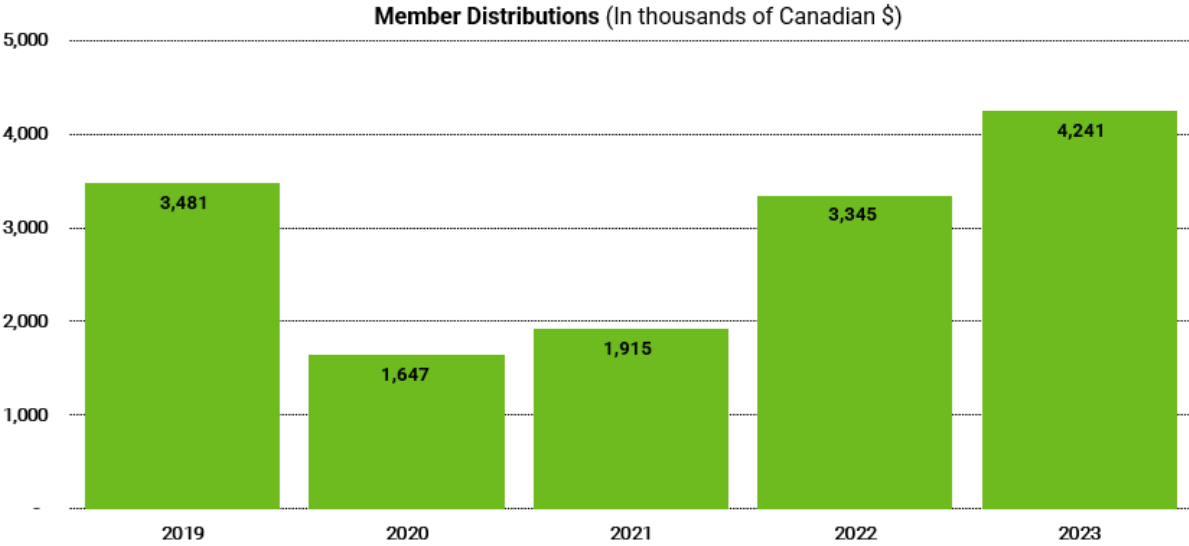
Member distributions are included in net interest income before provision for credit losses. In 2023, the Board of Directors declared total member distributions of \$4.2 million, an increase of 26.8% over the prior year, which were distributed on a quarterly basis. Total annual member distributions are 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 \$4.2 million total 2023 authorized member distributions, \$2.8 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 2023 the Board of Directors authorized quarterly dividends at an annualized rate of 7.41% (Q1), 7.09% (Q2), 6.78% (Q3) and 6.70% (Q4). Of the \$4.2 million total 2023 authorized member distributions, \$1.3 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 2023 and listed in Canadian \$, the Board of Directors authorized quarterly youth dividends of \$5.00 (Q1), \$10.00 (Q2), \$10.00 (Q3) and \$10.00 (Q4) per member. Of the \$4.2 million total 2023 authorized member distributions, \$0.1 million was returned to members in the form of youth dividends.

Financial Review – Results Of Operations

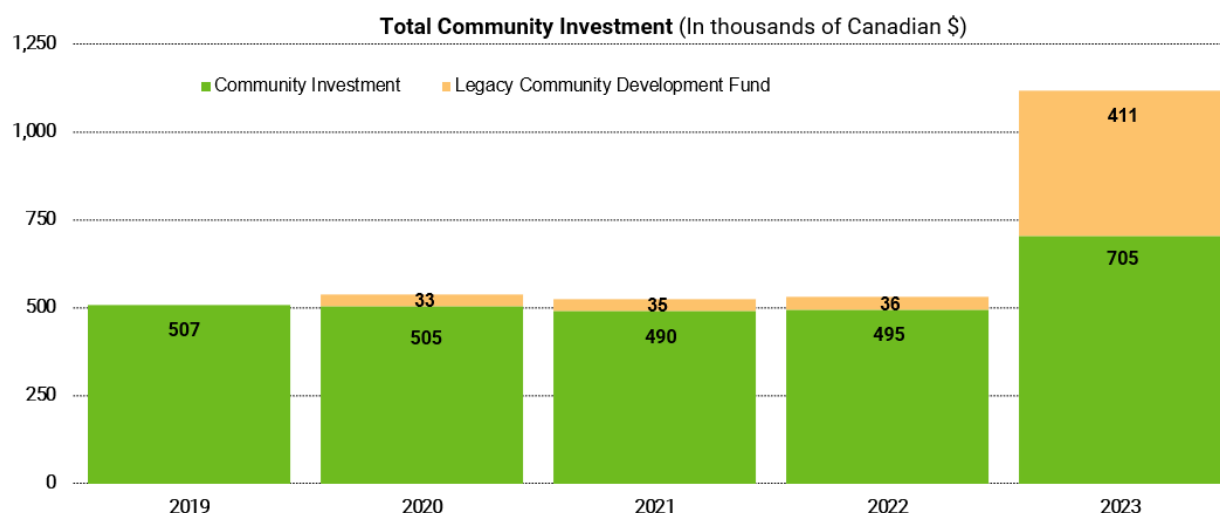
The Member Rewards Program is an important differentiator for Innovation and demonstrates the organization’s commitment to cooperative principles. Total member distributions are influenced by the profitability level of the credit union. As profitability levels improved in 2023 the corresponding amounts distributed to members through the Member Rewards Program also increased. Total member distributions increased \$0.9 million or 26.8% in 2023. Innovation continues to show consistency in ensuring the member-owners benefit from the success of the organization.



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 2023, a total of \$1.1 million (\$0.5 million in 2022), representing an annual increase of 110.1%, 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 2023 Annual Report.

Financial Review – Results Of Operations



Provision for Credit Losses

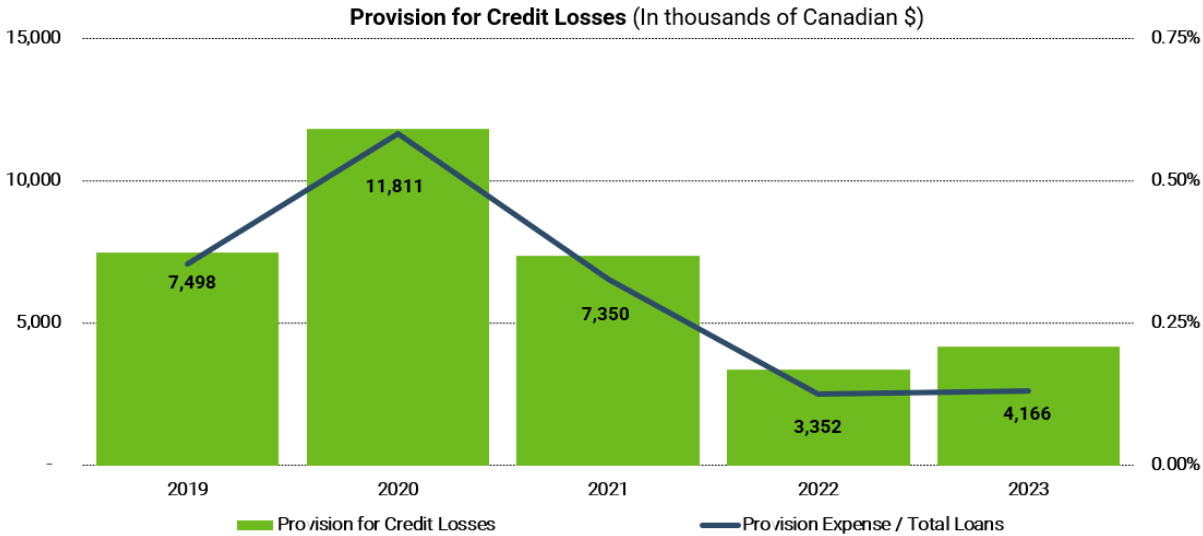
The provision for credit losses includes both the realized losses / recoveries on loans which are no longer considered collectible (net write-offs) and the expected shortfall in cash flows on individual loans and portfolio of loans where there is evidence of credit impairment (change in allowance). The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

Table 4: Provision (Recoveries) for Credit Losses

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Agriculture Loans	(256)	975	(1,231)	(126.3%)
Commercial Loans	1,508	978	530	54.2%
Consumer Loans	2,901	1,466	1,435	97.9%
Investments	13	(67)	80	(119.4%)
Provision for Credit Losses	4,166	3,352	814	24.3%
Provision for Credit Losses (% of Year-End Total Loan Portfolio)	0.13%	0.13%		

Provision for credit losses increased by \$0.8 million or 24.3% to \$4.2 million in 2023. In relation to the size of the total year-end loan portfolio, the 2023 provision for credit losses was unchanged when compared to the previous year at 13 basis points.

Financial Review – Results Of Operations



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.

Other Income

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

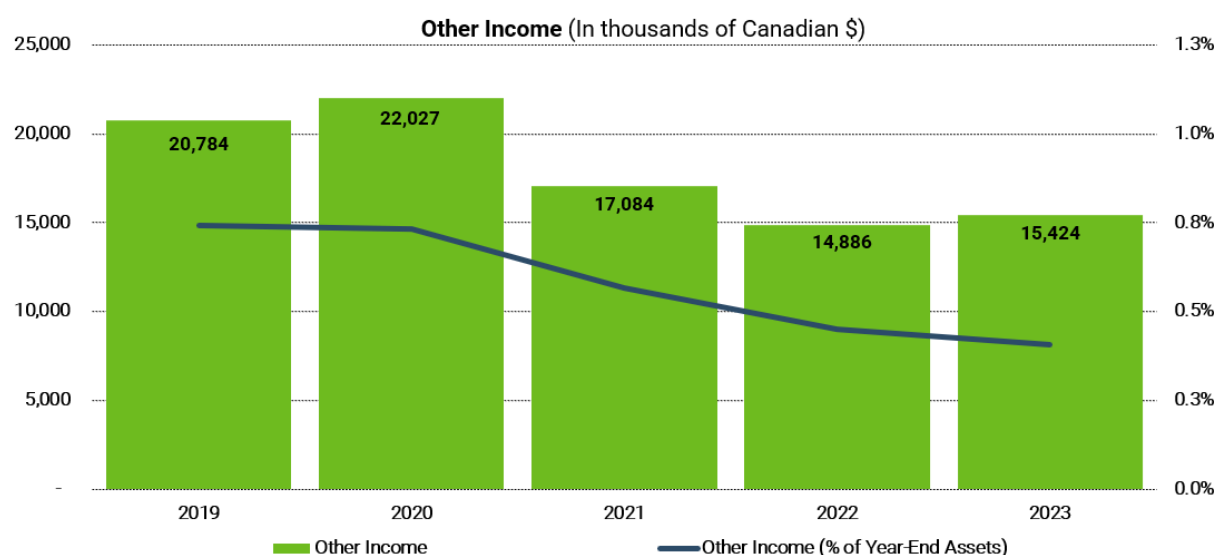
- **Service charges on products:** fees charged to members on the various operating and savings account products offered by the organization.
- **Loan fees, commissions, and insurance:** fees collected from members related to lending products along with commission revenue earned on the sale of various 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.
- **Innovation Wealth:** revenue generated through wealth management services offered by Innovation Wealth, a wholly owned subsidiary.
- **Other Revenue:** 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.

Financial Review – Results Of Operations

Table 5: Other Income

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Service charges on products	1,207	1,210	(3)	(0.2%)
Loan fees, commissions, and insurance	4,469	3,701	767	20.7%
Other fees and commissions	3,278	3,386	(108)	(3.2%)
Innovation Wealth	5,601	5,486	115	2.1%
Other revenue	869	1,103	(234)	(21.2%)
Other Income	15,424	14,886	538	3.6%

Other income increased by \$0.5 million or 3.6% to \$15.4 million in 2023. In relation to the size of the organization's balance sheet, other income fell by 4 basis points in 2023 to 0.41% of total assets.



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 co-operative and association membership costs.

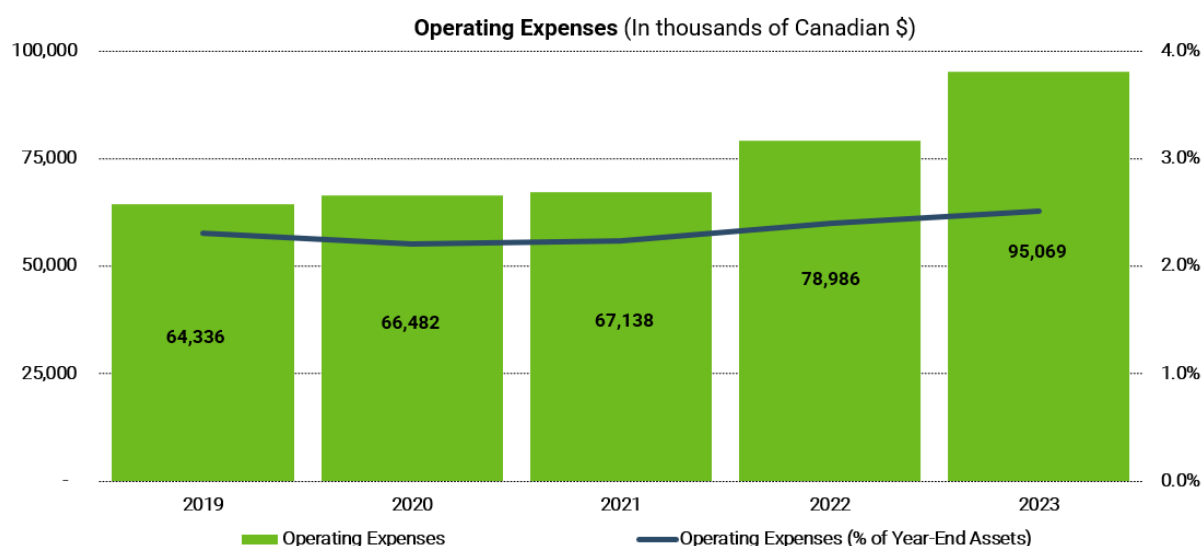
Financial Review – Results Of Operations

- **Organizational:** various costs associated with the governance of the credit union including Board of Director’s remuneration and training, annual meeting costs along with co-operative and association membership costs.
- **Occupancy:** 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

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Personnel	50,739	44,256	6,483	14.6%
Security	2,824	2,572	252	9.8%
Organizational	964	888	76	8.6%
Occupancy	3,959	3,804	155	4.1%
General business	36,583	27,466	9,117	33.2%
Operating Expenses	95,069	78,986	16,083	20.4%

Operating expenses increased by \$16.1 million or 20.4% to \$95.1 million in 2023. In relation to the size of the organization’s balance sheet, operating expenses increased by 12 basis points in 2023 to 2.51% of total assets. The average annual growth rate over the past five years equates to 9.1%. 2023 growth of 20.4% exceeded this five-year average while also exceeded the prior year annual growth rate of 17.6%.



Financial Review – Results Of Operations

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

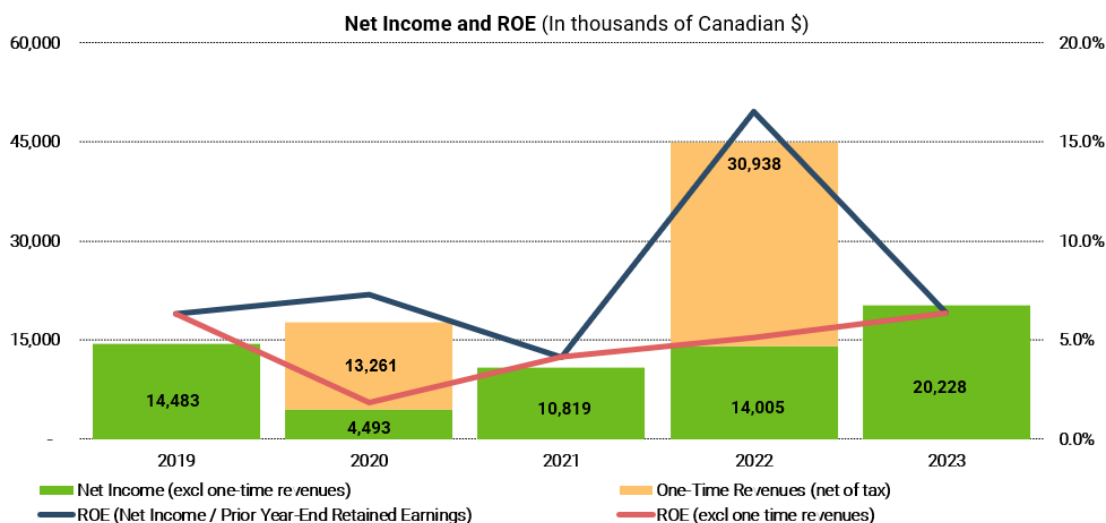
(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Net Income	20,228	44,943	(24,715)	(55.0%)
Net Income (excl one-time dividend)	20,228	14,005	6,223	44.4%
Return on Assets*	0.53%	1.36%		
Return on Assets* (excl one-time dividend)	0.53%	0.42%		
Return on Equity†	6.38%	16.51%		
Return on Equity† (excl one-time dividend)	6.38%	5.15%		

*Return on Assets = Net Income / Year-End Assets

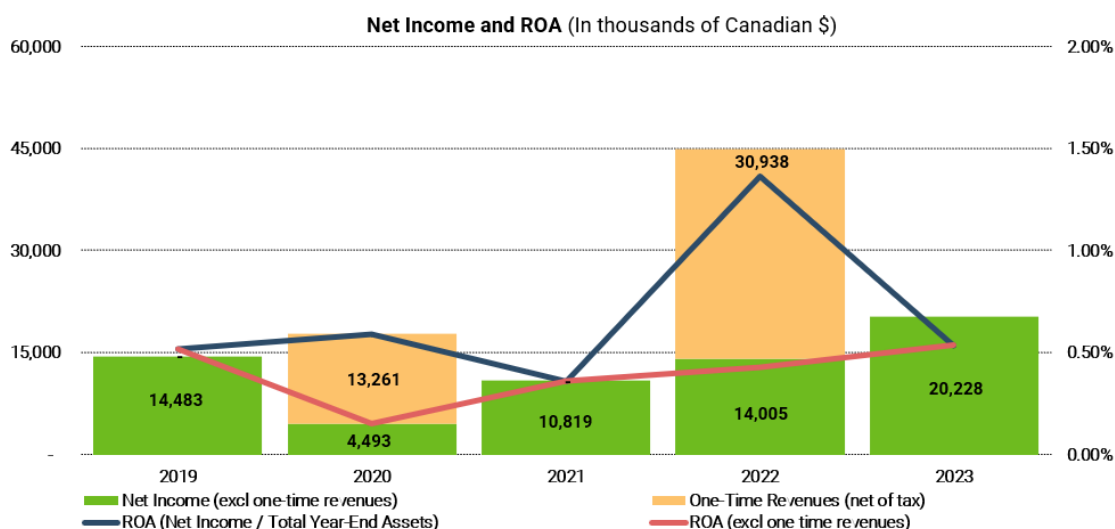
†Return on Equity = Net Income / Prior Year-End Retained Earnings

Net income after tax decreased by (\$24.7) million or (55.0%) to \$20.2 million in 2023. Excluding the one-time dividend revenue from SaskCentral related to the 2022 sale of Wyth Financial, net income results realized in 2023 increased \$6.2 million or 44.4%.

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.

