Responsible BANKING

2019 ANNUAL REPORT

innovation CREDIT UNION

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A MESSAGE FROM YOUR BOARD PRESIDENT

I always like to start my message with a thank you to our members; the reason we are here. 2019 was another outstanding year because of you. Your business has given us the opportunity to give back to the communities you live in, provide exceptional rates, offer accounts with no fees, and pay over $32 million in Member Rewards back to our membership over the past 12 years. On behalf of the board, management, and staff, thank you for your business.

Your feedback and opinions regarding our products and service levels are of the utmost importance. Please reach out to us with the good and the bad. You can be assured that your feedback is top of mind when we make decisions relating to service delivery to the membership. Our purpose is to simplify your life and help you to reach your financial goals. It is our pleasure to live by a Responsible Banking philosophy.

It seems every year I speak to the changes and opportunities we face as a credit union. It gives me and my fellow board members great pride in knowing Innovation's staff and management work so diligently to provide best in class products and service to you amid this constant change. We see their dedication to you and the initiative they show everyday to fulfill your banking needs. They're the face of our organization and we cannot thank them enough.

The speed of change within the financial services industry is staggering, making staff, management, and board training so imperative. Each board member has a three-year development plan, attends a minimum of two training and development days each year along with additional courses that continue to enhance our governance skill set.

We continue to be a leader and are involved in the provincial and Canadian credit union systems, with many of our management team and board members participating in various initiatives and collaboration opportunities.

Our journey to become a federally regulated credit union is still a top priority. We received the required signatures at the Provincial level and are working closely with the Office of the Superintendent of Financial Institutions to obtain the final signatures toward continuance.

We are honored and humbled to be named an Employee Recommended Workplace, a Best Employer of Canada, a Caring Company, and a Saskatchewan Top Company in 2019. We are very fortunate to enjoy the loyalty of our membership that continues to contribute to our success.

Thank you to my fellow board members for their dedication to Innovation Credit Union and their support over the past year. We look forward to the coming year with anticipation of being closer to becoming a federal credit union headquartered right here in Saskatchewan, that will allow us to live our mission to provide world class financial services wherever you are and whenever you need us.

Sincerely,

Bruce Sack

Bruce Sack
Board President

2019 INNOVATION CREDIT UNION BOARD OF DIRECTORS


Bruce Sack
President


Russ Siemens
1st Vice President


Mike Davis
2nd Vice President


Joan Baer


Jerome Bru


Ian Hamilton


Gwen Humphrey


Murali Krishnan


Gord Lightfoot


Michele Wilde


Karen Yurko


Bryon Zanyk

We strive to *redefine* banking by helping Canadians **SIMPLIFY** their lives and reach their financial goals by **REINVESTING PROFITS** into our members, our communities, and our people. **NOW THAT'S** *Responsible Banking!*

A MESSAGE FROM YOUR CHIEF EXECUTIVE OFFICER

Evidence is conclusive that organizations that have a compelling purpose beyond making a profit helps business survive and thrive. I believe that our Responsible Banking mandate and living up to our purpose will ensure that Innovation Credit Union continues to meet the needs of Canadians today and for future generations.

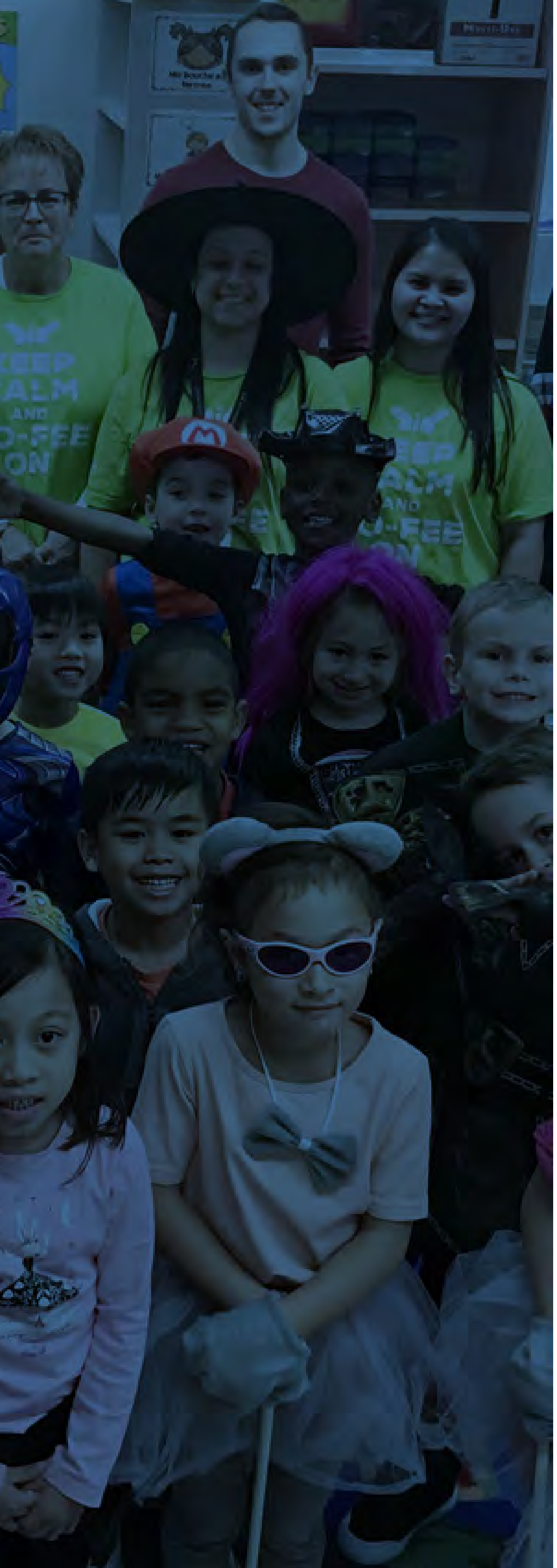
Our people are the performance drivers for the successful completion of our high-level strategies. Through coaching, we engage and develop our employees to maintain an inspired and passionate culture of high performance that embraces both disruption and digital methodology in these transformational times. Our team's MemberFirst focus creates a world class member service experience by understanding and anticipating the needs of our current and future members. We will continue to be responsive, mobile and provide guidance through advice.

Innovation continues to integrate our delivery system and business processes through enabling technology that automates workflows resulting in a more efficient and effective member experience. We will ensure that a robust enterprise data warehouse and integrated systems environment is available to all employees to ensure they can maximize the value they deliver to both internal and external members.

As we continually refine our business model to ensure the credit union is viable and relevant long-term, we will align our financial structure with Global Financial Standards and the appropriate risk culture to ensure that we are prepared to compete with global competitors.

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

Daniel Johnson, CEO



2019 INNOVATION CREDIT UNION EXECUTIVE TEAM

Sheldon Hess
Chief Financial Officer

Brad Appel
Chief Risk Officer

Dean Gagne
Chief Disruption Officer

Kent Jesse
Chief Innovation and Strategy Officer

Ian McArthur
Chief People and Governance Officer

Cary Ransome
Chief Retail and Operations Officer

Tim Sletten
Chief Wealth Officer

Innovation Credit Union strives to be the most responsive and innovative financial services organization. We look to continuously improve our internal operations and enhance the member experience you have with us each day. We explore new methods of serving you better through the adoption of technology, listening to how and when you would like to conduct your business.

Our mission is to provide world class financial services wherever you are and whenever you need us. Our staff members are actively engaged with our membership and each other, providing a culture of collaboration.

We believe in community. Part of creating exceptional value is giving back to the communities we serve to ensure they prosper.

We are financially strong, maintaining sound business practices and efficient levels of risk for long-term sustainability.

We are dedicated to adding value to your life.

Thank you for being a member.

PRODUCT AND SERVICE ENHANCEMENTS

We strive to continually enhance our service delivery to better meet the needs of our members. We were pleased to make the following notable service and product enhancements in 2019:

GOOGLE PAY

Google Pay is the fast, simple way to pay in millions of places — online, in stores, and more.

When you pay in shops, Google Pay doesn't share your actual card number, so your information stays secure. Plus, you can check out faster with the device that's already in your hand – no need to dig for your wallet.

NEW INNOVATION VISA* CARDS

We were thrilled to launch our new Visa card program in 2019. To thank members for choosing a new Visa card with us, we waived annual fees for a year and provided up to $50 cash for successful applications.

APPLE PAY™ FOR VISA

We were thrilled to announce the addition of Apple Pay for Visa in 2019. Members could already use Apple Pay with their Innovation debit cards, so adding the new Visa card option was the perfect addition to this service offering. To learn more about Apple Pay, and how you can securely and conveniently pay for items using your Apple device, visit our website at www.innovationcu.ca.

REFER A FRIEND

To reward both our referring members and new members joining Innovation Credit Union, we held a refer a friend promotion in 2019. If a member referred a friend or family member to open an Innovation No-Fee Bank Account, and they did, the current member earned $50 and so did their friend or family member. Thank you to everyone who participated.

MORTGAGE SPECIAL CASHBACK OFFERS

Members could get up to $2,500* cashback if they financed their first home with us. Or they could get up to $1,500 to cover fees if they transferred their mortgage to us. We also offered an incredibly competitive rate throughout the promotion. The offer applied to our 5-year closed fixed product.

NEW WEALTH WEBSITE

Innovation Wealth, a division of Innovation Credit Union, offers expert financial advice and ensures members have access to the highest quality of wealth management products and services in the industry.

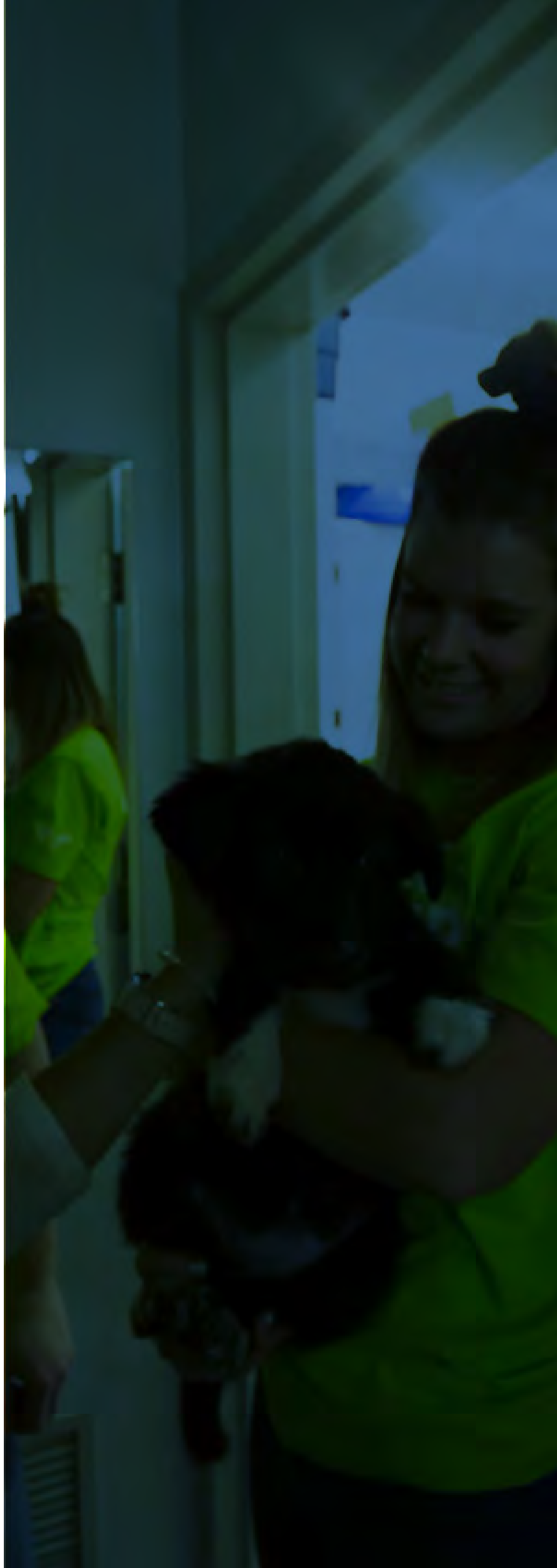
Our Wealth team was thrilled to launch a new website in 2019. Be sure to visit www.innovationwealth.ca for articles, services, and to book an appointment with any professional team member.

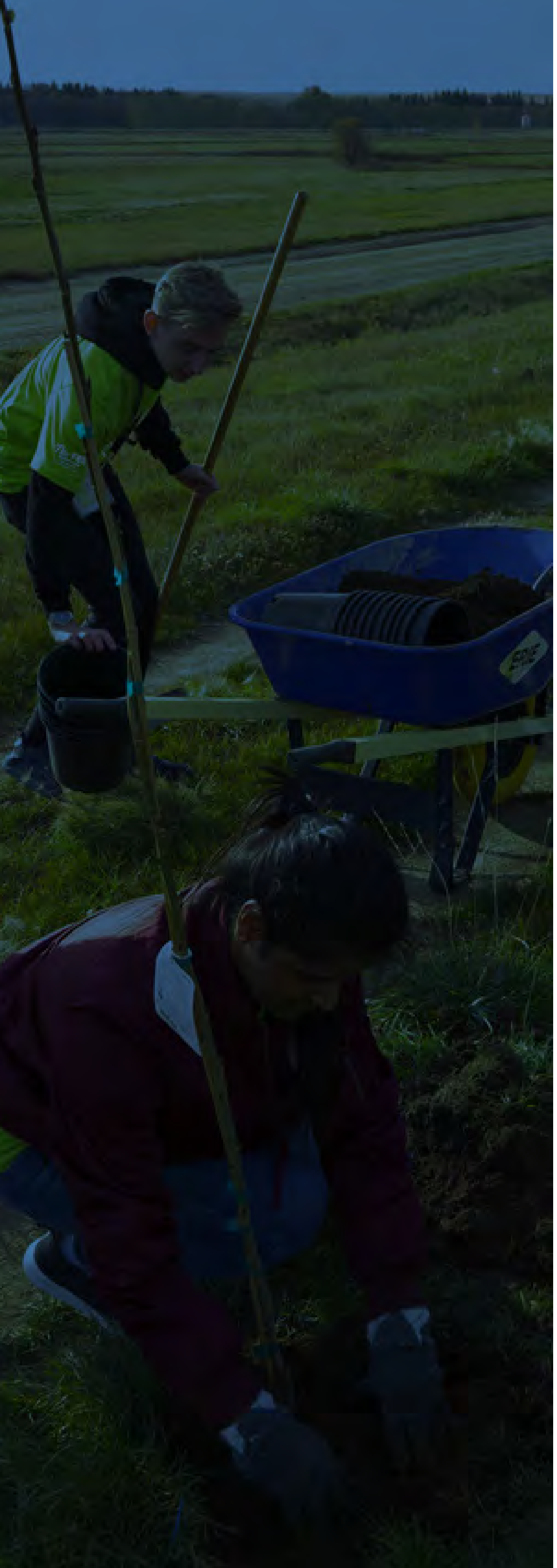
* Apple Pay works with iPhone 6 and later in stores, apps and websites in Safari; with Apple Watch in stores and apps (requires iPhone 6 or later); with iPad Pro, iPad (5th generation), iPad Air 2, and iPad mini 3 and later in apps and websites in Safari; and with Mac (2012 or later) in Safari with an Apple Pay–enabled iPhone or Apple Watch. For a list of compatible Apple Pay devices, see support.apple.com/km207105.

* Google Pay is a trademark of Google LLC.

The Collabria Visa Card is issued by Collabria Financial Services Inc. pursuant to a license from Visa.

* Trademark of Visa Int., used under license.





ACKNOWLEDGEMENT AND ACCOMPLISHMENTS

INNOVATION A FOUNDING SIGNATORY OF THE PRINCIPLES OF RESPONSIBLE BANKING

Innovation Credit Union is one of the Founding Signatories of the Principles of Responsible Banking, joining a coalition of 130 banks worldwide. It's the most significant partnership to date between the global banking industry and the UN.

"The UN Principles for Responsible Banking are a guide for the global banking industry to respond to, drive and benefit from a sustainable development economy. The Principles create the accountability that can realize responsibility, and the ambition that can drive action," said UN Secretary-General Antonio Guterres at the launch event on September 22, 2019.

As expressed in the Principles for Responsible Banking, Innovation is convinced that "only in an inclusive society founded on human dignity, equality and the sustainable use of natural resources can our members thrive".

By signing up to the Principles, Innovation commits to "using our products, services and relationships to support and accelerate the fundamental changes in our economies and lifestyles necessary to achieve shared prosperity for both current and future generations".

"Responsible Banking is core to our Purpose," says Innovation CEO Dan Johnson. "We are committed to doing the right thing with our profits for our members and communities to ensure social change. The principles for responsible banking under the UNEP Finance Initiative are principles Innovation Credit Union not only believes in but works toward achieving daily."

The Principles for Responsible Banking will provide Innovation with an effective framework to systematically identify and seize new business opportunities created by the emerging sustainable development economy, while at the same time enabling the credit union to effectively identify and address related risks.

Founding Signatory of:

UNEP FINANCE INITIATIVE | PRINCIPLES FOR RESPONSIBLE BANKING

WE'RE HONORED TO BE NAMED A CARING COMPANY

In 2019, Innovation Credit Union was recognized as a Caring Company by Imagine Canada.

We are the only Saskatchewan credit union to earn this designation.

This designation is given to companies who lead by example and set the standard for corporate giving in Canada. Caring companies commit to giving at least 1% of their pre-tax profits to their communities.

The types of corporate contributions that count as community investment and that can be used for Caring Company 1% calculation are:

- Cash and in-kind contributions
- Paid volunteer hours
- Management costs association with community programs

Innovation Credit Union went above and beyond the definition of a Caring Company by contributing 2.43% of our pre-tax profits to improve the communities in which our members and staff live and works.

ACKNOWLEDGEMENTS

We were humbled and honored to receive a number of acknowledgements in 2019:

- Recipient of the **Employee Recommended Workplace Award by the Globe & Mail and Morneau Shepell**
- Chosen as a **Saskatchewan Top 100 Company**
- Chosen as a **Platinum Level AON Best Employer of Canada**

COMMUNITY DONATIONS

SOULS HARBOUR

We were pleased to donate **$3,000** to Souls Harbour, to contribute to the vitality of an amazing community organization in Regina.

Souls Harbour offers shelter, daycare, meals, and clothing, all housed in an impressive facility. Thank you for the tour!

CHRISTMAS HAMPERS

We were honored to donate to 3 local food banks to assist with Christmas hampers this holiday season: Battlefords District Food and Resource Centre, the Swift Current Salvation Army, and the Door of Hope in Meadow Lake.

Our $8,000 donation helped to purchase over 3,000 pounds of food for deserving folks in need.

RONALD MCDONALD HOUSE

We were thrilled to once again help collect toys and donations for the Ronald McDonald House in Saskatoon. In addition to collecting and delivering the donated items, Innovation was pleased to present a cheque for $5,000 to further help support the organization. A HUGE thank you to everyone who was able to make a donation to this worthwhile cause.

CO-OP WEEK PANCAKE BREAKFAST

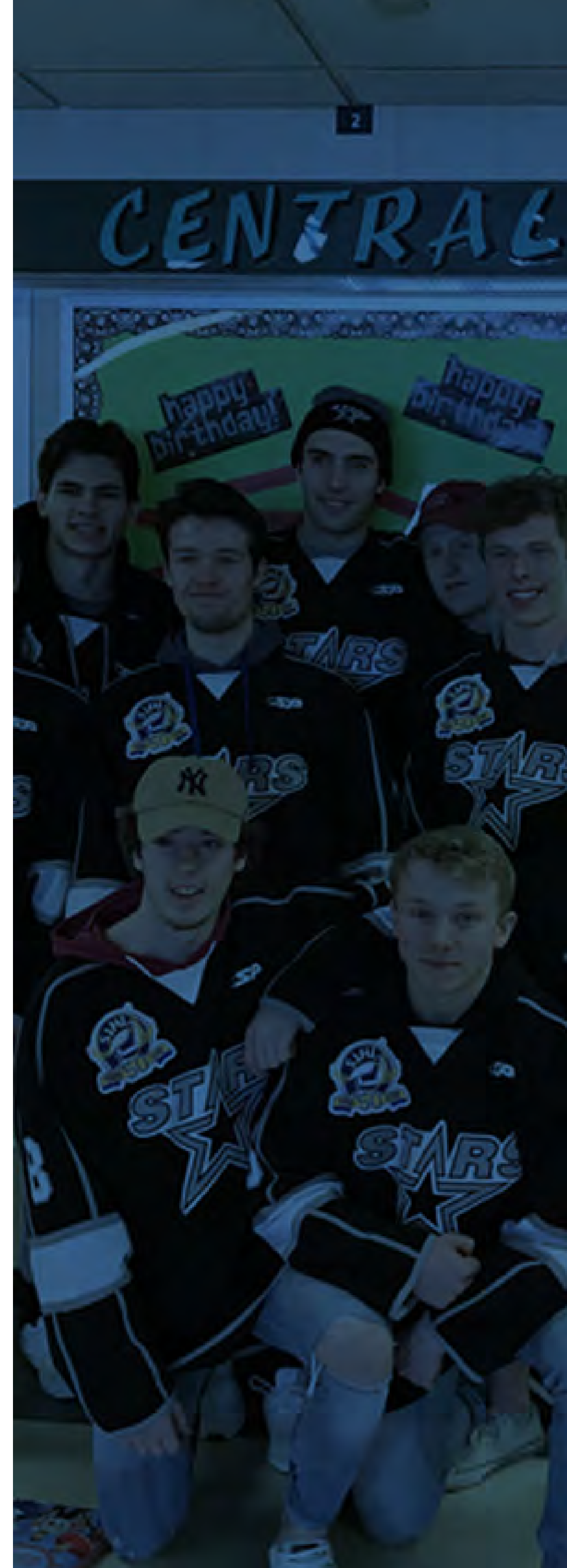
Thank you to everyone who attended our Co-op Week Pancake Breakfast on Saturday, October 19th. We raised $1,271.10 and with Innovation's and Pioneer Co-op's $1,000 donation, we were able to make a total donation of $2,271.10 to the Swift Current Salvation Army.

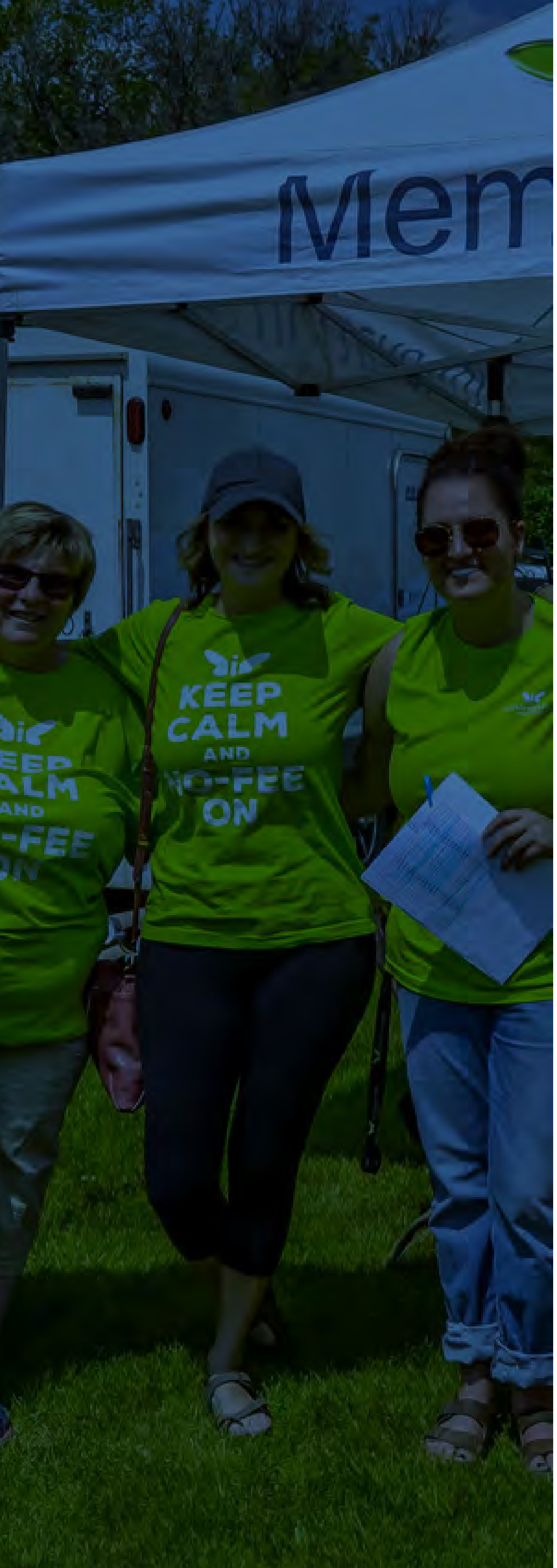
BATTLEFORDS BETTER TOGETHER

Our staff are honored to participate in the "Better Together" project started by Grade 12 student, Alyssa Woodrow, in an effort to combat suicide. On Tuesdays, Battlefords community members are encouraged to wear a "Better Together" t-shirt and our Innovation staff are proudly supporting this endeavour.

STARS AIR AMBULANCE

In lieu of sending out Christmas cards and gifts in 2019, Innovation donated $5,400 to STARS Air Ambulance.





OUR COMPANY

FINANCIAL OFFERINGS

Fitting your financial lifestyle with individualized service and a wide range of products is a commitment we take pride in at Innovation Credit Union. Our credit union advice centres offer banking, lending, investments, financial planning, agricultural, business, trust and estate services.

ACCESS

Innovation is Saskatchewan's third largest credit union offering personalized banking services for individuals and businesses. With 24 advice centres at locations across the western part of the province, Innovation Credit Union employees are available to help meet your financial needs. Our mobile team is willing to come to your place of business, farm, or meet with you electronically via video conference or phone. As well, our Credit Union Dealer Finance Corporation is available to offer onsite financing for vehicle and leisure craft purchases. We want to break the traditional service barriers to provide you with the exceptional service experience you deserve.

BANKING OPTIONS

Members at Innovation Credit Union are able to access our services anytime, anywhere through:

- Our mobile app which offers Deposit Anywhere™ remote deposit cheque capture
- Online banking at www.innovationcu.ca
- Our worldwide ding free® ATM network
- Telephone banking at 1.800.699.9946

Our call centre also offers extended hours 7 days a week at 1.866.446.7001. You can reach our representatives through our website's live chat feature as well.

INSURANCE SUBSIDIARIES

You'll also find general insurance products available through Battleford Agencies, Dickson Agencies, Meadow North Agencies, Meota Agencies and North Battleford Agencies.

Offering a full line of products including home, farm, auto, licensing, commercial auto, commercial property and aircraft, our insurance subsidiaries make your life easier by offering professional advice on all insurance products. You can count on the insurance professionals at Battleford Agencies, Dickson Agencies, Meadow North Agencies, Meota Agencies and North Battleford Agencies.

