



Disclosure Note

Innovation Federal Credit Union (Innovation) is a federally regulated credit union, incorporated and domiciled in Canada.

This document represents the Basel III Pillar 3 disclosure requirements for Small and Medium Sized Deposit-Taking Institutions (SMSB), classified as Category 2. Category 2 SMSBs are those with less than \$10 billion in assets and meet any of the following criteria:

- i. report greater than \$100 million in total loans
- ii. enter into interest rate or foreign exchange derivatives with a combined notional amount greater than 100% of total capital
- iii. have any other types of derivative exposure
- iv. have exposure to other off-balance sheet items greater than 100% of total capital

Disclosure amounts are based on consolidated annual audited financial statements and unaudited interim financial statements. All results are reported in Canadian dollars.

Qualitative reporting regarding credit risk, credit valuation adjustment and operational risk is provided annually. Market risk reporting does not apply as Innovation is not internationally active.

For additional information, please visit OSFI's Financial Data and Forms website: <https://www.osfi-bsif.gc.ca/en/data-forms/financial-data>

Modified CC1 – Composition of capital for SMSBs

(Thousands of Canadian dollars, aside from percentage or otherwise noted)

Purpose: Provide a breakdown of the constituent elements of an SMSB's capital.

		a
		30-Sep-25
		Amounts
	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	21,295
2	Retained earnings	382,102
3	Accumulated other comprehensive income (and other reserves)	-
4	Directly issued capital subject to phase out from CET1 (only applicable to Federal Credit Unions)	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	Common Equity Tier 1 capital before regulatory adjustments	403,397
	Common Equity Tier 1 capital: regulatory adjustments	
28	Total regulatory adjustments to Common Equity Tier 1	1,131
29	Common Equity Tier 1 capital (CET1)	402,266
	Additional Tier 1 capital: instruments	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1 (applicable only to Federal Credit Unions)	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	of which: instruments issued by subsidiaries subject to phase out (applicable only to Federal Credit Unions)	-
36	Additional Tier 1 capital before regulatory adjustments	-
	Additional Tier 1 capital: regulatory adjustments	
43	Total regulatory adjustments to additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	-
45	Tier 1 capital (T1 = CET1 + AT1)	402,266
	Tier 2 capital: instruments and provisions	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase out from Tier 2 (applicable only to Federal Credit Unions)	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	of which: instruments issued by subsidiaries subject to phase out (applicable only to Federal Credit Unions)	-
50	Collective allowances	10,147
51	Tier 2 capital before regulatory adjustments	10,147
	Tier 2 capital: regulatory adjustments	
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	10,147
59	Total capital (TC = T1 + T2)	412,413
60	Total risk-weighted assets	2,690,577
60a	Credit Valuation Adjustment (CVA) Risk-weighted Assets (RWA)	-
	Capital ratios	
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	14.95%
62	Tier 1 (as a percentage of risk-weighted assets)	14.95%
63	Total capital (as a percentage of risk-weighted assets)	15.33%
	OSFI target	
69	Common Equity Tier 1 target ratio	7.00%
70	Tier 1 capital target ratio	8.50%
71	Total capital target ratio	10.50%
	Capital instruments subject to phase-out arrangements (For Federal Credit Unions only)	
80	Current cap on CET1 instruments subject to phase-out arrangements	0
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)	0
82	Current cap on AT1 instruments subject to phase-out arrangements	0
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	0
84	Current cap on Tier 2 instruments subject to phase-out arrangements	0
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	0

KM1: Key metrics (at consolidated group level)

(Thousands of Canadian dollars, aside from percentage or otherwise noted)

Purpose: To provide an overview of an SMSB's prudential regulatory metrics.