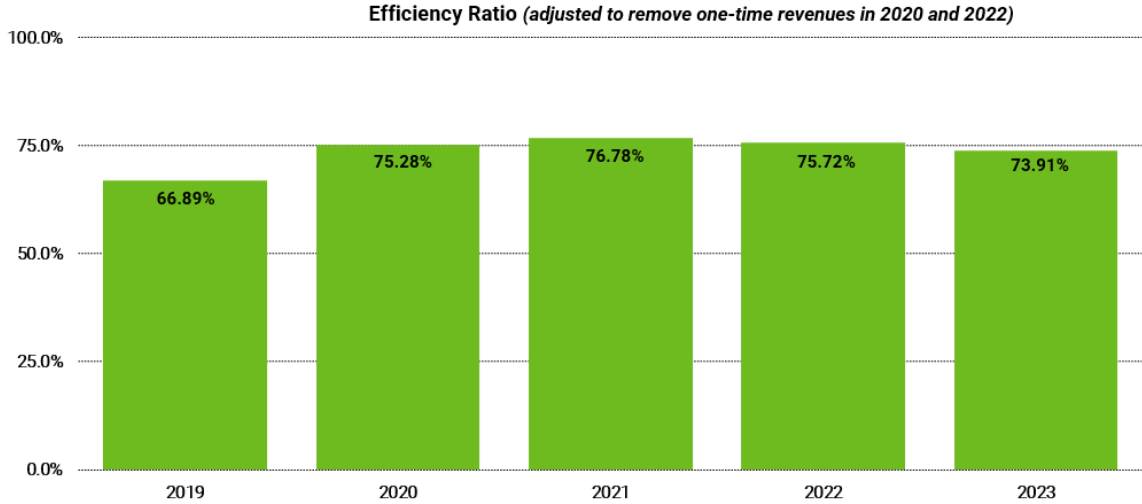
Table 8: Efficiency Ratio

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Operating Expenses	95,069	78,986	16,083	20.4%
Net Interest Income Before Credit Losses	108,971	117,019	(8,048)	(6.9%)
Exclude: Member Distributions	4,241	3,345	896	26.8%
Remove: One-Time Revenue *	-	30,938	(30,938)	(100.0%)
Other Income	15,424	14,886	538	3.6%
Total Net Revenue (excl Member Distributions) *	128,636	104,312	24,324	23.3%
Efficiency Ratio (adjusted)	73.91%	75.72%		

*Excludes one-time dividend revenue of \$30.9 million from SaskCentral related to the sale of Wyth Financial

Financial Review – Results Of Operations

The efficiency ratio (adjusted) improved in 2023 to 73.91%, compared to a weaker result of 75.72% in 2022. The improved result in 2023 was driven by the fact that total net revenue (prior to member distributions and excluding the one-time revenue recognized in 2022) increased in 2023 by \$24.3 million or 23.3% while total operating expenses increased by \$16.1 million or 20.4%. As net revenue growth outpaced expense growth, the efficiency ratio improved in 2023. Historic results shown below exclude the 2022 one-time revenue related to the SaskCentral dividend and 2020 revenue related to the sale of the insurance agencies.



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

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
On-Balance Sheet Assets	3,785,183	3,299,032	486,151	14.7%
Off-Balance Sheet Assets Under Administration				
Innovation Wealth	956,311	844,102	112,209	13.3%
Sold/Syndicated Loans	138,109	107,280	30,829	28.7%
CEBA Loans under Administration	50,510	85,249	(34,739)	(40.8%)
Total Assets Under Administration	4,930,113	4,335,663	594,450	13.7%

Total Assets (On-Balance Sheet)

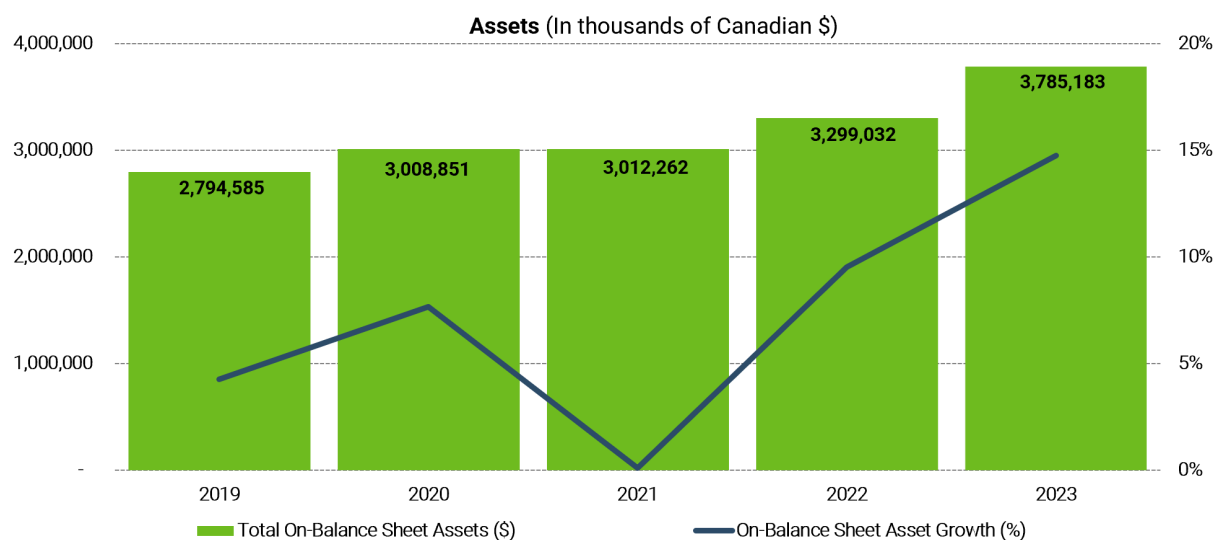
Innovation strives to build and manage a well-diversified balance sheet comprised of high-quality assets providing an appropriate return to the credit union. Funding of the balance sheet is achieved through a variety of sources. Capital is held at levels required based on the size of the balance sheet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

Table 10: Total Assets

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Cash and cash equivalents	356,779	123,888	232,891	188.0%
Investments	181,396	429,773	(248,377)	(57.8%)
Loans	3,193,839	2,663,841	529,998	19.9%
Accounts receivable	6,231	35,347	(29,116)	(82.4%)
Prepaid expenses	16,274	13,565	2,709	20.0%
Derivative assets	1,617	1,998	(381)	(19.1%)
Property and equipment	13,768	12,972	796	6.1%
Investment property	1,086	1,082	4	0.4%
Right of use assets	749	374	375	100.3%
Intangible assets	1,384	1,562	(178)	(11.4%)
Income taxes receivable	-	891	(891)	(100.0%)
Deferred income tax assets	12,060	13,739	(1,679)	(12.2%)
Total Assets	3,785,183	3,299,032	486,151	14.7%

Financial Review – Balance Sheet

Total assets increased by \$486.2 million or 14.7% to \$3.785 billion in 2023. The average annual growth rate over the past five years equates to 7.3%. 2023 growth of 14.7% exceeded this five-year average and also exceeded the prior year annual growth rate of 9.5%.



Cash and Investments

As a federally regulated credit union, statutory liquidity assets previously managed by the provincial central are now fully managed by Innovation. The portfolio of investments, cash and high interest cash equivalents are managed based on the liquidity needs of the organization in a manner which provides appropriate returns to the organization.

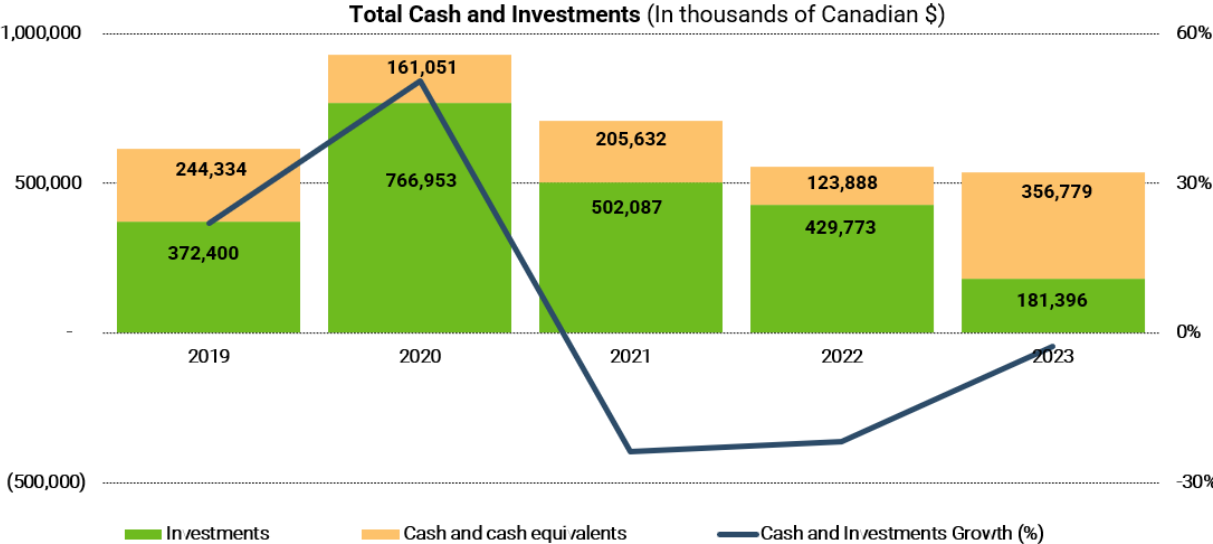
Table 11: Cash and Investments

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Cash and cash equivalents	356,779	123,888	232,891	188.0%
Investments				
Debt Investments (Amortized Cost)	107,541	103,176	4,365	4.2%
Debt Investments (FVTPL)	38,308	287,179	(248,871)	(86.7%)
Equity Securities (FVTPL)	35,547	39,418	(3,871)	(9.8%)
Total Investments	181,396	429,773	(248,377)	(57.8%)
Total Cash and Investments	538,175	553,661	(15,486)	(2.8%)

Total cash and investments decreased by (\$15.5) million or (2.8%) to \$538.2 million in 2023 as the organization was successful in placing excess liquidity into higher yielding assets. Holding an appropriate amount of cash and investments on the balance sheet assists in the management

Financial Review – Balance Sheet

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.



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 and impaired loans less established allowances.

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

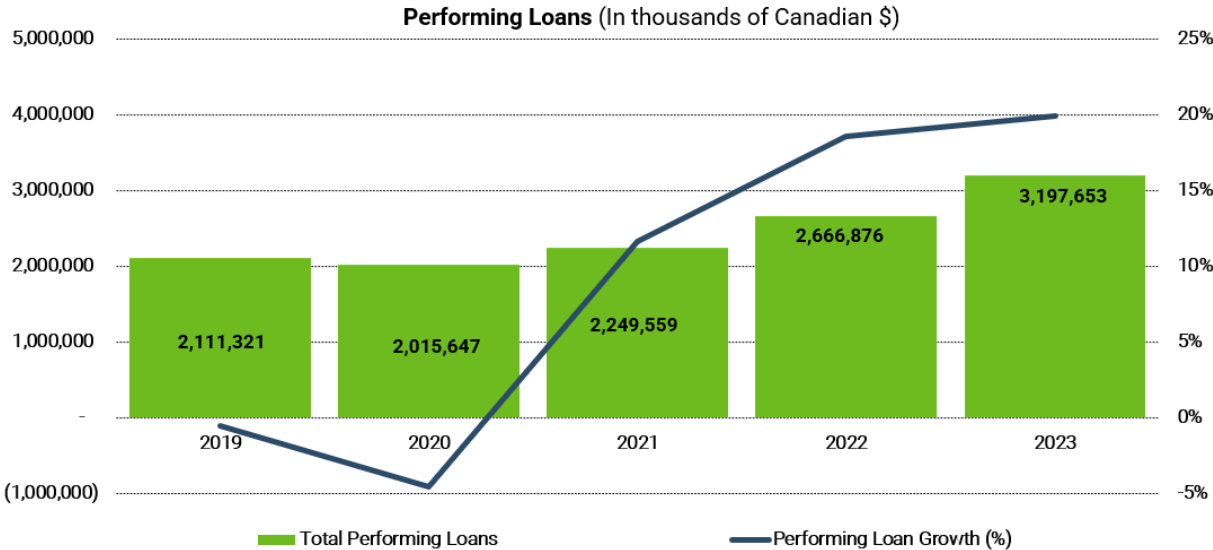
Table 12: Performing Loan Portfolio

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Agriculture	422,231	431,713	(9,482)	(2.2%)
Commercial	1,108,586	854,767	253,819	29.7%
Consumer	1,640,116	1,356,051	284,065	20.9%
Finance Leases	8,488	11,254	(2,766)	(24.6%)
Accrued Interest	18,232	13,091	5,141	39.3%
Total Performing Loans	3,197,653	2,666,876	530,777	19.9%

The total performing loan portfolio increased by \$530.8 million or 19.9% to \$3.198 billion in 2023. Robust growth continues to be driven from the commercial and consumer loan categories. The credit union was successful in redeploying excess liquidity during the year into higher yielding

Financial Review – Balance Sheet

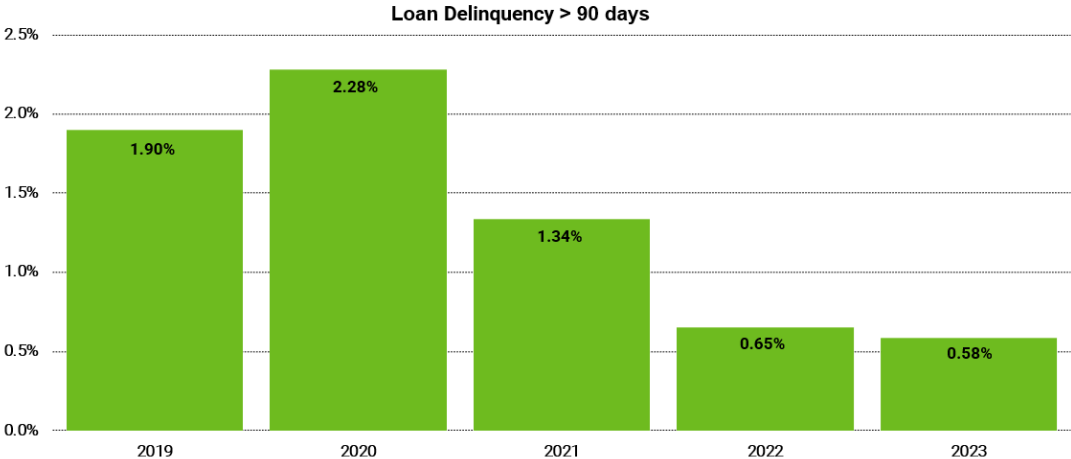
loan assets. 2023 annual loan growth of 19.9% exceeded the previous five-year average annual growth rate of 9.0% while also exceeded the prior year growth rate of 18.6%.



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 credit and economic conditions. Delinquency greater than 90 days ended 2023 at 0.58%, an improvement from 0.65% in the prior year.



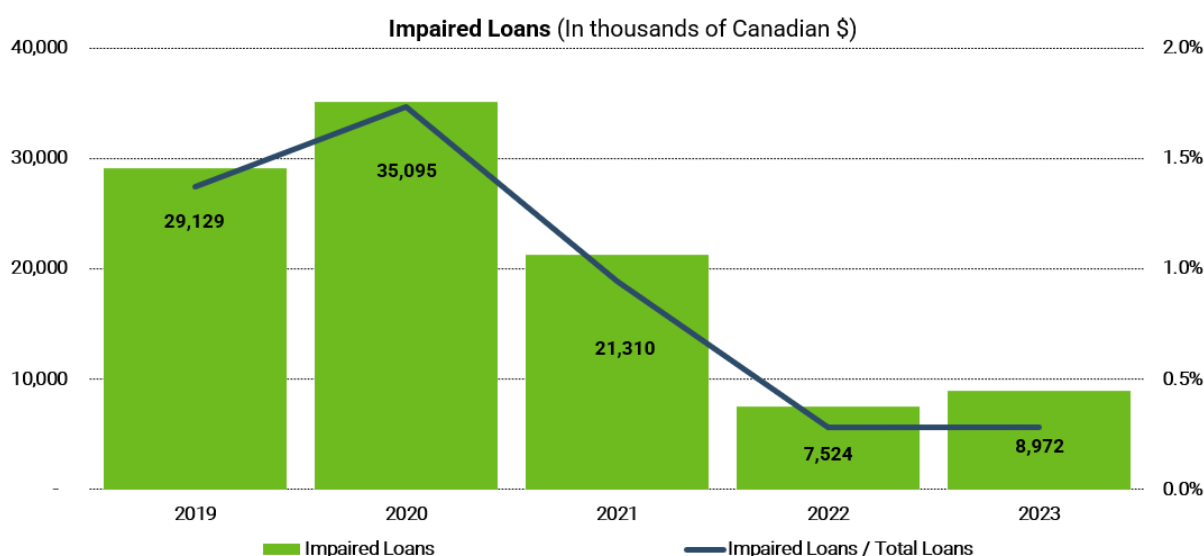
Financial Review – Balance Sheet

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

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Agriculture	189	-	189	n/a
Commercial	5,145	4,137	1,008	24.4%
Consumer	2,396	1,697	699	41.2%
Finance Leases	376	376	-	0.0%
Foreclosed Property	184	701	(517)	(73.8%)
Accrued Interest	682	613	69	11.3%
Total Impaired Loans	8,972	7,524	1,448	19.2%

The total impaired loan portfolio increased by \$1.5 million or 19.2% to \$9.0 million in 2023. In relation to the size of the total loan portfolio, total impaired loan balances ended 2023 at a level of 0.28% which was unchanged from the prior year. 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. The ECL model is forward looking, in that an actual event that signifies a credit loss is not required 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 Review – Balance Sheet

Total ECL can be broken out by loan portfolio as well as by ECL recognition stage. The recognition stages include 12-month ECL (stage 1), lifetime ECL not credit-impaired (stage 2) and lifetime ECL credit-impaired (stage 3).

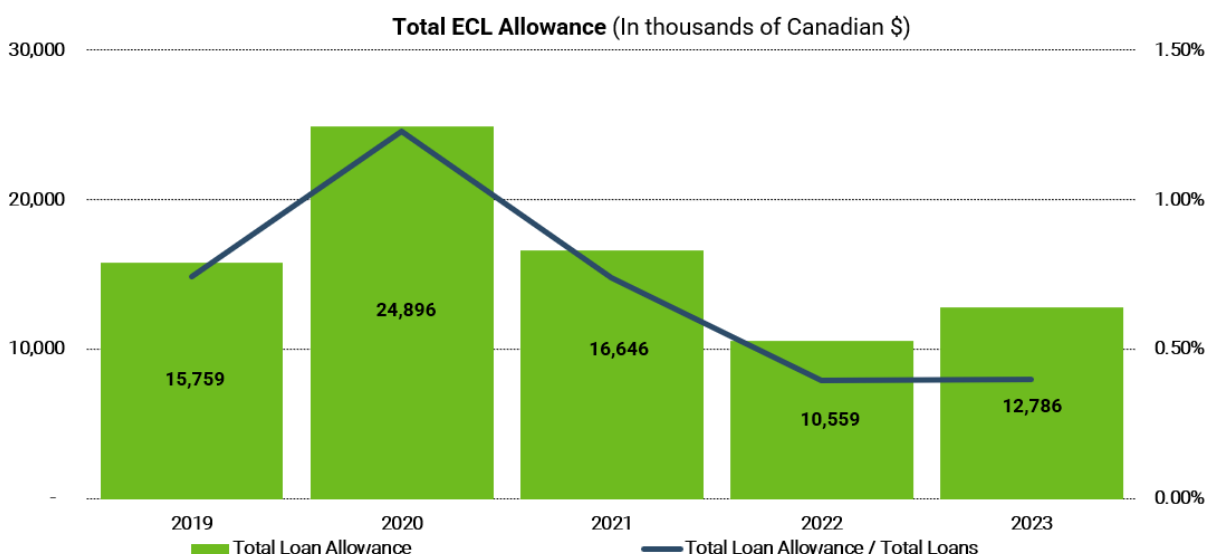
Table 14 (a): Total ECL Allowance by Portfolio

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Agriculture	1,409	1,665	(256)	(15.4%)
Commercial	6,698	5,702	996	17.5%
Consumer	4,679	3,192	1,487	46.6%
Total ECL	12,786	10,559	2,227	21.1%

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

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Stage 1 – 12-month ECL	3,148	3,194	(46)	(1.4%)
Stage 2 – Lifetime ECL not credit impaired	4,652	4,410	242	5.5%
Stage 3 – Lifetime ECL credit impaired	4,986	2,955	2,031	68.7%
Total ECL	12,786	10,559	2,227	21.1%

In relation to the size of the total loan portfolio, total loan allowances ended 2023 at a level of 0.40% of the total loan portfolio, which was unchanged from the prior year-end result.