Battleford Agencies AN INNOVATION PARTNER
Dickson Agencies AN INNOVATION PARTNER
Meota Agencies AN INNOVATION PARTNER
Meadow North Agencies AN INNOVATION PARTNER
North Battleford Agencies AN INNOVATION PARTNER

WEALTH SERVICES

Managing your money is an important step to securing your financial future. Our wealth management team offers expert financial advice to make your money work harder for you. Innovation Wealth ensures our members have access to the highest quality of wealth management products and services in the industry. Our experts can help you with retirement saving, estate planning, education planning, business succession and retirement income.
www.innovationwealth.ca

innovation wealth

CO-OPERATIVE PRINCIPLES

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

VOLUNTARY AND OPEN MEMBERSHIP

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

DEMOCRATIC MEMBER CONTROL

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

MEMBER ECONOMIC PARTICIPATION

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of 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

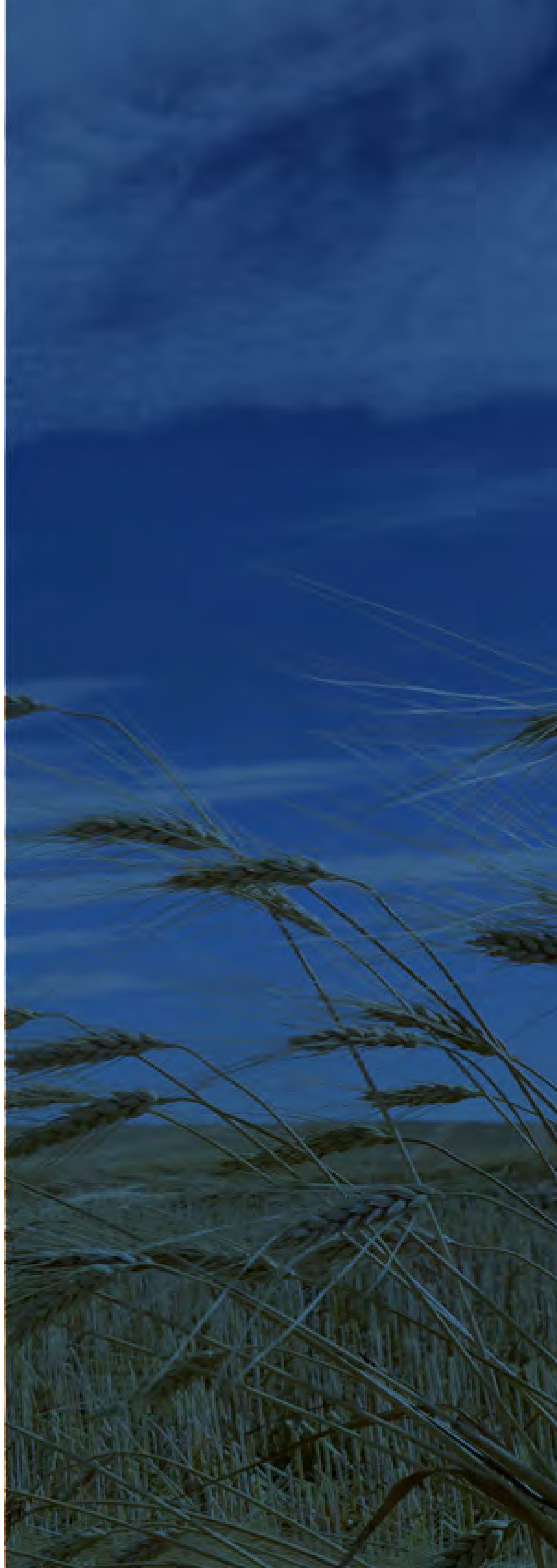
Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits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

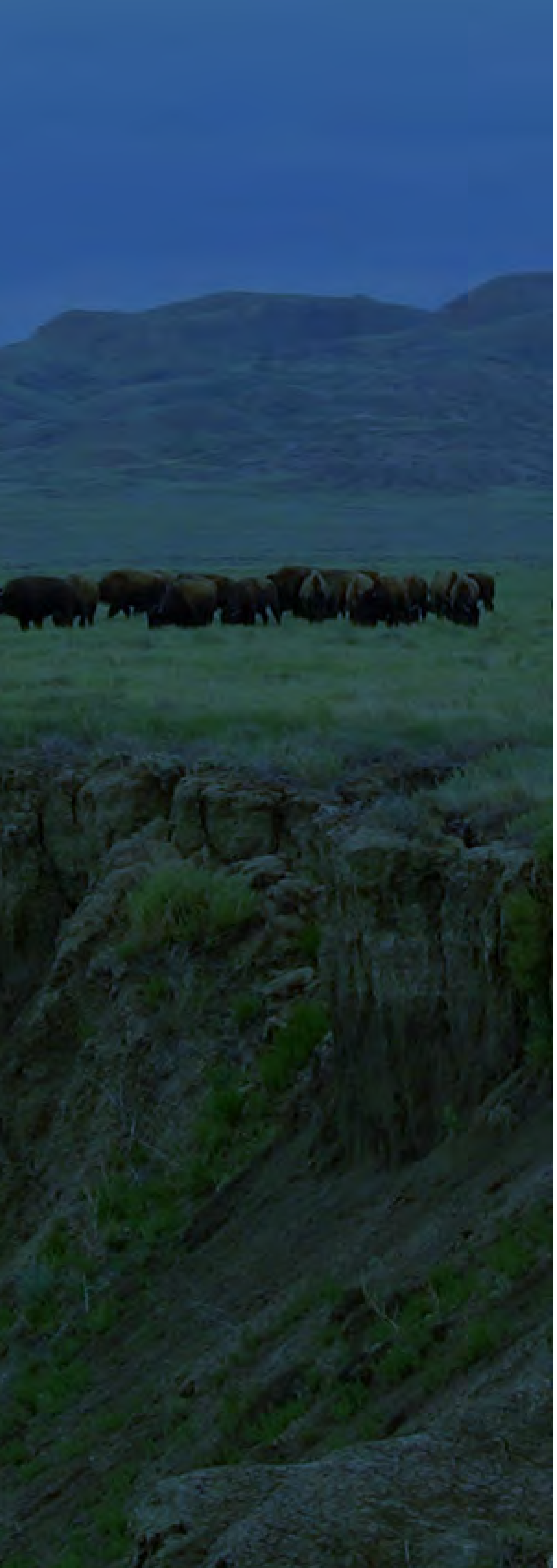
CO-OPERATION AMONG CO-OPERATIVES

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.





MEASURING PERFORMANCE

Corporate planning provides the basis upon which the whole organization, from the Board of Directors to the frontline employees, comes together for the common purpose of delivering financial products and services to exceed our members' expectations.

Our Mission (or purpose) will answer "Why do we exist?" and "What are we here for?" Our Vision is our inspiring, overarching, long-term goal. Innovation's Balanced Scorecard includes strategic initiatives that are supported by our divisional strategic projects and activities.

When planning and operating, Innovation is constantly assessing risk. Risk management activities are integrated with the development and implementation of the strategic plan. Key performance targets are based on active consideration of the trade-offs between risk and reward.

Our five strategic intent areas are:

PEOPLE
Innovation staff members have pride, feel valued and are actively engaged with our members. They help us achieve our corporate vision while pursuing their career goals, and members' financial goals. We are a high performance, unified culture of innovation and collaboration. We continue to adapt to change and our changing environment.

BUSINESS
We are an effective, responsive and efficient organization improving our internal operations through a continuous adoption of technology, innovation, process improvement and sound business practices.

GROWTH
We are a responsive and innovative financial partner to our membership. We deliver on all of their financial needs through an exceptional "MemberFirst" advisory experience anywhere in the world. We partner with community leaders and builders to strengthen the long term viability and sustainability of our communities.

FINANCIAL
We are a strong, successful organization through effective financial management practices. We maintain or exceed our financial and capital targets for long-term sustainability.

RISK
We employ sound business practices that support the organizational risk appetite statement and drive our day-to-day decisions. We operate in a highly regulated industry, therefore we employ strong compliance functions which balance regulatory needs, operational flexibility and ingenuity.

MEMBER FIRST

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

WHEREVER *you are,* WHENEVER *you need us*

Vision, values, mission, purpose

Innovation Credit Union is a co-operative that strives to be the most responsive and innovative financial services organization. We look to continuously improve our internal operations and enhance the member experience you have with us each day. We explore new methods of serving you better through the adoption of technology, listening to how and when you would like to conduct your business.

Vision:

To be the most responsive and innovative financial services organization.

Mission:

To provide world class financial services wherever you are and whenever you need us.

Purpose:

We strive to redefine banking by helping Canadians simplify their lives and reach their financial goals by reinvesting profits into our members, our communities, and our people. Now that's responsible banking!

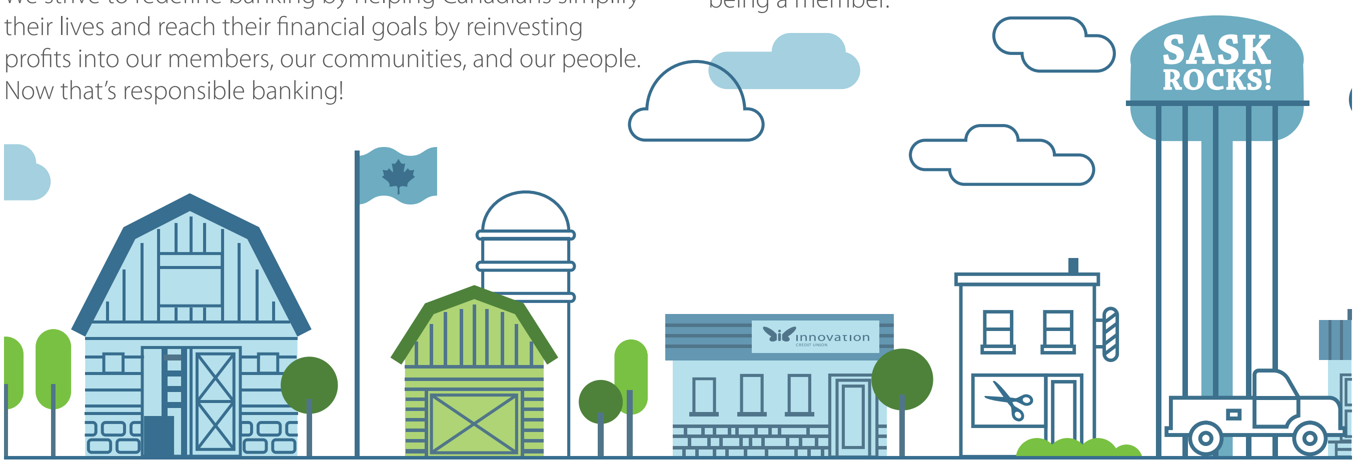
Values:

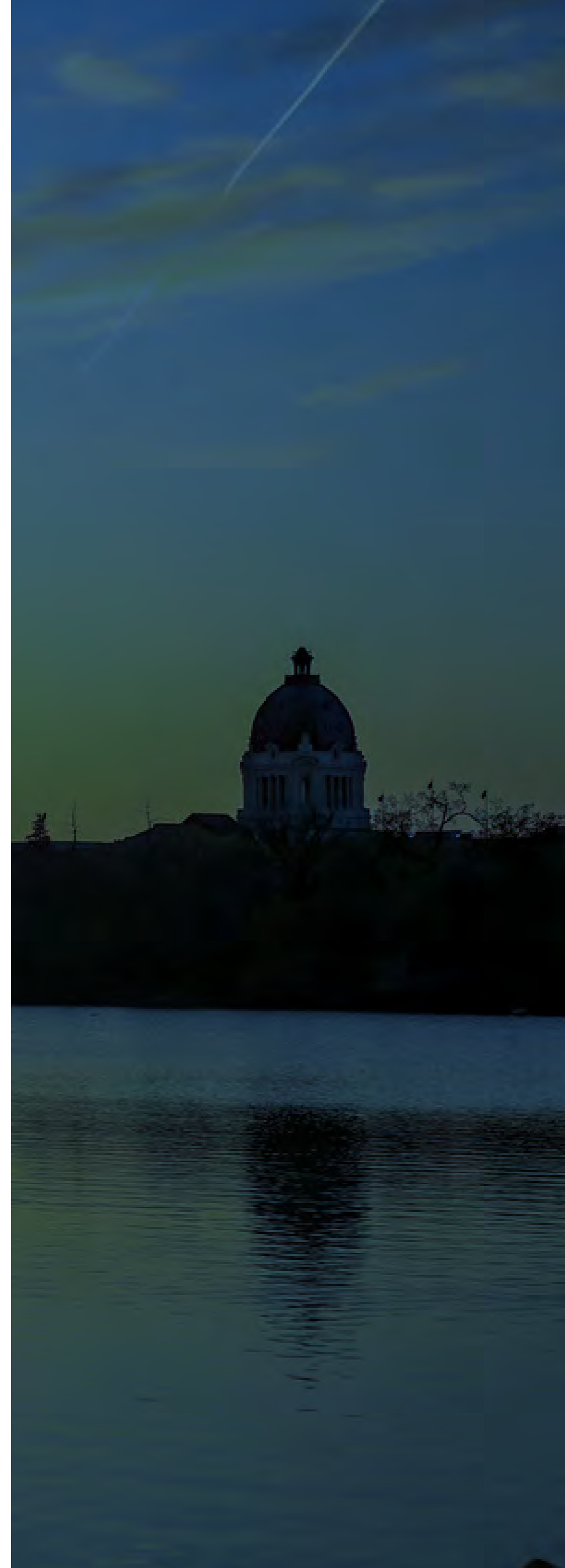
- **Integrity** - We say what we do; we do what we say.
- **Team** - We are successful together.
- **Respect** - We are courteous and concerned.
- **Accountability** - We take ownership.
- **Community** - We are involved and proud of it.
- **Knowledgeable** - We have the answer for you.
- **Service** - We deliver excellence. Members first!

We believe in community. Part of creating exceptional value is giving back to the communities and regions we serve to ensure they prosper.

We are financially strong, maintaining sound business practices and efficient levels of risk for long term sustainability.

We are dedicated to adding value to your life. Thank you for being a member.





CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Annual Report Message

January 2019

Deposits Fully Guaranteed

Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantor for Saskatchewan credit unions, and the primary regulator for credit unions and Credit Union Central of Saskatchewan (SaskCentral). Together, these entities are considered Provincially Regulated Financial Institutions or "PRFIs". The Corporation is mandated through provincial legislation, The Credit Union Act, 1998 and The Credit Union Central of Saskatchewan Act, 2016 in performing its duties. Provincial legislation also assigns responsibility for oversight of the Corporation to the Registrar of Credit Unions at the Financial and Consumer Affairs Authority of Saskatchewan.

The Corporation was the first deposit guarantor in Canada and has successfully guaranteed deposits since it was established in 1953. By promoting responsible governance and prudent management of capital, liquidity and guaranteeing deposits, the Corporation contributes to confidence in Saskatchewan PRFIs.

For more information about the Corporation's regulatory and deposit protection responsibilities and its role in promoting the strength and stability of Saskatchewan PRFIs, consult the Corporation's web site at www.cudgc.sk.ca.

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
DEPOSITS GUARANTEED
SINCE 1953

Social Responsibility and Innovation Credit Union

2019 ANNUAL REPORT

innovation CREDIT UNION

SOCIAL RESPONSIBILITY AND INNOVATION CREDIT UNION

Fresh Approaches, Stronger Communities, The Spirit of Co-operation

Canadian credit unions are unique in the ways we conduct business and serve our members. We open accounts, complete transactions, accept deposits, offer business services and much more. But what we celebrate as the credit union difference extends far beyond our financial services.

As a member-owned co-operative, Innovation Credit Union has a long, distinguished history of reflecting the strength of its co-operative values in forging stronger communities. Locally, this spirit drives community economic development, dedicated volunteerism, community sponsorships, scholarships and a wide range of charitable giving. Sustaining strong communities is at the core of the credit union difference.

Social Responsibility is the principle of considering interests and community welfare well beyond direct business practices. As a financial co-operative, owned and controlled by our member-customers, Innovation Credit Union brings fresh approaches to social responsibility that are as individual and exceptional as the communities we serve.

GIVE

$506,907
In sponsorships and community development

$33,000
In scholarships and spirit awards

12,899
In staff volunteer hours

OUR STRONG VALUES

Caring is at the heart of the credit union movement. For credit unions, social responsibility and accountability go to the very core of our daily operations.

In a world of globalization and the quest for broader markets, credit unions are local and anchored in our regions. While the average Canadian corporate charitable giving level has consistently hovered near 1% of profits, many Canadian credit unions consistently meet or exceed higher targets. At Innovation Credit Union, our goal is to **give back 2% of pre-tax profits each year.** In 2019, we gave back **2.43%** resulting in **$539,907** invested into our communities in the form of sponsorships, community development, financial services and scholarships.

For more than 100 years, credit union membership has meant local control for ordinary people building financial futures for their families and friends. Organized locally, according to a co-operative model, credit unions have consistently provided urgently needed savings and lending services at fair rates.

Like our peers across the country, Innovation Credit Union is a modern financial institution playing a vibrant role in the local economy. We pride ourselves on being a cornerstone of community strength, growth and giving.

CARING COMPANY

In 2019, Innovation Credit Union was recognized as a Caring Company by Imagine Canada.

We are the only Saskatchewan credit union to earn this designation.

This designation is given to companies who lead by example and set the standard for corporate giving in Canada. Caring companies commit to giving at least 1% of their pre-tax profits to their communities.

The types of corporate contributions that count as community investment and that can be used for the Caring Company 1% calculation are:

- Cash and in-kind contributions
- Paid volunteer hours
- Management costs associated with community programs

Innovation Credit Union went above and beyond the definition of a Caring Company by contributing 2.43% of our pre-tax profits to improve the communities in which our members and staff live and work.

MEMBER FEEDBACK AND RESEARCH

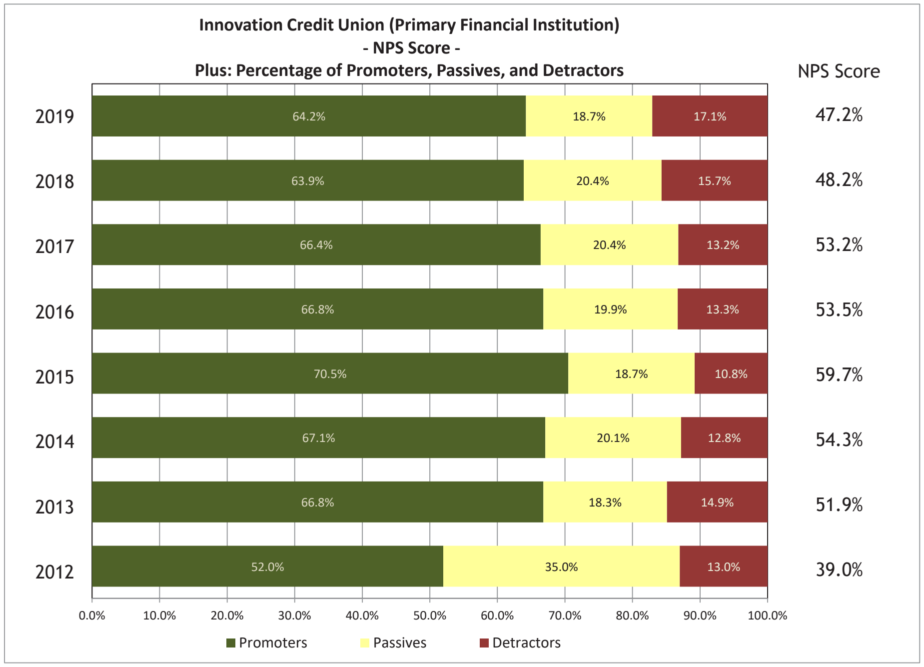
Member participation and feedback are crucial to the overall success of Innovation Credit Union. Annually, Innovation conducts a research survey with our members. The objective of the survey is to measure and benchmark Innovation Credit Union's Net Promoter Score (NPS) for strategic planning purposes. The survey also identifies areas that Innovation Credit Union should focus on to ensure we are giving members what they want from their financial institution.

NPS is based on the theory that every company's customers or members can be divided into three categories: Promoters, Passives, and Detractors. Simply by asking the question, "How likely is it that you would recommend Innovation Credit Union to a friend or colleague?" Innovation can gain clear measures of its performance through its members' eyes.

Innovation Credit Union's net promoter score for 2019 for each category is as follows:

- Consumer members (Overall): 37.7% (43.3% in 2018, 44.8% in 2017, and 42.9% in 2016). This gives Innovation the third highest ranking when compared to the other Saskatchewan retail banking institutions.
- Agriculture members (Overall): 28.9% (36.1% in 2017, 45.1% in 2015, and 29.1% in 2013).

Innovation also launched a virtual advisory panel in 2019. Panelists are sent a quarterly survey to gain further information on key strategic focus areas or challenges identified in the Net Promoter Score survey. The information provided in the advisory surveys will be used to gain additional understanding on member needs and will be used to inform our improvement efforts. Members and non-members are welcome to join the panel at any time by visiting our website at https://www.innovationcu.ca/Personal/MemberValue/Promotions/AdvisoryPanels/ and completing the online registration form.



GIVING TIME

As an organization, we set an annual goal of **12,000** total volunteer hours. In 2019, we surpassed our goal to positively affect the communities we live in by **volunteering 12,899 total hours**. We see this number continuing to grow as we work to create more opportunities for our staff to volunteer and impact the communities they live and work in.

Much of this volunteering is outside regular business hours. Through our corporate initiatives, employees have the opportunity for paid volunteer time annually. Our staff contributed **1040 paid** volunteer hours to our communities. Finding employees with character built on philanthropy and volunteerism is one of the many reasons for our organizational success. We are proud of our staff's commitment to community.

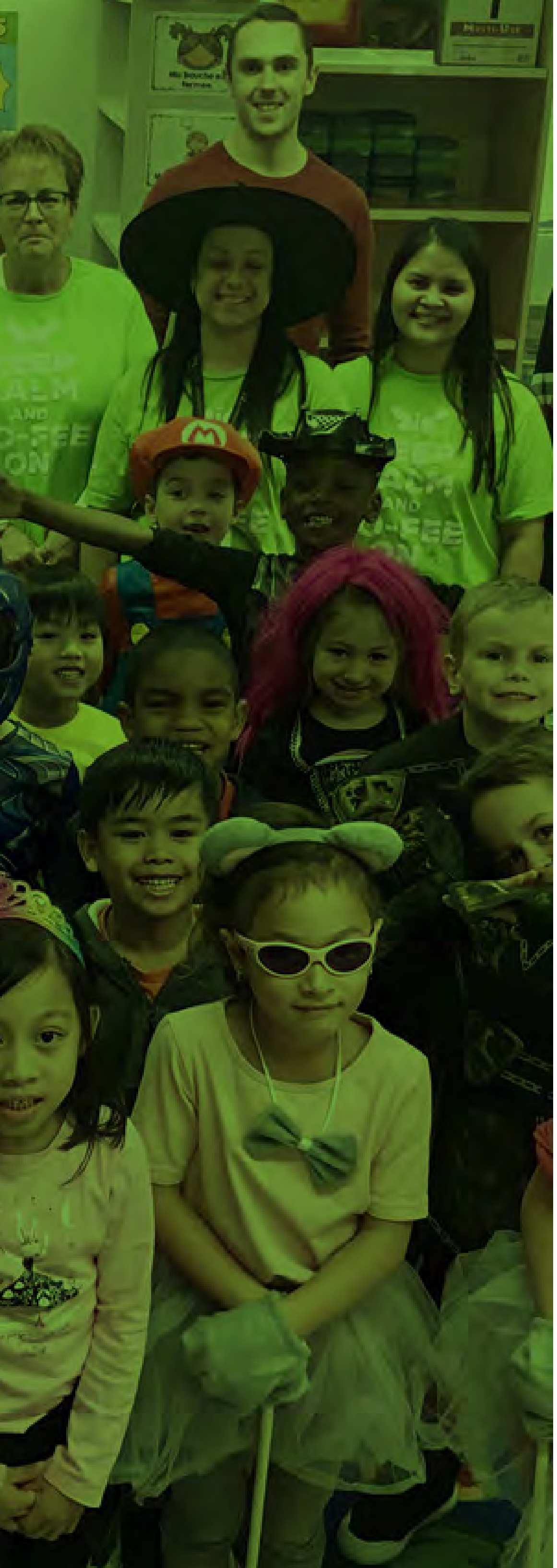
Dress Down Program

Credit unions not only give back to their communities with direct donations, we're connected and involved in fundraising for community causes. To provide greater benefits to all our staff and communities, staff members can partake in our Dress Down for Charity program. Staff voluntarily sign up to participate in our dress down day program for a donation of $2 per pay period. Registered participants vote on the charities that they would like to see benefit from the charity program. In 2019, our staff donated **$22,500** to local charities.

Co-op Week and Credit Union Day

Co-op Week and Credit Union Day provide Innovation the opportunity to celebrate our co-operatives principles, connect with members and thank them for their patronage and support.

We took the opportunity to show members how much we value our relationships with them by giving back in a unique way during Co-op Week on Credit Union Day. Staff members were encouraged to volunteer and perform random acts of kindness to brighten someone's day.



ECONOMIC DEVELOPMENT

Community development brings local people together to work toward priorities or goals established by the community for the community, based on shared experiences and values. For credit unions and their communities, community economic development projects have a significant impact on both social and economic growth. The economic leadership that credit unions provide can assume many forms – from giving direct financial assistance, to providing low-cost financial services, to volunteering and offering financial expertise. These forms of economic leadership are needed to pull together community resources to achieve a worthwhile community objective.

Investing in Communities

At Innovation Credit Union, we challenge ourselves to make community responsibility and sustainability a core part of our business. Community is built into our strategic plan as one of our core values. We believe creating exceptional value includes giving back to the communities and regions we serve to ensure they prosper. We participate in local economic development initiatives through effective partnerships with community-based organizations.

Stars Air Ambulance

In lieu of corporate Christmas gifts in 2019, Innovation Credit Union donated $5,400 to Stars Air Ambulance to better support members across our province. Thanks in part to our support, Stars Air Ambulance will continue to provide emergency transportation to citizens in need of urgent medical attention across Saskatchewan.

Ronald McDonald House

Due to the hard work of our teams in Frontier, Eastend, and Saskatoon, we collected and delivered a mountain of toys, clothes, and Christmas gifts to fill an entire Mobile Advice Centre full of joy for families across our province who were staying at Ronald McDonald House over the holidays. With the addition of a $5,000 donation, Innovation Credit Union is proud to help provide a home away from home for these families while their children are treated in the new Jim Pattison Children's Hospital in Saskatoon.

Battlefords Boys & Girls Club Meal Programs

We were thrilled to support the North Battleford Boys and Girls Club, investing $7,500 to support two programs, the Innovation Grub Club, and the Innovation Credit Union Saturday Program. As a result of our support of the Grub Club, 1,540 children enjoyed over 4,870 nutritious meals that would not have been provided in their homes. Due to our contribution to the Saturday Program, a positive environment, healthy meals and snacks, as well as activities to reinforce an active lifestyle were provided to 287 children in need of care over the weekend.

Local Food Banks

In support of the Swift Current Salvation Army, the Battlefords District Food & Resource Centre and the Meadow Lake Outreach Ministries Door of Hope Food Bank Christmas Hamper program, we donated over 3,077 lbs of food to families in need.

Scholarships and Spirit Awards

Innovation Credit Union has a strong commitment to our youth. We believe that higher education creates a world of opportunities and we're proud to help open those doors. In 2019, we provided $33,000 in scholarships and spirit awards.

- 12 - $1,000 scholarships to graduating grade 12 students enrolling in a full-time post-secondary educational program.
- 26 - $500 spirit awards to students who display outstanding spirit and attitude through school activities and community involvement.
- 2 - $4,000 scholarships/awards to students at Great Plains College and the North West College for the Innovation Credit Union Community Innovator Scholarship/Award. This scholarship/award is designed to recognize the innovative ideas of students to improve the communities Innovation serves.

Summer Student Program

Our summer student program was built to guide our newest professionals in the workforce with an effort to hire them permanently before they are finished school. Our approach to the program has evolved from simply providing a summer job to students so they can earn money, to a legitimate opportunity to learn aspects of our business. We accepted 12 students last year and have committed to 12 summer students this year between Innovation Credit Union and our Insurance Subsidiaries.

Students gain experience in all areas of our organization from front-line to support roles and can work on meaningful projects. They study our values, our culture, and observe some of the challenges we face striving to be a financial provider of choice.

Our efforts to move to a more mobile, digital environment is often viewed by our students as exciting and in line with their wants as a member so it's easy to gain buy-in from our newest potential employees.

At the conclusion of summer, we discuss organizational goals combined with the summer students' goals and look at opportunities to add another year to the skillset based on commitment to their career aspirations, our membership and organization.

MEMBER REWARDS

Being an Innovation member means you get to share in the success of your credit union! There are three facets of the program: **Save, Earn, and Give**.

How do I save?

Members save on fees! Our No-Fee Bank Account saves members up to $300.00 per year in banking fees.

How do I earn?

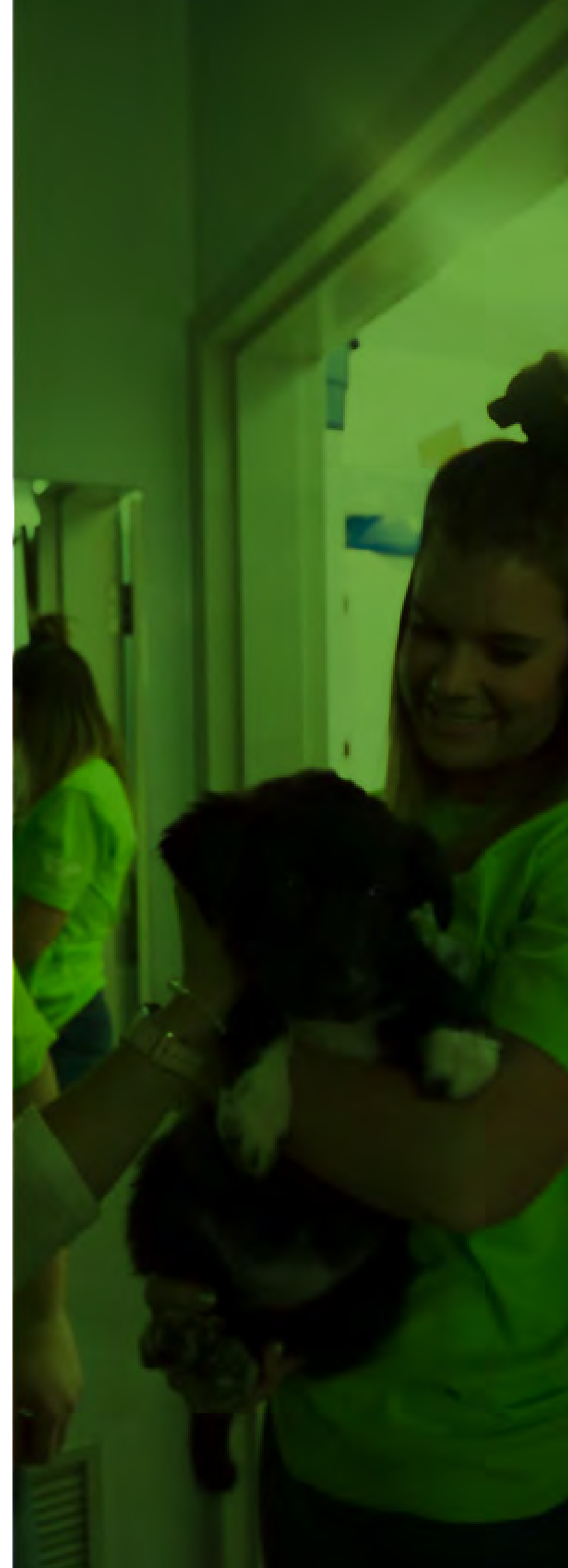
Members earn cash dividends they can use today AND cash we tuck away for them in a long-term investment with a great rate. It's like a stash of secret cash you wish you always had. This includes a $5 per quarter youth cash dividend for members 18 and under.