		a	b	c	d	e
		30-Sep-25	30-Jun-25	31-Mar-25	31-Dec-24	30-Sep-24
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	402,266	394,835	390,022	381,252	374,894
1a	Common Equity Tier 1 with transitional arrangements for ECL provisioning not applied	402,266	394,835	390,022	381,252	374,894
2	Tier 1	402,266	394,835	390,022	381,252	374,894
2a	Tier 1 with transitional arrangements for ECL provisioning not applied	402,266	394,835	390,022	381,252	374,894
3	Total capital	412,413	406,365	401,810	392,190	383,230
3a	Total capital with transitional arrangements for ECL provisioning not applied (%)	412,413	406,365	401,810	392,190	383,230
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	2,690,577	2,628,905	2,632,183	2,579,181	2,444,917
4a	Total risk-weighted assets (pre-floor)	2,690,577	2,628,905	2,632,183	2,579,181	2,444,917
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	14.95%	15.02%	14.82%	14.78%	15.33%
5a	Common Equity Tier 1 ratio with transitional arrangements for ECL provisioning not applied	14.95%	15.02%	14.82%	14.78%	15.33%
5b	CET1 ratio (%) (pre-floor ratio)	14.95%	15.02%	14.82%	14.78%	15.33%
6	Tier 1 ratio (%)	14.95%	15.02%	14.82%	14.78%	15.33%
6a	Tier 1 ratio with transitional arrangements for ECL provisioning not applied (%)	14.95%	15.02%	14.82%	14.78%	15.33%
6b	Tier 1 ratio (%) (pre-floor ratio)	14.95%	15.02%	14.82%	14.78%	15.33%
7	Total capital ratio (%)	15.33%	15.46%	15.27%	15.21%	15.67%
7a	Total capital ratio with transitional arrangements for ECL provisioning not applied (%)	15.33%	15.46%	15.27%	15.21%	15.67%
7b	Total capital ratio (%) (pre-floor ratio)	15.33%	15.46%	15.27%	15.21%	15.67%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	-	-	-	-	-
10	Bank G-SIB and/or D-SIB additional requirements (%) [Not applicable for SMSBs]					
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	7.95%	8.02%	7.82%	7.78%	8.33%
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	4,516,902	4,521,804	4,608,531	4,467,917	4,492,631
14	Basel III leverage ratio (row 2 / row 13)	8.91%	8.73%	8.46%	8.53%	8.34%
14a	Basel III leverage ratio (row 2a / row 13) with transitional arrangements for ECL provisioning not applied	8.91%	8.73%	8.46%	8.53%	8.34%

LR2: Leverage ratio common disclosure template

(Thousands of Canadian dollars, aside from percentage or otherwise noted)

Purpose: To provide a detailed breakdown of the components of the leverage ratio denominator, as well as information on the actual leverage ratio, minimum requirements and buffers.

		a	b
		30-Sep-25	30-Jun-25
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	4,370,704	4,340,229
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework (IFRS)	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Asset amounts deducted in determining Tier 1 capital)	(1,131)	(1,167)
5	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)	4,369,573	4,339,062
Derivative exposures			
6	Replacement cost associated with all derivative transactions	480	595
7	Add-on amounts for potential future exposure associated with all derivative transactions	350	350
8	(Exempted central counterparty-leg of client cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	Total derivative exposures (sum of lines 6 to 10)	830	945
Securities financing transaction exposures			
12	Gross SFT assets recognised for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	Counterparty credit risk (CCR) exposure for SFTs	-	-
15	Agent transaction exposures	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	515,132	494,151
18	(Adjustments for conversion to credit equivalent amounts)	(368,633)	(312,354)
19	Off-balance sheet items (sum of lines 17 and 18)	146,499	181,797
Capital and total exposures			
20	Tier 1 capital	402,266	394,835
21	Total Exposures (sum of lines 5, 11, 16 and 19)	4,516,902	4,521,804
Leverage ratio			
22	Basel III leverage ratio	8.91%	8.73%

CVA1: The reduced basic approach for Credit Valuation Adjustment (BA-CVA)

Purpose: To provide the components used for the computation of capital requirements under the reduced BA-CVA for CVA risk.

Innovation Federal Credit Union (Innovation) uses interest rate swaps to hedge interest rate volatility and interest rate risk in the banking book.

		a	b
		Components	Capital requirements under BA-CVA
1	Aggregation of systematic components of CVA risk	33.40	
2	Aggregation of idiosyncratic components of CVA risk	18.98	
3	Total		15.23