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.

Financial Review – Balance Sheet

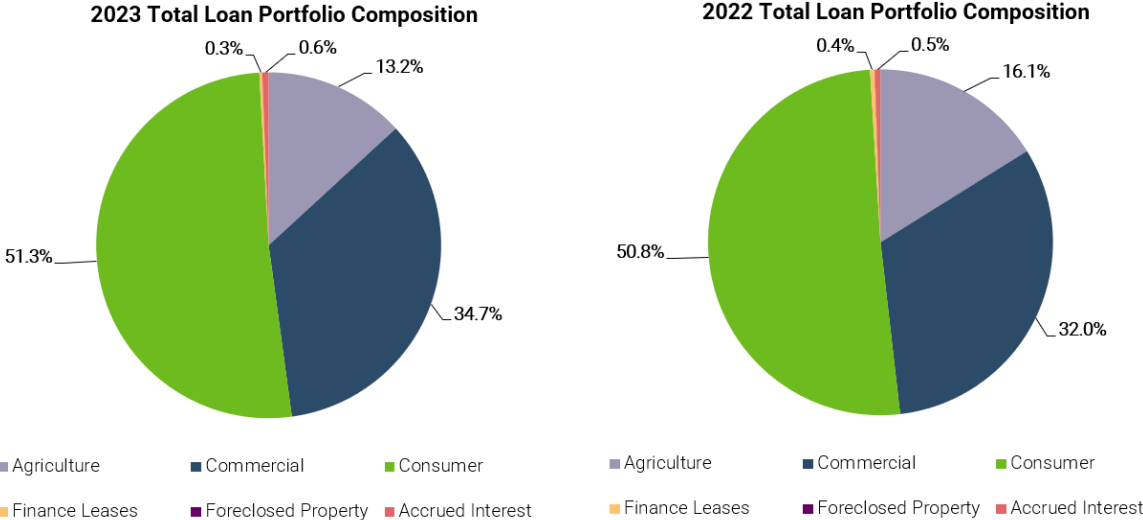
Total Loans

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

Table 15: Total Loan Portfolio

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Agriculture	421,272	430,177	(8,905)	(2.1%)
Commercial	1,107,059	853,234	253,825	29.7%
Consumer	1,637,833	1,354,556	283,277	20.9%
Finance Leases	8,577	11,469	(2,892)	(25.2%)
Foreclosed Property	184	701	(517)	(73.8%)
Accrued Interest	18,914	13,704	5,210	38.0%
Total Loans	3,193,839	2,663,841	529,998	19.9%

The total loan portfolio increased by \$530.0 million or 19.9% to \$3.194 billion in 2023. Robust growth continues to be 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 11.2%. 2023 growth of 19.9% exceeded this five-year average while also far exceeding the prior year annual growth rate of 18.2%.

Financial Review – Balance Sheet

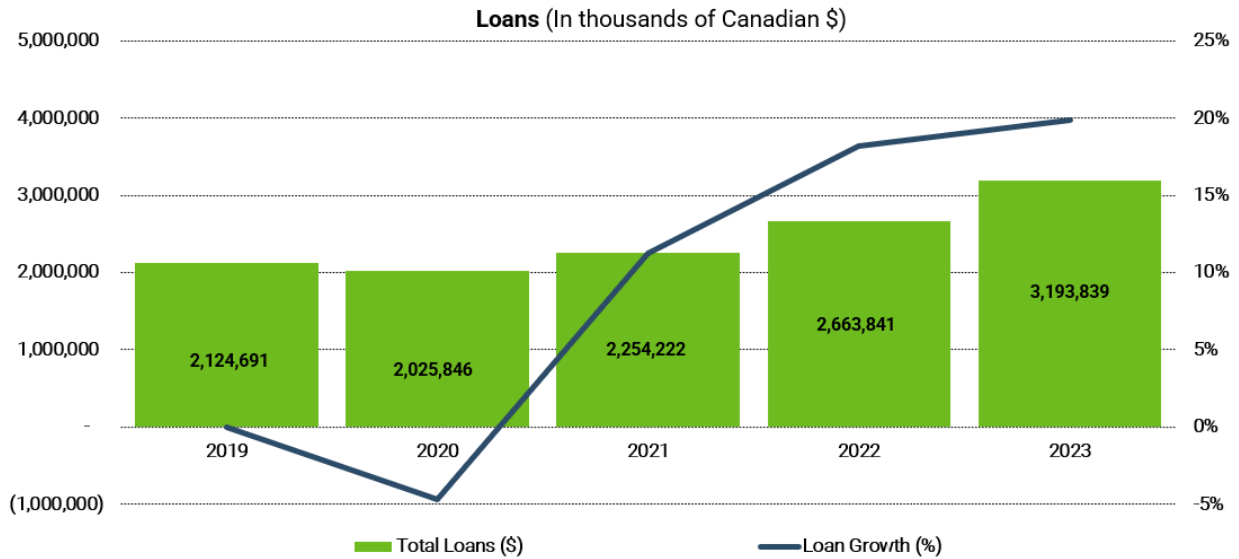


Table 16: Loan Concentration – By Source

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Retail Loans (members)	1,635,730	1,650,945	(15,215)	(0.9%)
Dealer Finance Loans	113,994	111,411	2,583	2.3%
Third-Party Sourced Loans	1,437,802	897,639	540,163	60.2%
Total Loans*	3,187,526	2,659,995	527,531	19.8%

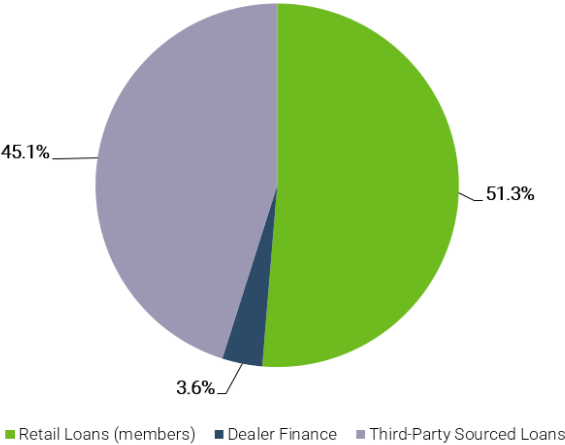
*Total Loans excludes ECL allowance, foreclosed property, and accrued interest

Innovation has established numerous strategic partnerships with various financial entities across the country to ensure the credit union has the ability to source 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.

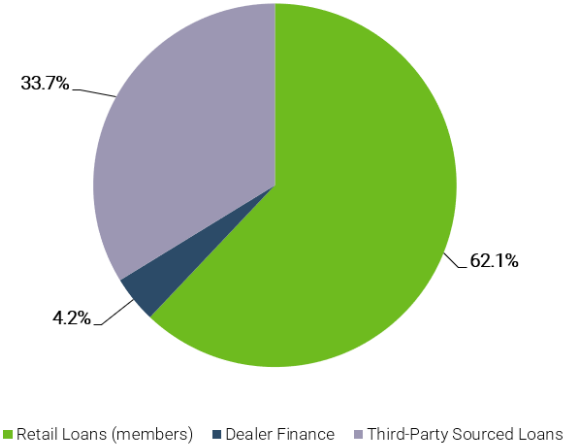
Loan growth sourced directly from Innovation’s membership declined slightly in 2023. However, loans sourced through the dealer finance entity witnessed positive growth. As a result, Innovation successfully leveraged its various strategic partnerships to satisfy overall loan demand. These activity levels resulted in the proportionate share of third-party sourced loans increasing from 33.7% as of December 31, 2022 to 45.1% as of December 31, 2023.

Financial Review – Balance Sheet

2023 Loan Composition - By Source



2022 Loan Composition - By Source



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. The 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

	2023*	% of Portfolio	2022*	% of Portfolio	Change	
					\$	%
Insured	438,442	31.2%	434,385	37.4%	4,057	0.9%
Uninsured – Prime	494,857	35.2%	428,005	36.8%	66,852	15.6%
Uninsured – Alt A	455,302	32.4%	287,827	24.7%	167,475	58.2%
Non-conforming	14,193	1.0%	7,982	0.7%	6,211	77.8%
HELOC (Home Equity Line of Credit)	3,036	0.2%	4,614	0.4%	(1,578)	(34.2%)
Total Loans	1,405,830	100.0%	1,162,813	100.0%	243,017	20.9%

*in thousands of Canadian \$

Table 18: Residential Mortgage Portfolio by Amortization

Amortization Range	Number	Mortgage Balance*	% of Portfolio	Average Balance*
Less than 10 years	828	37,870	2.7%	46
10 – 15 years	1,123	119,855	8.5%	107
16 – 20 years	1,673	285,990	20.4%	171
21 – 25 years	1,453	332,151	23.6%	229
26 – 30 years	1,266	629,535	44.8%	497
Greater than 30 years	3	429	0.0%	143
Total	6,346	1,405,830	100.0%	222

*in thousands of Canadian \$

Table 19: Residential Mortgage Portfolio by Province

Location	Number	Mortgage Balance*	% of Portfolio	Average Balance*
Saskatchewan	4,897	727,318	51.7%	149
Ontario	776	420,283	29.9%	542
Alberta	445	142,451	10.1%	320
British Columbia	198	106,636	7.6%	539
Manitoba	20	7,445	0.5%	372
Prince Edward Island	3	611	0.1%	204
Nova Scotia	3	534	0.1%	178
Newfoundland and Labrador	3	196	0.0%	65
Yukon	1	356	0.0%	356
Total	6,346	1,405,830	100.0%	222

*in thousands of Canadian \$

Financial Review – Balance Sheet

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%	629	26,766	1.9%	43
25% – 50%	1,121	139,857	9.9%	125
50% – 60%	800	147,263	10.5%	184
60% – 70%	1,076	248,588	17.7%	231
70% – 80%	1,858	660,961	47.0%	356
80% – 90%	478	94,157	6.7%	197
Greater than 90%	384	88,238	6.3%	230
Total	6,346	1,405,830	100.0%	222

*in thousands of Canadian \$

Table 21: Residential Mortgage Loan Term Portfolio by Beacon Score

Category	Beacon Score	Number of Borrowers	Mortgage Balance*	% Of Portfolio
Super Prime	741+	2,902	708,802	50.4%
Prime	681 – 740	1,286	383,076	27.2%
Near Prime	621 – 680	587	222,317	15.8%
Sub Prime	541 – 620	213	57,523	4.1%
Deep Sub Prime	< 540	59	8,202	0.6%
No score		181	25,910	1.9%
Total		5,228	1,405,830	100.0%

*in thousands of Canadian \$

Table 22: Residential Mortgage Loan Portfolio by Age of Borrower

Age	Number of Borrowers	Mortgage Balance*	% Of Portfolio
19 to 24	95	23,932	1.7%
25 to 34	1,042	302,289	21.5%
35 to 44	1,511	470,722	33.5%
45 to 54	1,134	306,339	21.8%
55 to 64	875	202,909	14.4%
65+	571	99,639	7.1%
Total	5,228	1,405,830	100.0%

*in thousands of Canadian \$

Financial Review – Balance Sheet

Table 23: Residential Mortgage Loan Portfolio by Delinquency Category

Delinquency	Number	Mortgage Balance*	% Of Portfolio
Not Delinquent	6,225	1,374,422	97.8%
1 – 29 days	76	22,737	1.6%
30 – 89 days	19	2,696	0.2%
90 – 179 days	8	1,089	0.1%
180 – 364 days	13	3,814	0.2%
365 days or greater	5	1,072	0.1%
Total	6,346	1,405,830	100.0%

*in thousands of Canadian \$

Table 24: Residential Mortgage Loan Portfolio by Write Offs

	2023*	#	2022*	#
Insured	174	13	13	7
Uninsured	748	3	277	5
HELOC (Home Equity Line of Credit)	-	-	-	-
Total Loans	922	16	290	12

*in thousands of Canadian \$

Deposits

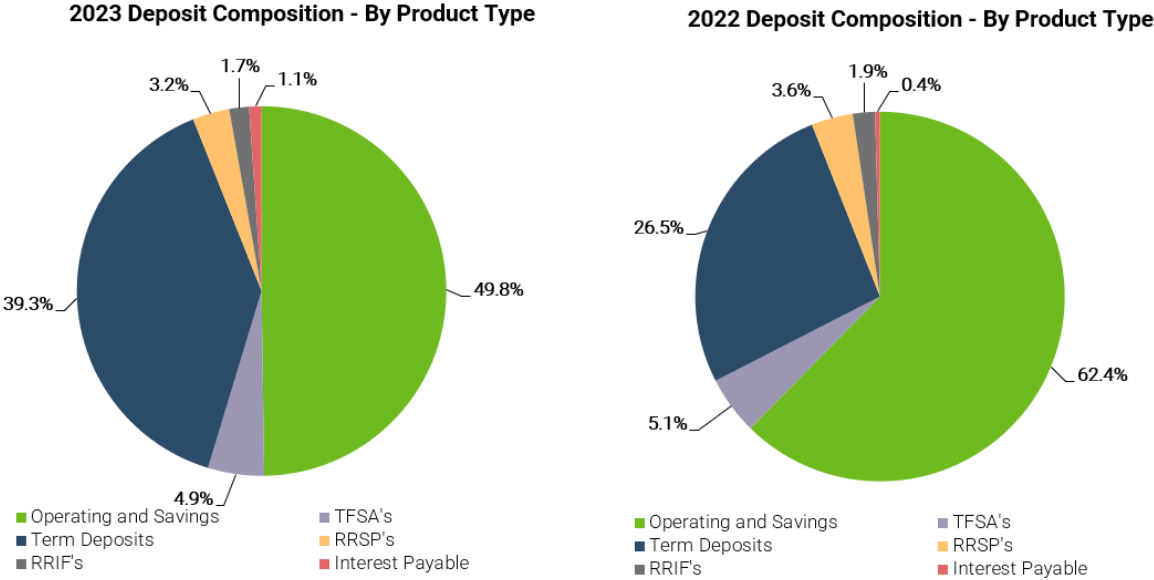
Innovation offers a variety of competitive deposit products to members, including registered and non-registered investments.

Table 25: Deposit Concentration - By Product Type

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Operating and Savings	1,645,137	1,777,918	(132,781)	(7.5%)
TFSA's	162,312	145,105	17,207	11.9%
Term Deposits	1,298,001	756,144	541,857	71.7%
RRSP's	106,659	103,683	2,976	2.9%
RRIF's	57,222	55,141	2,081	3.8%
Interest Payable	35,698	12,301	23,397	190.2%
Total Deposits	3,305,029	2,850,292	454,737	16.0%

Total deposits grew by \$454.7 million or 16.0% to \$3.305 billion in 2023. The primary source of deposit growth was from within the term deposit category while the operating and savings category declined year-over-year.

Financial Review – Balance Sheet



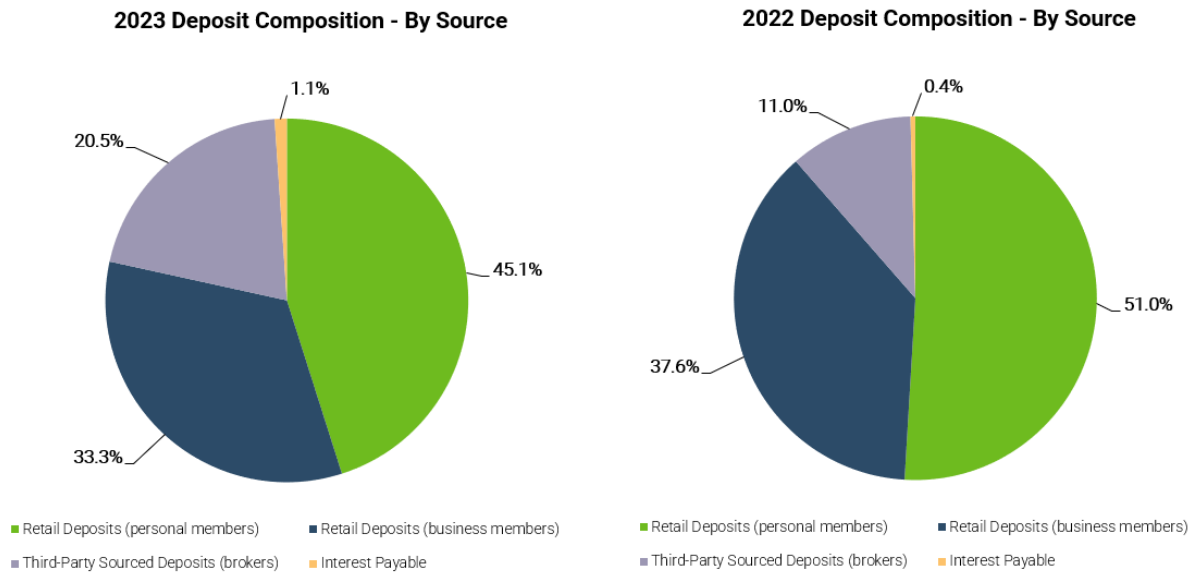
The organization strives to continue to grow the deposit portfolio through enhancing relationships with current personal and business members as well as through expanding the membership base. To provide greater funding assurance, Innovation has established multiple diversified deposit funding sources outside the current membership base. These third-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

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Retail Deposits (members)				
Personal Members	1,490,362	1,452,227	38,135	2.6%
Business Members	1,101,852	1,071,946	29,906	2.8%
Total Retail Deposits (members)	2,592,214	2,524,173	68,041	2.7%
Third-Party Sourced Deposits (brokers)	677,117	313,818	363,299	115.8%
Interest Payable	35,698	12,301	23,397	190.2%
Total Deposits	3,305,029	2,850,292	454,737	16.0%

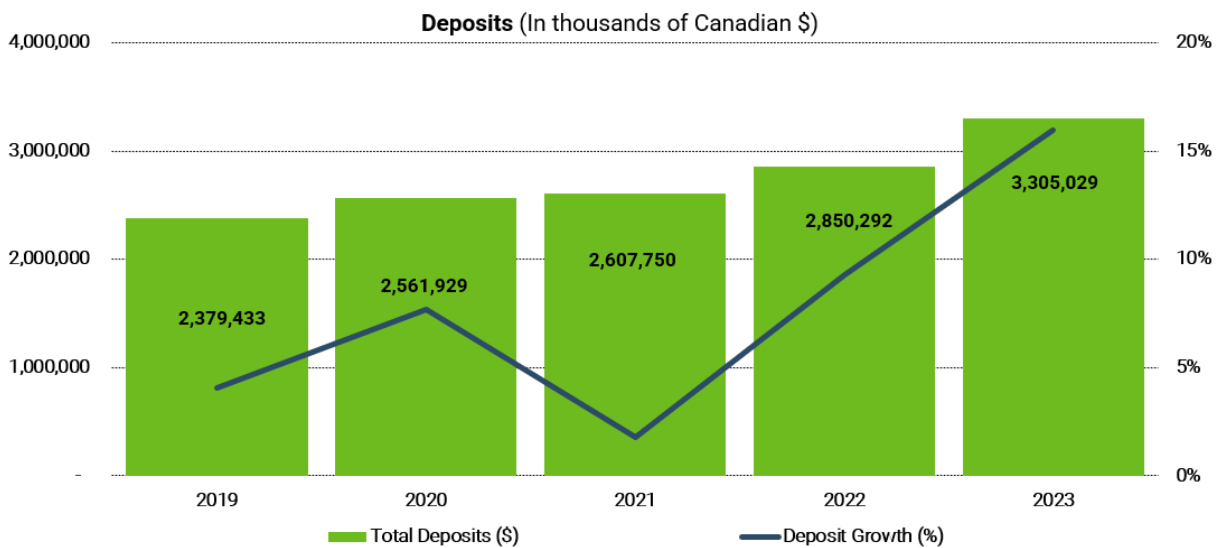
Innovation continues to leverage its wide range of funding sources based on the cash flow needs of the credit union. Growth patterns witnessed during 2023 resulted in a shift in the mix of the total deposit portfolio. The proportionate share of total deposits sourced from 3rd parties (brokers) increased from 11.0% as of December 31, 2022 to 20.5% as of December 31, 2023.