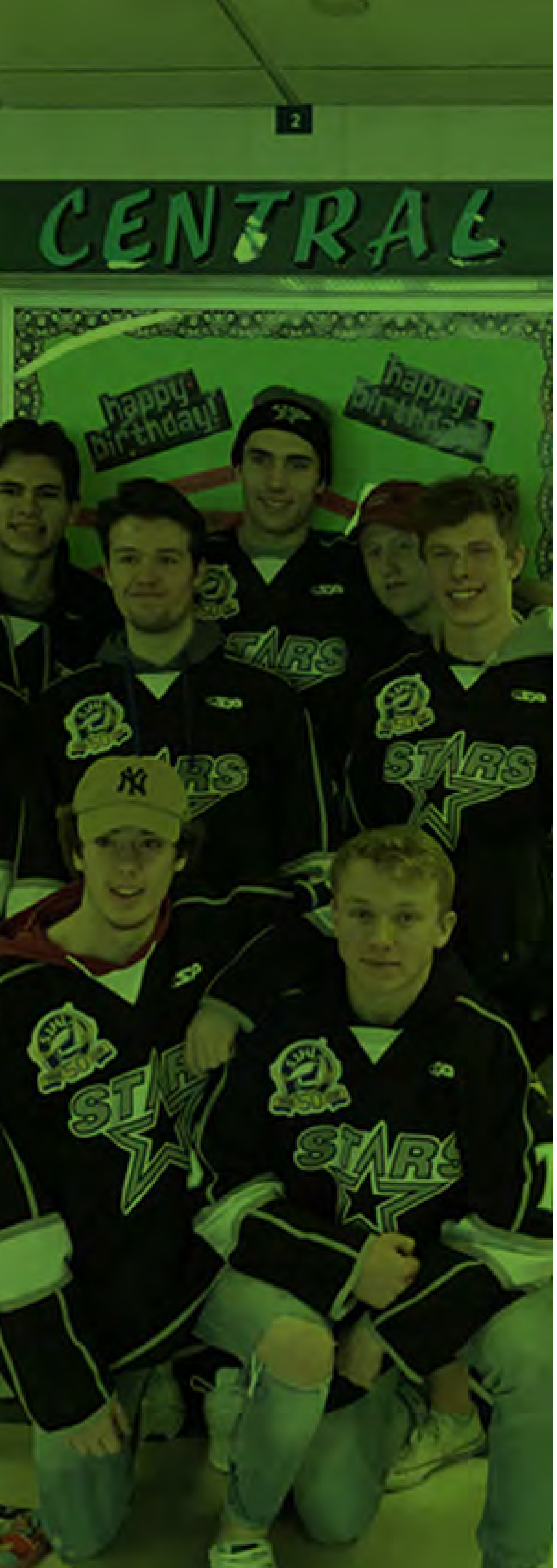
Our members have earned $28.7 million over the past 12 years simply by doing business with us!

How do I give?

Your business also translates into support for your community! Over the past 12 years, our members have helped us give back approximately $5.8 million to the communities we serve.

Member Reward$ FOR EVERYDAY BANKING™





SOCIAL RESPONSIBILITY

For Innovation Credit Union, social responsibility means taking responsibility for the impact of business activities on members/customers, employees, shareholders, other community members as well as the environment. It's a core principle leading to voluntary steps to improve the quality of life for employees and their families as well as the local community and society at large. In recent years, Innovation Credit Union has led the way with responsible employment, governance, environmental and investment programs and policies. And throughout our history, we have empowered members with innovative products and services, which have often been imitated by other financial institutions.

Market Code

Innovation Credit Union voluntarily adheres to a Credit Union Market Code, jointly developed by Saskatchewan credit unions, SaskCentral and Credit Union Deposit Guarantee Corporation to ensure the protection of credit union members. The code sets out guidelines in the following areas:

- the process for handling complaints regarding the service, products, fees or charges of Innovation Credit Union
- fair sales, including the roles and relationship of staff to all members/clients in accordance with the financial services agreement
- our financial planning process
- how we protect the interests of those who do business with Innovation Credit Union by ensuring all member/client information is kept confidential and used only for the purpose for which it is gathered
- professional standards
- how we ensure our capital structure aligns with our risk philosophy
- the business and industry standards we follow for financial reporting
- governance practices and how we adhere to the intent and stipulation of our corporate bylaws, approved by the membership of Innovation Credit Union
- how we employ risk management to ensure all risks are measured and managed in an acceptable fashion

Socially Responsible Investing

Socially responsible investing integrates personal values, as well as environmental and social factors, with investment decisions. Underpinning this approach is the view that investors care where their money goes and want to make a profit on their investments – but not at any cost.

Credit unions have been pioneers in socially responsible investing. Founded by credit unions in 1992, Ethical Funds® is Canada's leader in this area. It's the country's most comprehensive family of sustainable investments. Companies with strong financial performance and good environmental, social and governance practices have the greatest potential to outperform and mitigate risk in the long term. That's why Ethical Funds' work is about both financial performance and improving how companies do business. Ethical Funds is Canada's largest and most comprehensive family of sustainable investments.

INVESTING IN OUR PEOPLE

As member-owners of our credit union, all employees have a key stake in our organization. This gives them a profound influence on the policies that affect them and their enthusiasm for their work. Credit unions and other co-operative organizations tend to be employers of choice, with progressive, forward-looking employment policies – reflecting co-operative values and principles.

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

iMentor Program

The iMentor program allows more experienced Innovation employees to give back by helping others grow. It gives participants an opportunity to expand their personal networks, build confidence and prepare for future opportunities. Not necessarily in formal leadership roles, our mentors are employees who have knowledge, skills and experience they'd like to share. The program increases engagement, which ultimately supports our overall success.

We are proud to offer our employees more opportunities through our now collaborative iMentor program with Cornerstone Credit Union. 2019 was the third year of the joint partnership where we were able to match 8 pairs of employees between the two credit unions.

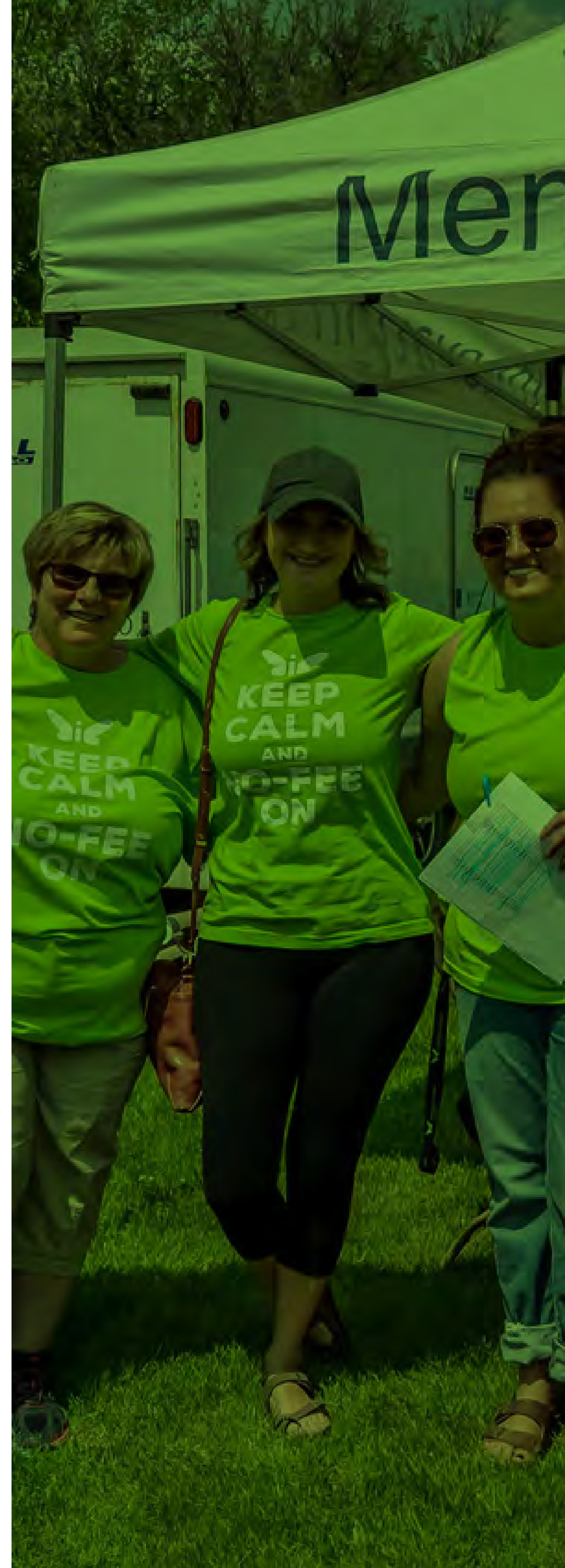
Building Future Leaders

Growing the talents of future young leaders is one of the most important goals of the Canadian credit union system. The Innovation Young Leaders Committee, formed in 2013, is a cross organizational committee of young individuals 35 years and younger looking to foster professional development and create opportunities through networking, encouraging ideas and sharing experiences.

The purpose of the Committee is to create an environment that will increase the development and engagement of young leaders, to empower other young leaders to grow and prosper and to create initiatives that help attract this essential demographic of membership.

Learning and Development

Employee learning and development plays a significant role in our organization. Our MemberFirst training program focuses on treating members with competence, courtesy and concern. It also concentrates on fully meeting our members' needs by suggesting and recommending all the



Innovation Credit Union products that can enhance our members' financial well-being.

In addition, staff members completed more than 18,760 hours of training throughout the year, which includes traditional face-to-face training and online training through our extensive library of foundational training programs developed specifically for credit unions.

Building Engagement

The financial services industry faces an exciting time of transformation as we work to meet our members' changing consumer behavior, technology, increasing competition and mounting regulatory pressure. Many of these changes require our employees to think progressively and find innovative solutions.

In this environment, it's important that Innovation employees have the support and resources they need to be effective, engaged and satisfied at work. In 2019, we continued our work with Kincentric (formerly AON Hewitt), one of North America's leaders in measuring employee engagement, to gauge our effectiveness in this area. This year our engagement score dropped five points from an all time high of 78% to 72%. Although outside of our target goal, the score remains within our acceptable range and is above the Canadian average. 2019 saw a number of changes in organizational structure and roles as we position Innovation to thrive in the future. Drops in engagement are not unexpected during such years.

Employee Diversity Strategy

In 2019, Innovation Credit Union created, approved and began implementation of a formal employee diversity strategy. The strategy demonstrates Innovation Credit Union's dedication to providing an atmosphere free from barriers that promotes equity and diversity. We celebrate and welcome the diversity of all employees, stakeholders and external personnel. It is the policy of Innovation Credit Union to foster an environment that respects people's dignity, ideas and beliefs thereby ensuring equity and diversity in employment. We demonstrate our commitment to this by providing a supportive work environment and a corporate culture that welcomes and encourages equal opportunities for all employees.

Innovation Credit Union is an

equal opportunity employer

and we're committed to the value of

DIVERSITY AND INCLUSION

within our team. We're proud partner of the Canadian Centre for Diversity and Inclusion and look forward to reviewing your resume and cover letter.

Corporate Structure and Governance

2019 ANNUAL REPORT

innovation CREDIT UNION

HOW WE ARE GOVERNED

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

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

Innovation Credit Union employs a modern and effective governance framework that ensures the credit union is managed and operated in a sound and prudent manner. The Governance & People Committee is tasked with ensuring that the credit union maintains high standards for its governance framework. Management and the Committee review industry and regulatory governance standards to identify opportunities to evolve and improve the governance of the credit union.

Transparency, Disclosure and Privacy

Innovation Credit Union ensures that it acts in a transparent manner and provides all of the necessary disclosures to allow members and other key stakeholders with the appropriate information to allow them to make informed decisions and encourage confidence in the credit union. The Transparency and Disclosure Policy can be found in Appendix A.

Innovation Credit Union follows the Saskatchewan Credit Union Market Code. The Market Code is the credit union's response to consumer protection and is a public document available to members and consumers. The Board of Innovation Credit Union is required to approve, oversee and periodically review and assess the effectiveness of policies and procedures respecting market practice that ensure good business practices and fairness to consumers. The Market Code can be found in Appendix B

Innovation Credit Union respects the privacy of its members and customers. The Board of Directors has adopted the Credit Union Code for the Protection of Personal Information. The credit union has policies and procedures in place to protect your privacy and the right to protect the collection, use and disclosure of personal information. Further information on privacy and Market Code and disclosure as well as historical annual reports can be found on our website at **www.innovationcu.ca/AboutUs/**

2019 INNOVATION CREDIT UNION BOARD OF DIRECTORS


Bruce Sack
President


Russ Siemens
1st Vice President


Mike Davis
2nd Vice President


Joan Baer


Jerome Bru

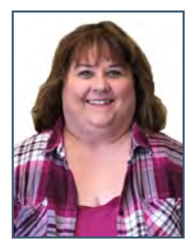

Ian Hamilton


Gwen Humphrey


Murali Krishnan


Gord Lightfoot


Michele Wilde


Karen Yurko


Bryon Zanyk

CODE OF CONDUCT AND ETHICS

On an annual basis, every director, officer and employee must acknowledge that they have read, understood and complied with the Credit Union's Code of Conduct. The Code of Conduct outlines the expectations for business conduct and ethical decision making. The Code of Conduct policy is attached as Appendix C.

In addition to the Code of Conduct, the Credit Union has policies and procedures in place to ensure that there are safe channels in place for reporting concerns around suspected or actual unethical or improper conduct. The policy ensures that such reports can be made without fear reprisal or negative effects.

BOARD OF DIRECTORS

Mandate and Responsibilities

In 2019, the Board of Directors completed thorough a update of the Mandate and Responsibilities of the Board.
The following policy statement was adopted

- The Board has ultimate accountability for ICU's governance and risks, pursuant to governing legislation and by-laws, and is legally and morally responsible for all activities of ICU.
- The Board plays a pivotal role in the success of ICU through the approval of ICU's overall strategy and risk appetite, and its oversight of the Executive Leadership Team, Oversight Functions, and internal controls.
- The relationship between the Board, management, Members, and other stakeholders is critical to meeting this accountability.
- The Board's role is to develop and implement sound policies and business strategies to support the aims and objectives of ICU and to ensure it is effectively managed for the overall long-term benefit of ICU's Members and employees.
- The Board's behavior and decision-making processes will be independent, objective, and effective, taking into account the particular circumstances of ICU.
- The Board is expected to understand and follow this Policy in order to ensure prudent sound banking practices.

The significant duties of the Board include, but are not limited to:

- Acting as stewards for prudent sound banking practices.
- Adhering to the following standards of conduct as a Board, and as individual directors, including: includes:
  - (a) Adhering to the Code of Conduct (including disclosing conflicts of interest and abstaining where conflicts of interest exists) and all policies of the ICU,
  - (b) Ensuring no misuse of the position as a director or improper use of information acquire directly or indirectly to gain a personal advantage or to the detriment of ICU,
  - (c) Demonstrating high ethical standards of integrity and conduct,
  - (d) Maintaining confidentiality of all confidential information received in his or her capacity as a director,
  - (e) Acting honestly and in good faith with a view to the best interest of ICU,
  - (f) Exercising the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances,
  - (g) Supporting a strong, unified, and respectful Board that speaks with one voice,
  - (h) Publicly supporting the actions decided by a majority vote of the Board unless the actions are unethical or illegal, and
  - (i) Registering dissent, if that is his or her considered opinion on the issue.
- Providing challenge, advice and guidance to ICU's Executive Leadership Team and Oversight Functions
- Exercising specific duties required in the The Credit Union Act 1998.
- Overseeing ICU's Strategies, Risk Management, and Audit plans
- Overseeing succession planning and evaluation and ensuring it aligns with the Board-approved strategy and Risk Appetite Statement.
- Maintaining Director development and director competencies.

BOARD COMPOSITION/NOMINATION PROCESS

The board is composed of 12 individuals elected on a district basis. Terms are three years in duration and are renewable with no term limits. Nominations are made by submission of nomination papers to the Corporate Governance and People Committee through the process identified in the credit union by-laws. Voting is by electronic and/or paper and voting is open for a minimum of 7 days with election results announced at Innovation Credit Union's annual general meeting.

COMMITTEES

The responsibilities of the board of a modern financial services organization involve an ever-growing list of duties. Innovation Credit Union maintains a number of committees comprised of directors. This partitioning of responsibilities enables a clear focus on specific areas of activity vital to the effective operation of our credit union.

In addition to the below noted standing committees, an "Ad Hoc" Committee was formed in the Fall of 2016 for the purpose of oversight to the project to become a federally regulated credit union under the Bank Act.

Audit and Finance Committee (5 Directors and Board President)

The Audit and Finance Committee oversees the financial reporting process, reviews financial statements, liaises with internal and external auditors and regulators, and reviews internal control procedures. The board determines the experience, education and competencies required for Directors to be effective members on the committee and assigns directors accordingly.

Accomplishments for the Audit and Finance Committee in 2019 included:

- Approval of the annual internal audit plan.
- Evaluation of the performance of the VP Internal Audit.
- Participation in the Quality Assessment Review for Collaborative Internal Audit Services.
- Review of the 2018 audited financial statement.
- Evaluation of the external auditor.
- Review of ICAAP and Capital Plan.
- Review of the 2019 external audit plan.
- Quarterly review of current financial position and variances to plan along with projected year-end results.

Corporate Governance and People Committee (5 Directors and Board President)

The Corporate Governance and People Committee establish and maintain effective governance guidelines, ensure the performance and succession of senior leadership, monitor people practices, and ensure compliance with governance policies and Innovation Credit Union bylaws. The Committee oversees the nomination and election processes for elections of credit union directors. The board determines the experience, education and competencies required for Directors to be effective members on the committee and assigns directors accordingly.

Accomplishments for the Corporate Governance and People Committee in 2019 included:

- Reviewed and revised the Board Mandate and recommended for approval to the Board.
- Approved a new policy in respect to Director succession planning.
- Approved a Board diversity policy that ensures no single gender can represented more than 70% of Directors.
- Engaged a third party to review and provide recommendations around Executive compensation.
- Creation of development plans for each individual director.
- Evaluation of board performance and individual director competency level.

Risk & Conduct Review Committee (5 Directors and Board President)

The Risk & Conduct Review Committee ensures that Innovation Credit Union acts with the full integrity and objectivity of its directors and employees, by having in place policies, processes and practices that protect people and the organization from claims and from the perception of unfair benefit or conflict of interest. The board determines the experience, education and competencies required for

Directors to be effective members on the committee and assigns directors accordingly.

Accomplishments for the Risk and Conduct Review Committee in 2019 included:

- Review, update & approve necessary policies pertaining to Risk.
- Assist the Board of Directors in defining and approving the 2019 Risk Appetite Statement.
- Committee met to review any necessary Related Party Transactions.
- Completed annual Risk Assessment, identifying corporate risks for Innovation.
- Expand and Enhance our Risk Dashboard and Risk metrics.
- Provided Board Learning & Development sessions related to Enterprise Risk

Community and Member Relations Committee (5 Directors and Board President)

The Community and Member Relation Committee ensures an effective framework for social responsibility by ensuring the credit union is effectively linked to and contributing to the community. To establish efficient and effective service delivery channels to serve current and future members and to oversee the implementation of member education programs as well as maintain an effective mechanism to understand member needs and ensure the membership's voice is integrated in governance and operations. The board determines the experience, education and competencies required for Directors to be effective members on the committee and assigns directors accordingly.

Accomplishments for the Community and Member Relations Committee in 2019 included:

- Expanded reporting to include length of time someone was a member prior to closing their account.
- Enhanced reporting reflecting percentage of memberships in Saskatoon and Regina, including value of business held.
- Community spend for 2019 as 2.43% of net income before tax.
- Held Member focus groups in Swift Current, North Battleford, Meadow Lake and with Innovation Young Leaders.
- Establishment of Community Funds for Goodsoil and Pierceland.

Technology Committee (5 Directors and Board President)

The Technology Committee (TC) is tasked with providing Governance (i.e., guidance, direction, oversight, approval and control) to Innovation Credit Union's (ICU) technology strategy, structure, platforms, investments (including outsourcing), information systems and security. The board determines the experience, education and competencies required for Directors to be effective members on the committee and assigns directors accordingly.

Accomplishments for the Technology Committee in 2019 included:

- Reviewed the Terms of Reference of the Technology Committee.
- Alignment of the management committee of IT Governance to the board Technology Committee.
- Enhanced reporting to the Technology Committee in respect to IT governance, IT project management, IT operations (including Vendor SLA's) and IT security.
- Aligning IT risk assessments and internal audit reporting to Technology Committee, including incident response and event management.

COMPENSATION AND ATTENDANCE

Regular board meetings are held following each quarter end as well as a separate meeting in December to approve the annual budget, strategic plan, capital plan and liquidity plan. In addition to the regular board meetings, the credit union has each standing committee meet prior to the regular board meeting to discuss relevant information and bring recommendations to the regular board meeting. The board also hold a dedicated planning session as well as dedicate development sessions. Other Board and Committee meetings can be called at request of the Chair.

COMPENSATION

The Corporate Governance and People Committee reviews directors' compensation annually to ensure it is competitive and consistent with peer credit unions. In 2019, the total remuneration paid to all directors was $257,564 (includes taxable benefits); (2018 - $228,570.) Travel costs associated with the responsibilities of fulfilling their obligation to be an effective director were $31, 119; (2018 – 31,486).

Board Member	Total Per Diem and Honorariums	Date Served as a Director in 2019
Joan Baer	19,973	January 1 to December 31, 2019
Jerome Bru	$18,653	January 1 to December 31, 2019
Mike Davis	19,823	January 1 to December 31, 2019
Ian Hamilton	20,023	January 1 to December 31, 2019
Gwen Humphrey	22,542	January 1 to December 31, 2019
Murali Krishnan	19,573	January 1 to December 31, 2019
Gord Lightfoot	17,125	January 1 to December 31, 2019
Bruce Sack - President	35,847	January 1 to December 31, 2019
Russ Siemens	23,073	January 1 to December 31, 2019
Michele Wilde	19,048	January 1 to December 31, 2019
Karen Yurko	20,111	January 1 to December 31, 2019
Bryon Zanyk	21,773	January 1 to December 31, 2019
Total Director Per Diems	**$257,564**	

The following table summarizes the board of director attendance for regular board as well as committee meetings in 2019. Board elections are held in April which can lead to changes in board membership part way through the calendar year.

All directors have met their meeting attendance requirements as set in the bylaws. In addition to the meetings listed above, the board also held 2 days of strategic planning meetings; and 3 dedicated board development days.

2019 BOARD & BOARD COMMITTEE MEETING ATTENDANCE

		Committee Meeting Attendance					
Board	Board Meeting	Audit and Finance	Technology	Risk and Conduct Review	Corporate Governance and People	Community and Member Relations	Federal Continuance
Joan Baer	4 of 5	3 of 3		2 of 3	4 of 5		3 of 4
Jerome Bru	4 of 5			1 of 1	6 of 6		1 of 1
Mike Davis	5 of 5	4 of 4	3 of 3	4 of 4			1 of 1
Ian Hamilton	5 of 5	4 of 4				4 of 4	
Gwen Humphrey	5 of 5		3 of 3			3 of 3	4 of 4
Murali Krishnan	4 of 5		1 of 2	3 of 4			3 of 4
Gord Lightfoot	5 of 5	4 of 4		4 of 4		4 of 4	
Bruce Sack – President	5 of 5	4 of 4	4 of 4	4 of 4	6 of 6	4 of 4	4 of 4
Russ Siemens	5 of 5	4 of 4	4 of 4		1 of 1		3 of 3
Michele Wilde	5 of 5		2 of 2		6 of 6	2 of 2	3 of 3
Karen Yurko	5 of 5			3 of 3	5 of 5	2 of 2	
Bryon Zanyk	5 of 5		4 of 4		6 of 6	4 of 4	

DIRECTOR TRAINING/DEVELOPMENT

During 2019, Directors continued to demonstrate their commitment to education and personal development. Numerous Directors participated in various training opportunities including classroom sessions, online training, dedicated development days and conferences. Training is provided through a variety of recognized and accredited schools and organizations, including but not limited to Canadian Credit Union Association, The Institute of Chartered Directors, Conference Board of Canada, and Credit Union Executive Society. On average, there was $3,977/director spent on training, development and conferences.

The board of Innovation is pleased to have three directors that are Accredited Directors through Dalhousie University. They include: Gwen Humphrey, Bruce Sack, and Russ Siemens. All Accredited Directors maintained their accreditation by completing the required continuous development. The board also has 2 directors who have achieved professional director designations. They include Russ Siemens, and Mike Davis with Institute of Charter Director Designations as well Bryon Zanyk has completed all modules of the program.

The Board utilizes a competency framework which outlines what the ideal competency level would be for all positions that make up the structure of the Innovation Credit Union Board of Directors. Currently, no minimum developmental standards are required to serve any position on the board, thus this matrix does not exclude participation. These specific considerations are helpful to directors as they build their development plan. As well, they should be taken into consideration during the re-organization meeting in selecting committee members. The competencies identified are as follows:

- Corporate Social Responsibility / Community Involvement
- Credit Unions & Co-operatives
- Financial Literacy / Financial Acumen
- Audit & Compliance
- Governance & Ethics
- Enterprise Risk Management
- Strategic Planning
- Board, CEO Performance and Human Resources
- Leadership
- Technology
- Regulatory Environment

In addition to the competency framework, the Credit Union has established a Director Development policy which outlines the minimum development requirements.

DIVERSITY

Innovation Credit Union believes in diversity and values the benefits that diversity can bring to its board of directors. Diversity promotes the inclusion of different perspectives and ideas, mitigates against groupthink and ensures that Innovation Credit Union could benefit from all available talent. The promotion of a diverse Board makes prudent business sense and makes for better corporate governance.

Innovation Credit Union seeks to maintain a Board comprised of talented and dedicated directors with a diverse mix of expertise, cooperative philosophy, experience, skills and backgrounds. The skills and backgrounds collectively represented on the Board should reflect the diverse nature of the business environment in which Innovation Credit Union operates. For purposes of Board composition, diversity includes both visible and invisible elements and factors. Diversity includes but is not limited to: skill sets, education, perspectives, business experience, geography, age, gender, and ethnicity and be reflective of our membership.

Innovation Credit Union is committed to a merit-based system for Board composition within a diverse and inclusive culture which solicits multiple perspectives and views and is free of conscious or unconscious bias and discrimination.

When assessing Board composition or identifying suitable candidates for appointment or re-election to the Board, Innovation Credit Union will consider candidates on merit against objective criteria having due regard to the benefits of diversity and the needs of the Board. When new potential board members are being nominated by other members, the nomination/candidate application will capture experience, skills, education and interests, as well as eligibility qualifications required to be a director including diversity of the current Board. These skillsets will be summarized and communicated to members prior to the voting process.

Innovation Credit Union seeks to maintain a Board in which no gender represents more than 70% of directors. As of December 31st, 2019, 4 of 12 Directors (33%) were female and 8 of 12 (66%) Directors were male.

CO-OPERATIVE INDUSTRY DIRECTORSHIPS HELD BY DIRECTORS

Director, Russ Siemens, serves as a Member Representative to SaskCentral as well as the SaskCentral Board of Directors where he holds the position of Chair. In addition, Russ Siemens and Joan Baer served on the Public Policy Committee at SaskCentral. This provides important guidance for the advocacy and government relations priorities for the Saskatchewan credit union system.

EVALUATION

Regular in camera meetings are held without management personnel in attendance to evaluate the board meeting performance. As well all Board members were involved in a board assessment exercise facilitated by an outside resource (Central1) to evaluate the board performance in preparing and conducting the credit union business.

FEDERAL CONTINUANCE

In December of 2017, the membership of Innovation Credit Union provided a mandate to the Directors and Management of Innovation Credit Union to pursue continuance as a Federally Chartered Credit Union under the Bank Act. The Credit Union submitted its formal application for Continuance to the Office of the Superintendent of Financial Institutions (OSFI) in July of 2018. Throughout 2019 management continued to work with OSFI on the application review and approval process.

EXECUTIVE LEADERSHIP

Executive Management are active planners and decision makers and ensure appropriate information is provided to the Board. Innovation Credit Union has an experienced executive management team. This team is responsible to provide leadership and direction for the credit union's current and future operations

Daniel Johnson - Chief Executive Officer

Daniel Johnson is the Chief Executive Officer of Innovation Credit Union and has over 25 years of experience in the credit union system. Daniel is also the Chairman of Concentra Bank.

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

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

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

Daniel, his wife Laureen, and two children; Hunter and Kamryn live in Swift Current. Hunter and Kamryn stay very active with hockey, baseball and school sports. They all love camping and travelling.