Financial Review – Balance Sheet



The average annual growth rate over the past five years equates to 7.7%. 2023 growth of 16.0% exceeded this five-year average and exceeded the prior year annual growth rate of 9.3%.

Referencing the deposit portfolio sourced directly from the membership of Innovation, 2023 growth of 2.7% was below the five-year average growth rate of 6.2%, however, exceeded the prior year result of 1.2%.



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; and
- 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. An important source of funding is the deposit portfolio which totaled \$3.305 billion as at 2023 year-end.

In addition to deposits, Innovation maintains external borrowing facilities from various sources with a combined credit limit of \$155.6 million. These credit sources are well diversified and are comprised of the following individual credit arrangements:

- \$10.0 million (CDN) line of credit with SaskCentral
- \$0.1 million (USD) line of credit with SaskCentral
- \$45.0 million (CDN) line of credit with Central 1
- \$0.5 million (USD) line of credit with Central 1
- \$50.0 million (CDN) demand loan with National Bank
- \$50.0 million (CDN) demand loan with Desjardins

During 2023, 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 (HQLA). In 2023, a total of 5 securitization pools were created totaling \$26.1 million, all of which were held as HQLA. Total securitization liabilities decreased by (\$11.5) million (14.3%) to \$69.0 million in 2023 due to repayments on the underlying assets contained within this portfolio.

Financial Review – Balance Sheet

Loans may also be syndicated/sold to numerous credit unions and other organizations for funding purposes. In 2023, Innovation was able to fund several loan opportunities with syndication partners, ensuring the total commitment exposure was acceptable.

Innovation also has access to repurchase agreements (repos) which are short term agreements that allow Innovation to sell a high-quality liquid asset to a counterparty, while agreeing to buy it back at a specified date and cost. Repos are short-term liquidity tools used to enhance cash flows as transactions are typically 30 days or less.

Utilizing these diversified funding sources improves the overall funding assurance of the organization.

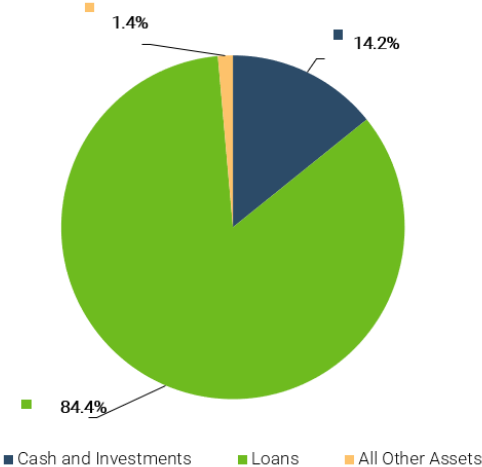
The balance sheet structure continues to influence the organization’s ability to manage liquidity risk.

Table 27: Asset Composition

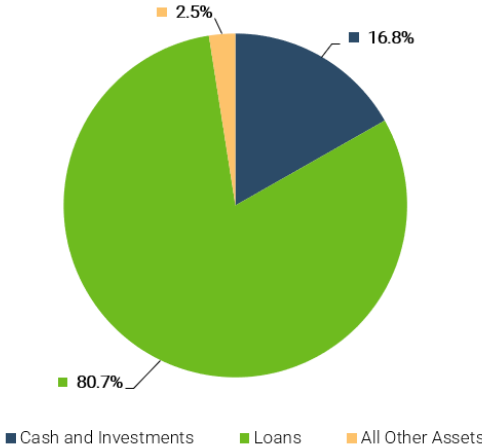
(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Cash and Investments	538,175	553,661	(15,486)	(2.8%)
Loans	3,193,839	2,663,841	529,998	19.9%
All other assets	53,169	81,530	(28,361)	(34.8%)
Total Assets	3,785,183	3,299,032	486,151	14.7%

Throughout 2023 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.

2023 Asset Composition (thousands of Canadian \$)



2022 Asset Composition



Financial Review – Balance Sheet

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. The fair value of residential mortgages securitized and held as HQLA totals \$203.4 million as of December 31, 2023.

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 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.

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

(In thousands of Canadian \$)	2023	2022	Change	
			\$	%
Level 1 Weighted Assets	190,477	433,880	(243,403)	(56.1%)
Level 2A Weighted Assets	-	-	-	-
Level 2B Weighted Assets	12,694	7,125	5,569	78.2%
High Quality Liquid Assets (HQLA)	203,171	441,005	(237,834)	(53.9%)
Eligible Non-Operational Demand Deposits	265,777	32,861	232,916	708.8%
HQLA & Eligible Non-Op Demand Deposits	468,948	473,866	(4,918)	(1.0%)
Retail and Small Business Deposit Run-Off	66,267	75,713	(9,446)	(12.5%)
Unsecured Wholesale Funding Run-Off	206,465	205,564	901	0.4%
Secured Funding Run-Off	-	-	-	-
Additional Requirements	60,604	44,238	16,366	37.0%
Total Prescribed Outflows	333,336	325,515	7,821	2.4%
Total Prescribed Cash Inflows	136,760	68,476	68,284	99.7%
Net Prescribed Cash Outflows	196,576	257,039	(60,463)	(23.5%)
Liquidity Coverage Ratio (LCR) – federal	238.56%	184.36%		

The organization's risk appetite framework (RAF) contains a Board of Director approved LCR minimum of 120% under the federal environment. The LCR ended 2023 well above the minimum level as defined in the risk appetite framework.

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

Financial Review – Balance Sheet

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 ten 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 and 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

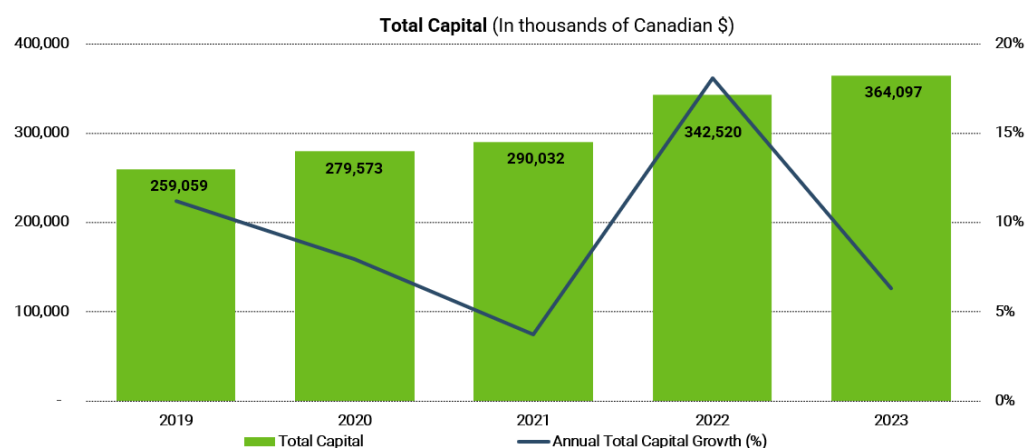
Innovation's capital management framework is designed to satisfy regulatory requirements and internal assessments while supporting growth, development, and membership value. Innovation retains a portion of its annual earnings to meet these capital objectives. Once these capital objectives are met, additional 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 membership share held in the organization.

Table 29: Regulatory Capital

(In thousands of Canadian \$)	2023		2022		Change	
	Federal	Provincial	\$	%		
Retained Earnings	337,317	317,089	20,228	6.4%		
Deduct: Intangible Assets	(1,384)	(1,562)	178	(11.4%)		
Membership Shares – Par Value	311	-	311	n/a		
Membership Shares – Patronage Allocations	20,015	-	20,015	n/a		
Common Equity Tier 1 (CET1) Capital	356,259	315,527	40,732	12.9%		
Additional Tier 1 Capital	-	-	-	-		
Membership Shares – Par Value	-	297	(297)	(100.0%)		
Membership Shares – Patronage Allocations	-	19,068	(19,068)	(100.0%)		
Eligible Stage 1 + Stage 2 Allowance	7,838	7,628	210	2.8%		
Tier 2 Capital	7,838	26,993	(19,155)	(71.0%)		
Total Capital	364,097	342,520	21,577	6.3%		

Total capital grew by \$21.6 million or 6.3% to \$364.1 million in 2023. The average annual growth rate over the past five years equates to 9.5%. 2023 growth of 6.3% fell short of this five-year average while also falling short the prior year annual growth rate of 18.1%. Prior year 2022 results were influenced by the one-time dividend received from SaskCentral in the amount \$30.9 million. Innovation continues to build and maintain a very solid capital base.

Financial Review – Balance Sheet



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.

Table 30: Risk Weighted Assets

	2023			2022		
	Net Exposure	Effective Risk %	Risk-Weighted Amount	Net Exposure	Effective Risk %	Risk-Weighted Amount
(In thousands of Canadian \$)						
On-Balance Sheet						
Cash, Cash Equivalents and Investments	538,175	30.6%	164,875	553,661	16.4%	91,023
Loans	3,193,839	48.5%	1,548,309	2,663,841	61.8%	1,646,069
Property and Equipment	13,768	100.0%	13,768	12,972	100.0%	12,972
Investment Property	1,086	100.0%	1,086	1,082	100.0%	1,082
Right of Use Assets	749	100.0%	749	374	100.0%	374
Goodwill & Intangible	1,384	0%	-	1,562	0%	-
All Other Assets	36,182	208.6%	75,472	65,540	155.1%	101,664
Total Assets	3,785,183	47.7%	1,804,259	3,299,032	56.2%	1,853,183
Off-Balance Sheet Items						
Derivatives	60,653	0.9%	568	20,897	0.2%	34
Credit Commitments	614,302	28.1%	172,426	487,566	29.9%	145,964
Total Credit Risk	674,955	25.6%	172,994	508,463	28.7%	145,998
Operational Risk			191,471			163,742
Total Risk-Weighted Assets	4,460,138	48.6%	2,168,724	3,807,495	56.8%	2,162,923

Financial Review – Balance Sheet

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 the Office of the Superintendent of Financial Institutions (OSFI) as total tier 1 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

(In thousands of Canadian \$)	2023 - Federal	2022 - Provincial	Change	
			\$	%
On-Balance Sheet Assets	3,785,183	3,299,032	486,151	14.7%
Less: Deductions from Capital	(1,384)	(1,562)	178	(11.4%)
Add: Off-Balance Sheet Exposures	232,731	150,494	82,237	54.6%
Total Leverage Exposure	4,016,530	3,447,964	568,566	16.5%

OSFI has 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
- Tier 1 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); and
- are stricter than regulatory minimums.

Prudent targets are 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. Balance sheet strategies are designed to ensure these capital levels are achieved in addition to other strategies, such as growth and profitability targets.

Financial Review – Balance Sheet

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

	Regulatory Minimum	Innovation Policy Target
Common Equity Tier 1 Capital/Total Risk Weighted Assets	7.00%	11.55%
Tier 1 Capital/Total Risk Weighted Assets	8.50%	11.55%
Total Eligible Capital/Total Risk Weighted Assets	10.50%	13.75%
Leverage Ratio	3.00%	7.70%

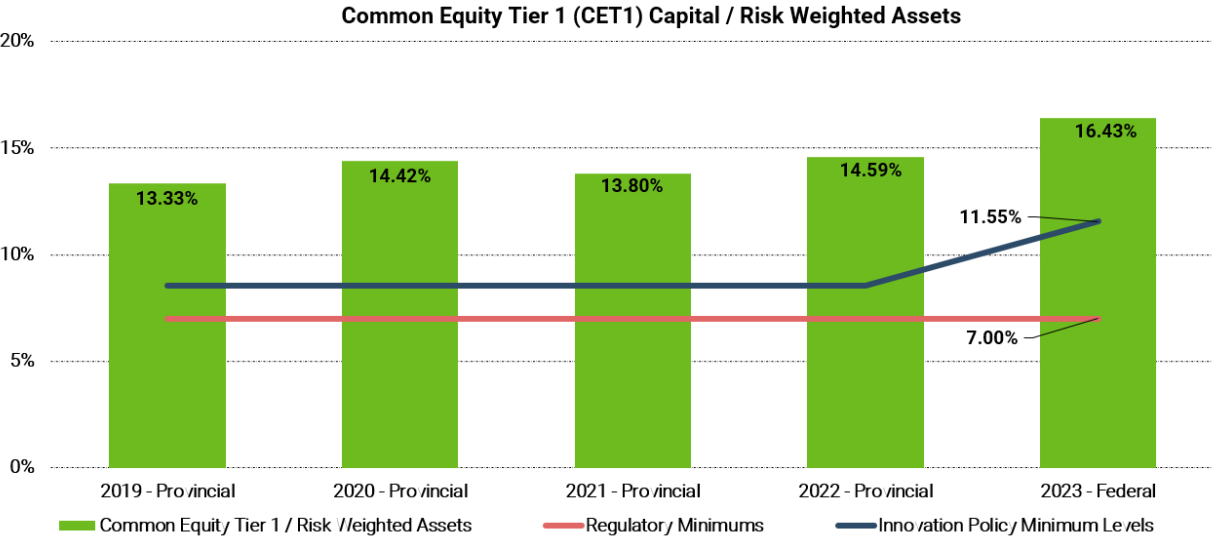
There was an improvement in all capital ratios compared to the prior year. This was influenced by Innovation moving to the federal regulatory environment along with changes in the risk weighted asset calculations which came into effect in 2023.

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

(In thousands of Canadian \$)	2023 - Federal	2022 – Provincial	Change	
			\$	%
Common Equity Tier 1 Capital	356,259	315,527	40,732	12.9%
Risk Weighted Assets	2,168,724	2,162,924	5,800	0.3%
CET1 Capital Ratio	16.43%	14.59%		

Common equity tier 1 (CET1) capital ratio increased in 2023 by 184 basis points to 16.43%. CET1 capital continues to be strong, well above internal policy targets and regulatory requirements.



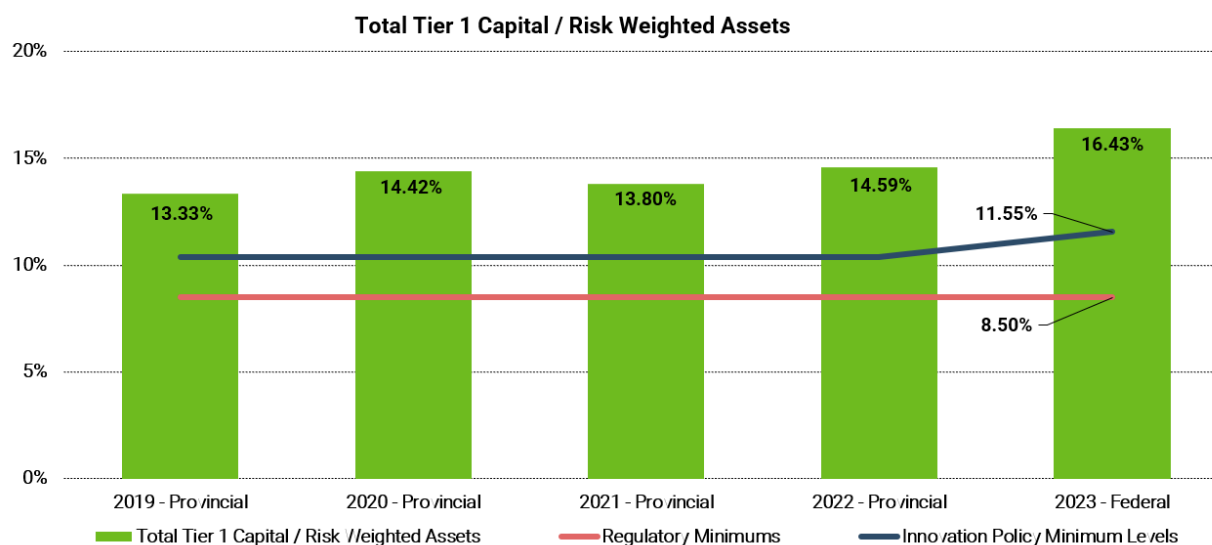
Financial Review – Balance Sheet

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.

Table 33: Total Tier 1 Capital Ratio

(In thousands of Canadian \$)	2023 – Federal	2022 - Provincial	Change	
			\$	%
Common Equity Tier 1 Capital	356,259	315,527	40,732	12.9%
Additional Tier 1 Capital	-	-	-	-
Total Tier 1 Capital	356,259	315,527	40,732	12.9%
Total Risk Weighted Assets	2,168,724	2,162,924	5,800	0.3%
Total Tier 1 Capital Ratio	16.43%	14.59%		

The total tier 1 capital ratio increased in 2023 by 184 basis points to 16.43%. Total tier 1 capital continues to be strong, well above internal policy targets and regulatory requirements.



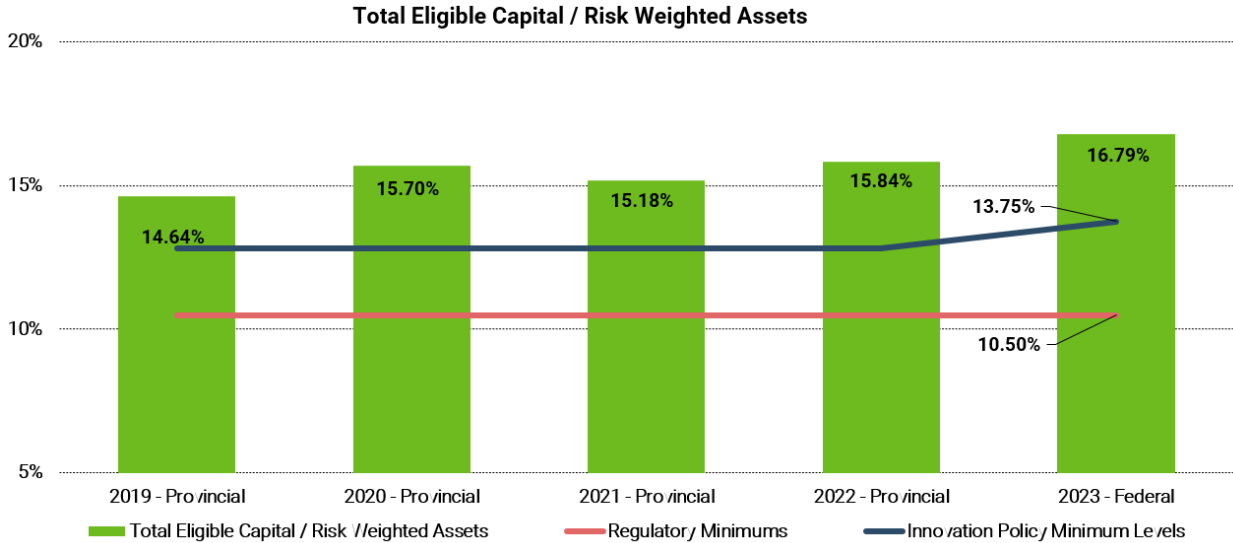
The third capital adequacy ratio focuses on total eligible capital as a percentage of total risk weighted assets.

Table 34: Total Capital Ratio

(In thousands of Canadian \$)	2023 – Federal	2022 - Provincial	Change	
			\$	%
Total Capital	364,097	342,520	21,577	6.3%
Risk Weighted Assets	2,168,724	2,162,924	5,800	0.3%
Total Capital Ratio	16.79%	15.84%		

Financial Review – Balance Sheet

The total capital ratio increased in 2023 by 95 basis points to 16.79%. Strong profitability results once again in 2023 increased total capital by \$21.6 million or 6.3%. Total capital continues to be strong, well above internal policy targets and regulatory requirements.

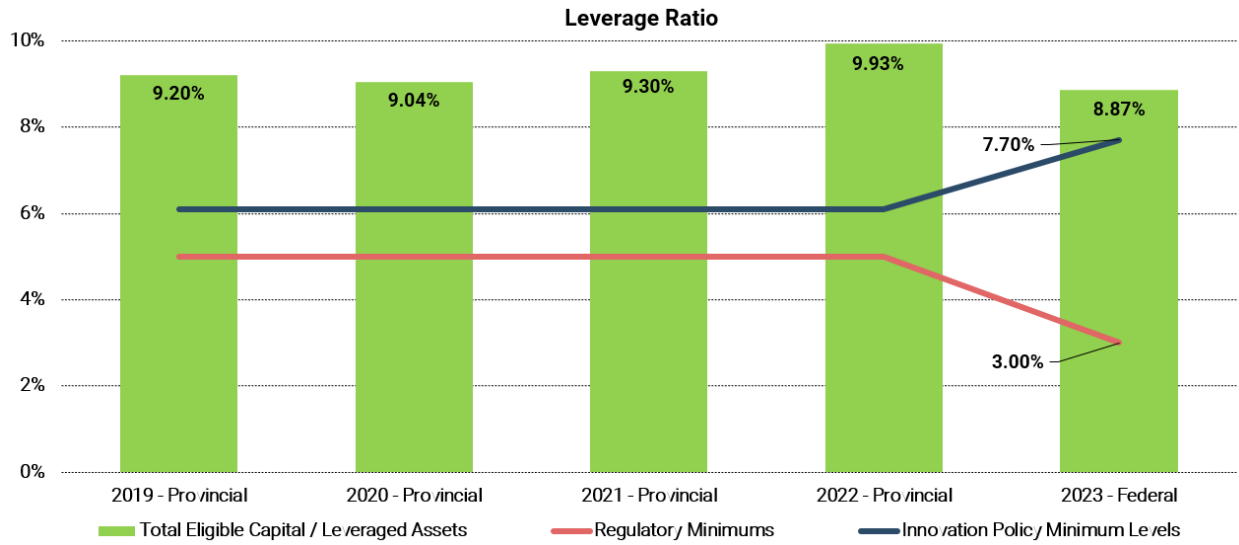


The final capital adequacy ratio focuses on total eligible capital in relation to total leverage exposures. This ratio is commonly referred to as the leverage ratio. Total leverage assets include on-balance sheet assets less deductions from capital along with specified off-balance sheet items such as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

	2023 - Federal	2022 - Provincial	Change	
			\$	%
Total Tier 1 Capital	356,259			
Total Eligible Capital		342,520		
Leverage Exposure	4,016,530	3,447,964	568,566	16.5%
Leverage Ratio	8.87%	9.93%		

The total leverage ratio decreased in 2023 by 106 basis points to 8.87%. This result was driven by the 4.0% pace of growth in numerator of the equation (total tier 1 capital in 2023 under the federal regulatory environment compared to total eligible capital in 2022 under the provincial regulatory environment) fell short of the 16.5% pace of growth in the leverage exposure. From a historic perspective, the 2023 results continue to trend far above internal policy targets and regulatory minimum standards.

Financial Review – Balance Sheet



Enterprise Risk Management

As a financial institution, Innovation is exposed to a wide variety of risks, both financial and non-financial. 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 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 with 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:

- Approves risk policies, the overall risk appetite, and oversees execution of our ERM program by management
- Monitors overall risk profile, key and emerging risks and risk management activities
- Reviews and assesses 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

Enterprise Risk Management

- 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 Review Committee of the Board.

- Monitors compliance with policy and procedure and assess the adequacy of controls
- Provides independent and objective assurance on the effectiveness of risk management and control processes to management and the respective Committees of the Board
- Oversees 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 market 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

Enterprise Risk Management

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 current and prospective impact on volumes, earnings, or capital arising from adverse business conditions and decisions, competitor actions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve those 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 for executing business plans and quarterly progress reports track performance.

B. Capital Adequacy

Innovation measures the strength of its capital position not only by the level of capitalization, but also by the quality of capital. Our capital goals are guided by the Capital Management Board Policy and expressed in the Capital Plan.

Key Strategic Risks

Innovation strives to be adequately capitalized at all times and to maintain a prudent cushion to ensure future viability. Minimum levels of capital, including capital conservation buffers, have been prescribed under the federally regulated environment.

Strategic Risk Management

Innovation conducts its capital management activities in accordance with the applicable regulatory requirements and sound business practices. Capital adequacy instills confidence in the organization and promotes responsible governance. It supports both existing and future business and provides a safety net for a variety of enterprise-wide risks. The Board of Directors approves the risk appetite based on the relationship between anticipated capital levels and the ability to achieve business objectives.

Enterprise Risk Management

C. 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 by 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 conducted 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 Review 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.

D. Liquidity Risk

Liquidity risk is the risk arising from our potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs. Inability to manage liquidity risk may result in a lack of confidence from our members and key stakeholders, which in historic cases around the world has led to bank failures.

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.

Enterprise Risk Management

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 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 Review Committee of the Board receives quarterly reports on the liquidity position and sets operating targets. The Board also receives regular reports on liquidity.

E. Credit Risk

Credit risk arises from the possibility of incurring losses from a borrower or counterparty's failure to meet its contractual obligation to the credit union through payment default.

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.

Risk tolerances and credit policies are set by Board with operating practices and procedures supporting the risk appetite and policies are set by senior management. Review and revision of lending policy and procedures is done on an ongoing basis with regular reviews and updates as required.

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 Centers.

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

Enterprise Risk Management

Credit portfolio performance is governed by the Board of Director's Risk Committee which meets at least quarterly.

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

F. Regulatory Compliance Risk

Regulatory compliance risk is the risk of non-compliance with laws, rules, regulations, prescribed practices, or regulator guidelines which may result in monetary penalties or affect Innovation's ability to operate.

Key Regulatory Compliance 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 federally regulated business, we are also subject to 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.

Regulatory Compliance Risk Management

Governance, policy and procedures, and awareness aid Innovation in complying with laws and regulations, and therefore, are effective ways to manage regulatory compliance 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 for making sure that policy and procedures take into consideration all applicable legal and regulatory parameters.

All departments are knowledgeable of the regulations that pertain to their areas. In some cases, third party expertise is used through contracted services.

G. Reputation Risk

Reputation risk is where negative perception jeopardizes Innovation's credibility, achievement of business goals, and strategic objectives, or ability to maintain the organization as a prominent financial institution. It can be a risk of loss resulting from damages to an organization's reputation, in lost revenue, increased operating, capital, or regulatory costs. It is inherent in everything that Innovation does, including the relationships it develops with third parties.

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.

Enterprise Risk Management

It is inherent in everything that Innovation does, including the relationships it develops with third parties. It is 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.

H. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. Operational risk includes legal risk, which is defined as the risk of loss which may be caused by any event that creates liability for Innovation, such as contractual disputes or breaches, privacy breaches, fraud, and intentional or unintentional employee or director misconduct.

Key Operational Risks

Innovation has adopted an operational risk taxonomy. The purpose of a 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 risks are supported by the taxonomy 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.

Enterprise Risk Management

- 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: 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.
- Fraud: The risk of losses due to acts of a type intended to defraud, misappropriate property, or circumvent the law.

Operational Risk Management (ORM)

ORM is an essential component of the overall ERM program. The ORM Framework provides the means for Innovation to satisfy itself that it is operating within an acceptable level of risk as established by the Board through the RAF. The ORM Framework is the structure, processes, and other key control elements that enables Innovation's management to apply a risk-based approach to identify, assess, manage, and mitigate operational risk. Innovation supports and utilizes the Three Lines of Defense model to manage and mitigate operational risk.

**INNOVATION FEDERAL
CREDIT UNION**

***CONSOLIDATED
FINANCIAL STATEMENTS***

December 31, 2023

Independent Auditor's Report

To the Members of
Innovation Federal Credit Union

Opinion

We have audited the consolidated financial statements of Innovation Federal Credit Union (the "Credit Union"), which comprise the consolidated statement of financial position as at December 31, 2023, 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 material accounting policy information (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, 2023, 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.

The logo for Deloitte LLP, featuring the word "Deloitte" in a cursive script followed by "LLP" in a bold, sans-serif font.

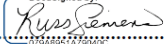
Chartered Professional Accountants
Regina, Saskatchewan
March 25, 2024

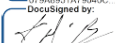
INNOVATION FEDERAL CREDIT UNION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(In thousands of Canadian \$)
As at December 31, 2023

	Note	2023	2022
ASSETS			
Cash and cash equivalents	4	\$ 356,779	\$ 123,888
Investments	5	181,396	429,773
Loans	6	3,193,839	2,663,841
Accounts receivable		6,231	35,347
Prepaid expenses		16,274	13,565
Derivative assets	8	1,617	1,998
Property and equipment	9	13,768	12,972
Investment property	9	1,086	1,082
Right of use assets	10	749	374
Intangible assets	11	1,384	1,562
Income taxes receivable		-	891
Deferred income tax asset	22	12,060	13,739
		<u>\$ 3,785,183</u>	<u>\$ 3,299,032</u>
LIABILITIES			
Deposits	12	\$ 3,305,029	\$ 2,850,292
Securitized borrowings	14	69,016	80,492
Accounts payable and accrued liabilities		35,532	19,210
Derivative liabilities	8	191	249
Lease liabilities	10	769	396
Income taxes payable		3,656	-
Deferred income tax liabilities	22	3,799	3,405
Deferred revenue		392	414
Membership shares and distributions	16	<u>29,482</u>	<u>27,485</u>
		<u>3,447,866</u>	<u>2,981,943</u>
<i>Commitments</i>	21		
EQUITY			
Retained earnings		<u>337,317</u>	<u>317,089</u>
		<u>337,317</u>	<u>317,089</u>
		<u>\$ 3,785,183</u>	<u>\$ 3,299,032</u>

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

APPROVED BY THE BOARD

DocuSigned by:

..... Director

DocuSigned by:

..... Director

INNOVATION FEDERAL CREDIT UNION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In thousands of Canadian \$)
Year ended December 31, 2023

	Note	2023	2022
INTEREST INCOME			
Loans		\$ 166,067	\$ 105,790
Investments		21,593	42,061
Derivative instruments		823	263
		<u>188,483</u>	<u>148,114</u>
INTEREST EXPENSE			
Deposits		73,283	27,012
Borrowings		2,432	2,194
Member distributions	16	4,241	3,345
		<u>79,956</u>	<u>32,551</u>
REALIZED GAIN ON FVTPL INVESTMENTS		<u>444</u>	<u>1,456</u>
NET INTEREST INCOME BEFORE CREDIT LOSSES		108,971	117,019
PROVISION FOR CREDIT LOSSES	7	<u>4,166</u>	<u>3,352</u>
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES		104,805	113,667
UNREALIZED GAIN (LOSS) ON FVTPL INVESTMENTS		2,588	(794)
UNREALIZED (LOSS) GAIN ON DERIVATIVE INSTRUMENTS		(323)	1,062
OTHER INCOME	15	<u>15,424</u>	<u>14,886</u>
NET INTEREST AND OTHER INCOME		<u>122,494</u>	<u>128,821</u>
OPERATING EXPENSES			
Personnel		50,739	44,256
Security		2,824	2,572
Organizational		964	888
Occupancy		3,959	3,804
General business		36,583	27,466
		<u>95,069</u>	<u>78,986</u>
INCOME BEFORE PROVISION FOR INCOME TAXES		<u>27,425</u>	<u>49,835</u>
PROVISION FOR INCOME TAXES			
Current	22	5,124	913
Deferred	22	2,073	3,979
		<u>7,197</u>	<u>4,892</u>
NET INCOME AND COMPREHENSIVE INCOME		<u>\$ 20,228</u>	<u>\$ 44,943</u>

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

INNOVATION FEDERAL CREDIT UNION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In thousands of Canadian \$)
Year ended December 31, 2023

	Note	2023	2022
RETAINED EARNINGS			
Balance, beginning of year		\$ 317,089	\$ 272,146
Net income		20,228	44,943
Balance, end of year		<u>\$ 337,317</u>	<u>\$ 317,089</u>

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

INNOVATION FEDERAL CREDIT UNION
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands of Canadian \$)
Year ended December 31, 2023

	Note	2023	2022
OPERATING ACTIVITIES			
Net income		\$ 20,228	\$ 44,943
Adjustments for non-cash items:			
Net interest income before credit losses		(108,971)	(117,019)
Provision for credit losses	7	4,166	3,352
Unrealized gain on financial instruments		(2,265)	(268)
Gain on disposal of property and equipment		(39)	(121)
Depreciation - property and equipment	9	2,026	2,117
Depreciation - right of use assets	10	210	193
Depreciation - investment property	9	183	72
Depreciation - secured borrowings		1,341	586
Amortization - intangible assets	11	178	292
Current income tax expense	22	5,124	913
Deferred income tax expense	22	2,073	3,979
Changes in non-cash working capital			
Loans		(528,941)	(410,288)
Accounts receivable		29,116	229
Prepaid expenses		(2,709)	(3,159)
Deposits		431,340	236,174
Accounts payable and accrued liabilities		16,322	11,460
Deferred revenue		(22)	(18)
Dividends received		884	1,615
Interest received		181,945	112,798
Interest paid		(52,318)	(22,838)
Income taxes received		(577)	1,400
		<u>(706)</u>	<u>(133,588)</u>
INVESTING ACTIVITIES			
Purchases of investment securities		(515,150)	(151,628)
Proceeds on sale of investment securities		766,990	224,683
Purchase of property and equipment	9	(2,908)	(1,187)
Purchase of investment property	9	(187)	-
Proceeds from disposal of property and equipment		125	274
Purchase of intangible assets	11	-	(1,148)
		<u>248,870</u>	<u>70,994</u>
FINANCING ACTIVITIES			
Repayment of lease liabilities	10	(212)	(195)
Repayment of membership shares		(4,241)	(3,345)
Proceeds on membership shares		1,997	945
Repayment of securitized borrowings		(16,341)	(35,689)
Proceeds from securitized borrowings		3,524	19,134
		<u>(15,273)</u>	<u>(19,150)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		232,891	(81,744)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		123,888	205,632
CASH AND CASH EQUIVALENTS, END OF YEAR		\$ 356,779	\$ 123,888

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

INNOVATION FEDERAL CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian \$)
For the year ended December 31, 2023

1. REPORTING ENTITY

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

On June 16, 2023, Innovation Credit Union received final approval from the Minister of Finance and officially ceased operations as a provincial credit union under the Credit Union Act, 1998 (Saskatchewan) and Innovation Federal Credit Union continued operations as a federal credit union pursuant to subsection 35(1) of The Bank Act (Canada).

Innovation operates 27 (2022 – 25) advice centers and serves members and non-members in North Battleford, Swift Current, Meadow Lake and surrounding areas. Innovation Federal Credit Union is a member of the Canada Deposit Insurance Corporation (“CDIC”).

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the accounting guidelines as issued by the Office of the Superintendent of Financial Institutions Canada (“OSFI”), as required under Section 308(4) of the Bank Act. IFRS comprise accounting standards as issued by the International Accounting Standards Board (“IASB”) as well as interpretations issued by the IFRS interpretations Committee.

The consolidated financial statements for the year ended December 31, 2023 were authorized for issue by the Board of Directors (the “Board”) on March 25, 2024.

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

3. MATERIAL ACCOUNTING POLICIES

Innovation has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with material accounting policy information. Accounting policy information is material if, when considered together with other information included in

INNOVATION FEDERAL CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian \$)
For the year ended December 31, 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

the entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' as described in IFRS Practice Statement 2.

The 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.

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

Innovation 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.

INNOVATION FEDERAL CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian \$)
For the year ended December 31, 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Use of Estimates, Key Judgments and Assumptions (continued)

b) Determination of Allowance for Credit Losses

Innovation 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 Innovation takes into account qualitative and quantitative reasonable and supportable information.
- Choosing appropriate models and assumptions: Innovation 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.
- When measuring ECL Innovation 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 to receive, taking into account cash flows from collateral.

b) Securitized Borrowings

Innovation 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 Innovation and release capital for future needs. As Innovation remains exposed to credit risk, the underlying loans have not been derecognized and are reported in Innovation’s consolidated statement of financial position as secured borrowings. Securitized loans are derecognized from the consolidated statement of

INNOVATION FEDERAL CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian \$)
For the year ended December 31, 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Use of Estimates, Key Judgments and Assumptions (continued)

Securitized Borrowings (continued)

financial position when substantially all the risks and rewards of ownership are transferred to the SPE. Judgment is required in making this determination.

c) Property and Equipment

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

d) 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.

e) Intangible Assets

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

INNOVATION FEDERAL CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian \$)
For the year ended December 31, 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Use of Estimates, Key Judgments and Assumptions (continued)

f) 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 cash-generating units (“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.

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.

g) Classification of Financial Assets

Business Model Assessment

Innovation 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 Innovation’s management;

INNOVATION FEDERAL CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian \$)
For the year ended December 31, 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Use of Estimates, Key Judgments and Assumptions (continued)

Classification of Financial Assets (continued)

- 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.

Financial assets are held in business models categorized into three areas:

- Held to Collect- Primary objective is to hold financial assets to collect contractual cash flows.
- Both Held-to-Collect and For-Sale -Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.
- Other- Business model is neither held-to-collect nor held-to-collect and for-sale and includes trading, managing assets on a fair value basis, or maximizing cash through sale.

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

INNOVATION FEDERAL CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian \$)
For the year ended December 31, 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

Subsidiaries are entities controlled by Innovation. Control is achieved where Innovation 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 Innovation holds 100% of the voting rights.

Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognized when Innovation 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
- Fair value through other comprehensive income ("FVOCI"); or

INNOVATION FEDERAL CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian \$)
For the year ended December 31, 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and subsequent measurement (continued)

- Fair value through profit or loss (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.

Innovation 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 considering 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 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

INNOVATION FEDERAL CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian \$)
For the year ended December 31, 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

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.

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.

Innovation 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

INNOVATION FEDERAL CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian \$)
For the year ended December 31, 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

- 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, Innovation's holdings in financial liabilities are classified as measured at amortized cost.

d) Derecognition

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or when Innovation 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, Innovation 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 Innovation 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

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

INNOVATION FEDERAL CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian \$)
For the year ended December 31, 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

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. Innovation has embedded derivatives that require bifurcation in its index-linked deposit products.

g) Financial asset impairment

Innovation 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.

gj) *ECL impairment model*

Innovation 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. Innovation'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.

Innovation'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.

INNOVATION FEDERAL CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian \$)
For the year ended December 31, 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

- 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, Innovation 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.

gii) Model parameters

The following variables represent the key inputs in Innovation'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 Innovation's own historical loss data by major asset class.

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3. MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

giii) Significant increase in credit risk

At each reporting date, Innovation 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, Innovation 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.

Innovation 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 counterparty has deteriorated. For retail lending Innovation 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. Innovation currently does not rebut this presumption.

giv) 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, Innovation relies on forward-looking macroeconomic factors, such as the Government of Canada bond rates, unemployment rates and real GDP.