Sheldon Hess - Chief Financial Officer

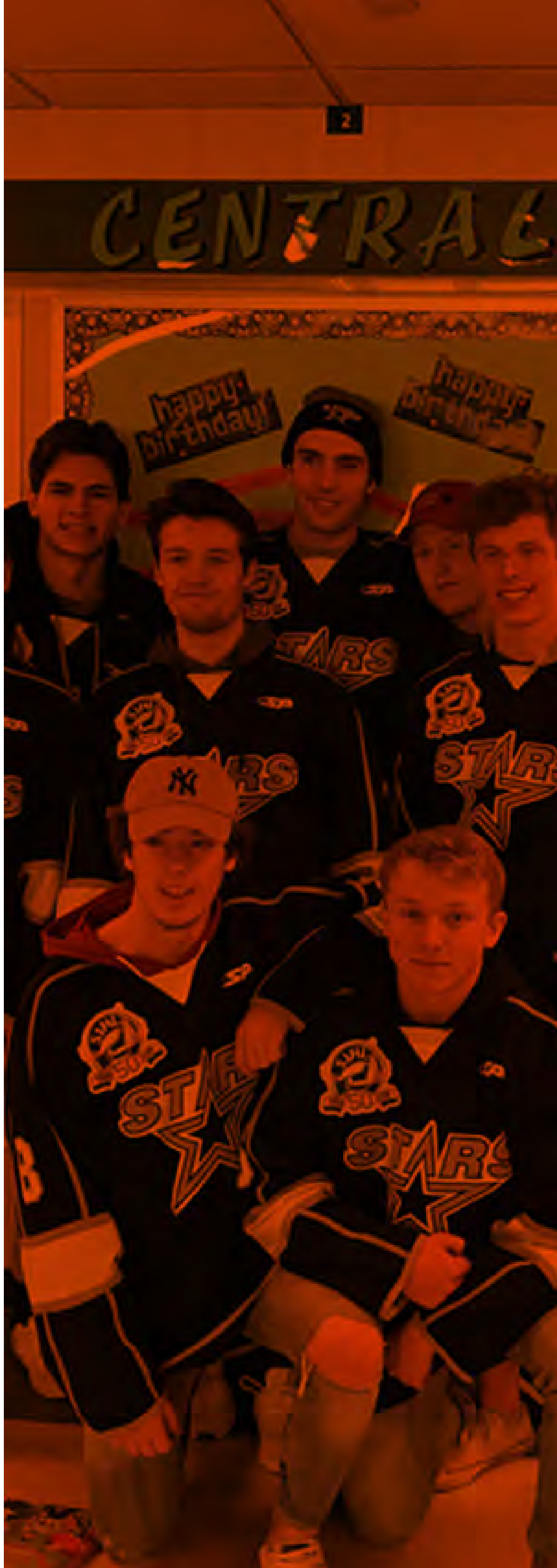
Upon graduation from the University of Saskatchewan in the spring of 1995 with a Bachelor of Commerce degree, Sheldon began his credit union career with Moosomin Credit Union in the fall of 1995. Early in 1997, Sheldon moved to Swift Current and has worked in various capacities with the credit union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

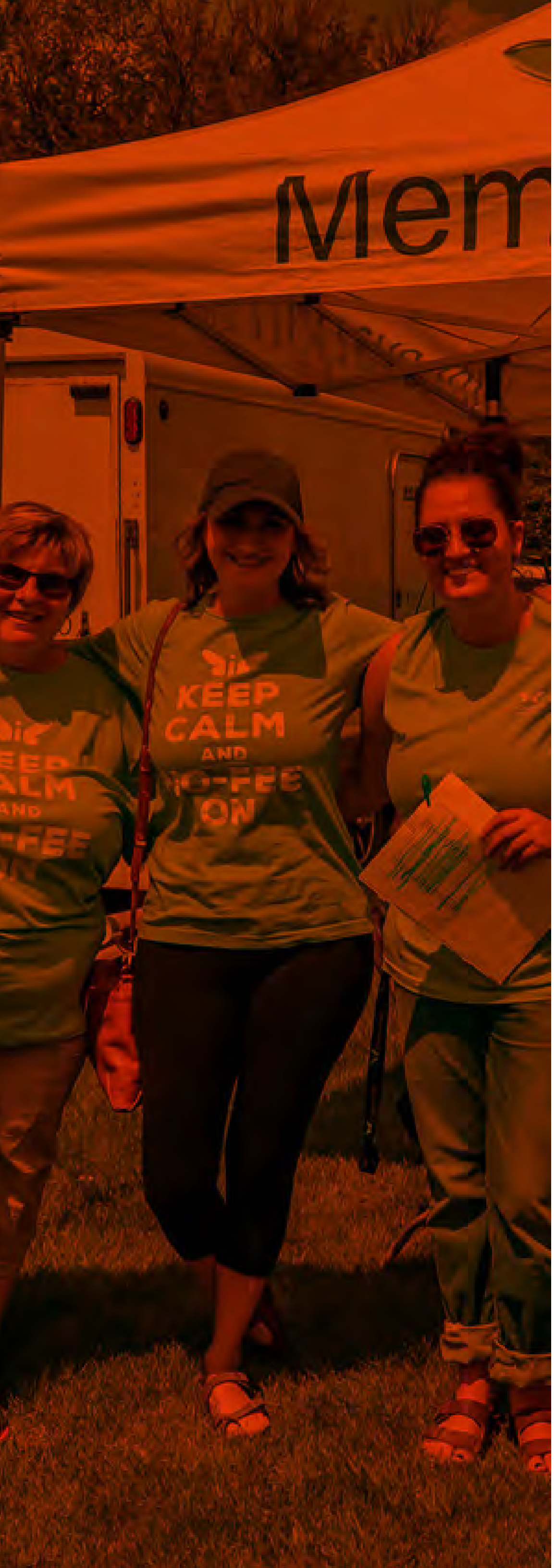
Sheldon is committed to lifelong continuous learning which is evident in the following academic achievements:

• Executive MBA • Post-Baccalaureate Diploma in Management • Bachelor of Commerce – accounting major

• Certified Financial Planning (CFP) designation • Associate with the Credit Union Institute of Canada (ACUIC)

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





Cary Ransome - Chief Retail and Operations Officer

As Chief Retail and Operating Officer, Cary Ransome leads the Retail Operations Team at Innovation Credit Union. With 30 years of experience in the banking and credit union industry, this passionate and motivated leader is committed to delivering a world-class member experience for all Innovation members.

Throughout his career, Cary consistently demonstrates success in areas such as sales, sales management, succession and talent management along with innovation and strategic leadership. He firmly believes in building and supporting teams to maximize the attainment of goals and solving problems.

Cary's banking credentials are supplemented by a Master of Business Administration degree as well as a Personal Financial Planner designation and various courses through the Canadian Securities Institute. He has also made a lifelong commitment to building better boards and better business by successfully completing his ICD- Directors Designation.

Cary's desire to share his knowledge, energy and leadership are not just a 9-5 commitment - it continues to flow into his support of his community through past and present engagement.

Ian McArthur - Chief People and Governance Officer

With twenty-five years in the credit union system, Ian has a deep and intimate knowledge of credit unions and an undeniable commitment to the credit union community. Ian joined Innovation Credit Union in April of 2015 and provides leadership to the People Division, Governance and Strategy.

During his 15 plus years at SaskCentral, Ian gained a wealth of operational experience and earned a reputation of being an innovative leader and trusted and effective facilitator. Ian had the responsibility of managing the department responsible for credit union operations such as internal audit, risk management, training, operational compliance, deposit and lending support, cash and armored car services, HR consulting and strategic planning. Ian has worked with credit union board and executive teams from across Canada. He takes pride in his leadership abilities and his success in having people look for new opportunities to created efficiencies that enhance the member experience.

His education has greatly supported him throughout this journey. Ian graduated with a Bachelor of Commerce Degree majoring in General Business from the University of Saskatchewan and followed that up with 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.

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, enjoys travel and is a fan of the Oilers and the Roughriders. 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 Pediatric Outpatient Clinic of Regina General Hospital. He also sits on the Pediatric Steering Committee for the Regina Qu'appelle Health Region.

Brad Appel - Chief Risk Officer

As Chief Risk Officer, Brad oversees the strategic management of risk on an enterprise-wide basis. Brad has over 25 years of experience in the credit union system, spending the past 13 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, as well keeps busy coaching hockey and softball. He is currently the President of the Swift Current Girls Minor Softball.

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 live in Swift Current and have three daughters: Shelby, Paris, and Vegas.

Tim Sletten - Chief Wealth Officer

Tim has a Bachelor of Commerce from the University of Saskatchewan and a CIM designation (Canadian Investment Manager) with the Canadian Securities Institute. He has been in the financial services industry for 27 years of which the last 20 have been in the Credit Union system.

He has held sales positions in retail, wealth management and insurance, as well as executive and management positions in retail, retail operational support, and wealth management. His current role as Chief Wealth Officer focuses on continuing development of the Wealth Management business for Innovation and providing members with knowledgeable professionals who will help them achieve financial success.

Throughout his career Tim has focused on the member experience and ensuring their full financial needs are being met. His wealth of experience in various facets combined with the value he places on people and community have positioned him as a trusted and effective leader.

Tim is or has been involved with a variety of organizations in the North Battleford community including:

• Battleford's Union Hospital Foundation (current director • North Battleford Golf and Country Club (current director) • 2011 Tankard (Chair of Hosting Committee) • Battleford's United Way

Tim was raised on a farm north east of North Battleford and now resides in North Battleford. He enjoys golfing, traveling, and spending time with family and friends.

Dean Gagne - Chief Disruption Officer

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

Prior to joining Innovation Credit Union, Dean's work experience covered research, consulting, strategy, technology management, digital marketing, marketing and advertising. Dean has worked on projects for Fortune 500 companies in Canada, the United States, England, Sweden, Germany, Hong Kong, Taiwan, China, Korea, Philippines, Malaysia, Singapore, Thailand, Indonesia, New Zealand, Australia, and India. Dean has previously held high-level research/consulting positions, as well as line management positions, for leading edge corporations and consulting firms. Dean brings a vast amount of business experience to every project, as both a practitioner and an academic. Aside from managing full time, Dean has taught marketing strategy, consumer behaviour and marketing research for several universities throughout the world. Dean was educated (both undergraduate and graduate studies) at the University of Saskatchewan. His undergraduate studies were in Marketing and Finance (B.Comm. program) and his graduate studies focused on Strategic Thinking and Technology Management (M.Sc. program).

Kent Jesse - Chief Innovation and Strategy Officer

Kent has a Bachelor of Commerce (B.Comm.) from the University of Saskatchewan, a Chartered Director (C.Dir) and a Balance Scorecard Professional (BSP).

Kent has 25 years of experience in the credit union system and has held senior leadership positions in the Saskatchewan, Manitoba and British Columbia systems in the areas of human resources, operations, marketing, strategy, and project management.

Kent has volunteered with many community organizations, and has helped several non-profit organizations in the areas of strategy and business planning.

Kent was raised in Medstead. He and his wife Shalain have two children, Makenzie and Lake.

CEO PERFORMANCE MANAGEMENT

The Board is responsible for developing performance objectives for the CEO, evaluating performance and recommending the CEO's compensation. Emphasis is placed on appropriate balance to incent achievement of short-term objectives and long-term success. The board determines the form and amount of CEO compensation based on market data, recommendations from consultants. The Board may consult an external party to facilitate the CEO performance management process.

APPENDIX A: MARKET CODE: TRANSPARENCY AND DISCLOSURE

Purpose

The purpose of this policy is to ensure the credit union provides members with relevant and appropriate information to allow them to make informed financial decisions.

Policy Statement

The credit union will provide consumers with appropriate product information in accordance with the principles in the Market Code.

The credit union will communicate relevant and timely information in a manner that is believed to be understandable and relevant to the member.

The credit union will provide disclosure of clear product and service information to members at the time the product or service is being considered and/or acquired. This information includes costs, rates, fees, terms and conditions related to the particular product or service.

The credit union will provide members with a minimum of 30 days' notice about changes to services fees.

The credit union will provide members with a minimum of four months' notice in the event of a branch closure.

The credit union will disclose to members any relationships with intermediaries or affiliates that are relevant to a product or service offering prior to product acquisition.

The credit union will adhere to the principles of transparency and disclosure as reflected in the Market Code.

Corporate Governance

The credit union will disclose information in appropriate detail to assure the credit union is well managed and operated in a sound and prudent manner.

Management's Discussion and Analysis

The credit union will disclose management's discussion and analysis (MD&A) of the annual financial statements written in a clear and straight-forward manner.

Risk Management

The credit union will disclose all key risks and information on the scope of the operations, risk exposures and risk management processes to assure that risk is appropriately managed and balanced.

Capital Management

The credit union will disclose information on capital management programs to assure that appropriate steps are taken to protect members.

Compliance Orders, including Supervision and Administration of a Credit Union

The credit union will disclose if it has received an Order of Compliance or has been placed under Supervision or Administration by Credit Union Deposit Guarantee Corporation (CUDGC) in its next annual report following the Order or Supervision.

Disclosure Restrictions and Limitations

The credit union will not disclose confidential information relating to regulatory review results, risk rating (including composite risk) and staged ratings assigned by CUDGC or information about employees or members covered by privacy legislation.

The credit union will not disclose proprietary information that would harm its competitive position.

Frequency and Location of Disclosures

The credit union will make disclosures according to this policy at least annually unless GAAP requires more frequent disclosure.

The credit union will make available at every annual general meeting its full set of paper financial statements, auditor's report and any additional disclosures the Board feels is necessary to disclose.

Responsible: Chief Executive Officer

The Chief Executive Officer will annually report to the board on compliance with this policy.

Accountable: Board of Directors

The board of directors (the board) is responsible for periodically reviewing, approving and maintaining the policies of the Market Code.

APPENDIX B: MARKET CODE: OUR COMMITMENT TO INTEGRITY

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

Our Conduct and Cooperative Values

The Market Code represents the standards the credit union embraces as an organization, the way 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.

The credit union subscribes to the co-operative principles as endorsed by the International Co-operative Alliance and the international credit union operating principles as endorsed by the World Council of Credit Unions. The credit union 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. The credit union 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

The credit union communicates in an open, effective and timely manner.

Community Impact

The credit union actively supports the development of communities locally, provincially and beyond. Communities are stronger because of the credit union system.

Employee Satisfaction

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

Financial Strength

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

Product and Service Excellence

The credit union works with members and communities to understand their needs, and respond with innovative, high quality products and services. Credit Union employees provide friendly, knowledgeable and helpful service.

Professional Conduct

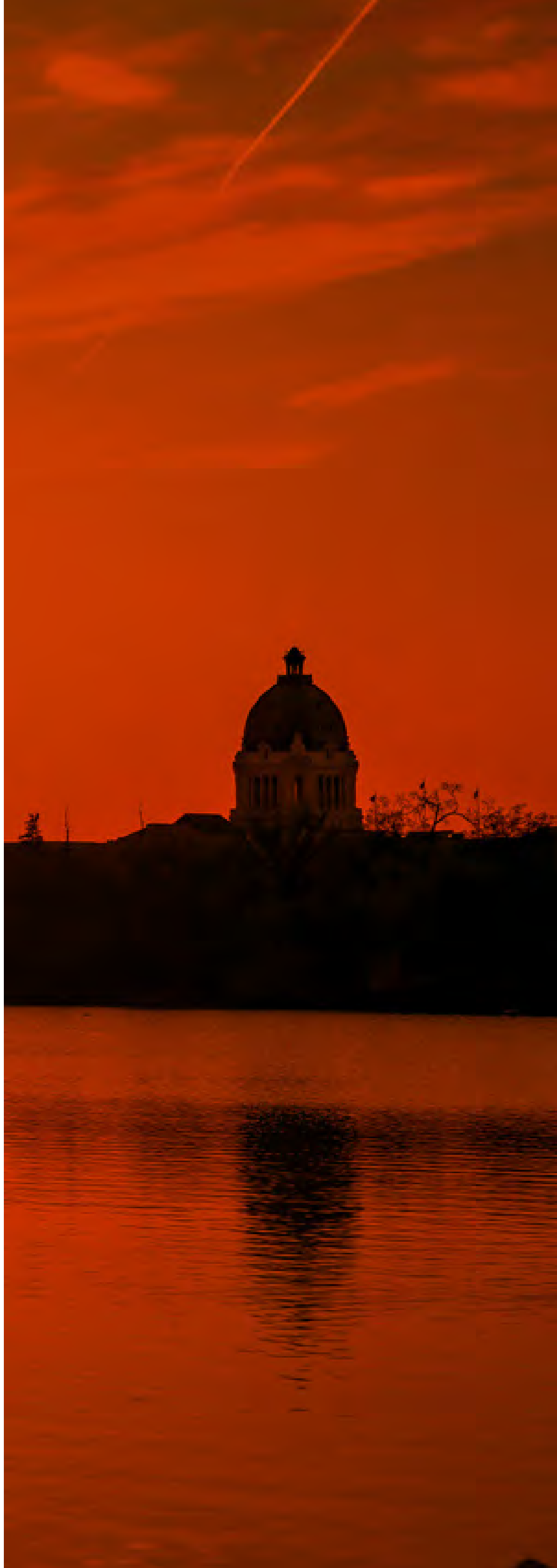
Members' financial affairs are conducted with integrity and in a professional manner. The credit union ethical principles are rooted in concern for the individual. Confidentiality is integral to the way the credit union does business.

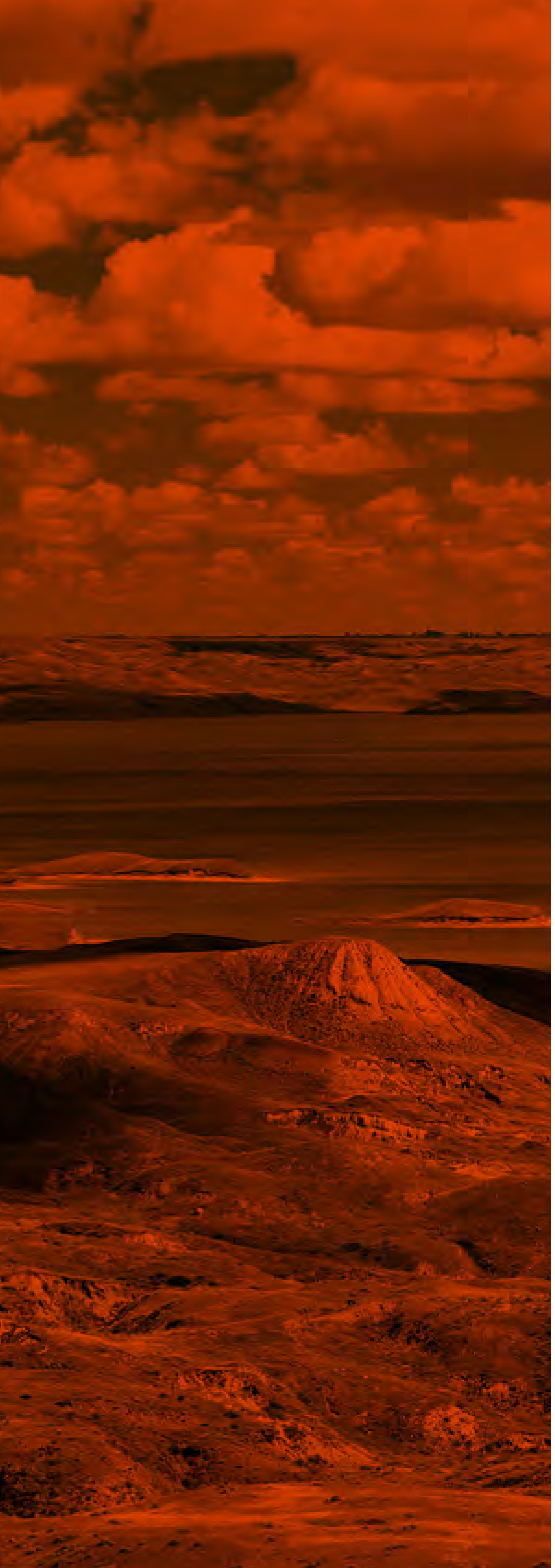
The Co-operative Difference

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

Being an owner also means sharing in the credit union's success. The credit union's 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, the credit union is sensitive to member satisfaction with the level of service members receive. The credit union invites members to provide it with comments on their services.





To Whom Does The Market Code Apply

The credit union has adopted the Market Code which sets out the standards of good business practice to follow when dealing with consumers.

The Market Code reflects the credit union'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 the credit union's responsibility to understand and follow the Market Code and act in accordance with the highest standards of personal and professional integrity. Similarly, the credit union 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 the credit union's 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.

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

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

The Credit Union's Key Commitments To You, The Member

The credit union 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 its commitments in the Market Code.

APPENDIX C: CODE OF CONDUCT

Purpose

The purpose of this policy is to provide guidance for employees and directors of Innovation Credit Union and its subsidiaries with respect to acceptable business behavior and desired ethical culture required to maintain the trust of members and customers, and protect Innovation Credit Union's reputation in the marketplace.

Policy Statement

All credit union employees and directors shall adhere to the principles of ethical conduct and responsible business behavior as reflected in Innovation Credit Union's Code of Conduct.

Any situation that requires clarification will be appropriately escalated to senior management, the Risk and Conduct Review Committee or legal counsel.

Adherence to the Code of Conduct is mandatory for all employees and directors.

All employees and directors are responsible for complying with the Code of Conduct and its ethical principles and practices.

At the time of hiring, all employees shall be required to agree to terms of the Code of Conduct as part of the employment contract.

Note: Subsidiary companies may also have supplemental guidelines or codes of conduct in place covering regulatory issues that apply to specific lines of business.

Responsible: Chief Executive Officer

Management of Innovation Credit Union is responsible for managing, monitoring and controlling credit union operations in accordance with the Code of Conduct. This includes ensuring that ethical principles and practices are communicated to and understood by all employees.

To ensure understanding and commitment, each employee and director shall annually complete a certification agreeing to the terms of the Code of Conduct.

Management will report annually to the board on compliance with this policy.

Accountable: Board of Directors

The Board of Directors (the Board) is responsible for periodically reviewing, approving and maintaining the Code of Conduct.

Various stakeholders may be consulted including Board, Management, Regulators, third party experts (auditors…)…

Whistleblower

The intent of Innovation Credit Union's Whistleblower Policy is to provide individuals with a mechanism or channel by which they can report incidents of actual or potential improper or unethical conduct without fear of reprisal or unwarranted negative consequences.

The policy is meant to work in concert with and not to replace Innovation Credit Union's Code of Conduct (Board level policy) and the Workplace Harassment and Workplace Violence portions of the People Policies and Procedures (leadership level policies and procedures).

Policy Statements

It is the responsibility of all employees and directors of Innovation Credit Union to report actual or potential improper or unethical conduct including conflicts of interest, violations of applicable laws, violations of approved policies or procedures including Innovation Credit Union Code of Conduct, violations in accounting or auditing standards and controls, fraud, theft, misuse of Innovation Credit Union resources or property, harassment, dishonesty or privacy concerns (all of these being "Unethical Conduct") in accordance with this policy.

It is Innovation Credit Union's intent to provide a channel through which whistleblowers can report suspected unethical conduct in anonymity while respecting the rights of those about whom concerns are raised to address and answer those concerns.

Individuals who report suspected unethical conduct ("Whistleblowers") will be protected, to the extent possible in the circumstances, as described in Innovation Credit Union's procedures.

Responsibility

The board of directors (the board) is responsible for periodically reviewing, approving and maintaining the Code of Conduct and all policies meant to work in concert with the Code of Conduct.

Management of Innovation Credit Union is responsible for managing, monitoring and controlling credit union operations in accordance with the Code of Conduct, including those policies meant to work in concert with the Code of Conduct.

All employees and directors are responsible for complying with the Code of Conduct and its ethical principles and practices, as well as any policy meant to work in concert with the Code of Conduct.

All Innovation employees, directors, and delegates are responsible to report actual or potential unethical conduct (i.e. as a whistleblower). Where possible, an employee should follow accepted protocol when reporting his or her concerns, namely going to his/her immediate supervisor or manager first and then if required the next level of management. If however, for any reason an employee finds it difficult or impossible to report their concerns to a manager or supervisor, the employee can report it directly to the Chief Executive Officer (CEO), Chief Risk Officer (CRO), or Chairperson of the Board of Directors as the employee, director or delegate feels appropriate.

Innovation Credit Union understands and accepts that there may be instances where a person may wish to report a possible wrong doing anonymously. However, it must be appreciated that it will be easier to follow up and verify complaints if the complainant is prepared to give their name. If an employee wishes to report a (suspected) violation anonymously, they are encouraged to use the employee ethics hotline offered through CUMIS, "Integrity in Action". All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

Contact Information:

- Chief Executive Officer (CEO) - Daniel Johnson - phone: 741-0708 email: daniel.johnson@innovationcu.ca
- Chief Risk Officer (CRO) – Brad Appel – phone: 750-1506 email: brad.appel@innovationcu.ca
- Board Chairperson – Bruce Sack – phone: 441-3327

CUMIS - Integrity in Action

Call Integrity in Action network at 1-877-571-1152. This network is available 24 hours a day, 7 days a week. You do not have to give your name if you choose not to. When you call:

1. A professional interviewer gives you the option to remain anonymous and documents your concern in detail as you speak.
2. Your information is relayed to the credit union for appropriate follow up.
3. You may call back to provide additional information, or to answer questions that might arise as your concern is investigated.

Monitoring and Reporting

As part of employee orientation, all employees will be made aware of this policy.

The Board is responsible for periodically reviewing, approving and maintaining the overall principles and practices of the Whistleblower Policy.

An annual review of the Code of Conduct and all policies meant to work in concert with the Code of Conduct will be undertaken by all employees, management and board.

Each incident falling under this policy will be reported to the board, within a reasonable timeframe, by management.

The Chief Executive Officer (CEO) will ensure that compliance with this policy and that the results of monitoring are reported to the board no less than annually.

Introduction

This Code of Conduct provides guidance for directors and employees of the credit union and its subsidiaries with respect to acceptable business behavior, how to conduct one's professional duties and outlines your responsibilities in this regard. The Code is related to the policies of Innovation Credit Union ("the credit union"), its board, and federal and provincial laws and regulations. Referring to the Code along with the credit union's corporate and board policies should help you recognize the right thing to do when faced with an ethical situation.

If unsure, it is important that you ask before you act. Employees are encouraged to discuss any questions about

Code of Conduct related matters with their manager or supervisor. Directors may obtain further information from the Governance or Risk and Conduct Review Committee.

This Code of Conduct is not a comprehensive manual that covers every situation that might be encountered. Each employee and director should apply this Code with common sense and the attitude of seeking full compliance with the letter and spirit of the guidelines presented.

Compliance with the code

Adherence to the Code is mandatory for all employees (permanent, term, contract) and directors. Your choices in applying this Code shape the ethical culture and conduct of the credit union. Each of us has a personal responsibility to maintain the trust of our stakeholders and protect the credit union's reputation in the industry.

Every new employee must:

- read the Code of Conduct; and
- sign a declaration confirming their understanding and commitment to compliance

On an annual basis current employees are required to re-affirm their understanding and commitment to uphold this Code by signing a declaration.

Violations of the Code will not be tolerated. Employees are obligated to come forward and report possible violations by others. The credit union will provide a safe environment for employees to do so, without fear of reprisal.

Failure to comply with this Code may result in disciplinary action including dismissal.

Board and committee members, as well as elected or appointed officials are also obligated to comply with this code to the extent applicable as they are in positions of trust and should inspire confidence in the credit union and all its dealings.

Credit Union Code of Conduct information as part of market code

The content of this Model Code of Conduct reflects industry standards based on a review of Codes form other financial institutions.

It provides examples of common situations that have been included to recognize appropriate conduct and help ensure compliance.

- Additional information has been included in the Code to reflect important policy items (e/g. market practices).
- Commonly encountered items such as illegal or anti-competitive sales practices, proprietary rights, solicitation, and conflict of interest have been included.
- "Reporting of dishonesty" has been added to reflect the governance emphasis on protecting whistleblowers.

ABIDING BY THE LAW

Laws and Regulations

Legislation and regulations apply to many aspects of credit union and its subsidiary business, including the kinds of services offered and the way in which they are offered. Employees and directors must comply with the letter and spirit of all applicable laws, regulations and standards.

- You are not to take any action that violates any applicable law, regulation or standard, or instruct anyone else to do so.
- You are required to comply with credit union policies, procedures and practices, and use credit union forms because these have been developed with legal requirements in mind.
- In order to protect members and customers, the requirements of the Market Code (acceptable sales practices, employee qualifications and licensing, disclosure, privacy and complaint resolution) are to be adhered to.
- Management must be aware of all legal requirements pertinent to the credit union's activities, ensure that these requirements are communicated to their staff and manage and supervise their staff with the objective of ensuring that the law and credit union policies and procedures are followed.
- To avoid legal difficulties, obtain a legal opinion when clarification is required.

Proprietary Rights
Most printed material, software and trademarks are protected by proprietary rights.

- You are expected to honour the proprietary rights of others and obtain any prior approval requests required.
- You are required to follow the terms of the licensing agreement for any software program used in the course of business or on a company owned computer.
- Installation or use of any software not licensed for use by the credit union on any company owned computer requires permission (contact senior executive).

INTEGRITY

Integrity of Records
The books and records of the credit union are to be maintained with the utmost integrity and are to accurately reflect all business dealings. Full co-operation with credit union regulators and internal and external auditors is mandatory.

- All employees play a part in ensuring accuracy and integrity. You are to ensure that all transactions, documents, agreements and dealings are recorded and maintained in an accurate and timely manner. You are not to bypass an internal control procedure even if you think this is harmless or will save time.
- You are to preserve the integrity of the record-keeping and reporting systems by being aware of and complying with all current applicable record retention policies and procedures. Destroy or alter records only after ensuring that they can be destroyed or changed.
- All transactions must be authorized and handled in accordance with credit union policies and procedures and must meet applicable standards for knowing your member or customer. You are not to undertake or participate in transactions that could be considered improper or suspect. Be alert to any illegal, suspicious or unusual activity in accounts.

Communication
Employees and directors should evaluate all communications for which they are responsible and ensure information is true and does not mislead the public, either directly or indirectly.

- You are to tell the truth in all communications, making every reasonable effort to provide full, fair, accurate, timely, and understandable disclosure in reports, documents and communications, and to avoid errors, omissions or misunderstandings in communications issued on behalf of the credit union.
- Open, honest and timely communication is expected in dealing with employees, members, customers, associates, communities, government, suppliers, contractors and competitors.
- All facts relating to the credit union's services or transactions will be disclosed to ensure members and customers are informed of their costs and benefits.

Individual Ethics
The cornerstone of financial services is trust. The credit union requires employees and directors with high ethical standards who demonstrate and practice responsible business behaviour.

CONFIDENTIALITY

Privacy
Respecting privacy is a requirement of all employees and directors. Employees and directors are expected to be familiar with the credit union's Privacy Code and to treat all personal information in accordance with the Privacy Code and confidentiality guidelines.