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3. MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

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

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

Typically, Innovation will probability-weight the “base case” scenario most heavily as it represents the most likely outcome and is aligned with information used by Innovation 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, 2023 include the following ranges of macroeconomic factors:

% Change ¹	12 Month Average Forecast			5 Year Average Forecast		
	Base Case	Best Case	Worst Case	Base Case	Best Case	Worst Case
3 Month GOC Bond Rate	-1.49%	22.52%	-45.09%	-9.40%	-15.09%	-15.09%
3 Month BA Rate	-0.78%	20.59%	-39.99%	-8.99%	-14.45%	-14.45%
Unemployment Rate	6.18%	5.43%	7.27%	5.49%	6.71%	6.71%
Housing Price Index (HPI)	-1.09%	5.56%	-9.60%	1.12%	-1.51%	-1.51%

¹The % change represents the change in the macro economic factor as a % difference from the most recent publicly available results as of December 31, 2023

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

% Change ¹	12 Month Average Forecast			5 Year Average Forecast		
	Base Case	Best Case	Worst Case	Base Case	Best Case	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%

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

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3. MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

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, 2023 would be \$508 to (\$266) (2022 - \$358 to (\$190)).

gv) Modified financial assets

If the terms of a financial asset are modified, Innovation 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.

gvi) Definition of default

Innovation 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:

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3. MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

- 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. Innovation 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.

gvii) Write-off policy

Innovation 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.

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.

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3. MATERIAL ACCOUNTING POLICIES (continued)

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.

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

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3. MATERIAL ACCOUNTING POLICIES (continued)

Intangible Assets (continued)

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, Innovation 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, Innovation 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, Innovation 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, Innovation 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.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, Innovation 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

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3. MATERIAL ACCOUNTING POLICIES (continued)

Impairment of Tangible and Intangible Assets (continued)

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.

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

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3. MATERIAL ACCOUNTING POLICIES (continued)

Income Taxes (continued)

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 Innovation intends to settle its current tax liabilities and assets on a net basis or simultaneously.

Leases

a) *As lessor*

At inception, Innovation 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, Innovation 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, Innovation recognizes lease payments received as income on a straight-line basis over the term of the lease.

b) *As lessee*

Innovation 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, Innovation 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 Innovation's incremental borrowing rate. Lease payments included in the measurement of the lease liability include fixed

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3. MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

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 Innovation 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

Revenue is recognized when Innovation satisfies a performance obligation by transferring the promised good or service to the customer, and the customer obtains control of the good or service. The recognition of revenue can either be over time or at a point in time, depending on when the performance obligation is satisfied. Determining the timing and transfer of control, at a point in time or over time, requires judgment.

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.

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.

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3. MATERIAL ACCOUNTING POLICIES (continued)

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

Innovation's employee future benefit program consists of a defined contribution pension plan. A defined contribution plan is a post-employment benefit plan under which Innovation pays fixed contributions into a separate entity. Innovation 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 \$2,200 (2022 - \$1,821) were paid to defined contribution retirement plans during the year.

COVID-19 Considerations

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

Canada Emergency Business Account ("CEBA"): under the CEBA program, Innovation has provided interest-free loans until January 18, 2024 (and at a rate of 5% thereafter), funded by the Export Development Bank of Canada ("EDC"), to existing eligible small business members. As Innovation 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 Innovation's consolidated statement of financial position.

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3. MATERIAL ACCOUNTING POLICIES (continued)

Future Accounting Changes

Innovation actively monitors developments and changes in accounting standards from the IASB, as well as requirements from the other regulatory bodies, including OSFI. The following changes to accounting standards have been issued but are not yet effective for Innovation.

Classification of Debt as Current or Non-current (Amendments to IAS 1)

In January 2020, the IASB revised IAS 1 Presentation of Financial Statements to clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least 12 months after the reporting period. The revision is effective for Innovation on January 1, 2024. Innovation is currently assessing the impact of adoption.

There are a number of standards which are issued but not yet effective as of December 31, 2023, which are not expected to materially impact the Innovation's consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

	2023	2022
Cash on hand	\$ 9,654	\$ 10,331
Cash held with SaskCentral	2,841	3,791
Cash held with Concentra Bank	3,508	1,904
Cash held with Central 1	45,349	12,368
Cash held with National Bank	295,427	95,494
Total	\$ 356,779	\$ 123,888

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5. INVESTMENTS

The following table provides information on the investments held by Innovation.

	2023	2022
Debt Investments (Amortized Cost)		
Mortgage-backed securities	\$ 34,575	\$ 8,096
Corporate debt and covered bonds	35,946	20,463
Deposits and debt securities	35,950	74,107
Accrued Interest	1,108	535
Impairment	(38)	(25)
Debt Investments (FVTPL)		
Deposits with financial institutions	2,698	252,541
Other debt securities	35,286	34,370
Accrued Interest	324	268
Equity Securities (FVTPL)		
Investment funds, investment in associates, and other entities	35,199	38,885
Accrued Interest	348	533
Total investments	\$ 181,396	\$ 429,773

Innovation'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.

At December 31, 2023, \$99,189 (2022 - \$81,235) of debt investments mature more than 12 months after the reporting date.

SaskCentral Membership Shares

Currently Innovation holds \$10,557 in Class B membership shares (2022 - \$19,278) 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 (not in thousands) 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

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5. INVESTMENTS (continued)

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.

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

Equitable Bank Preferred Shares

Currently the Credit Union holds \$1,750 in Class A Series 1 Preferred shares in Equitable Bank (2022 - \$1,750). These shares entitle the holders to an annual, non-cumulative fixed dividend of \$1.15 (not in thousands) 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 (not in thousands) per share, subject to the approval of OSFI and the requirements of the Bank Act (Canada).

6. LOANS

		2023				
		ECL Allowance				
		Lifetime ECL				
		not credit-				
		impaired				
		Lifetime ECL				
		credit-impaired				
		Net				
	Performing	Impaired	12-month ECL			
Agriculture	\$ 422,231	\$ 189	\$ (322)	\$ (822)	\$ (4)	\$ 421,272
Commercial	1,108,586	5,145	(1,036)	(2,188)	(3,448)	1,107,059
Consumer	1,640,116	2,396	(1,753)	(1,642)	(1,284)	1,637,833
Finance Leases	8,488	376	(37)	-	(250)	8,577
Foreclosed Property	-	184	-	-	-	184
Accrued Interest	18,232	682	-	-	-	18,914
Total Loans	\$ 3,197,653	\$ 8,972	\$ (3,148)	\$ (4,652)	\$ (4,986)	\$ 3,193,839

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6. LOANS (continued)

	2022					
	Performing	Impaired	ECL Allowance			Net
			12-month ECL	Life time ECL not credit- impaired	Lifetime ECL credit-impaired	
Agriculture	\$ 431,713	\$ -	\$ (462)	\$ (1,074)	\$ -	\$ 430,177
Commercial	854,767	4,137	(1,253)	(2,452)	(1,965)	853,234
Consumer	1,356,051	1,697	(1,418)	(884)	(890)	1,354,556
Finance Leases	11,254	376	(61)	-	(100)	11,469
Foreclosed Property	-	701	-	-	-	701
Accrued Interest	13,091	613	-	-	-	13,704
Total Loans	\$ 2,666,876	\$ 7,524	\$ (3,194)	\$ (4,410)	\$ (2,955)	\$ 2,663,841

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

	2023		2022	
	Performing	Impaired	Performing	Impaired
Current	\$ 3,168,466	\$ 1,032	\$ 2,639,587	\$ 181
32-60 days	2,166	180	5,748	71
61-90 days	900	29	1,269	45
91 -120 days	455	38	611	17
120+ days	7,434	7,011	6,571	6,597
Accrued Interest	18,232	682	13,090	613
Total	\$ 3,197,653	\$ 8,972	\$ 2,666,876	\$ 7,524

Innovation holds collateral against loans to customers in the form of interests over property, other securities over assets, and guarantees.

During the year, Innovation obtained residential property and commercial property with carrying values of \$184 and (2022- \$701) 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.

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

				Total 2023
	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Total ECL
Beginning Balance, January 1, 2023	\$ 3,194	\$ 4,410	\$ 2,955	\$ 10,559
Transfer to 12-month ECL	613	(613)	-	-
Transfer to lifetime ECL not credit-impaired	(140)	169	(29)	-
Transfer to lifetime ECL credit-impaired	(8)	(224)	232	-
Net remeasurement of loss allowance	(1,150)	983	4,317	4,150
New financial assets originated	1,188	335	80	1,603
Financial assets that have been derecognized	(549)	(408)	(643)	(1,600)
Write-offs	-	-	(2,118)	(2,118)
Recoveries	-	-	192	192
Balance at December 31, 2023	\$ 3,148	\$ 4,652	\$ 4,986	\$ 12,786

	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Total ECL
Agricultural				
Beginning Balance, January 1, 2023	\$ 491	\$ 1,074	\$ 100	\$ 1,665
Transfer to 12-month ECL	220	(220)	-	-
Transfer to lifetime ECL not credit-impaired	(21)	21	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
Net remeasurement of loss allowance ¹	(414)	120	153	(141)
New financial assets originated	69	19	-	88
Financial assets that have been derecognized	(11)	(192)	-	(203)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Balance at December 31, 2023	\$ 334	\$ 822	\$ 253	\$ 1,409

¹Includes finance leases from our agricultural borrowers with a total allowance of \$262.

	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Total ECL
Commercial				
Beginning Balance, January 1, 2023	\$ 1,285	\$ 2,452	\$ 1,965	\$ 5,702
Transfer to 12-month ECL	172	(172)	-	-
Transfer to lifetime ECL not credit-impaired	(9)	9	-	-
Transfer to lifetime ECL credit-impaired	-	(203)	203	-
Net remeasurement of loss allowance ²	(394)	206	1,817	1,629
New financial assets originated	307	18	-	325
Financial assets that have been derecognized	(300)	(122)	(24)	(446)
Write-offs	-	-	(684)	(684)
Recoveries	-	-	172	172
Balance at December 31, 2023	\$ 1,061	\$ 2,188	\$ 3,449	\$ 6,698

²Includes finance leases from our commercial borrowers with a total allowance of \$25.

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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, 2023	\$ 1,418	\$ 884	\$ 890	\$ 3,192
Transfer to 12-month ECL	221	(221)	-	-
Transfer to lifetime ECL not credit-impaired	(110)	139	(29)	-
Transfer to lifetime ECL credit-impaired	(8)	(21)	29	-
Net remeasurement of loss allowance ²	(342)	657	2,347	2,662
New financial assets originated	812	298	80	1,190
Financial assets that have been derecognized	(238)	(94)	(619)	(951)
Write-offs	-	-	(1,434)	(1,434)
Recoveries	-	-	20	20
Balance at December 31, 2023	\$ 1,753	\$ 1,642	\$ 1,284	\$ 4,679

Total 2022

	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	\$ 2,451	\$ 4,928	\$ 9,266	\$ 16,645
Transfer to 12-month ECL	1,244	(1,244)	-	-
Transfer to lifetime ECL not credit-impaired	(95)	145	(50)	-
Transfer to lifetime ECL credit-impaired	(1)	(6)	7	-
Net remeasurement of loss allowance	(1,137)	1,302	1,763	1,928
New financial assets originated	1,048	161	12	1,221
Financial assets that have been derecognized	(316)	(876)	1,462	270
Write-offs	-	-	(9,851)	(9,851)
Recoveries	-	-	346	346
Balance at December 31, 2022	\$ 3,194	\$ 4,410	\$ 2,955	\$ 10,559

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	\$ 303	\$ 321	\$ 100	\$ 724
Transfer to 12-month ECL	21	(21)	-	-
Transfer to lifetime ECL not credit-impaired	(13)	13	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
Net remeasurement of loss allowance ¹	145	838	-	983
New financial assets originated	94	5	-	99
Financial assets that have been derecognized	(59)	(82)	34	(107)
Write-offs	-	-	(43)	(43)
Recoveries	-	-	9	9
Balance at December 31, 2022	\$ 491	\$ 1,074	\$ 100	\$ 1,665

¹Includes finance leases from our agricultural borrowers with a total allowance of \$129.

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

Commercial	Lifetime ECL not			Total ECL
	12-month ECL (Stage 1)	credit-impaired (Stage 2)	Lifetime ECL credit- impaired (Stage 3)	
Beginning Balance, January 1, 2022	\$ 1,259	\$ 3,802	\$ 8,231	\$ 13,292
Transfer to 12-month ECL	989	(989)	-	-
Transfer to lifetime ECL not credit-impaired	(31)	31	-	-
Transfer to lifetime ECL credit-impaired	-	(2)	2	-
Net remeasurement of loss allowance ²	(1,050)	235	1,248	433
New financial assets originated	178	59	-	237
Financial assets that have been derecognized	(60)	(684)	1,052	308
Write-offs	-	-	(8,699)	(8,699)
Recoveries	-	-	131	131
Balance at December 31, 2022	\$ 1,285	\$ 2,452	\$ 1,965	\$ 5,702

²Includes finance leases from our commercial borrowers with a total allowance of \$32.

Consumer	Lifetime ECL not			Total ECL
	12-month ECL (Stage 1)	credit-impaired (Stage 2)	Lifetime ECL credit- impaired (Stage 3)	
Beginning Balance, January 1, 2022	\$ 889	\$ 805	\$ 935	\$ 2,629
Transfer to 12-month ECL	234	(234)	-	-
Transfer to lifetime ECL not credit-impaired	(51)	101	(50)	-
Transfer to lifetime ECL credit-impaired	(1)	(4)	5	-
Net remeasurement of loss allowance	(232)	229	515	512
New financial assets originated	776	97	12	885
Financial assets that have been derecognized	(197)	(110)	376	69
Write-offs	-	-	(1,109)	(1,109)
Recoveries	-	-	206	206
Balance at December 31, 2022	\$ 1,418	\$ 884	\$ 890	\$ 3,192

The proportion of allowance relating to undrawn commitments included above is \$55 (2022- \$26).

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

	2023	2022
Debt instruments at Amortized Cost		
Agriculture loans	\$ (256)	\$ 975
Commercial loans	1,508	978
Consumer loans	2,901	1,466
Investments	13	(67)
Net provision for credit losses	<u>\$ 4,166</u>	<u>\$ 3,352</u>

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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, 2023 and are not indicative of either the market risk or the credit risk.

	Maturities of derivatives (notional amount)					Net fair value			
	2023		2022		2023		2022		
	Under 1 year	1 to 5 years	Over 5 years	Total	Total	Assets	Liabilities	Assets	Liabilities
Derivatives at FVPL									
Interest rate swaps	\$ 20,000	\$ 40,000	\$ -	\$ 60,000	\$ 20,000	\$ 1,426	\$ -	\$ 1,749	\$ -
Index-linked options	196	457	-	653	897	191	191	249	249
	\$ 20,196	\$ 40,457	\$ -	\$ 60,653	\$ 20,897	\$ 1,617	\$ 191	\$ 1,998	\$ 249

Interest rate swaps

Innovation 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

Innovation 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. Innovation has entered into index-linked options with SaskCentral that have equivalent maturities to offset the exposure associated with these products. Innovation pays a fixed amount based on the notional amount at the inception of the index-linked option contract. At the end of the term Innovation receives from SaskCentral payments equal to the amount that will be paid to the depositors based on the performance of the respective indices.

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9. PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY

Property and equipment

	2023					
	Land	Facilities	Computer Hardware	Furniture & Equipment	Automotive	Total
Cost						
Balance at December 31, 2022	\$ 1,718	\$ 32,332	\$ 12,041	\$ 3,761	\$ 1,038	\$ 50,890
Additions	-	174	2,147	446	141	2,908
Disposals	-	-	(362)	-	(107)	(469)
Transfer to investment property	-	(187)	-	-	-	(187)
Balance at December 31, 2023	\$ 1,718	\$ 32,319	\$ 13,826	\$ 4,207	\$ 1,072	\$ 53,142
Depreciation and impairment losses						
Balance at December 31, 2022	\$ -	\$ 23,441	\$ 10,148	\$ 3,595	\$ 734	\$ 37,918
Depreciation Expense	-	961	864	102	99	2,026
Disposals	-	-	(362)	-	(104)	(466)
Transfer to investment property	-	(104)	-	-	-	(104)
Balance at December 31, 2023	\$ -	\$ 24,298	\$ 10,650	\$ 3,697	\$ 729	\$ 39,374
Net Book Value						
Balance at December 31, 2023	\$ 1,718	\$ 8,021	\$ 3,176	\$ 510	\$ 343	\$ 13,768
2022						
	Land	Facilities	Computer Hardware	Furniture & Equipment	Automotive	Total
Cost						
Balance at December 31, 2021	\$ 1,718	\$ 32,299	\$ 11,317	\$ 3,739	\$ 1,274	\$ 50,347
Additions	-	100	849	31	207	1,187
Disposals	-	(67)	(125)	(9)	(443)	(644)
Balance at December 31, 2022	\$ 1,718	\$ 32,332	\$ 12,041	\$ 3,761	\$ 1,038	\$ 50,890
Depreciation and impairment losses						
Balance at December 31, 2021	\$ -	\$ 22,364	\$ 9,372	\$ 3,502	\$ 1,055	\$ 36,293
Depreciation Expense	-	1,077	844	93	103	2,117
Disposals	-	-	(68)	-	(424)	(492)
Balance at December 31, 2022	\$ -	\$ 23,441	\$ 10,148	\$ 3,595	\$ 734	\$ 37,918
Net Book Value						
Balance at December 31, 2022	\$ 1,718	\$ 8,891	\$ 1,893	\$ 166	\$ 304	\$ 12,972

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9. PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY (continued)

Investment property

	2023		2022	
Cost				
Balance at January 1	\$	2,233	\$	2,233
Transfer from property and equipment		187		-
Balance at December 31	\$	2,420	\$	2,233
Depreciation and impairment losses				
Balance at January 1	\$	1,151		1,079
Transfer from property and equipment		104		-
Depreciation Expense		79		72
Balance at December 31	\$	1,334	\$	1,151
Net Book Value				
Balance at December 31	\$	1,086	\$	1,082

The fair value of the investment property above as at December 31, 2023 is \$1,575 (2022 - \$1,309).

10. LEASES

Right of use (ROU) asset

RIGHT OF USE (ROU) ASSETS

					2023
	Facilities	Other			Total
Cost					
Balance at December 31, 2022	\$	985	\$	35	\$ 1,020
Additions		548		37	585
Balance at December 31, 2023	\$	1,533	\$	72	\$ 1,605
Depreciation and impairment losses					
Balance at December 31, 2022	\$	613	\$	33	\$ 646
Depreciation Expense		203		7	210
Balance at December 31, 2023	\$	816	\$	40	\$ 856
Net Book Value					
Balance at December 31, 2023	\$	717	\$	32	\$ 749

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10. LEASES (continued)

Right of use (ROU) asset (continued)

	2023		2022	
	Facilities	Other	Total	
Cost				
Balance at December 31, 2021	\$ 985	\$ 30	\$ 1,015	
Additions	-	5	5	
Balance at December 31, 2022	\$ 985	\$ 35	\$ 1,020	
Depreciation and impairment losses				
Balance at December 31, 2021	\$ 428	\$ 25	\$ 453	
Depreciation Expense	185	8	193	
Balance at December 31, 2022	\$ 613	\$ 33	\$ 646	
Net Book Value				
Balance at December 31, 2022	\$ 372	\$ 2	\$ 374	

Lease liabilities

	2023		2022	
Lease Liabilities				
Interest expense on lease liabilities	\$ 16	\$	20	
Expense relating to variable lease payments	114		123	
Total amounts recognized in profit or loss	\$ 130	\$	143	
Repayment of lease liabilities	213		195	
Total cash outflows for leases	\$ 343	\$	338	

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, 2023 is \$769 (2022- \$396).