- You are to comply with the Privacy Code and respect the confidentiality of information at all times.
- Any requests for employee information, including those concerning former employees, are to be handled in accordance with the Privacy Code.
- You are required to protect the confidentiality and security of member and customer information when it is collected, used and retained and also when it is disposed of or destroyed.

Information Shared With Third Parties

In the course of regular business activities, the credit union frequently enters into contracts with a variety of third parties, including vendors, suppliers and service providers, often resulting in the exchange of information.

- You are to share information only with third parties who have undertaken in writing to keep the information confidential in accordance with the Privacy Code. You may share only that information which is needed to satisfy the conditions of the contract and only with those who need to know.

Proprietary Information

All information and work product (e.g. computer or electronic files, paper records, project deliverables), including any information or work product produced in the course of employment with the credit union, is the property of the credit union and classified as proprietary and confidential.

- Do not disclose confidential information without the proper authorization. Any request for confidential information is to be referred to the department responsible.
- The credit union owns all proprietary rights to intellectual property and work that you develop, or contribute to developing, during the course of your employment or term.
- At the end of your employment or term, you are obliged to protect the confidentiality of the credit union's business indefinitely, unless a specific corporate authorization has been granted. Specific member or customer information, including names, lists, profiles and data, is not to be used in subsequent employment situations.

FAIRNESS

Discrimination

The credit union supports the highest standards of fairness and equitable opportunity in all matters of hiring, supervision, compensation, promotion and termination and in dealing with members and customers. Discrimination is not acceptable. All people will be treated with dignity, respect and fairness consistent with human rights legislation which prohibits discrimination on various grounds (e.g. age, race, color, religion or creed, gender, marital status, sexual orientation, disability or pregnancy/childbirth).

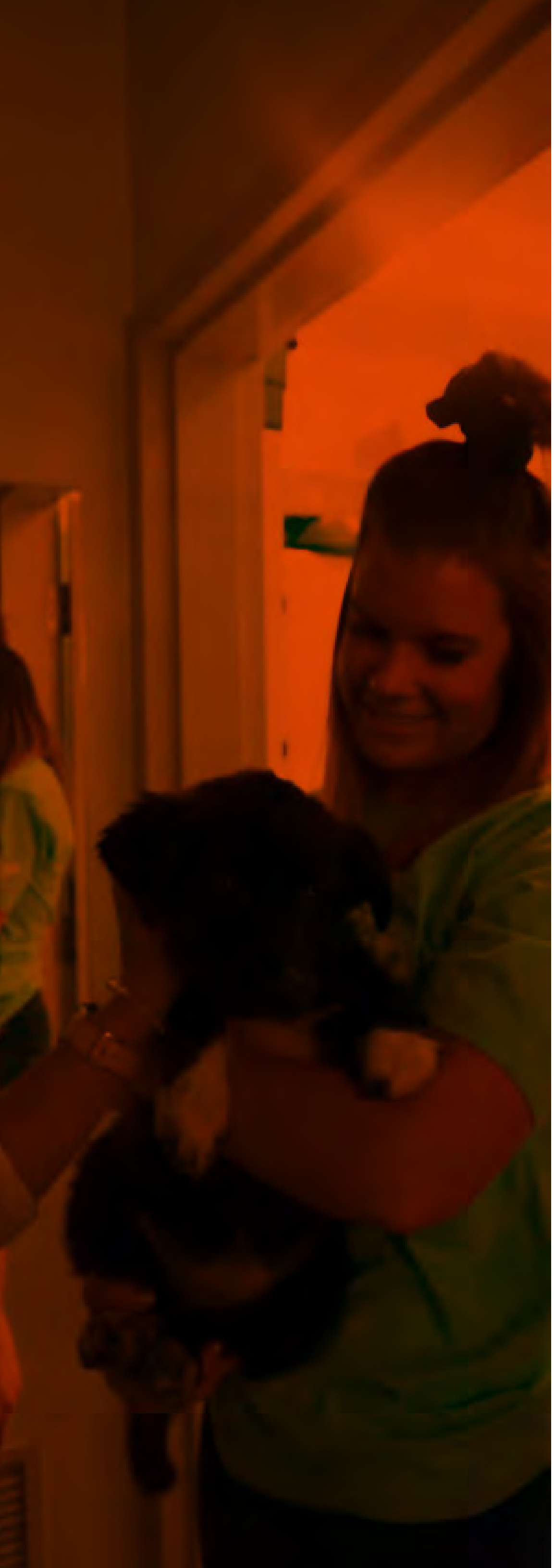
- Do not engage in discriminatory practices that are contrary to the principles established for the credit union. Ensure that you are respectful of differing beliefs and personal values.
- Do not discriminate against members or customers on the basis of race, religion, age, pregnancy, marital status, 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.
- In recognition of the importance of access to basic banking services, you are to take reasonable measures to ensure access to a basic bank account for interested persons. Access cannot be refused because a person is unemployed or has been bankrupt.

Illegal or Anti-Competitive Sales Practices

Credit union services, products, sales programs, cross-selling programs and discretionary pricing policies are developed carefully to comply with lawful competition practices.

Employees who work in a sales function should familiarize themselves with the Market Code and policy on coercive tied selling.

- You are to use fair and honest sales and negotiating methods. Avoid any sales practices that could be misconstrued as an attempt to impose undue pressure on or coerce a member or customer into obtaining a product or service as a condition of closing a sale. Note: this does not include authorized relationship pricing practices.
- Carefully follow credit union policies and practices pertaining to insurance products.
- Ensure that all comparisons to competitors and their products and services are accurate and not misleading. You may not engage in illegal or unethical activities to obtain proprietary information.
- Do not collude or co-operate with any other financial services provider in anti- competitive activities. Note: this does not include syndicated loan arrangements or certain government lending programs.



Suppliers, Contractors and Competitors

The credit union is committed to dealing with its suppliers, contractors and competitors in a legal and ethical manner. The credit union does not engage in practices that attempt to influence a competitor's reputation or that lessen competition through unethical behaviour.

- You are not to take bribes, kickbacks or any other kind of payoff from suppliers or contractors in exchange for favourable treatment or consideration. Ensure suppliers are fully informed of requirements and use fair and honest sales and negotiation methods. Provide equitable opportunity for suppliers to demonstrate their quality, reliability, price and service.
- Select suppliers and contractors which satisfy our quality standards by considering price, specifications, technology, reliability, safety, service and delivery. Periodically review quality, reliability, price and service regardless of the length of the relationship.

CORPORATE RESPONSIBILITY

Political Contributions

The credit union may make political contributions to support and encourage the democratic process.

- You are not to make political contributions in the name of the credit union unless you are explicitly directed to do so by the company.
- Involvement in political activity must be undertaken responsibly. You are not to use your affiliation with the credit union in a marketing fashion or to gain improper advantage or purchase favours.
- Employees may participate in general political processes such as school board, municipal, provincial and federal elections.

Whistleblower Protection

The credit union values employees who disclose wrongdoing by other employees or by anyone in any way associated with the credit union. The credit union will protect employees who report wrongdoing from reprisal.

The intent of whistleblower protection is to provide employees with a mechanism or channel to report incidents of actual or improper or unethical conduct without fear, reprisal or unwarranted negative consequences.

The credit union's whistleblower program provides procedural guidelines for employees to report concerns to their immediate supervisor or manager.

Social Responsibility

Community involvement is a manifestation of our values as a co-operative organization. The credit union is responsible and accountable for the social and economic effects of its business actions and decisions.

- You need to conscientiously consider these factors when you make business decisions. If in doubt, seek the assistance or advice of senior executive.
- Individuals are encouraged to engage in charitable, educational and community service.

Environmental Responsibility

The credit union is committed to managing its business to meet all required environmental standards, and will work to protect human welfare through sound economic growth and maintenance of a healthy environment.

- Your personal contribution will vary depending on your role, but you are expected to participate in the environmental programs that are put in place at the credit union.

INDIVIDUAL RESPONSIBILITY

Harassment and Bullying

Employees and directors have a right to work in an environment that is free from harassment* and bullying**. Harassment and bullying involve conduct that interferes with a climate of understanding and mutual respect for the dignity and worth of each person.

Examples include, but are not limited to:

- verbal abuse or threats or relentless criticism, belittling, rumours or raging
- adversely affecting the employee's psychological or physical well-being that a person would reasonably know would cause on employee to be humiliated or intimidated
- unwelcome*** remarks or jokes
- innuendo or taunting about something an individual could consider offensive (e.g. an individual's body, race, color, attire, age, gender, sexual orientation, ethnic origin or religion)
- leering or other gestures

- displaying pornographic, racist or other offensive or derogatory pictures or material
- practical jokes which cause awkwardness or embarrassment
- unwelcome invitations or requests, whether indirect or explicit
- threat of loss of one's job or other forms of reprisal if one does not comply with a request for sexual favours
- abuse of power of authority

Under provincial and Canadian human rights codes, harassment is a form of discrimination and is prohibited. The Occupational Health and Safety Act, 1996 defines harassment as: "any inappropriate conduct, comment, display, action or gesture by a person." Harassment and bullying is not tolerated in the credit union. Complaints are thoroughly investigated and the credit union will take whatever measures it deems appropriate and necessary to deal with those parties found to have engaged in such conduct.

- Under no circumstances are you to engage in behaviour which is known, or should be reasonably known to be offensive or harassing or bullying.
- If you believe you are a victim of harassment, or believe you have observed someone else being harassed or bullied, and wish to file a complaint, you may do so through the Workplace Committee. You may also file a complaint through legislative channels such as the Saskatchewan Human Rights Commission.

Violence

Employees have a right to work in an environment that is protected from violence or the threat of violence**** as much as reasonably possible.

Violent acts or threats of violence are unacceptable and complaints are dealt with promptly and impartially. All complaints are thoroughly investigated in a discreet manner and as confidentially as possible. The credit union will take whatever measures it deems appropriate and necessary to deal with those parties found to have engaged in such conduct.

- You are to take every reasonable measure to ensure that no employee and director are subjected to such acts.
- You are to comply with the credit union's security policies at all times.
- If you believe you have been threatened, or believe you have observed someone else being threatened, and wish to file a complaint, you may do so through the Workplace Committee.

Solicitation

Employees and directors should be able to enjoy a work environment where others do not improperly solicit them for non-business related purposes.

- You are not to improperly solicit for non-business related purposes on company premises or through the credit union's internal communication system.
- You are to avoid classified postings on subjects that are likely to be controversial (e.g. promotion or discussion of religion, politics or social issues on which there are widely divergent opinions).

*"Harassment" is an expression of perceived power or superiority by an individual(s) over another person(s), usually for reasons over which the harassed individual(s) has little or no control.

**"Bullying" is the repeated, malicious verbal mistreatment of a target by a harassing bully that is driven by the bully's desire to control the target. Bullying includes "psychological" harassment.

***"Unwelcome" means an action which the individual knows or should reasonably know is not desired by the person at which it is directed.

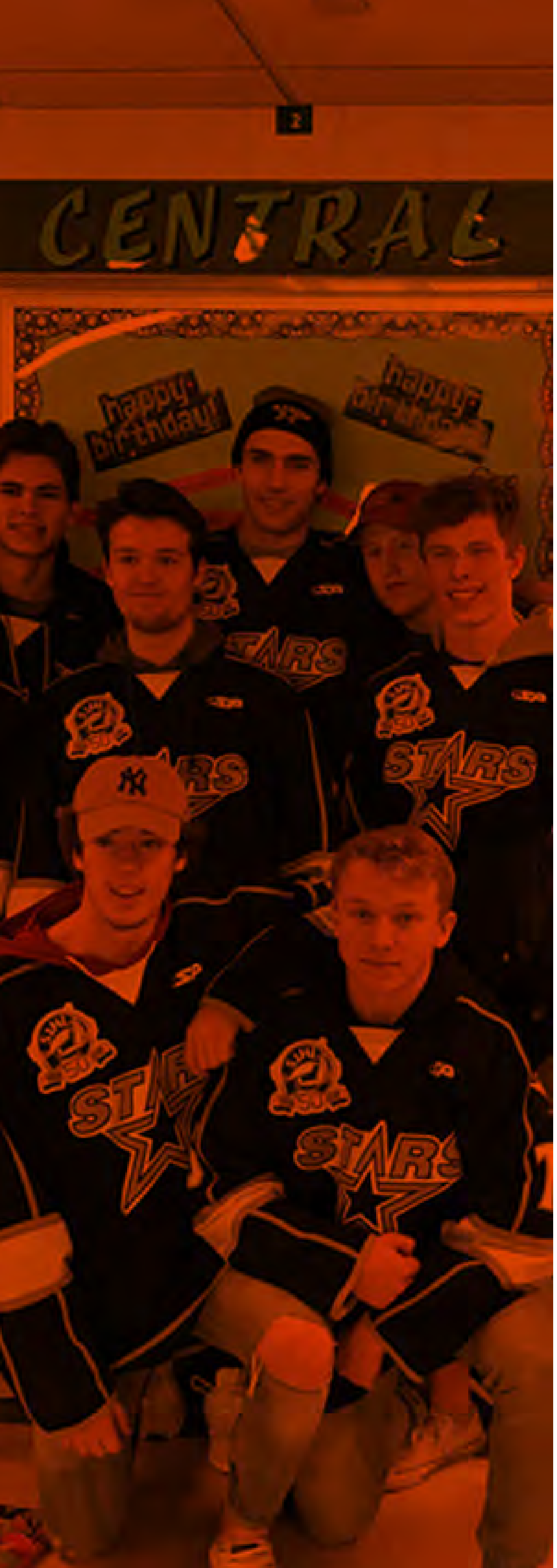
****"Violence" is defined as attempted, threatened or actual conduct of a person that causes or is likely to cause injury, and includes any threatening statement or behavior that gives a person reasonable cause to believe that he/she is at risk of injury.

RESPECTING TRUST

Misappropriation

The resources entrusted to your care belong to the credit union. Inappropriate use of these resources is an abuse of trust. This includes theft, fraud, embezzlement or unauthorized borrowing.

- You must not misappropriate funds or property that is not rightfully yours or instruct or knowingly assist another person in such misappropriation.



- If you have access to an expense account, you are to claim only those expenses that are eligible for reimbursement under the applicable expense policy guidelines. Intentional use of expense accounts for personal purposes represents misappropriation of funds.

Electronic Mail/Internet Use

Internet access and e-mail are provided to employees and directors as a tool to support their business needs. All company computer equipment and the data stored on that equipment is the property of the credit union. The company routinely monitors Internet usage, electronic mail and computer files (refer to the Credit Union Information Security Policies > Acceptable Use Policy).

- You are required to protect passwords or other security codes, and are responsible and accountable for all activities related to their use. Any observed or suspected security incidents are to be reported to the Information Technology department.
- You must not access, knowingly transmit, view, generate, print, retrieve, download, send or store any communication of a discriminatory, defamatory, obscene, threatening or harassing nature, or any material that is in appropriate for the business environment (such as sexually oriented literature or pictures).(Contact the Information Technology Department for guidance).
- You may not use these systems for personal business purposes or to improperly solicit for non-company related purposes.

Social Media

The credit union has strong values that extend into the social media community. The credit union wants employees to be aware of how their use of social media may impact members, the credit union and themselves. Employees are expected to exercise good judgement, common sense, compliance with laws, and demonstrate respect for each other, members, the credit union and other stakeholders.

You must not knowingly transmit, view, generate, print, retrieve, download or store any communication or any material that is inappropriate for the business environment during work hours or using company resources.

To inform employees of their obligations when using social media, the credit union has developed a Social Media Policy that can be found in Credit Union Board Policy.

Reporting Dishonesty

Employees share responsibility for respecting trust and for creating and sustaining a culture of honesty and integrity. Reporting suspected dishonesty will not result in any adverse repercussions.

If you become aware of any dishonest or suspect activities or transactions, you are to report the situation to your manager or senior executive. If the situation involves senior executive, reports are to be directed to the Risk and Conduct Review Committee of the board.

IMPARTIALITY

Gifts, Payments and Entertainment

Employees are to ensure that business gifts and entertainment are provided in the spirit of business courtesy and relationship management, and in no way creates the perception of improper influence. You must not attempt to improperly influence relationships with organizations and individuals with whom the credit union deals.

As a guide, a nominal value of $200 is acceptable to give or to accept.

The value of business entertainment can sometimes exceed the guidelines (e.g. dining, sporting event tickets or a round of golf). In this case, if the value is likely to exceed $200, the entertainment must still be considered nominal and is to be of a style or value commonly accepted for business occasions. If in doubt as to what is considered acceptable, seek guidance from senior executive.

The same considerations apply to gifts, payments or entertainment involving immediate family members and relatives of employees and directors.

- You are not to give or receive gifts that could be interpreted as seeking, receiving or dispensing a bribe, kickback or unethical payment.
- You may supply or accept modest gifts, favours, entertainment or services provided they:
- Legitimately serve a business purpose;
- Are given or received infrequently;
- Do not consist of cash or cash equivalent items;

- Are unlikely to be interpreted as a bribe or other improper payment; and
- Are within the limits of generally accepted ethical and legal standards for business expenses.
- Where it would be extraordinarily impolite or otherwise inappropriate to refuse a gift of obvious value, you may accept it on behalf of the credit union and report the gift to your supervisor to determine how to deal with it. Such gifts may not be taken for personal use or enjoyment unless appropriate corporate authorization is granted.

Conflicts of Interest

It is as important to avoid the appearance of a conflict of interest as it is to avoid an actual one. Being seen or perceived to be in a conflict of interest can damage your reputation or the credit union's. Employees are encouraged to familiarize themselves with the types of situations that could be perceived as a conflict of interest:

You and a member or customer – where your personal interests could conflict with your obligations to the member or customer.

The credit union and its member or customer – where the credit union's interests

could conflict with the credit union's obligations to a member or customer; or where the credit union's obligations to one member or customer conflict with its obligations to another.

You and the credit union – where your personal interests could conflict with your obligations to the credit union as an employee.

If in doubt, employees are expected to discuss the situation with their manager. Directors are to discuss the situation with the Risk and Conduct Review Committee

- Service requests or transactions for any member or customer with whom you are personally associated, including friends and relatives, are handled at arm's length on a strictly business to member or customer basis. It is prudent to avoid making decisions or conducting transactions when you are closely associated. Refer these situations to management or another appropriate employee to avoid a conflict of interest situation.
- Ensure that all personal transactions are handled by another employee according to credit union procedures and that they receive the same treatment and scrutiny as any normal member or customer transaction.
- You may accept other employment while employed with the credit union providing it:
  - Is legal;
  - Is not with a competitor;
  - Will not result in a conflict of interest;
  - Will not interfere with your work performance at the credit union;
  - Does not involve the use of company resources or equipment; and
  - Any potential conflict of interest positions are reviewed and approved by management.
- You may work in the same department or division with someone who is a spouse or common law partner or relative providing it will not result in a conflict of interest and there is no reporting relationship.

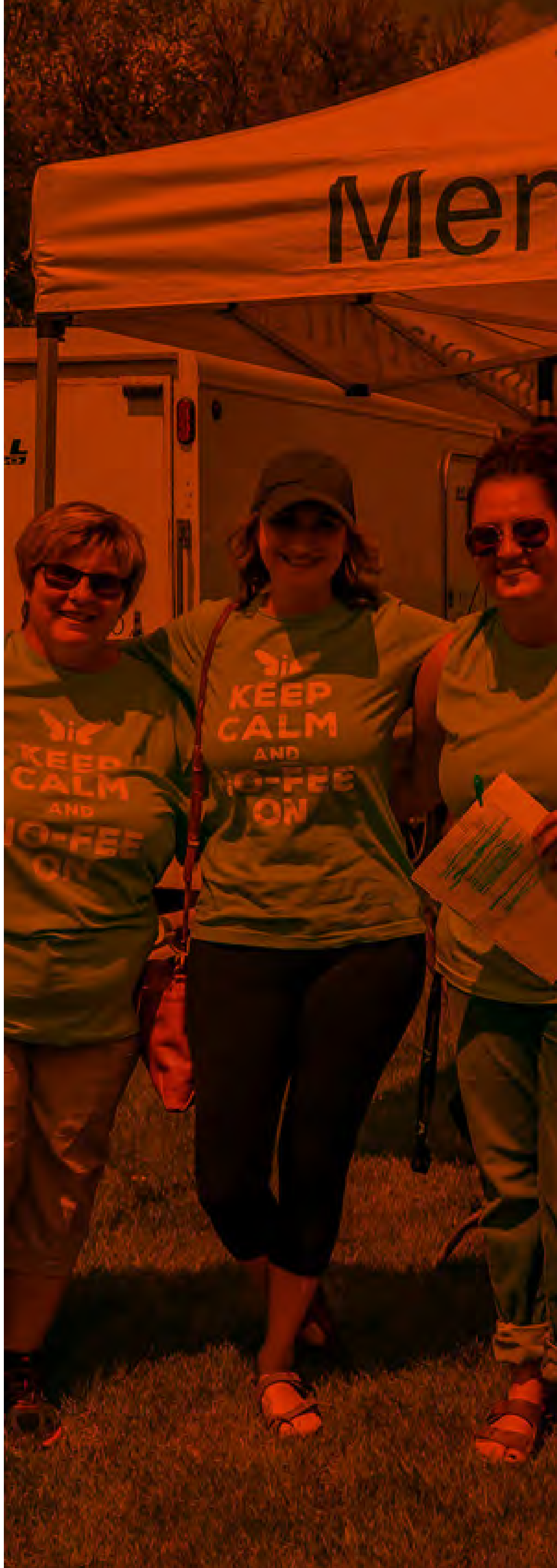
Directorships

Employees who are invited to sit on the boards of other organizations or to accept other appointments may do so, providing they observe the conflict of interest guidelines

- You are advised to assess the potential for a conflict of interest before accepting and:
  - Declare any such conflict to the institution and the credit union.
  - Carefully judge whether your obligations to the credit union warrants your voluntary withdrawal from any deliberations.

FINAL THOUGHT

The credit union was created to deliver on its mission, objectives, values, guiding principles, and commitments to its members, board of directors and employees. As directors and employees, we have fiduciary responsibility to carry out the credit union's mission in the manner provided through the guidance of this Code of Conduct.



PRINCIPLES IN ACTION

Products and Services to Meet Your Needs

The credit union will provide general information about your 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 our relationship with you when the products/services you acquired from the credit union carry specific rights and obligations.

The credit union 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 number 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 the credit union for assistance in helping plan the management of their financial affairs, the credit union 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. The credit union may receive compensation from the sale of third party products or services.

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

The credit union 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

The credit union will ensure our advertising and promotional literature is not deceptive or misleading.

The credit union will not practice tied or coercive selling.

The credit union 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. The credit union may show its interest in your business or appreciation of your loyalty by offering preferential pricing or bundling of products and services with more favorable terms. These practices should not be confused with coercive tied selling.

The credit union's requirements will be reasonable and consistent with its level of risk. The law allows the credit union 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.

The credit union 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.

The credit union 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 the credit union's key commitments to you, it will have regard to its prudential obligations.

Access to Basic Banking

The credit union 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, the credit union 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, the credit union is unable to locate you.

Notice of Service Fee Changes and/or Account Structure Changes

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

Notice of Branch Closure

The credit union will provide a minimum of four months' notice in the event of a credit union branch closure.

Changes to Terms and Conditions

The credit union will provide a minimum of 30 days' notice to terms and conditions that govern the operation of your account(s) as soon as changes are made. Notice can be provided through the credit union's website, and either by mail, statement message, electronically (with consent) or in-branch posting at the time changes are made.

Employee Training and Competency

The credit union will ensure its employees are trained with appropriate accreditation and licensing so that they:

- acquire an appropriate level of knowledge to competently and effectively carry out their roles and responsibilities and provide the products and services they are authorized to provide;
- meet professional ethical standards and act with a high level of honesty, integrity, fairness, due diligence and skill; and
- have an 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

The credit union will ensure that all products and services comply with relevant laws and regulations.

The credit union 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

The credit union will provide a printed copy of Market Code upon request. The credit union will also provide a copy of the Market Code on its website.

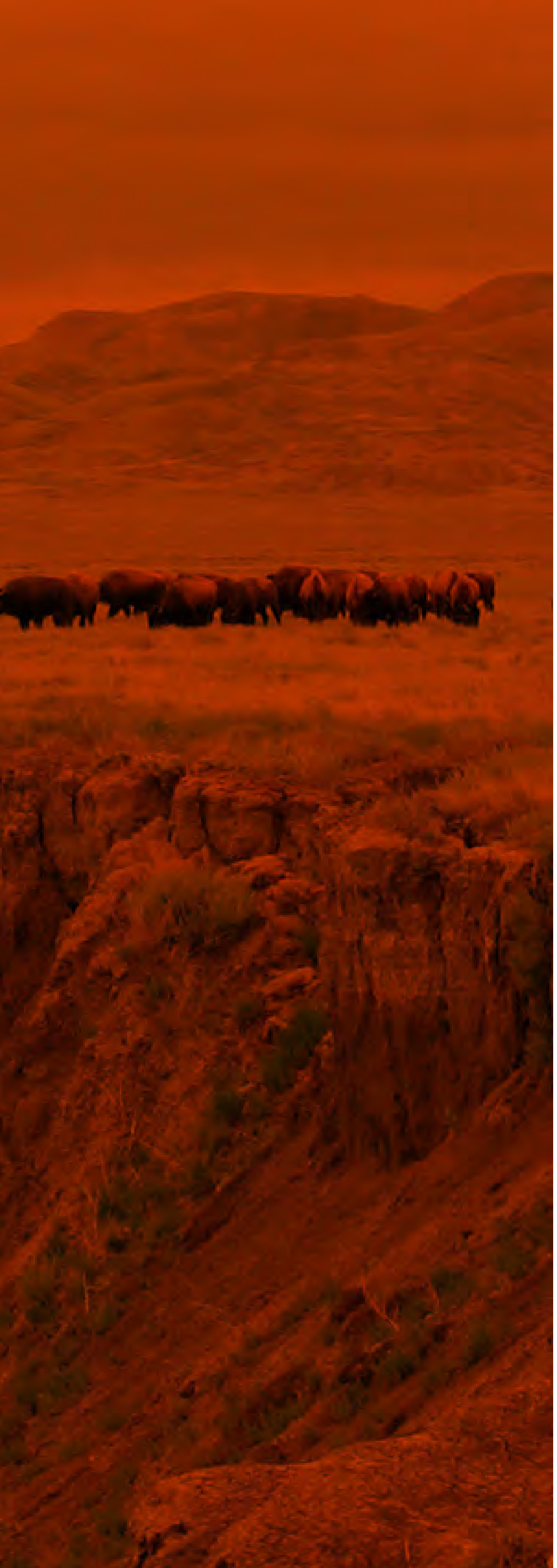
Accountability

The credit union 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 the credit union's compliance with the Market Code rests with the credit union's board of directors.

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

The credit union will implement policies and procedures to give effect to the principles, including:

- procedures to receive and respond to concerns and inquiries;
- training staff to understand and follow the credit union's 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.



The credit union will periodically remind employees, officers and directors of the importance of the Market Code. The credit union 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 the credit union's Compliance Officer if you have questions about the Market Code. The name of the Compliance Officer is available by contacting the credit union. The credit union 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, the credit union 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 the credit union.

COMPLAINT HANDLING (PROBLEM RESOLUTION)

The credit union has a published complaint handling policy endorsed by the credit union's board of directors formalizing its commitment to the complaint handling process.

We will prominently post the availability and accessibility of the process for resolving complaints on our website. We will also provide you with information about the process for resolving complaints at the time they arise.

We are participants in the Ombudsman for Banking Services and Investments (OBSI) and the Centre for the Financial Services OmbudsNetwork (CFSON). The OBSI is an external organization that is available to settle financial services complaints if they cannot be settled through the financial service provider's internal complaint handling process.

The CFSON provides Canadian financial services to consumers with a single-window access to high quality, independent, impartial and effective complaint resolution services in banking, life and health insurance, general insurance, securities and mutual fund industries.

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

Step 1: Your Credit Union

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

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

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

Step 2: Provincial Credit Union Ombudsman

Consistent with industry standards, the credit union system has established the Office of the Ombudsman to help with matters that remain unresolved. If you feel your problem is unresolved after dealing with the credit union, you may contact the Office of the Ombudsman. The Ombudsman process will be:

- free of charge;
- in keeping with industry ombudservice standards for an industry level complaint handling process; the standards reflect the principles of knowledge, fairness, impartiality, confidentiality, objectivity and independence;
- administered to ensure complaints are treated fairly and consistently in a timely and courteous manner;
- available to you by contacting SaskCentral and asking for the SaskCentral Ombudsman; and
- accessible via phone, fax, e-mail, in person or in writing.

SaskCentral Ombudsman
2055 Albert Street
P.O. Box 3030
Regina, Sk S4P 3G8
Telephone: (306)566-7670
Fax: (306) 566-1659
E-mail: ombudsman@saskcentral.com

Step 3: Ombudsman for Banking Services and Investments

Consistent with industry standards, the credit union system has joined the Ombudsman for Banking Services and Investments (OBSI), which is an external impartial organization that helps with matters that have not been resolved to your satisfaction. If you are dissatisfied after dealing with your credit union and the Office of the Ombudsman, you may contact the OBSI.