The contractual maturity of future lease payments are as follows:

	2023		2022	
1 year or less	\$ 326	\$	214	
1 to 5 years	904		248	
More than 5 years	-		-	

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11. INTANGIBLE ASSETS

							2023
							Intangible Assets
							Core
	Goodwill	Software	Naming Rights	Deposits			Total
Cost							
Balance at December 31, 2022	\$ -	\$ 6,483	\$ 1,500	\$ 901			\$ 8,884
Balance at December 31, 2023	\$ -	\$ 6,483	\$ 1,500	\$ 901			\$ 8,884
Amortization and impairment losses							
Balance at December 31, 2022	\$ -	\$ 6,440	\$ 475	\$ 407			\$ 7,322
Amortization expense	-	37	37	104			178
Balance at December 31, 2023	\$ -	\$ 6,477	\$ 512	\$ 511			\$ 7,500
Carrying Value							
Balance at December 31, 2023	\$ -	\$ 6	\$ 988	\$ 390			\$ 1,384
							2022
							Intangible Assets
							Core
	Goodwill	Software	Naming Rights	Deposits			Total
Cost							
Balance at December 31, 2021	\$ -	\$ 13,174	\$ 1,500	\$ 901			\$ 15,575
Transfers	-	(6,691)	-	-			(6,691)
Balance at December 31, 2022	\$ -	\$ 6,483	\$ 1,500	\$ 901			\$ 8,884
Amortization and impairment losses							
Balance at December 31, 2021	\$ -	\$ 6,365	\$ 437	\$ 303			\$ 7,105
Amortization expense	-	150	38	104			292
Transfers	-	(75)	-	-			(75)
Balance at December 31, 2022	\$ -	\$ 6,440	\$ 475	\$ 407			\$ 7,322
Carrying Value							
Balance at December 31, 2022	\$ -	\$ 43	\$ 1,025	\$ 494			\$ 1,562

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12. DEPOSITS

	2023		2022	
Operating and Savings	\$	1,645,137	\$	1,777,918
TFSA's		162,312		145,105
Term Deposits		1,298,001		756,144
RRSP's		106,659		103,683
RRIF's		57,222		55,141
Interest Payable		35,698		12,301
	\$	3,305,029	\$	2,850,292

At December 31, 2023, \$566,075 (2022 - \$320,222) of deposits are expected to be settled more than 12 months after the reporting date.

13. LOANS PAYABLE

	2023		2022	
	Balance	Credit Limit	Balance	Credit Limit
SaskCentral Line of Credit (CDN)	\$ -	\$ 10,000	\$ -	\$ 36,500
SaskCentral Line of Credit (USD)	-	100	-	500
SaskCentral Commercial Paper Program	-	-	-	18,800
Central 1 Line of Credit (CDN)	-	45,000	-	45,000
Central 1 Line of Credit (USD)	-	500	-	500
Central 1 Notice Facility	-	-	-	20,000
National Bank Credit Line	-	50,000	-	40,000
Desjardins Credit Line	-	50,000	-	50,000
Total Credit Facilities	\$ -	\$ 155,600	\$ -	\$ 211,300

Innovation has an authorized line of credit bearing interest at prime less 0.50% (2022 – prime less 0.50%) with SaskCentral. Innovation also has an authorized line of credit (USD) bearing interest at prime plus 0.50% (2022 - prime plus 0.50%) with SaskCentral.

Innovation has an authorized line of credit bearing interest at the Canadian Overnight Bank Rate plus 1% (2022 – Canadian Overnight Bank Rate plus 1%) and an annual standby fee of 0.25% (2022- 0.25%) with Central 1. Innovation also has an authorized line of credit bearing interest at the US Base Rate and an annual standby fee of 0.25% (2022- 0.25%) with Central 1.

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13. LOANS PAYABLE (continued)

Innovation has an authorized committed revolving credit facility with National Bank bearing interest at adjusted Daily Compounded CORRA plus 0.50% (2022- Banker Acceptance plus 0.50%) and an annual standby fee of 0.10% (2022- 0.10%).

Innovation has an authorized demand loan with Desjardin bearing interest at Desjardin's internal cost of funds plus 0.80% for Insurable Tranche funding (2022- 0.70%) and an annual standby fee of 0.225% (2022 – annual standby fee of 0.20%).

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

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

At December 31, 2023, the carrying value of the residential mortgage loans, including accrued interest is \$70,389 (2022 - \$83,206). Due to retention of substantially all the risks and rewards of ownership of these assets, Innovation 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 \$69,016 (2022 - \$80,492), secured by these assets, is included in securitized borrowings on the consolidated statement of financial position and is carried at amortized cost.

Innovation also retains certain amounts of its issued NHA MBS certificates as part of its liquidity management strategy. As at December 31, 2023 residential mortgages of \$217,982 (2022 - \$230,633) with a fair value of \$203,405 (2022 - \$217,427) were assigned to NHA MBS certificates and retained by Innovation. These unsold NHA MBS certificates are reported in consumer loans on the consolidated statement of financial position.

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15. OTHER INCOME

	2023	2022
Service Charges on Products	\$ 1,207	\$ 1,210
Loan Fees, Commissions and Insurance	4,469	3,701
Other Fees and Commissions	3,278	3,386
Innovation Wealth	5,601	5,486
Other Revenue	869	1,103
	\$ 15,424	\$ 14,886

16. MEMBERSHIP SHARES AND DISTRIBUTIONS

Innovation may issue an unlimited number of membership shares and consists of fully paid shares with a par value of \$5 per share (not in thousands). The membership shares are redeemable under certain conditions stipulated in the *Bank Act* and in the by-laws of Innovation. Innovation has the ability to distribute to members surplus earnings in the form of patronage allocations and/or dividends.

Membership shares and distributions is comprised of the following:

	2023	2022
Membership Shares - par value	\$ 311	\$ 297
Membership Shares - patronage allocations	20,015	19,068
Membership rewards - unrestricted	9,156	8,120
Total Membership Shares and Distributions	\$ 29,482	\$ 27,485

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

The Board of Directors declared total member distributions in the amount of \$4,241 (2022 - \$3,345) based on 2023 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 are reported on the consolidated financial statements as follows: \$1,319 (2022 - \$1,101) cash dividends, \$104 (2022 - \$60) youth cash dividends, and \$2,818 (2022 - \$2,184) patronage allocations to Membership Shares.

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17. CAPITAL MANAGEMENT

OSFI prescribes risk-based capital adequacy measures and minimum capital requirements. The current guideline was effective January 31, 2022.

Innovation 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 OSFI. 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 Innovation 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 Innovation that meet the criteria for inclusion in tier 2 capital and are not included in tier 1 capital.

Regulatory standards also require Innovation to maintain a minimum leverage ratio of 3% (2022 – 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. Innovation 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

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17. CAPITAL MANAGEMENT (continued)

Mortgage Purchase Program transactions completed up to and including March 31, 2010.

Innovation 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 OSFI Regulatory standards to the Innovation's Board policy for 2023:

	Regulatory Minimum	Innovation Policy Target
Common Equity Tier 1 Capital/Total Risk Weighted Assets	7.00%	11.55%
Tier 1 Capital/Total Risk Weighted Assets	8.50%	11.55%
Total Eligible Capital/Total Risk Weighted Assets	10.50%	13.75%
Leverage Ratio	3.00%	7.70%

During the year, Innovation complied with all external capital requirements. Noncompliance may result in the regulator taking necessary action including reducing or restricting authorities and limits of Innovation, imposing preventive intervention, issuing a compliance order, or placing Innovation under supervision or administration.

The following table summarizes key capital information:

Capital Summary	2023
Eligible Capital	
Common Equity Tier 1 Capital	\$ 356,259
Total Tier 1 Capital	356,259
Total Tier 2 Capital	7,838
Total eligible capital	\$ 364,097
Risk-weighted assets	\$ 2,168,724
Leveraged assets	4,016,530
Common equity tier 1 to risk weighted assets	16.43%
Total Tier 1 to risk weighted assets	16.43%
Total eligible capital to risk weighted assets	16.79%
Total eligible capital to leveraged assets	8.87%

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17. CAPITAL MANAGEMENT (continued)

In 2022 and 2023, prior to continuance, capital requirements were regulated by the regulator of Saskatchewan Credit Unions, Credit Union Deposit Guarantee (“CUDGC”). As at December 31, 2023, Innovation complied with all external capital requirements.

Capital Summary	2022
Eligible Capital	
Common Equity Tier 1 Capital	\$ 315,527
Total Tier 1 Capital	315,527
Total Tier 2 Capital	26,993
Total eligible capital	\$ 342,520
Risk-weighted assets	\$ 2,162,924
Leveraged assets	3,447,964
Common equity tier 1 to risk weighted assets	14.59%
Total Tier 1 to risk weighted assets	14.59%
Total eligible capital to risk weighted assets	15.84%
Total eligible capital to leveraged assets	9.93%

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 Innovation. 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, 2023, certain directors, senior management and their spouses, children and dependents were indebted to Innovation for an amount totaling \$2,090 (2022 - \$2,533). 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.

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18. RELATED PARTY TRANSACTIONS (continued)

Deposits

As of December 31, 2023, certain directors, executive management, their spouses and dependents, and companies over which the director or executive has substantial control had deposits at Innovation for an amount totaling \$1,740 (2022 - \$1,844).

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:

	2023	2022
Salaries and other short-term employee benefits	\$2,890	\$2,464
Other long-term benefits	110	114
	\$3,000	\$2,578

19. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2023			2022		
	FVTPL	Amortized Cost	Total Carrying Value	FVTPL	Amortized Cost	Total Carrying Value
FINANCIAL ASSETS						
Cash and cash equivalents	\$ -	\$ 356,779	\$ 356,779	\$ -	\$ 123,888	\$ 123,888
Investments	73,855	107,541	181,396	326,597	103,176	429,773
Loans	-	3,193,839	3,193,839	-	2,663,841	2,663,841
Accounts Receivable	-	6,231	6,231	-	35,347	35,347
Derivative Assets	1,617	-	1,617	1,998	-	1,998
FINANCIAL LIABILITIES						
Deposits	-	3,305,029	3,305,029	-	2,850,292	2,850,292
Securitized Borrowings	-	69,016	69,016	-	80,492	80,492
Accounts Payable	-	35,532	35,532	-	19,210	19,210
Derivative liabilities	191	-	191	249	-	249
Membership shares and distributions	-	29,482	29,482	-	27,485	27,485

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

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, Innovation 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.

Innovation 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.

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.

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

Fair value of financial instruments (continued)

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 Innovation's best consumer rate plus an adequate credit spread. These are as follows:

	2023	2022
Investments	3.23% - 5.04%	3.41% - 4.24%
Loans	5.79% - 6.89%	6.39% - 6.44%
Deposits	2.68% - 3.95%	1.88% - 4.25%

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

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

Fair value of financial instruments (continued)

financial instruments whose carrying amount is a reasonable approximation of fair value.

	2023				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
<i>Measured at FVTPL</i>					
Investments	\$ 73,855	\$ 73,855	\$ -	\$ 51,063	\$ 22,792
Derivative assets	1,617	1,617	-	1,617	-
<i>Measured at Amortized Cost</i>					
Investments	107,541	106,113	-	106,113	-
Loans	3,193,839	3,153,746	-	3,153,746	-
	\$ 3,376,852	\$ 3,335,331	\$ -	\$ 3,312,539	\$ 22,792
FINANCIAL LIABILITIES					
<i>Measured at FVTPL</i>					
Derivative Liabilities	\$ 191	\$ 191	\$ -	\$ 191	\$ -
<i>Measured at Amortized Cost</i>					
Deposits	3,305,029	3,244,804	-	3,244,804	-
Securitized Borrowings	69,016	67,045	-	67,045	-
	\$ 3,374,236	\$ 3,312,040	\$ -	\$ 3,312,040	\$ -
2022					
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
<i>Measured at FVTPL</i>					
Investments	\$ 326,596	\$ 326,596	\$ -	\$ 308,651	\$ 17,944
Derivative assets	1,998	1,998	-	1,998	-
<i>Measured at Amortized Cost</i>					
Investments	103,177	100,555	-	100,555	-
Loans	2,663,841	2,584,663	-	2,584,663	-
	\$ 3,095,612	\$ 3,013,812	\$ -	\$ 2,995,867	\$ 17,944
FINANCIAL LIABILITIES					
<i>Measured at FVTPL</i>					
Derivative Liabilities	\$ 249	\$ 249	\$ -	\$ 249	\$ -
<i>Measured at Amortized Cost</i>					
Deposits	2,850,292	2,802,650	-	2,802,650	-
Securitized Borrowings	80,492	82,964	-	82,964	-
	\$ 2,931,033	\$ 2,885,863	\$ -	\$ 2,885,863	\$ -

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.

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

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

Fair value of financial instruments (continued)

	FVTPL Unlisted Shares	
	2023	2022
Opening Balance	\$ 17,944	\$ 14,545
Unrealized gains included in net income	977	907
Purchases	5,618	3,400
Disposals	(1,562)	(926)
Change in accrued interest	(185)	18
Closing Balance	\$ 22,792	\$ 17,944

20. FINANCIAL INSTRUMENT RISK MANAGEMENT

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 Innovation manages its exposure to them.

Credit Risk

The business of Innovation 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 Innovation oversees the risk management process. In addition, OSFI establishes standards with which Innovation must comply. Senior management coordinates policy setting on risk management issues, assesses the risk exposure of Innovation and reviews the effectiveness of internal control processes.

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

Innovation also mitigates credit risk by obtaining quality collateral. Innovation considers collateral to be of good quality if it can determine the legal validity and market value on an ongoing basis. Innovation's internal policy provides additional

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20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

information regarding the appropriate collateral based on the category of loan. Types of collateral generally obtained by Innovation are, but are not limited to, real and non-real property by way of mortgages and security agreements.

Innovation has documented policies and procedures in place for the valuation of financial and non-financial collateral. Valuations of collateral are performed periodically to ensure they remain reasonable. The collateral and other credit enhancements held by the Innovation as security for loans include:

- mortgages over residential lots and properties;
- recourse to business assets such as real estate, equipment, inventory and accounts receivable;
- recourse to the commercial real estate properties being financed; and
- recourse to liquid assets, guarantees and securities.

In some cases, Innovation obtains third-party guarantees and insurance to reduce the risk of loan default. In total, 15% of the Innovation's loan portfolio is guaranteed by a federal government program or agency. The largest of these guarantees is in the residential mortgage portfolio, which is guaranteed by either Sagen at 3% or Canada Mortgage and Housing Corporation (CMHC), a government owned corporation, at 11%.

The following table summarizes the outstanding loan balances by type of collateral held as security ranked in descending order of quality. In instances where a loan has multiple forms of collateral, it has been grouped based on the highest quality collateral held:

	2023	2022
Fully secured by government guarantee or default insurance	\$ 455,333	\$ 455,128
Fully or partially secured by tangible mortgage assets ¹	2,450,144	1,884,603
Fully or partially secured by tangible non mortgage assets	210,811	266,502
Unsecured	71,422	54,463
	\$ 3,187,710	\$ 2,660,696

¹Includes both loans and lines of credit secured by mortgage assets

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20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

The below table outlines additional information with respect to collateral for credit-impaired (stage 3) and foreclosed loans:

	2023	2022
Credit-impaired (Stage 3) loans		
Fair value of collateral held as security for stage 3 loans	\$ 10,491	\$ 9,872
Stage 3 loans without an allowance due to adequate security	125	2,437
Foreclosed loans		
Assets acquired via enforcement of security during the year	271	706

In addition, Innovation 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. Innovation 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.

Innovation's investment portfolio excluding accrued interest and impairment is as follows:

	2023	2022
	Carrying Amount	Carrying Amount
Long Term Issuer Rating AAA	\$ 34,575	\$ 7,761
Long Term Issuer Rating AA(low) to AA(high)	49,245	40,705
Long Term Issuer Rating A(low) to A(high)	28,869	52,873
Long Term Issuer Rating BBB(low) to BBB(high)	31,766	9,550
Short Term Issuer Rating R-1 (low) to (high)	-	278,689
Unrated	35,200	38,885
	\$ 179,655	\$ 428,463

At December 31, 2023, Innovation does not hold any credit derivative financial instruments (2022 - \$Nil). Innovation is exposed to credit risk in the event of non-performance by counterparties to its derivative financial instruments but does not

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20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

anticipate non-performance by any of the counterparties. Management monitors the credit risk and credit standing of counterparties on a regular basis.

In addition, in the normal course of business Innovation 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 Innovation 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 Innovation up to a stipulated amount subject to specific terms and conditions. Innovation 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 \$614,302 (2022 - \$481,294). This amount does not necessarily represent future cash requirements since many commitments will expire or terminate without being funded.

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20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

The following table provides an overview/summary of Innovation's risk rating framework as at December 31, 2023:

Portfolio	Method	Low Risk	Moderate Risk	High Risk
Commercial/Agriculture	Internal Risk Ratings	1 - 3	4 - 6	7 - 10
Consumer	External Credit Scores	>680	620-680	<620
Investments	External Credit Ratings	AAA - BBB	BB - B	<CCC

As at December 31, 2023

	Stage 1	Stage 2	Stage 3	Total
Agriculture				
Low Risk	\$ 150,809	\$ -	\$ -	\$ 150,809
Moderate Risk	216,905	26,924	-	243,829
High Risk	6,388	21,205	-	27,593
Impaired	-	-	189	189
Total Exposure	\$ 374,102	\$ 48,129	\$ 189	\$ 422,420
Allowance for credit losses	(322)	(822)	(4)	(1,148)
	\$ 373,780	\$ 47,307	\$ 185	\$ 421,272

	Stage 1	Stage 2	Stage 3	Total
Commercial				
Low Risk	\$ 112,780	\$ -	\$ -	\$ 112,780
Moderate Risk	939,071	10,293	-	949,364
High Risk	13,203	33,239	-	46,442
Impaired	-	-	5,145	5,145
Total Exposure	\$ 1,065,054	\$ 43,532	\$ 5,145	\$ 1,113,731
Allowance for credit losses	(1,036)	(2,188)	(3,448)	(6,672)
	\$ 1,064,018	\$ 41,344	\$ 1,697	\$ 1,107,059

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20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

	Stage 1	Stage 2	Stage 3	Total
Consumer Loans				
Low Risk	\$ 1,316,254	\$ 4,450	\$ -	\$ 1,320,704
Moderate Risk	215,724	18,817	-	234,541
High Risk	33,106	51,578	-	84,684
Impaired	-	-	2,583	2,583
Total Exposure	\$ 1,565,084	\$ 74,845	\$ 2,583	\$ 1,642,512
Allowance for credit losses	(1,753)	(1,642)	(1,284)	(4,679)
	\$ 1,563,331	\$ 73,203	\$ 1,299	\$ 1,637,833
Undrawn Commitments				
Low Risk	\$ 126,946	\$ -	\$ -	\$ 126,946
Moderate Risk	36,878	3,306	-	40,184
High Risk	413	1,750	-	2,163
Impaired	-	-	-	-
Total Exposure	\$ 164,237	\$ 5,056	\$ -	\$ 169,293
Allowance for credit losses	(27)	(28)	-	(55)
	\$ 164,210	\$ 5,028	\$ -	\$ 169,238
Debt Securities				
Low Risk	\$ 106,471	\$ -	\$ -	\$ 106,471
Total Exposure	\$ 106,471	\$ -	\$ -	\$ 106,471
Allowance for credit losses	(38)	-	-	(38)
	\$ 106,433	\$ -	\$ -	\$ 106,433

The following table provides an overview/summary of Innovation's risk rating framework as at December 31, 2022:

Portfolio	Method	Low Risk	Moderate Risk	High Risk
Commercial/Agriculture	Internal Risk Ratings	1 - 3	4 - 6	7 - 10
Consumer	External Credit Scores	>680	620-680	<620
Investments	External Credit Ratings	AAA - BBB	BB - B	<CCC

As at December 31, 2022

	Stage 1	Stage 2	Stage 3	Total
Agriculture				
Low Risk	\$ 170,434	\$ 258	\$ -	\$ 170,692
Moderate Risk	197,521	30,518	-	228,039
High Risk	8,239	24,745	-	32,984
Impaired	-	-	-	-
Total Exposure	\$ 376,194	\$ 55,521	\$ -	\$ 431,715
Allowance for credit losses	(462)	(1,074)	-	(1,536)
	\$ 375,732	\$ 54,447	\$ -	\$ 430,179

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20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

	Stage 1	Stage 2	Stage 3	Total
Commercial Loans				
Low Risk	\$ 72,681	\$ 394	\$ -	\$ 73,075
Moderate Risk	710,162	15,746	-	725,908
High Risk	18,292	37,493	-	55,785
Impaired	-	-	4,137	4,137
Total Exposure	\$ 801,135	\$ 53,633	\$ 4,137	\$ 858,905
Allowance for credit losses	(1,253)	(2,452)	(1,965)	(5,670)
	\$ 799,882	\$ 51,181	\$ 2,172	\$ 853,235
Consumer Loans				
Low Risk	\$ 1,111,199	\$ 3,990	\$ -	\$ 1,115,189
Moderate Risk	171,564	12,687	-	184,251
High Risk	30,584	26,026	-	56,610
Impaired	-	-	1,697	1,697
Total Exposure	\$ 1,313,347	\$ 42,703	\$ 1,697	\$ 1,357,747
Allowance for credit losses	(1,418)	(884)	(890)	(3,192)
	\$ 1,311,929	\$ 41,819	\$ 807	\$ 1,354,555
Undrawn Commitments				
Low Risk	\$ 155,076	\$ -	\$ -	\$ 155,076
Moderate Risk	29,079	3,615	-	32,694
High Risk	362	1,199	-	1,561
Impaired	-	-	-	-
Total Exposure	\$ 184,517	\$ 4,814	\$ -	\$ 189,331
Allowance for credit losses	(44)	(19)	-	(63)
	\$ 184,473	\$ 4,795	\$ -	\$ 189,268
Debt Securities				
Low Risk	\$ 102,666	\$ -	\$ -	\$ 102,666
Total Exposure	\$ 102,666	\$ -	\$ -	\$ 102,666
Allowance for credit losses	(38)	-	-	(38)
	\$ 102,628	\$ -	\$ -	\$ 102,628

Liquidity Risk

Liquidity risk is the risk that Innovation 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 Board of Directors is ultimately responsible for the liquidity risk management policy. Management reports to the Board monthly on Innovation's compliance with the policy. In addition, OSFI establishes standards to which Innovation must comply.