This external complaint handling process will be:

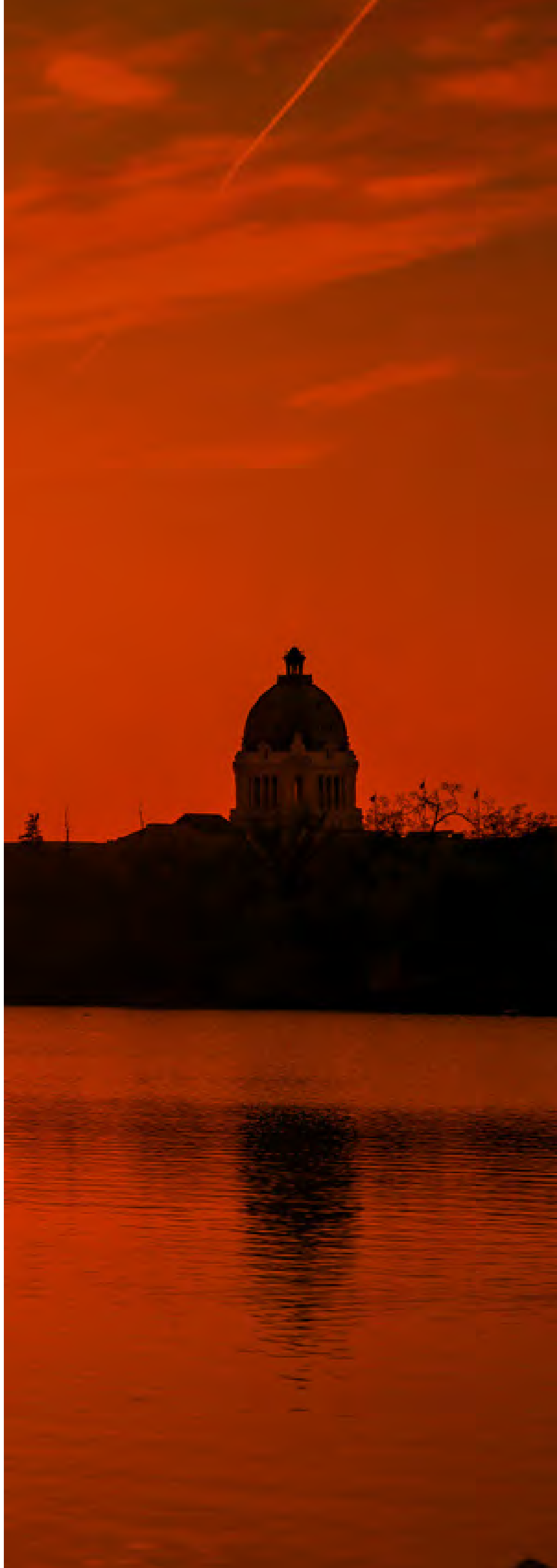
- free of charge;
- reflect a commitment to a consumer-oriented approach to complaint handling including accessibility, timeliness, courtesy, clarity, accuracy and consistency;
- in accordance with the principles of knowledge, fairness and impartiality, confidentiality, objectivity and independence;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

Ombudsman for Banking Services and Investments

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

Free of charge

A fee will not be charged to cover the costs incurred in dealing with a complaint. Expenses incurred by the consumer are not funded by the credit union or ombudsman and there is no provision for the award of costs to solicitors or other professionals.



Management Discussion and Analysis

2019 ANNUAL REPORT

innovation CREDIT UNION

SCORECARD RESULTS 2019 ANNUAL REPORT

Scorecard Category	Strategic Objectives	Performance Measures		
			Actual	**Target**
People	Employee engagement is a priority as we believe that engaged leaders = engaged people = engaged members.	Employee engagement	72%	74%
	Development of our employees will continue to be a priority for the organization. Employees will understand the education and skills required to perform their current roles and compensation will be aligned to completion of those requirements.	Employee development index	95.72%	90-95%
	We are a high performance, unified culture of innovation and collaboration. We continue to embrace change and adapt to our changing environment.	Voluntary staff turnover	9.90%	7-10%
			Actual	**Target**
Growth	Demonstrate and enhance member/client experience.	Net Promoter Score (NPS)	37.70%	44-47%
	Exhibit community engagement and community development.	Volunteer hours per year	12,899	12,000
	Community leadership – maintain a positive image.	Contribution as a % of pretax profit	2.43%	2-4%
			Actual	**Target**
Business	Ensure efficient processes and productivity.	Efficiency ratio	66.89%	71.81%
			Actual	**Target**
Finance and Risk	Prudently manage growth.	Assets under management	$3.49 Billion	$3.47 Billion
	Achieve earnings equal to or better than budget.	Return on assets	0.52%	0.59%
	Build capital to support operations, enterprise risks and growth.	Total capital ratio	14.64%	14.13%

MANAGEMENT DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) is presented to enable readers to assess material changes in the financial condition of the operating results of Innovation Credit Union (Innovation) for the year ended December 31, 2019, 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, 2019 and should be read together. The MD&A includes information up to March 4, 2020. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from Innovation's annual Consolidated Financial Statements.

On January 1, 2019 a business combination occurred between Innovation, Pierceland and Goodsoil Credit Unions. Prior year results (2018) as reported on the financial statements and within this document do not include the financial results of Pierceland and Goodsoil Credit Unions.

Caution Regarding Forward-Looking Statements

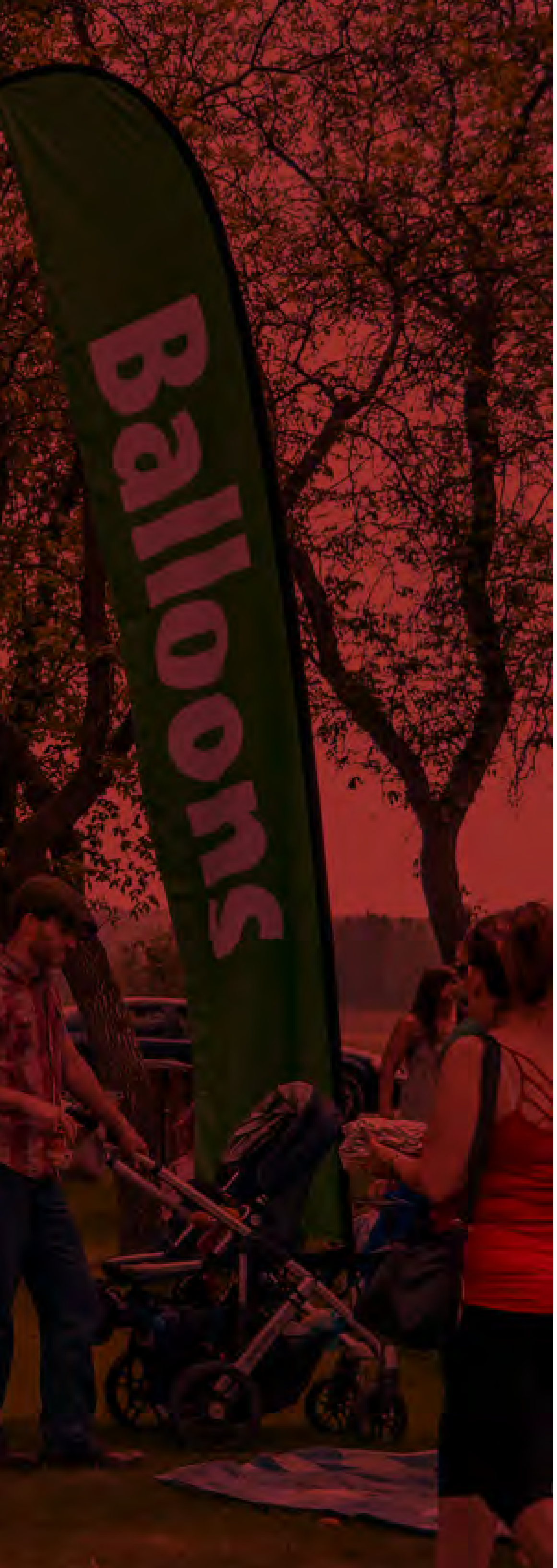
This MD&A may contain forward-looking statements concerning Innovation's future strategies. These statements involve uncertainties in relation to prevailing economic, legislative and regulatory conditions at the time of writing. By their very nature, forward-looking statements are based on assumptions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

Factors That May Affect Future Results

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

Innovation Credit Union operates in a very 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.

Innovation continues to monitor the global effects of Coronavirus Disease (COVID-19) to understand and manage the potential impacts on the membership and in turn the organization. Innovation has established a robust Business Continuity Program which is designed to manage through a wide variety of disruption events.



2019 ECONOMIC CONDITIONS AND FUTURE OUTLOOK

Global

According to the International Monetary Fund global economic growth was estimated at 2.9 percent in 2019. Expectations for 2020 have this annual growth rate rising to 3.3 percent in 2020 with a further increase to 3.4 percent in 2021. (IMF, World Economic Outlook, January 2020)

Growth was weak but stabilising until the coronavirus COVID-19 hit. Restrictions on movement of people, goods and services, and containment measures such as factory closures have cut manufacturing and domestic demand sharply in China. The impact on the rest of the world through business travel and tourism, supply chains, commodities and lower confidence is growing. (OECD, OECD Economic Outlook, Interim Report March 2020)

Downside risks associated with these forecasts include rising geopolitical tensions, intensifying social unrest, further worsening of relations between the United States and its trading partners and deepening economic frictions between other countries. (IMF, World Economic Outlook, January 2020)

This global outlook is further supported by the latest Monetary Policy Report published by the Bank of Canada. Within the January 2020 report the Bank is expecting growth in the United States and China to slow, while growth in other emerging-market economies will improve. Growth expectations as per the Bank of Canada can be found below. (Bank of Canada, Monetary Policy Report, January 2020)

Table 1: Projection for global economic growth

	Share of real global GDP* (percent)	Projected growth† (percent)			
		2018	2019	2020	2021
United States	15	2.9 (2.9)	2.3 (2.3)	1.9 (1.9)	1.9 (1.7)
Euro area	11	1.9 (1.9)	1.2 (1.1)	1.0 (1.0)	1.3 (1.4)
Japan	4	0.3 (0.8)	1.1 (0.9)	0.6 (0.2)	1.2 (0.7)
China	19	6.7 (6.6)	6.1 (6.1)	5.9 (5.9)	5.8 (5.7)
Oil-importing EMEs‡	33	4.3 (4.3)	3.1 (3.2)	3.8 (4.0)	4.2 (4.3)
Rest of the world§	17	2.2 (2.1)	1.2 (1.2)	1.7 (1.7)	2.0 (2.1)
World	100	3.7 (3.7)	2.9 (2.9)	3.1 (3.1)	3.3 (3.3)

* GDP shares are based on International Monetary Fund (IMF) estimates of the purchasing-power-parity valuation of country GDPs for 2018 from the IMF's October 2019 *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 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 all other economies not included in the first five regions. It is composed of oil-exporting EMEs (such as Russia, Nigeria and Saudi Arabia) and other advanced economies (such as Canada, the United Kingdom and Australia).

Source: Bank of Canada

National

As per the Bank of Canada, the Canadian economy has been operating relatively close to potential, with a healthy labour market and inflation near 2 percent. (Bank of Canada, Monetary Policy Report, January 2020)

Economic growth is anticipated at 1.6 percent in 2019 and 2020. The growth rate for 2021 is expected to increase to 2.0 percent. This forecast is driven by an expectation of improved business investment and exports as oil transportation capacity expands and the impact of trade policy headwinds on global growth diminishes. Strong growth in population and household spending will drive an expected increase in household spending. (Bank of Canada, Monetary Policy Report, January 2020)

Additional information related to the drivers of anticipated economic growth in the Canadian economy can be found in the following chart from the Bank of Canada.

Table 2: Contributions to average annual real GDP growth

Percentage points*†

	2018	2019	2020	2021
Consumption	1.2 (1.2)	0.9 (0.9)	1.0 (1.1)	1.3 (1.0)
Housing	-0.1 (-0.1)	0.0 (0.0)	0.4 (0.4)	0.2 (0.1)
Government	0.8 (0.7)	0.5 (0.4)	0.2 (0.2)	0.2 (0.2)
Business fixed investment	0.2 (0.2)	0.0 (-0.4)	0.2 (0.1)	0.3 (0.4)
Subtotal: final domestic demand	2.1 (2.0)	1.4 (0.9)	1.8 (1.8)	2.0 (1.7)
Exports	1.0 (1.0)	0.5 (0.6)	0.4 (0.3)	0.8 (0.7)
Imports	-0.8 (-0.9)	-0.1 (-0.1)	-0.3 (-0.2)	-0.9 (-0.6)
Subtotal: net exports	0.1 (0.1)	0.4 (0.5)	0.1 (0.1)	-0.1 (0.1)
Inventories	-0.2 (-0.3)	-0.2 (0.1)	-0.3 (-0.2)	0.1 (0.0)
GDP	2.0 (1.9)	1.6 (1.5)	1.6 (1.7)	2.0 (1.8)
Memo items (percentage change)				
Range for potential output	1.5–2.1 (1.5–2.1)	1.5–2.1 (1.5–2.1)	1.3–2.1 (1.3–2.1)	1.2–2.4 (1.2–2.4)
Real gross domestic income (GDI)	2.1 (2.0)	1.6 (1.6)	1.6 (1.5)	2.1 (1.7)
CPI inflation	2.3 (2.3)	2.0 (2.0)	1.9 (1.8)	2.0 (2.0)

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

† Numbers may not add to total because of rounding.

As recently as March 4, 2020, the Bank of Canada indicated growth over the first quarter of 2020 will be weaker than anticipated. The impacts of COVID-19 represent a material shock to the Canadian and global outlooks, and monetary and fiscal authorities are responding. The drop in terms of trade, if sustained, will weigh on income growth. Meanwhile, business investment does not appear to be recovering as was expected following positive trade policy developments. In addition, rail line blockades, strikes by Ontario teachers, and winter storms in some regions are dampening economic activity in the first quarter of 2020. (Bank of Canada, Press Release, March 4, 2020)

Provincial

In 2019 the province of Saskatchewan's population grew by 1.0 percent. The province's Consumer Price Index (CPI) increased by 1.6 percent from December 2018 to December 2019, trailing the national results of 2.2 percent. The unemployment rate for the province of Saskatchewan increased from 5.5 percent as at December 31, 2018 to end 2019 at 5.7 percent, a result slightly ahead of the national unemployment rate of 5.6 percent. (Government of Saskatchewan website, Saskatchewan's Dashboard, Business and Economy)

Following a year of slow economic growth in 2019, estimated at 0.6 percent, the provincial economy is projected to grow by 1.2 percent in 2020 and 1.9 percent in 2021. Growth in 2020 is anticipated to be partially fueled by an anticipated increase in demand for potash. Further growth is forecast to occur in 2021 on the premise pipeline expansion bolsters the oil and gas industry. (RBC, Provincial Outlook, December 2019)

Saskatchewan forecast at a glance

% change unless otherw ise specified

	2017	2018	2019F	2020F	2021F
Real GDP	1.7	1.3	0.6	1.2	1.9
Nominal GDP	5.1	1.4	2.0	3.0	3.9
Employment	-0.2	0.4	1.6	0.9	0.2
Unemployment Rate (%)	6.3	6.1	5.4	5.2	5.4
Retail Sales	4.1	-0.3	-0.2	0.8	1.5
Housing Starts (Thousands of Units)	4.9	3.6	2.4	4.0	6.0
Consumer Price Index	1.7	2.3	1.7	1.8	2.0

The information above was published without factoring in the escalating impacts of COVID-19. As Saskatchewan's economy is largely fueled by commodity exports, there is a growing risk of 2020 economic growth within the province failing to meet these expectations.

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 2019. Actual results for 2018 have also been included for comparative purposes.

Table 1: Select Financial Information

	2019 Actual	2019 Plan	2018 Actual
Growth			
Total Assets	2,794,584,737	2,749,064,226	2,680,435,417
Annual Asset Growth	4.26%	2.56%	9.16%
Total Deposits	2,379,432,944	2,336,132,151	2,287,134,532
Annual Deposit Growth	4.04%	2.14%	10.97%
Total Loans	2,124,690,743	2,292,592,327	2,124,400,122
Annual Loan Growth	0.01%	7.92%	3.90%
Credit quality			
Delinquency greater than 90 days	1.90%	<= 1.25%	1.48%
Gross impaired loans	29,129,050	7,209,596	10,359,021
Allowance for credit losses	15,759,262	6,419,620	9,250,571
Provision for credit losses	7,498,184	2,000,000	5,058,942
Liquidity management			
Liquidity Coverage Ratio (CUDGC)	869.69%	317.60%	350.44%
Liquidity Coverage Ratio (OSFI)	275.93%	152.81%	148.01%
Loan to asset ratio	76.05%	83.40%	79.26%
Capital			
Common Equity Tier 1 Capital / Risk Weighted Assets (CUDGC)	13.33%	12.88%	11.98%
Total Tier 1 Capital / Risk Weighted Assets (CUDGC)	13.33%	12.88%	11.98%
Total Eligible Capital / Risk Weighted Assets (CUDGC)	14.64%	14.13%	13.22%
Leverage Ratio (CUDGC)	9.20%	9.28%	8.55%
Profitability and member return			
Net income	14,482,650	16,124,285	17,358,681
Operating income before member distributions and income tax *	24,349,648	25,396,139	25,674,760
Return on assets (ROA) before member distributions and income tax *	0.87%	0.92%	0.96%
Return on equity (ROE) before member distributions and income tax * †	10.63%	11.67%	12.69%
Efficiency ratio *	66.89%	71.81%	67.02%
Member distributions	3,480,737	3,809,424	3,790,713

** excludes unrealized gains (losses) and member distributions*

† ROE calculation includes an adjustment to prior year retained earnings to include the contributed surplus arising from the January 1, 2019 business combinations

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 the insurance and holding company subsidiaries.

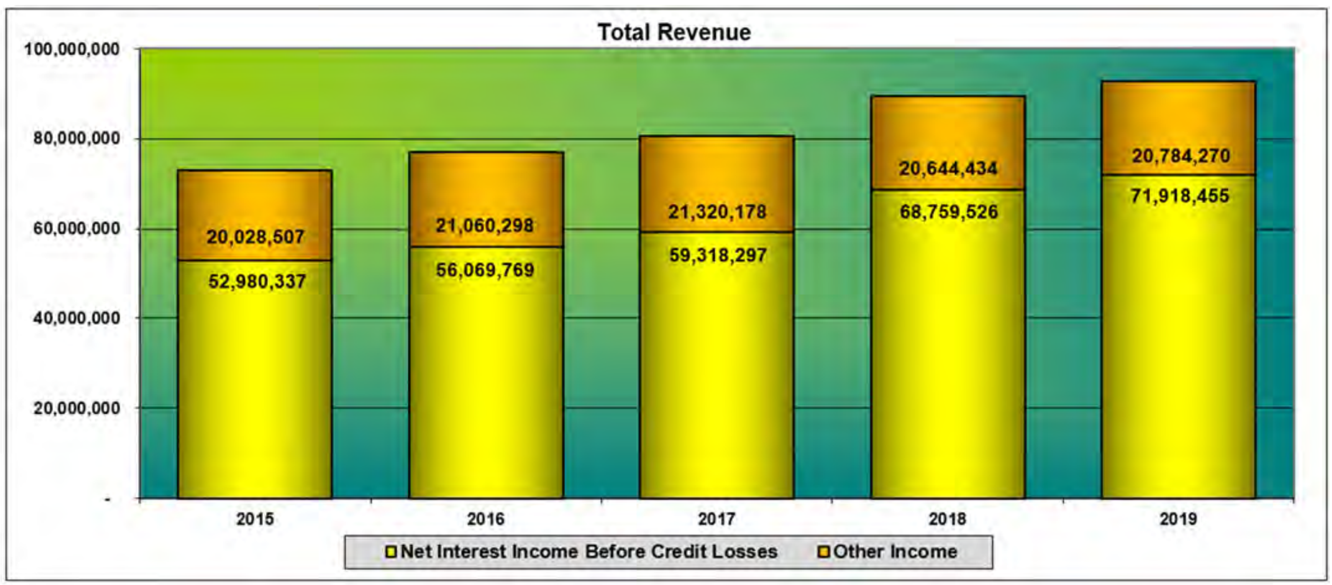
Total Revenue

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

Table 2: Total Revenue

	2019		2018	
	Actual ($)	% of Total	Actual ($)	% of Total
Net Interest Income Before Credit Losses	71,918,455	77.6%	68,759,525	76.9%
Other Income	20,784,270	22.4%	20,644,434	23.1%
Total Revenue	**92,702,725**		**89,403,959**	

Total revenue increased $3.3 million or 3.7% to $92.7 million in 2019, driven by positive growth in net interest income before credit losses. As a result, the proportion of total revenue attributed to net interest income before credit losses increased in 2019. The results realized in 2019 continued the positive trend witnessed in total revenues earned by the organization over the past five years.



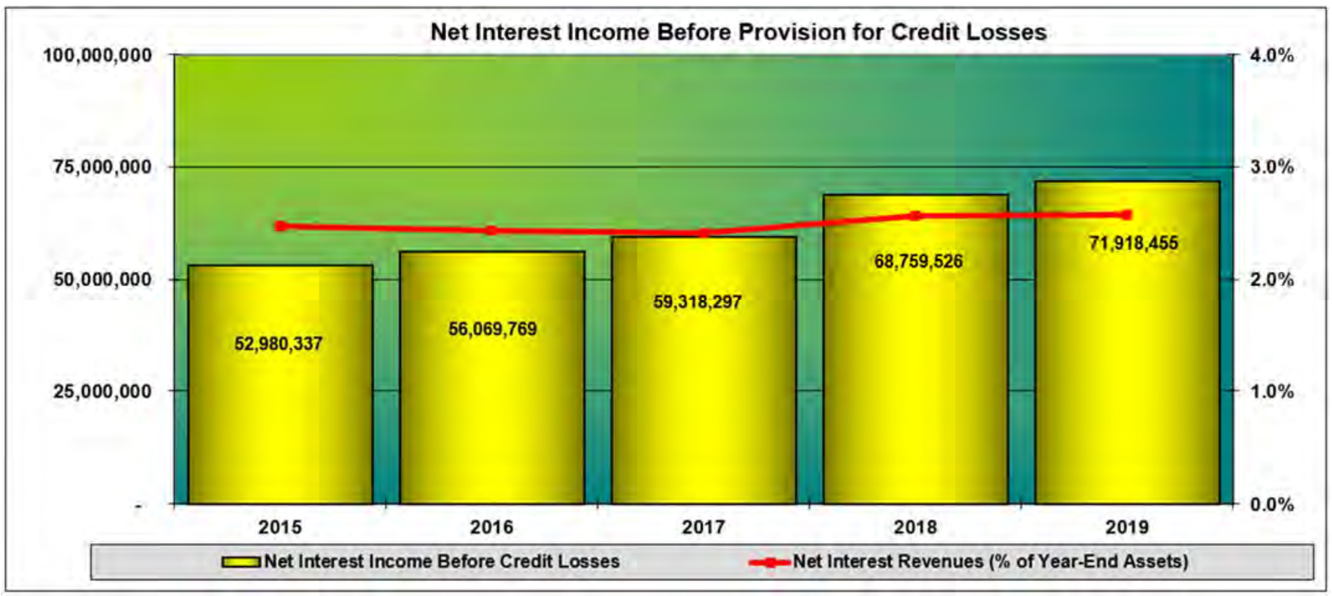
Net Interest Income Before Credit Losses

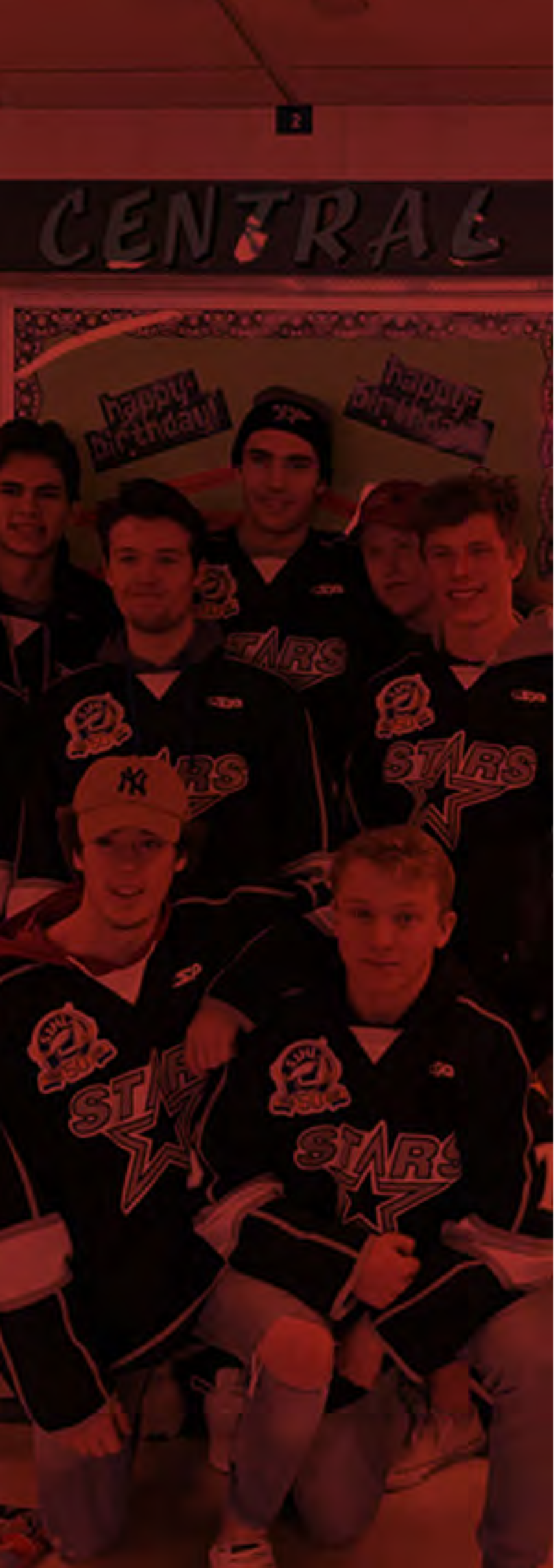
Net interest income before credit losses represents the difference between the interest earned on assets and interest paid on deposits and other funding liabilities. Also included in this amount is the realized gain (loss) on investments classified as Fair Value Through Profit or Loss (FVTPL). Net interest 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. Growth in net interest income before credit losses realized in 2019 was influenced by each of these factors.

Table 3: Net Interest Income Before Credit Losses

			Change	
	2019	**2018**	**$**	**%**
Interest Income	111,521,362	99,205,526	12,315,836	12.4%
Interest Expense	41,665,846	32,707,358	8,958,488	27.4%
Realized Gain (Loss) on FVTPL Investments	2,062,939	2,261,358	(198,419)	(8.8%)
Net Interest Income Before Credit Losses	**71,918,455**	**68,759,526**	**3,158,929**	**4.6%**

Net interest income before credit losses increased by $3.2 million or 4.6% to $71.9 million in 2019. Total net interest income before credit losses generated in 2019 continued a positive trend from an aggregate dollar perspective. In relation to the overall size of the organization's balance sheet, 2019 results remained at the same level when compared to the prior year.





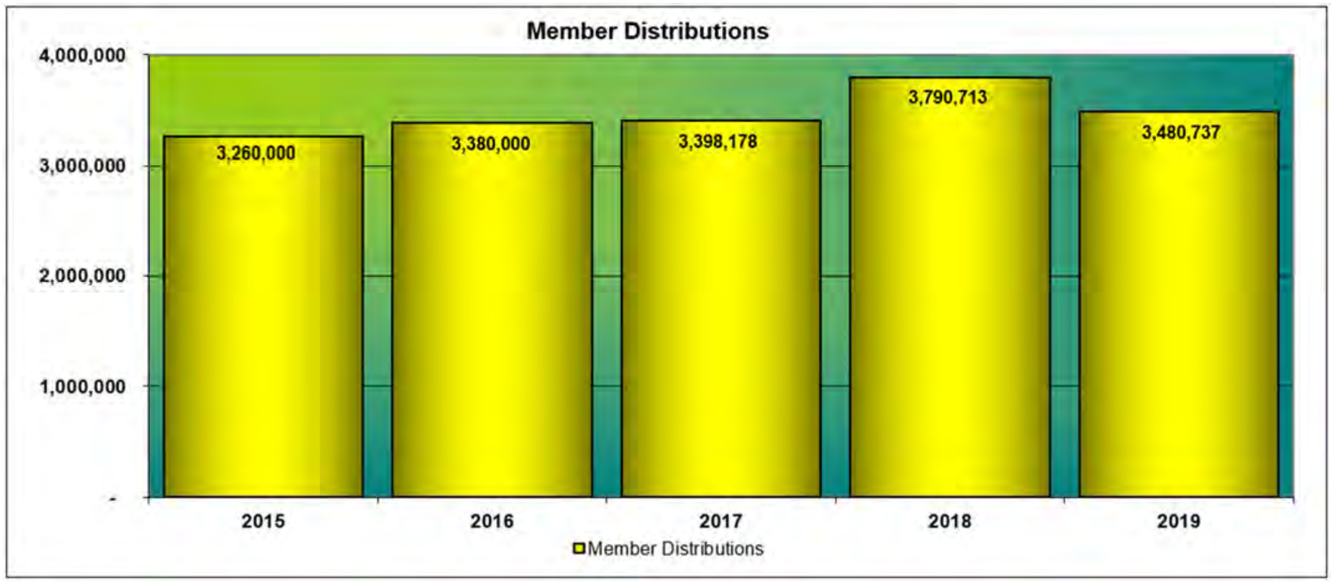
Member Distributions

Member distributions are included in net interest income before provision for credit losses. In 2019, the board of directors declared total member distributions of $3.5 million, a decrease of 8.2% over the prior year, which were dispersed on a quarterly basis.

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

- Allocations: patronage allocations, based on total interest paid on qualifying loans as well as total interest earned on qualifying deposits, which is utilized to increase the value of member shares held by each member of Innovation. Of the $3.5 million total 2019 authorized member distributions, $2.1 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 2019 the board of directors authorized quarterly dividends at an annualized rate of 5.97% (Q1), 5.04% (Q2), 4.92% (Q3) and 4.92% (Q4). Of the $3.5 million total 2019 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 2019 the board of directors authorized quarterly youth dividends of $5.00 (Q1), $5.00 (Q2), $5.00 (Q3) and $5.00 (Q4). Of the $3.5 million total 2019 authorized member distributions, $0.05 million was returned to members in the form of youth dividends.

The Member Reward Program is an important differentiator for Innovation and demonstrates the organization's commitment to the cooperative principles. Member distributions declared in 2019 demonstrate consistency as evident by the five-year trend.



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 2019, $0.51 million ($0.51 million in 2018) representing an annual decrease of -0.3% 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.

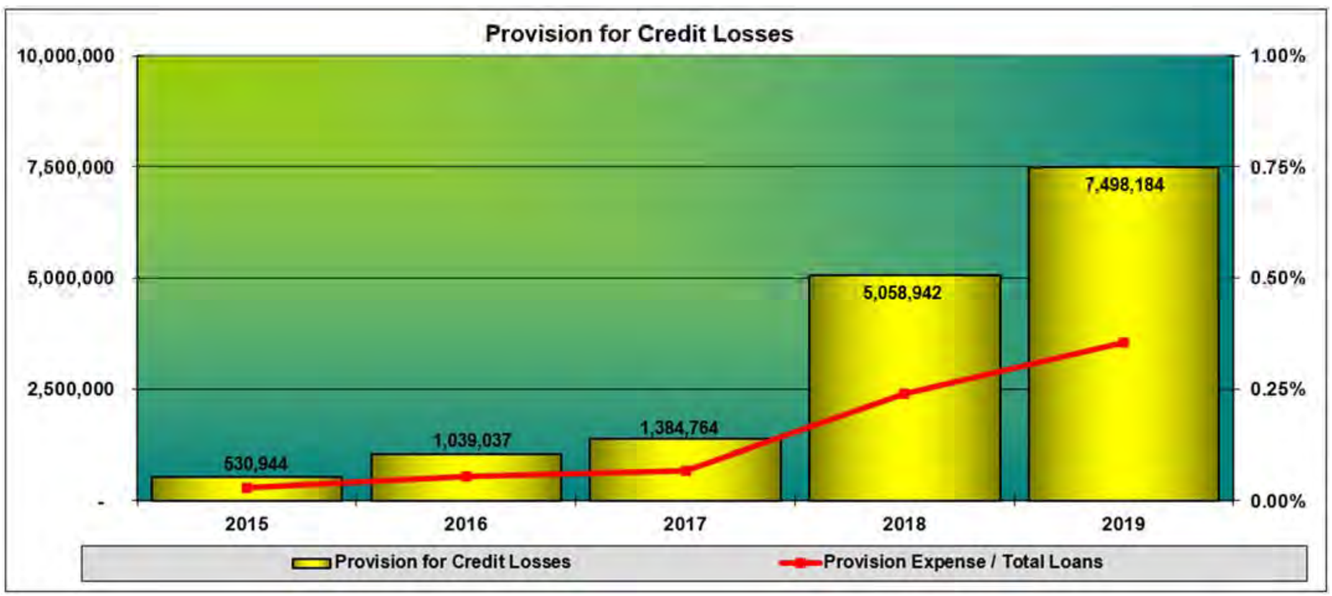
Provision for Credit Losses

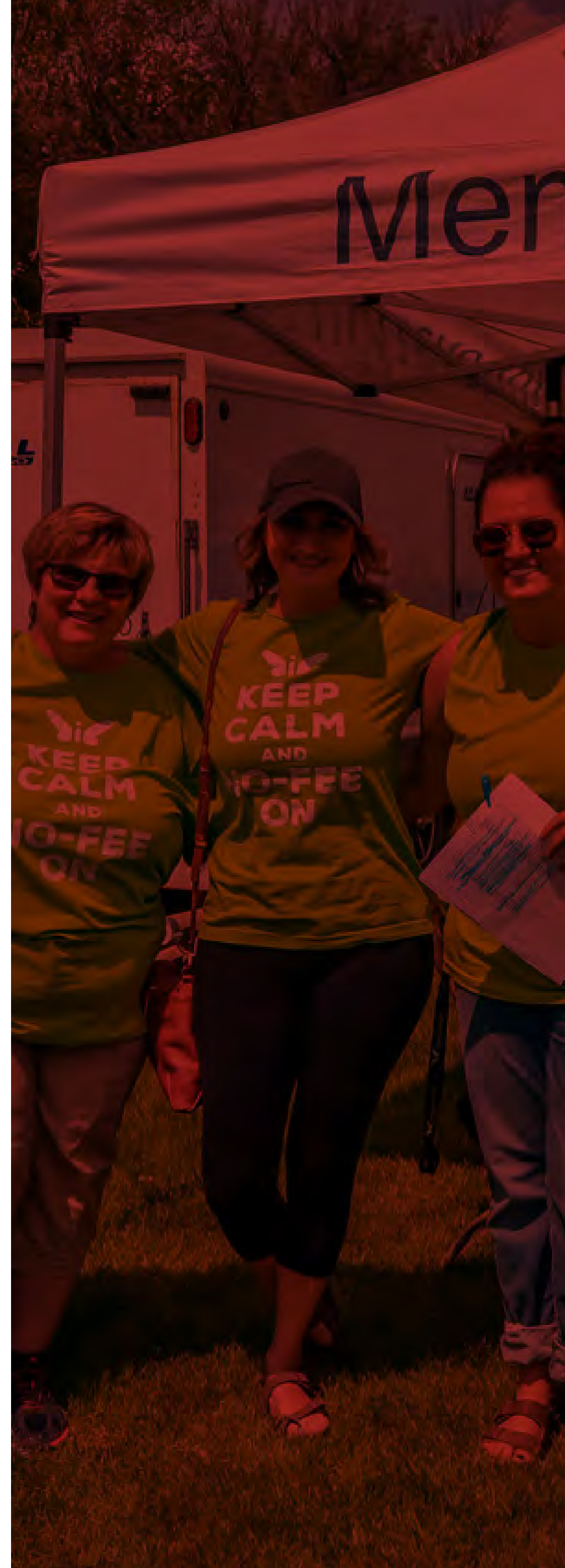
The provision for credit losses includes both the realized losses / recoveries on loans which are no longer considered collectible (net write-offs) and the expected shortfall in cash flows on individual loans and portfolio of loans where there is evidence of credit impairment (change in allowance). The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

Table 4: Provision for Credit Losses

			Change	
	2019	**2018**	**$**	**%**
Agriculture Loans	378,639	275,335	103,304	37.5%
Commercial Loans	6,291,123	2,900,852	3,390,271	116.9%
Consumer Loans	800,930	1,860,201	(1,059,271)	(56.9%)
Investments	27,492	22,554	4,938	21.9%
Provision for Credit Losses	7,498,184	5,058,942	2,439,242	48.2%
Provision for Credit Losses (% of Year-End Total Loan Portfolio)	0.35%	0.24%		

Provision for credit losses increased by $2.4 million or 48.2% to $7.5 million in 2019. In relation to the size of the total year-end loan portfolio, the 2019 provision for credit losses figure increased to 35 basis points.





Provision for credit losses are naturally influenced by the prevailing economic conditions and in turn the 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

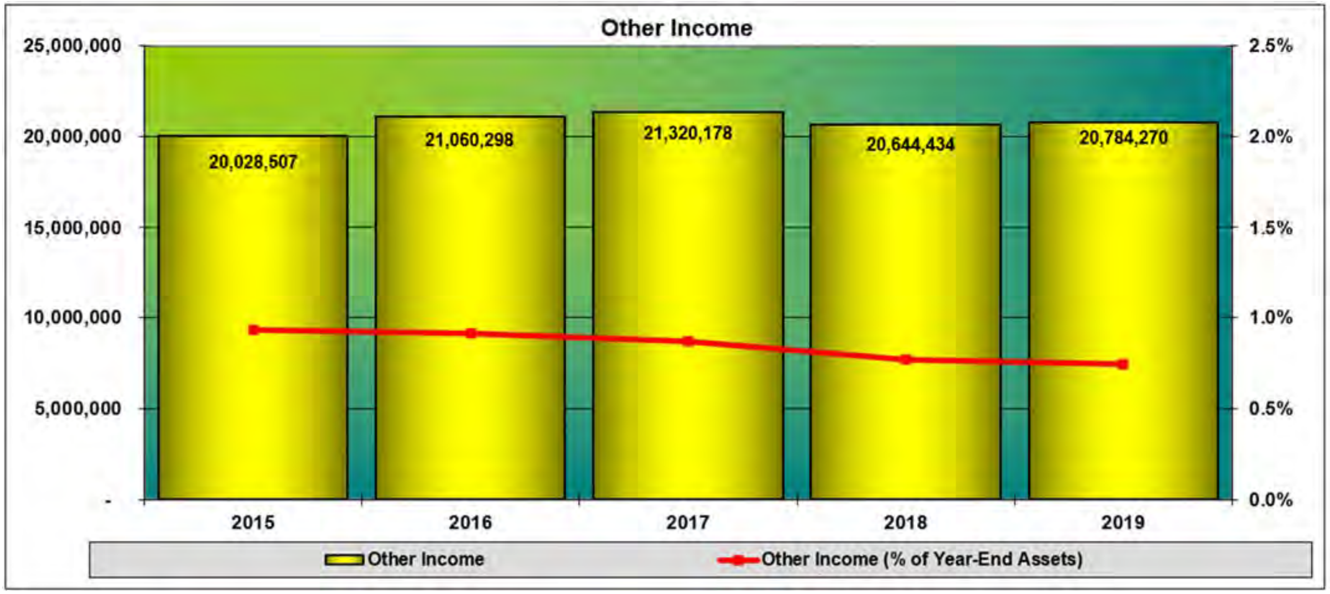
Innovation's non-interest revenue consists of the following major components:

- **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.
- **Wealth management:** revenue generated through Innovation's wealth management area.
- **Insurance agencies:** consolidated revenues earned by property and casualty insurance subsidiaries owned by the organization.
- **Other:** includes revenue generated through rental of physical properties owned by the organization, contracted services provided to other organizations as well as revenue earned through Innovation's ownership interest in CU Dealer Finance Corp.

Table 5: Other Income

	2019	2018	Change $	%
Service charges on products	1,304,856	1,285,187	19,669	1.5%
Loan fees, commissions and insurance	4,360,805	4,195,738	165,067	3.9%
Other fees and commissions	4,669,592	4,758,120	(88,528)	(1.9%)
Wealth management	3,930,363	3,806,025	124,338	3.3%
Insurance agencies	5,430,480	5,546,999	(116,519)	(2.1%)
Other	1,088,174	1,052,365	35,809	3.4%
Other Income	**20,784,270**	**20,644,434**	**139,836**	**0.7%**

Other income increased by $0.1 million or 0.7% to $20.8 million in 2019. In relation to the size of the organization's balance sheet, other income fell by 3 basis points in 2019 to 0.74% of total assets. The five-year trend indicates other income levels remain relatively consistent on a year-over-year basis. The average annual growth rate over the past five years equates to 1.0%. 2019 growth of 0.7% fell short of this five-year average however exceeded the prior year annual growth rate of (3.2%).



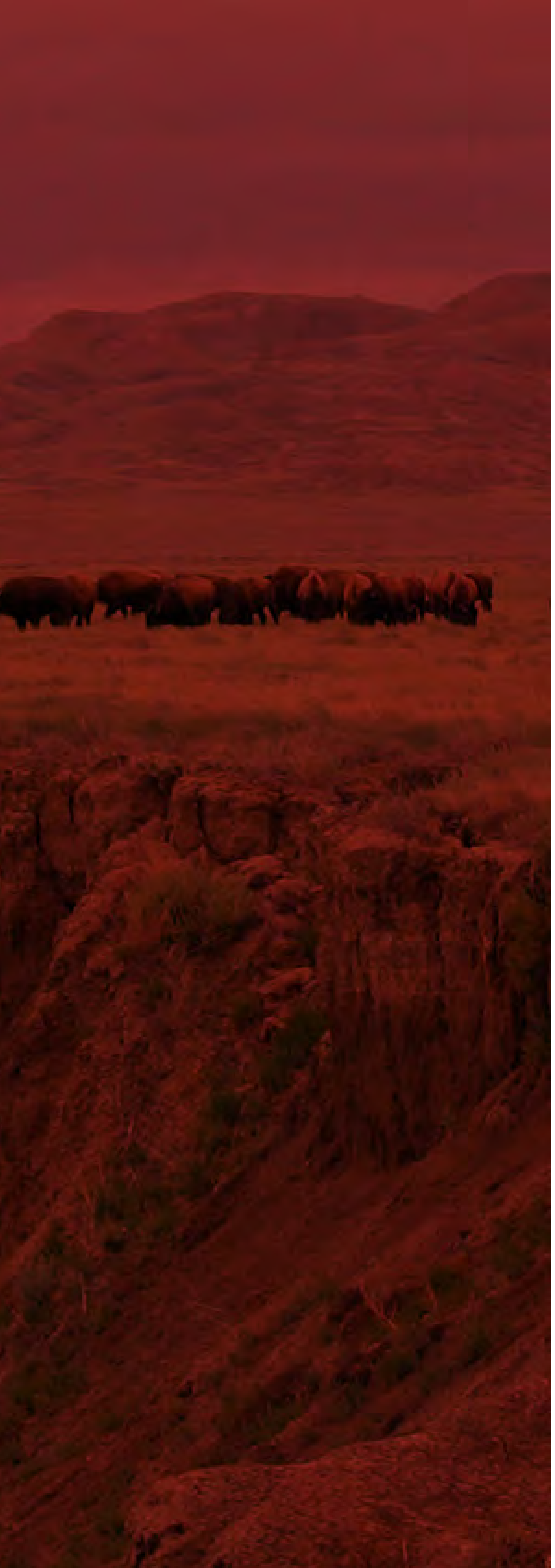
Operating Expenses

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

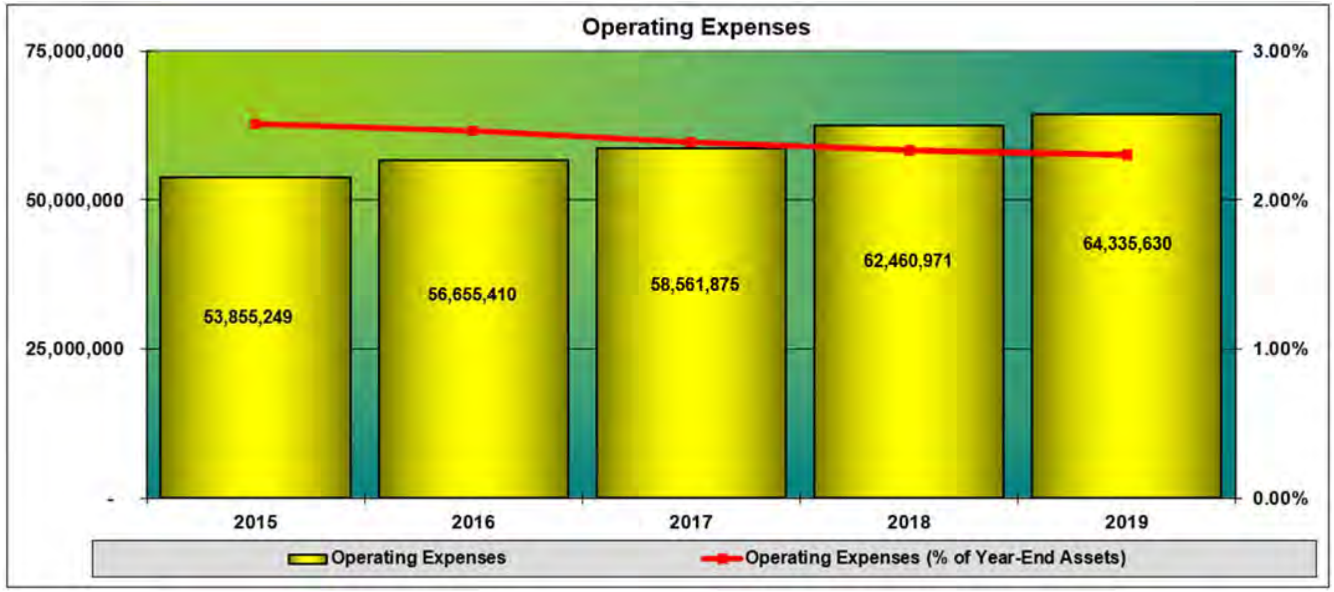
- Personnel: costs directly associated with staff in the employment of the credit union and subsidiary organizations including fixed and variable compensation along with benefits and training.
- Security: costs associated with regulatory oversight and deposit insurance along with fidelity and burglary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

Table 6: Operating Expenses

			Change	
	2019	**2018**	**$**	**%**
Personnel	36,354,579	36,347,954	6,625	0.0%
Security	2,318,723	2,035,326	283,397	13.9%
Organizational	951,892	865,030	86,862	10.0%
Occupancy	4,258,127	3,977,302	280,825	7.1%
General business	20,452,309	19,235,359	1,216,949	6.3%
Operating Expenses	**64,335,630**	**62,460,971**	**1,874,659**	**3.0%**



Operating expenses increased by $1.9 million or 3.0% to $64.3 million in 2019. In relation to the size of the organization's balance sheet, operating expenses decreased by 3 basis points in 2019 to 2.30% of total assets. The average annual growth rate over the past five years equates to 3.9%. 2019 growth of 3.0% fell short of this five-year average and also fell short of the prior year annual growth rate of 6.7%.



Net Income

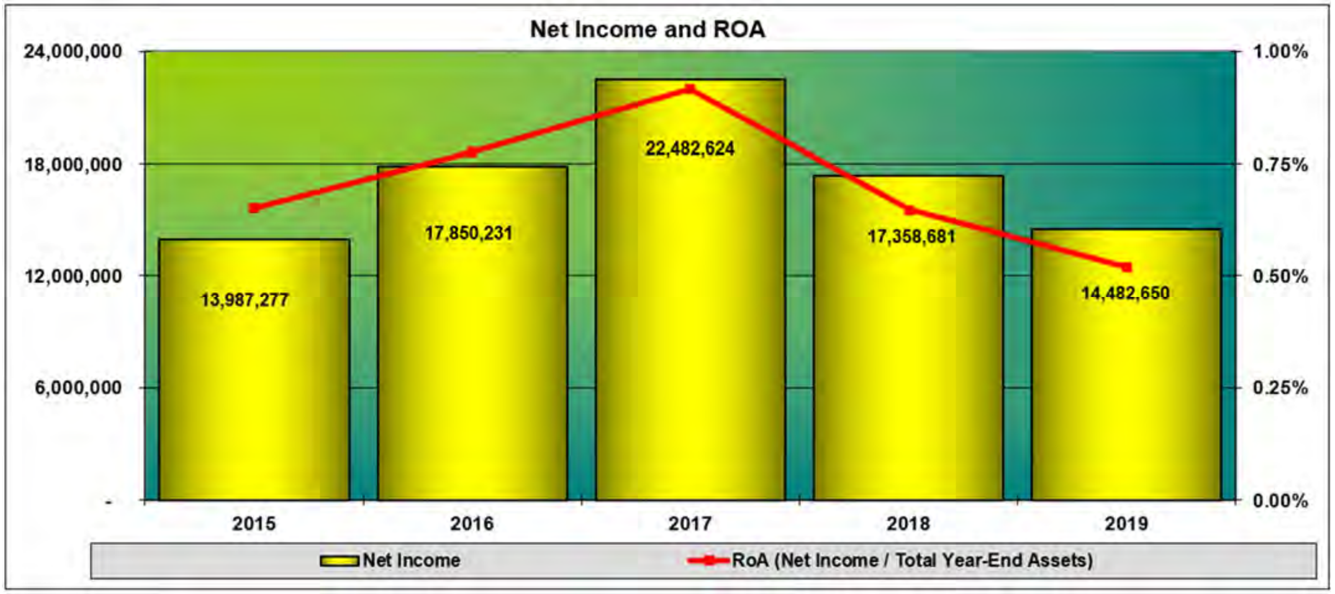
Net income results are shown after provision of income taxes. This figure is also inclusive of all unrealized gains or losses as required as per current accounting guidelines.

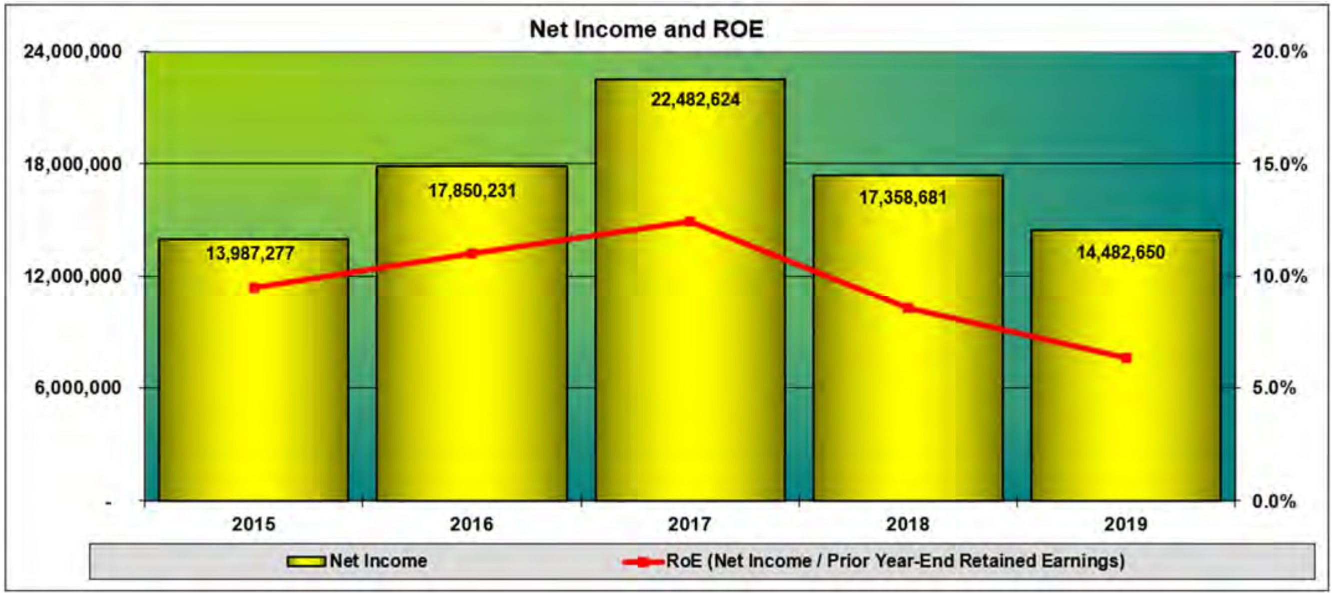
Table 7: Net Income

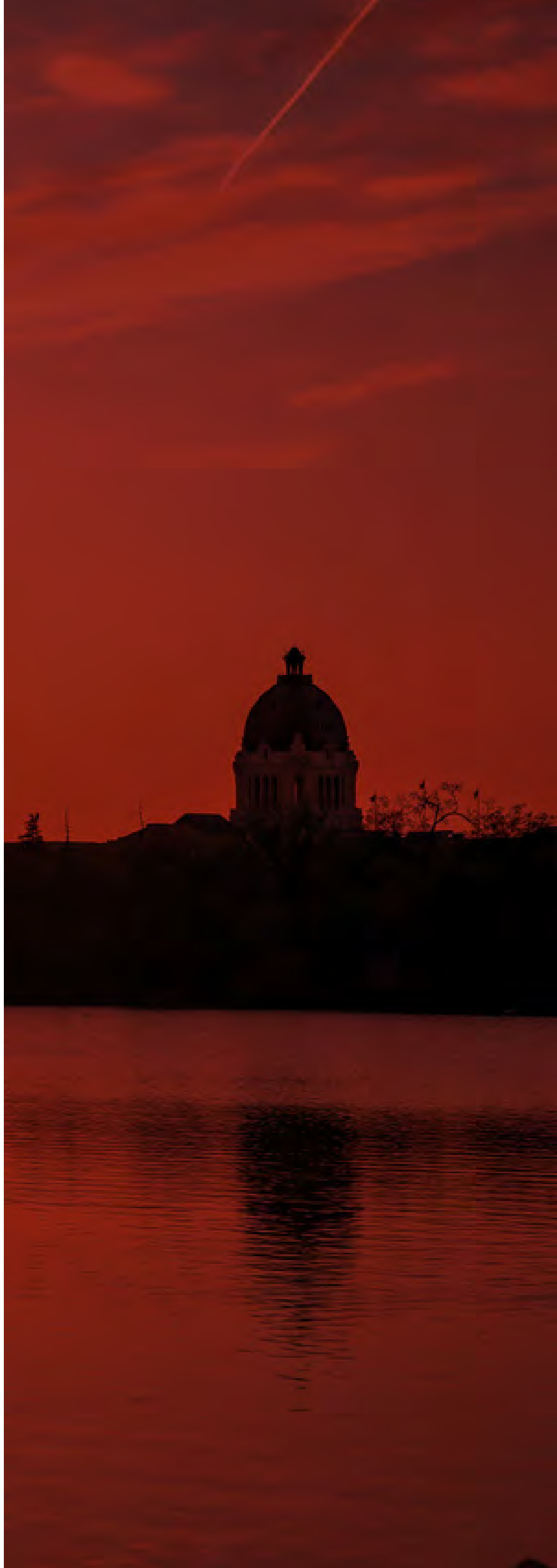
	2019	2018	Change $	Change %
Net Income	14,482,650	17,358,681	(2,876,031)	(16.6%)
Return on Assets (Net Income / Year-End Assets)	0.52%	0.65%		
Return on Equity (Net Income / Prior Year-End Retained Earnings)	6.32%	8.58%		

**prior year retained earnings include contributed surplus from business combinations which occurred January 1, 2019*

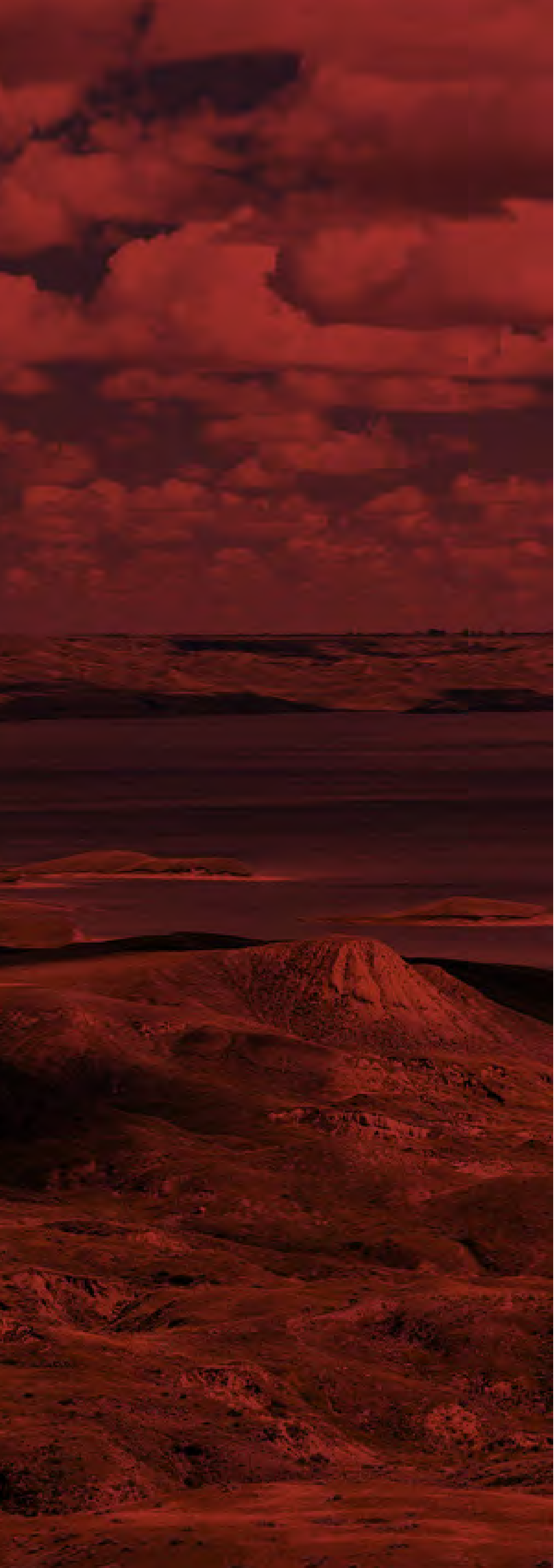
Net income after tax decreased by $2.9 million or 16.6% to $14.5 million in 2019. In relation to the size of the organization's balance sheet, net income decreased by 13 basis points in 2019 to 0.52% of total assets. Return on equity decreased to 6.32% in 2019, down from 8.58% in 2018.