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20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Liquidity Risk (continued)

Innovation manages the liquidity risk resulting from inflows and outflows by ensuring there is adequate liquidity available to meet financial obligations. This entails holding high quality liquid assets and maintaining credit facilities to fund potential shortfalls, as described in Note 13.

OSFI prescribes liquidity adequacy measures and minimum liquidity requirements. The liquidity adequacy rules are based on the international liquidity framework, including Basel III, which have been adopted by financial institutions around the globe, including Canadian banks.

The primary measures for liquidity adequacy at Innovation include the Liquidity Coverage Ratio (“LCR”) and Net Cumulative Cash Flow (“NCCF”). The LCR is calculated as the stock of high-quality liquid assets (“HQLA”) divided by net cash outflows over a 30-day stress scenario. Innovation seeks to maintain this ratio greater than or equal to 120%. HQLA are assets that can be easily converted into cash at little or no loss of value. OSFI defines the LCR 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 required Innovation to maintain a minimum liquidity coverage ratio of 100% in 2023. During the year Innovation maintained internal liquidity adequacy targets that exceed regulatory requirements.

NCCF measures detailed cash flows to determine funding mismatches between assets and liabilities over various time bands under stressed conditions. OSFI requires institutions to meet a supervisory communicated, institution specific survival horizon.

The following are the contractual maturities of Innovation's non-derivative financial liabilities:

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20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Liquidity Risk (continued)

	2023				
	< 1 year	1-2 years	2-3 years	3 + Years	Total
<i>Non-derivative financial liabilities</i>					
Deposits	\$ 2,738,953	322,161	\$ 93,993	\$ 149,922	\$ 3,305,029
Securitized Borrowings	23,868	30,241	-	14,907	69,016
Accounts Payable	35,532	-	-	-	35,532
Membership Equity	-	-	-	29,482	29,482
Total	\$ 2,798,353	\$ 352,402	\$ 93,993	\$ 194,311	\$ 3,439,059

	2022				
	< 1 year	1-2 years	2-3 years	3 + Years	Total
<i>Non-derivative financial liabilities</i>					
Deposits	\$ 2,530,070	\$ 170,065	\$ 85,915	\$ 64,242	\$ 2,850,292
Securitized Borrowings	7,613	26,139	32,776	13,964	80,492
Accounts Payable	19,210	-	-	-	19,210
Membership Equity	-	-	-	27,485	27,485
Total	\$ 2,556,893	\$ 196,204	\$ 118,691	\$ 105,691	\$ 2,977,479

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. Innovation's exposure changes depending on market conditions. The primary market risk that Innovation is exposed to is interest rate risk.

Innovation 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.

Senior management is responsible for managing market risk in accordance with Innovation's internal policy. Senior management reports monthly to the Board Innovation'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.

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20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk arises from fluctuations in interest rates, which may impact assets and liabilities differently due to maturity mismatches, basis risk and embedded options. Innovation prudently measures and manages risks that arise from changes in interest rates, specifically the current or prospective risk to capital and earnings. Interest rate risk is measured using Economic Value of Equity (“EVE”) and Earnings at Risk (“EaR”).

The table below summarizes the carrying amounts of financial instruments exposed to interest rate risk. 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. The totals are based on static data and do not reflect future expectations. Derivative instruments, including interest rate swaps and index-linked deposit options, are not included above. Refer to Note 8 for maturity dates of derivative instruments.

	Variable Rate	On Demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest sensitive	2023
ASSETS								
Cash	\$ -	\$ 223,934	\$ 75,000	\$ -	\$ -	\$ -	\$ 57,845	\$ 356,779
Effective interest rate	-	5.49%	5.37%	-	-	-	-	5.46%
Investments	-	10,612	23,858	29,145	116,039	-	1,742	\$ 181,396
Effective interest rate	-	-	4.71%	5.13%	4.05%	-	-	4.07%
Loans	872,735	4,941	218,438	610,928	1,423,420	55,023	8,354	\$ 3,193,839
Effective interest rate	9.23%	9.21%	5.61%	5.71%	4.81%	5.52%	-	5.15%
Accounts Receivable	-	-	-	-	-	-	6,231	\$ 6,231
	\$ 872,735	\$ 239,487	\$ 317,296	\$ 640,073	\$ 1,539,459	\$ 55,023	\$ 74,172	\$ 3,738,245
LIABILITIES								
Deposits	\$ -	\$ 1,480,072	\$ 212,770	\$ 791,959	\$ 558,663	\$ 7,412	\$ 254,153	\$ 3,305,029
Effective interest rate	-	1.95%	3.68%	4.27%	3.22%	-	-	2.05%
Securitized Borrowings	-	-	3,489	28,959	36,568	-	-	\$ 69,016
Effective interest rate	-	-	2.11%	1.93%	2.30%	-	-	1.52%
Accounts Payable	-	-	-	-	-	-	35,532	\$ 35,532
Member Equity	-	-	-	-	-	-	29,482	\$ 29,482
	\$ -	\$ 1,480,072	\$ 216,259	\$ 820,918	\$ 595,231	\$ 7,412	\$ 319,167	\$ 3,438,059
2023 Statement of Financial								
Position gap	\$ 872,735	\$ (1,240,585)	\$ 101,037	\$ (180,845)	\$ 944,228	\$ 47,611	\$ (244,995)	\$ 299,186

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20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Interest rate risk (continued)

	Variable Rate	On Demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest sensitive	2022
ASSETS								
Cash	\$ -	\$ 22,399	\$ 75,000	\$ -	\$ -	\$ -	\$ 26,489	\$ 123,888
Effective interest rate	-	4.44%	4.97%	-	-	-	-	4.85%
Investments	-	271,873	16,341	43,325	96,922	-	1,312	\$ 429,773
Effective interest rate	-	4.11%	2.17%	3.22%	2.74%	-	-	3.64%
Loans	819,082	7,432	135,285	479,465	1,163,419	56,414	2,744	\$ 2,663,841
Effective interest rate	8.01%	6.04%	4.26%	4.69%	3.75%	4.73%	-	5.29%
Accounts Receivable	-	-	-	-	-	-	35,347	\$ 35,347
	\$ 819,082	\$ 301,704	\$ 226,626	\$ 522,790	\$ 1,260,341	\$ 56,414	\$ 65,892	\$ 3,252,849
LIABILITIES								
Deposits	\$ -	\$ 1,622,543	\$ 171,147	\$ 504,141	\$ 319,927	\$ 295	\$ 232,239	\$ 2,850,292
Effective interest rate	-	1.95%	1.16%	2.74%	1.97%	0.16%	-	2.05%
Securitized Borrowings	-	-	3,635	10,483	66,374	-	-	\$ 80,492
Effective interest rate	-	-	1.68%	1.49%	2.16%	-	-	1.52%
Accounts Payable	-	-	-	-	-	-	19,210	\$ 19,210
Member Equity	-	-	-	-	-	-	27,485	\$ 27,485
	\$ -	\$ 1,622,543	\$ 174,782	\$ 514,624	\$ 386,301	\$ 295	\$ 278,934	\$ 2,977,479
2022 Statement of Financial Position								
gap	\$ 819,082	\$ (1,320,839)	\$ 51,844	\$ 8,166	\$ 874,040	\$ 56,119	\$ (213,042)	\$ 275,370

The above tables do not identify management's expectations of future events where repricing 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.

Metric	2023	2022
EaR impact due to an immediate 1% change in interest rates	\$ 5,490	\$ 3,717
EVE impact due to an immediate 1% change in interest rates	5,542	5,453

EVE is a long-term measure that calculates the change in present value of all asset cash flows minus the present value of all liability cash flows, plus or minus the present value of off-balance sheet instruments. Shock scenarios are compared to the flat environment to reflect rate sensitivities across the maturity buckets and determine the potential impact to capital. A significant decline in the equity value would be an indicator of balance sheet structure problems.

EaR identifies how net interest income responds to unique changes in rates. EaR is calculated using a dynamic (forward-looking) balance sheet. As a result, the impact on profitability is contingent on growth, new volume mix assumptions, balance sheet composition, maturity matching, basis risk and interest rates.

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20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Interest rate risk (continued)

Innovation utilizes proactive strategies to manage interest rate risk, including derivatives, product offerings, pricing promotions, syndications, securitizations, and duration adjustments. Permitted derivative products are outlined in the Investment Policy.

Innovation may engage with derivative counterparties if proper due diligence and reviews in accordance with OSFI's B10 guidance are conducted and approved by the voting members of the Strategic Financial Management Committee and regulator, as required.

An International Swaps and Derivatives Association Agreement ("ISDA") and Credit Support Annex ("CSA") must also be in place prior to transacting with counterparties.

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. Innovation'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, Innovation enters into U.S. dollar money market investments which protect against any adverse movements in the exchange rate.

21. COMMITMENTS

Innovation has entered into various commitments that include the following:

- Invest up to \$4,630 (2022 - \$5,775) of additional capital in certain venture capital funds.
- Invest \$5,714 (2022 - \$1,096) in community development initiatives.

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

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21. COMMITMENTS (continued)

2024	\$	11,923
2025		12,626
2026		14,139
2027		14,054
Thereafter		15,565
Total Other Commitments	\$	68,307

22. INCOME TAXES

Income tax expense is comprised of:

	2023	2022
Current income tax expense		
Current period	\$ 5,124	\$ 913
	5,124	913
Deferred income tax recovery		
Origination and reversal of temporary differences	2,073	3,979
	2,073	3,979
Provision for income taxes	\$ 7,197	\$ 4,892

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

	2023	2022
Income before provision for income taxes	\$ 27,425	\$ 49,835
Combined federal and provincial tax rate	27%	27%
Income tax expense at statutory rate	\$ 7,405	\$ 13,455
Adjust for effect of:		
Non-deductible expenses	33	27
Non-taxable dividends	(258)	(8,387)
Prior year true-up adjustments	8	(153)
Other	9	(50)
	\$ 7,197	\$ 4,892
Effective tax rate	26.24%	9.82%

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22. INCOME TAXES (continued)

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

	2023		2022
Deferred income tax assets are comprised of the following:			
Loans and leases	\$ 2,450	\$	2,388
Premises and equipment	9,610		11,351
	\$ 12,060	\$	13,739
Deferred income tax liabilities are comprised of the following:			
Other	\$ 480	\$	502
Prepays	3,113		2,671
Property and equipment	206		232
	\$ 3,799	\$	3,405

23. MEMBERSHIP

The following membership data is as at December 31, 2023, and is annexed in accordance with subsection 308 (3) of the Bank Act. As at December 31, 2023, Innovation Federal Credit Union is organized and carrying on business on a cooperative basis in accordance with subsection 12(1) of the Bank Act.

	2023	2022
Number of Members (not in thousands)	62,297	59,470
Percentage of members who are natural persons	89.90%	89.40%
Percentage of financial services transacted with members on the basis of gross revenues	58.95%	55.10%



Board Competency Matrix: Desired Board Composition

Core Business Skills/Experience	Ideal Experience (# of Advanced [4] and Expert [5])
<p>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.</p>	<p>2-3</p>
<p>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.</p>	<p>1-4 <i>Ideal: Chair & VC – 4+</i></p>
<p>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</p>	<p>3-4 <i>Require: 1 CPA</i></p>
<p>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.</p>	<p>1-2 <i>Require: 1 CPA</i></p>
<p>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, corporate culture and succession planning.</p>	<p>1-2</p>
<p>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</p>	<p>3-5</p>

<p>“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. <i>*Expert level will have a professional director/governance designation supplemented by years of experience.</i></p>	<p style="text-align: center;">4-6 (Ideally Board/Committee Chairs)</p>
<p>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. Experience development and/or executing strategy at a senior or governance level. 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)</p>	<p style="text-align: center;">2-3</p>
<p>Digital, IT & Security Knowledge and understanding of current and emerging technologies, the opportunities it holds for the credit union, current risks, and regulatory requirements. Experience and education to support implementation of a technology strategy and understanding of emerging and industry technologies, cyber-security, and IT projects.</p>	<p style="text-align: center;">2-3</p>
<p>Commercial Credit Experience in commercial lending and is proficient in directing and governing policies relating to such. Ability to provide oversight, understanding and challenge the level of risk and potential impacts to the portfolio. Will be able to understand the risks associated with different levels of lending.</p>	<p style="text-align: center;">1-2</p>

Core Industry Experience	Ideal Experience (# of Advanced [4] and Expert [5])
<p>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.</p>	2-4
<p>Legal, Regulatory & Compliance Has experience and demonstrates knowledge of the Acts, legislation, regulations, and other relevant legal requirements 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. <i>*Expert level would have a legal degree or extensive experience working for a regulator.</i></p>	2-4
<p>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.</p>	2-3
<p>Risk Identification & Management Understands the areas of risk to which the credit union may be exposed, 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. <i>*Expert level would required experience in managing risk within a FRFI and/or a professional risk designation.</i></p>	3-5
<p>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.</p>	4-6
<p>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. Have understanding of the “S” of ESG. Volunteer experience with not for profit (charitable) or community-based organizations.</p>	2-3

Gender: No more than 70% of the Board should be of the same gender.

Tenure: At least 1 new Director at each renewal/election.

Diversity: 1 – 2 diverse incumbents and the Board will seek to be geographically diverse.

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: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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



Market Code

Innovation Federal Credit Union (“Innovation” or “the 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 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 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 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 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’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 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 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'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 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 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 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 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 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 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 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)

If you have a concern about the products or services we offer, please let us know. We will attempt to address your concern as quickly as we can, following our three-step process.

1. Contact Us – Our frontline staff will record the details of your concern and work to resolve it to your satisfaction within 14 days.
2. Escalation to Senior Management – If we are unable to address your concern to your satisfaction in Step 1, our Senior Management team will review the matter and attempt to resolve it for you.
3. Escalation to Innovation’s Complaint Officer – If we are unable to resolve your concern to your satisfaction in Step 2, our Complaint Officer will review the matter and attempt to resolve it for you.

Step 1: Contact Us

Contact us and let us know your concern. We will take detailed notes of your complaint and work with you to resolve it to your satisfaction. You can contact us:

- Online: www.innovationcu.ca/help/contact-us/
- Through our call centre: 1.866.446.7001
- By email: webmail@innovationcu.ca
- Through mobile banking
- By mail addressed to any of our advice centres
- By visiting any of our advice centres.

After you contact us and provide us with the details of your concern, we will confirm we have received your complaint in writing. You can contact us at any time to ask for an update on the status of your complaint.

If you are not satisfied with the resolution we offer, or if we do not respond to your concern within 14 days of you bringing it to our attention, we will escalate your complaint to Step 2.

We will also escalate your complaint to Step 2 or Step 3 at any time if you ask us to. Our hope is we can address your concern as quickly as possible during Step 1.

Step 2: Escalation to Senior Management

Senior Management will review the details of your complaint. We may contact you and ask for additional information to help us work toward a solution.

A member of Senior Management will attempt to provide you with a written response to your complaint.

If you are not satisfied with the resolution, we will escalate your complaint to Step 3.

Step 3: Escalation to Innovation’s Complaint Officer

Innovation’s most senior Complaint Officer will review your complaint if it is not resolved to your satisfaction during Steps 1 and 2. You may be contacted by our Complaint Officer for additional information about your concern or your experience during Steps 1 and 2.

Our Complaint Officer will provide you with a written response to your complaint within 56 days after we receive it.

What if I am not satisfied with how my complaint was handled or the resolution that was proposed to me? Or, what if my complaint was not responded to by the Complaint Officer within 56 days?

Option 1: Contact the Ombudsman for Banking Services and Investments

If your complaint is not handled to your satisfaction, you have the option to escalate your complaint to an external complaint handling body, the Ombudsman for Banking Services and Investments (“OBSI”).

The OBSI is an independent and impartial dispute resolution body that oversees complaints between consumers and financial institutions. You can contact the OBSI regarding your complaint at any time within 180 days following the day you receive your final response from us.

Ombudsman for Banking Services and Investments (OBSI)

20 Queen Street West, Suite 2400

P.O. Box 8, Toronto, ON M5H 3R3

Call: 1-888-451 4519 Teletypewriter (TTY): 1-855-TTY-OBSI / 1-855-889-6274

Fax: 1-888-422-2865

Email: ombudsman@obsi.ca

Visit: obsi.ca

Feel free to reach out to us if you have any challenges contacting the OBSI.

Option 2: Contact the Financial Consumer Agency of Canada

The Financial Consumer Agency of Canada (“FCAC”) oversees our compliance with consumer protection laws, voluntary codes of conduct and public commitments. This includes, for example, the requirement for us to share information about our complaint handling process with you.

For a full list of the codes and commitments applicable to us, see www.innovationcu.ca/company/about-us/codes-of-conduct.html.

If you have a concern about our compliance with a consumer protection law, or any of our voluntary codes of conduct/public commitments, contact the FCAC at:

Financial Consumer Agency of Canada

427 Laurier Avenue West, 6th Floor

Ottawa, ON K1R 1B9

Call (English): 1-866-461-FCAC (3222) Call (French): 1-866-461-ACFC (2232)

Outside Canada: 613-960-4666

Teletypewriter (TTY): 1-866-914-6097 / 613-947-7771

Fax: 1-866-814-2224 / 613-941-1436

Visit: canada.ca/en/financial-consumer-agency/corporate/contact-us.html