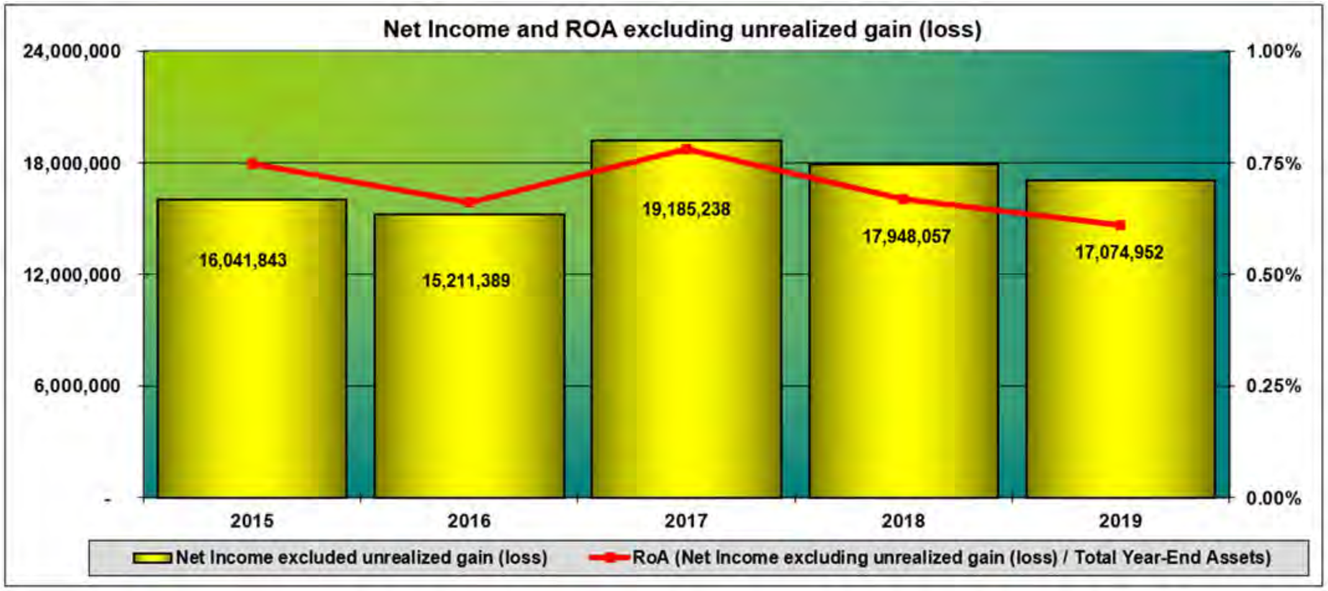


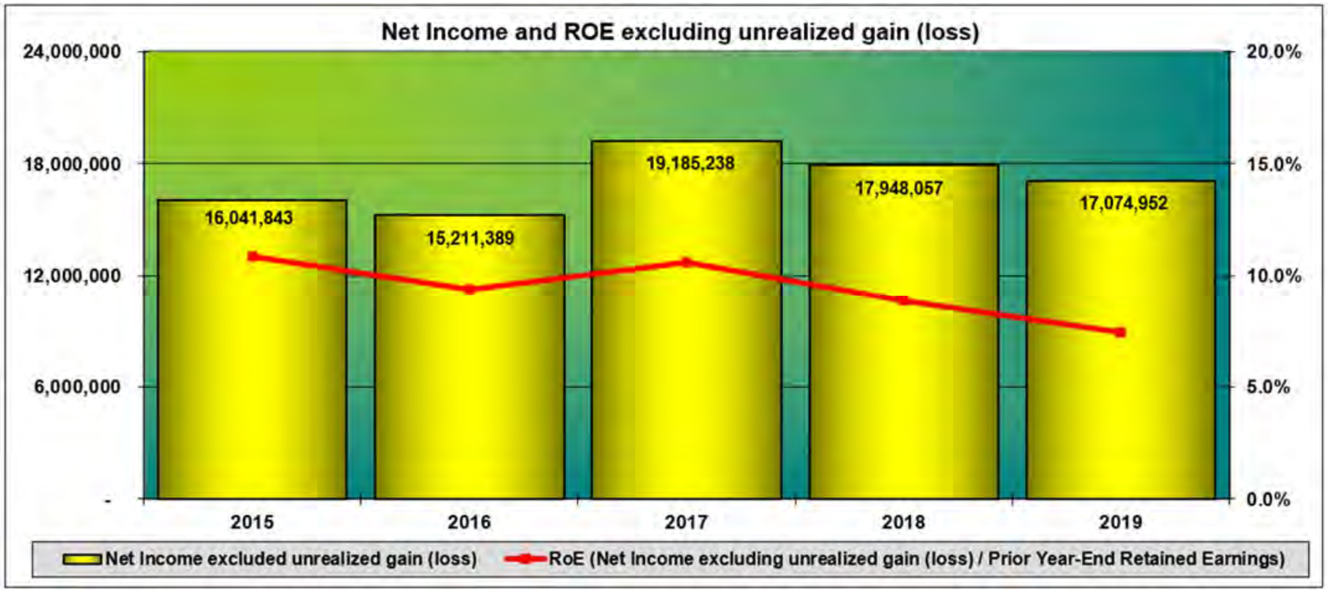


Net income is impacted by any unrealized gain (loss) recognized in the fiscal period. In 2019 the combined unrealized gain (loss) on the derivative portfolio as well as FVTPL investments equated to ($2.6 million) which exceeded the 2018 result of ($0.6 million). The combined 2019 unrealized loss equates to (9 basis points) in relation to 2019 year-end total assets.



The volatility of the unrealized gain (loss) recognized and reported on the income has contributed to volatility in the five-year net income trends. Net income results excluding the unrealized gain (loss) over the past five years appears as follows:

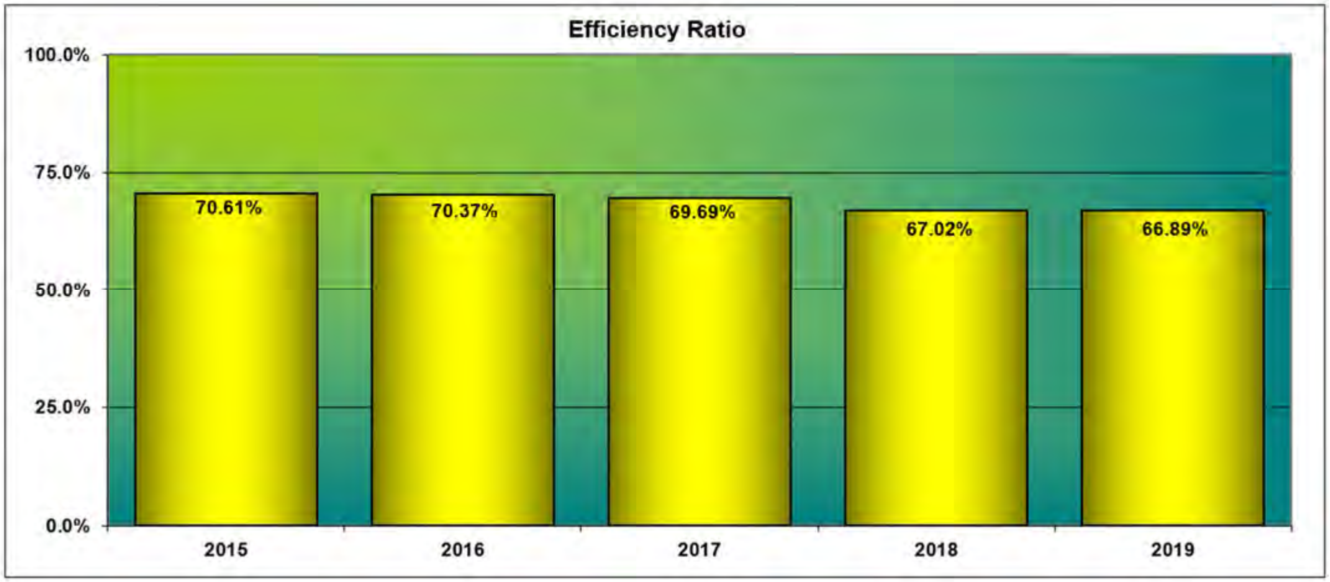




Efficiency

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.

The efficiency ratio improved in 2019 to 66.89%, compared to a weaker result of 67.02% in 2018. The stronger result in 2019 was driven by the fact that total revenue (prior to member distributions) increased in 2019 by $3.0 million or 3.2% while total operating expenses increased by $1.9 million or 3.0%. As revenue growth outpaced expense growth, the efficiency ratio improved in 2019.



FINANCIAL REVIEW – BALANCE SHEET

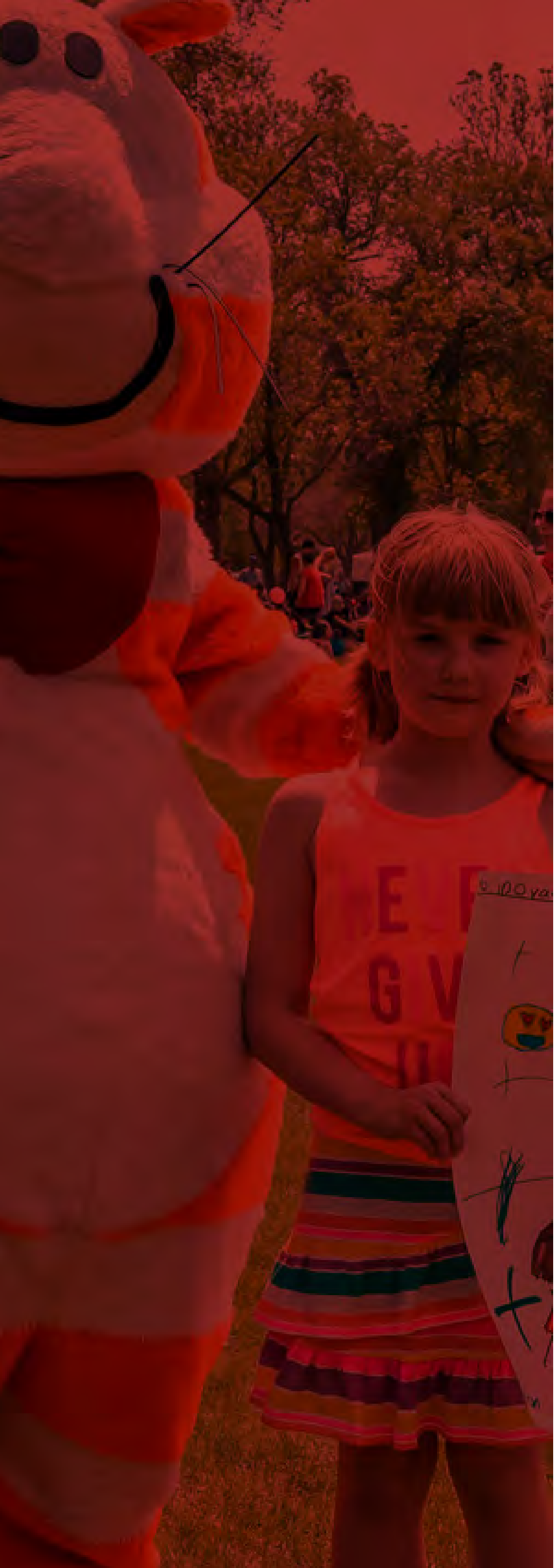
The financial review provides an analysis of the significant categories as shown on the Consolidated Statement of Financial Position (Balance Sheet) and includes a review of the assets and liabilities of the organization along with information pertaining to the capital and liquidity position.

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 8: Assets Under Administration

	2019	2018	Change $	Change %
On-Balance Sheet Assets	2,794,584,737	2,680,435,417	114,149,320	4.3%
Off-Balance Sheet Assets Under Administration				
Innovation Wealth	666,008,505	567,590,627	98,417,878	17.3%
Sold/Syndicated Loans	31,412,178	37,853,034	(6,440,856)	(17.0%)
Total Assets Under Administration	**3,492,005,420**	**3,285,879,078**	**206,126,342**	**6.3%**



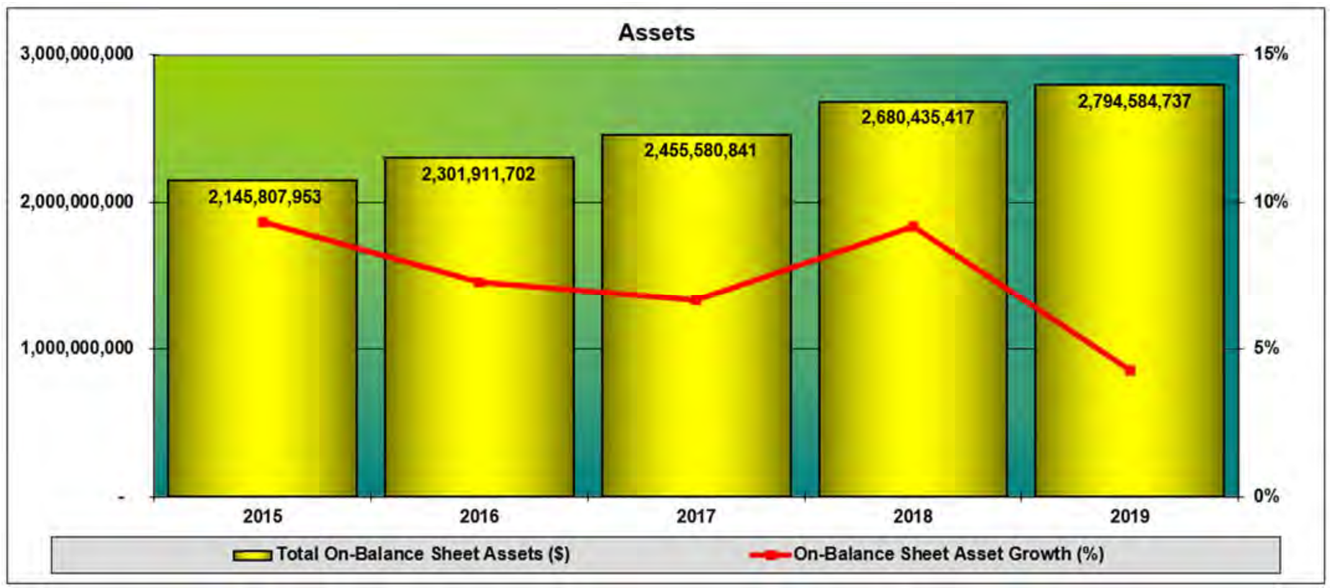
Total Assets (On-Balance Sheet)

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 9: Total Assets

	2019	2018	Change $	Change %
Cash and cash equivalents	244,334,229	100,081,744	144,252,485	144.1%
Investments	372,399,726	405,404,651	(33,004,925)	(8.1%)
Loans	2,124,690,743	2,124,400,122	290,621	0.0%
Property and equipment	17,989,108	18,648,097	(658,989)	(3.5%)
Goodwill & intangibles	7,651,687	6,625,427	1,026,260	15.5%
Other assets	27,519,244	25,275,377	2,243,868	8.9%
Total Assets	**2,794,584,737**	**2,680,435,417**	**114,149,320**	**4.3%**

Total assets increased by $114.1 million or 4.3% to $2.795 billion in 2019. The average annual growth rate over the past five years equates to 7.3%. 2019 growth of 4.3% fell short of this five-year average and trailed the prior year annual growth rate of 9.2%.



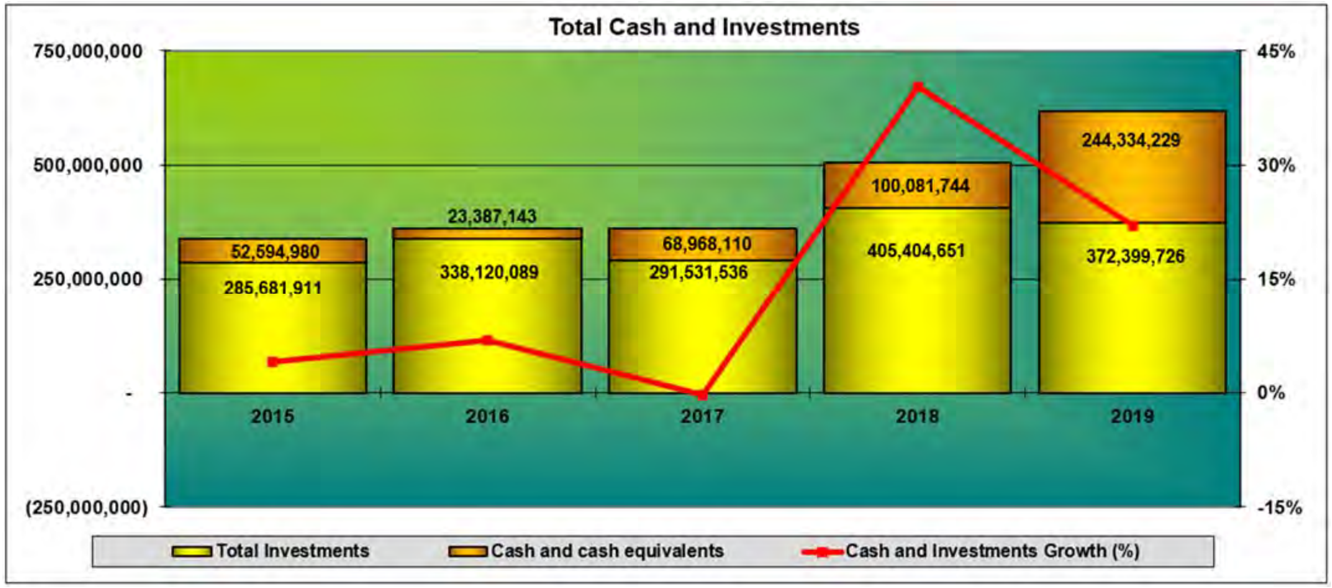
Cash and Investments

Innovation manages a portfolio of investments along with cash holdings based on the liquidity needs of the organization in a manner which provides appropriate returns to the organization. Under the current provincial regulatory environment, Saskatchewan credit unions are required to maintain 10% of liabilities using a prescribed formula in specified statutory liquidity deposits administered by SaskCentral. As at December 31, 2019 Innovation Credit Union met the statutory liquidity requirement.

Table 10: Cash and Investments

		2019	2018	Change $	%
Cash and cash equivalents					
Cash on hand		13,066,162	12,241,960	824,202	6.7%
Cash held at SaskCentral		36,311,316	87,839,784	(51,528,468)	(58.7%)
Cash held with Concentra Bank		16,613,890	-	16,613,890	n/a
Cash held with National Bank		178,342,861	-	178,342,861	n/a
Investments					
SaskCentral – Statutory Liquidity Variable	Debt Securities	162,696,611	112,803,856	49,892,755	44.2%
SaskCentral – Statutory Liquidity Term Pool	Debt Securities	82,239,130	101,414,879	(19,175,749)	(18.9%)
Concentra Bank	Debt Securities	26,602,100	159,548,700	(132,946,600)	(82.3%)
National Bank	Debt Securities	50,000,000	-	50,000,000	n/a
CIBC	Debt Securities	10,000,000	-	10,000,000	n/a
Central 1	Debt Securities	3,788,830	3,864,100	(75,270)	(1.9%)
Mortgage Backed Securities	Debt Securities	6,768,143	-	6,768,143	n/a
Other	Debt Securities	264,221	310,173	(45,952)	(14.8%)
SaskCentral – Shares	Equity Securities	16,659,518	14,500,000	2,159,518	14.9%
Concentra Bank Class A Series 1 Pref Shares	Equity Securities	1,750,000	1,500,000	250,000	16.7%
Apex (I, II and III)	Equity Securities	4,720,757	6,925,089	(2,204,332)	(31.8%)
WestCap	Equity Securities	4,025,338	2,720,800	1,304,538	47.9%
WaterCredit	Equity Securities	1,179,213	-	1,179,213	n/a
Other	Equity Securities	512,043	470,521	41,522	8.8%
Accrued Interest		1,243,868	1,369,087	(125,219)	(9.1%)
Impairment		(50,046)	(22,554)	(27,492)	121.9%
Total Cash and Investments		**616,733,955**	**505,486,395**	**111,247,560**	**22.0%**

Total cash and investments increased by $111.2 million or 22.0% to $616.7 million in 2019. Innovation continues to hold an appropriate level of cash and investments on the balance sheet as necessary to manage the liquidity risk of the organization.



Performing Loans

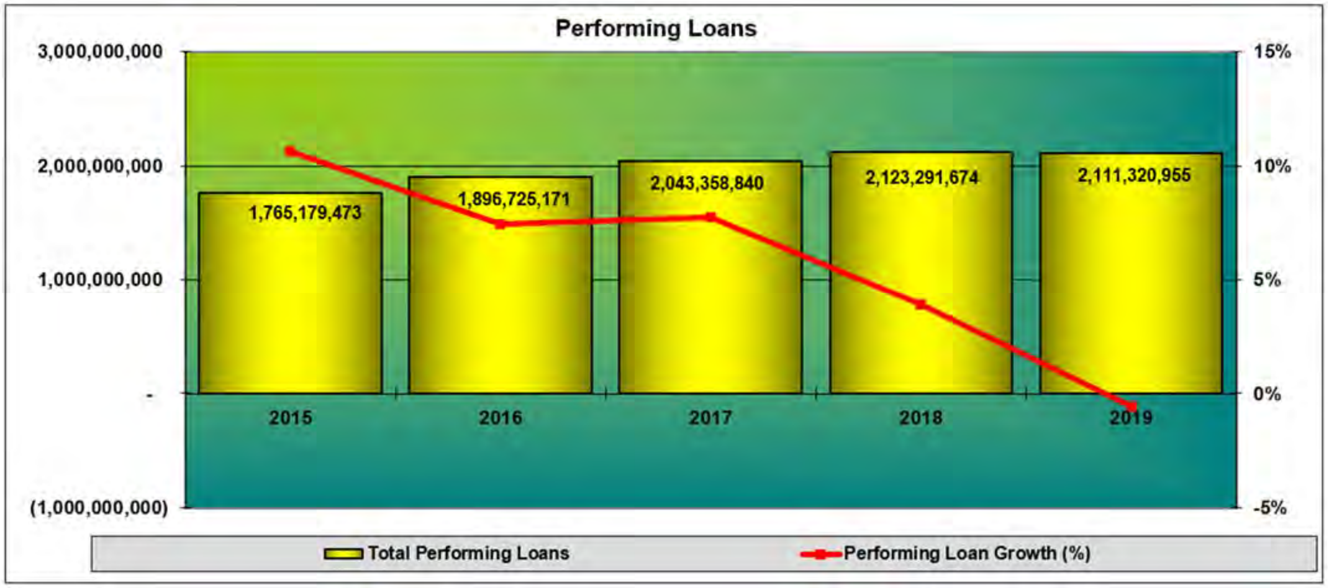
Innovation manages a portfolio of loans generated through relationships with both members and non-members of the credit union. The total loan portfolio held by the organization consists of performing loans, impaired loans less allowances established.

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

Table 11: Performing Loan Portfolio

	2019	2018	Change $	Change %
Agriculture	516,047,245	502,893,372	13,153,873	2.6%
Commercial	582,598,579	630,596,099	(47,997,520)	(7.6%)
Consumer	981,645,590	955,286,042	26,359,548	2.8%
Finance Leases	20,541,330	23,718,913	(3,177,582)	(13.4%)
Accrued Interest	10,488,211	10,797,248	(309,037)	(2.9%)
Total Performing Loans	**2,111,320,955**	**2,123,291,674**	**(11,970,719)**	**(0.6%)**

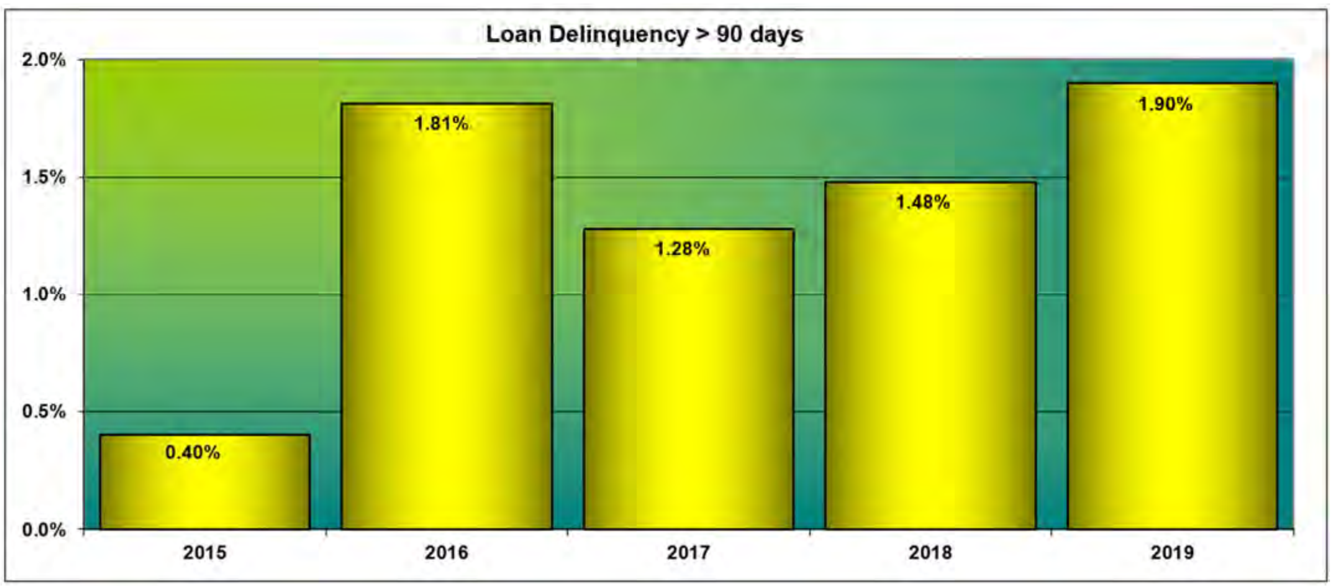
The total performing loan portfolio decreased by $12.0 million or (0.6%) to $2.111 billion in 2019. Positive growth within the agriculture and consumer portfolio was offset by negative growth in the categories of commercial, financial leases and accrued interest. The 2019 results continue a trend of slowing performing loan growth over the past five years.



Credit Quality

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

A loan is considered past due when a counterparty is contractually in arrears but where payment in full is expected. Loan delinquency is a natural risk faced by all financial institutions. Innovation continues to manage this risk in a prudent fashion, working with members impacted by changing economic conditions. Delinquency greater than 90 days was 1.90% in 2019, an increase from 1.48% in the prior year.

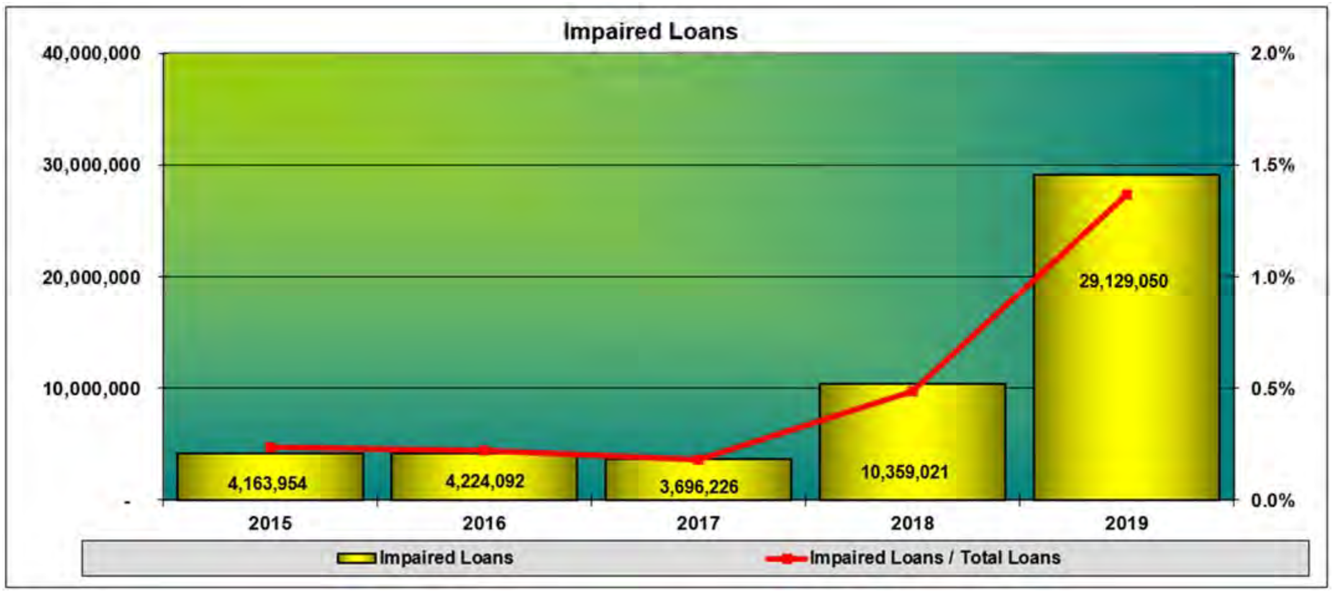


In situations where the organization may be unable to collect all principle and interest due according to the contractual terms of the loan agreement, the specific loan will be moved into the impaired category.

Table 12: Impaired Loan Portfolio

			Change	
	2019	**2018**	**$**	**%**
Agriculture	427,751	177,806	249,945	140.6%
Commercial	24,215,338	7,388,866	16,826,472	227.7%
Consumer	1,681,652	1,981,286	(299,634)	(15.1%)
Finance Leases	-	-	-	-
Foreclosed Property	264,500	234,862	29,638	12.6%
Accrued Interest	2,539,809	576,201	1,963,608	340.8%
Total Impaired Loans	**29,129,050**	**10,359,021**	**18,770,029**	**181.2%**

The total impaired loan portfolio increased by $18.8 million or 181.2% to $29.1 million in 2019. In relation to the size of the total loan portfolio, total impaired loan balances increased to a level of 1.37% of total loans in 2019 which is an increase from 0.49% in 2018. Exposures to large connected relationships which move into or out of the impaired category will naturally introduce volatility to this asset class.



In 2018, Innovation fully adopted IFRS 9 Financial Instruments which is an accounting guideline that replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses an expected credit loss (ECL) model to determine impairment in financial instruments as opposed to the incurred loss model under IAS 39. The ECL model is forward looking, in that an actual event that signifies a credit loss no longer needs to occur to record the loss. Under IFRS 9, 12-month ECL are calculated for the assets that have not had a significant increase in credit risk and a lifetime ECL is calculated on those assets that have had an increase in credit risk since initial recognition. Financial institutions involved in lending activities are the most affected with the introduction of IFRS 9.

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

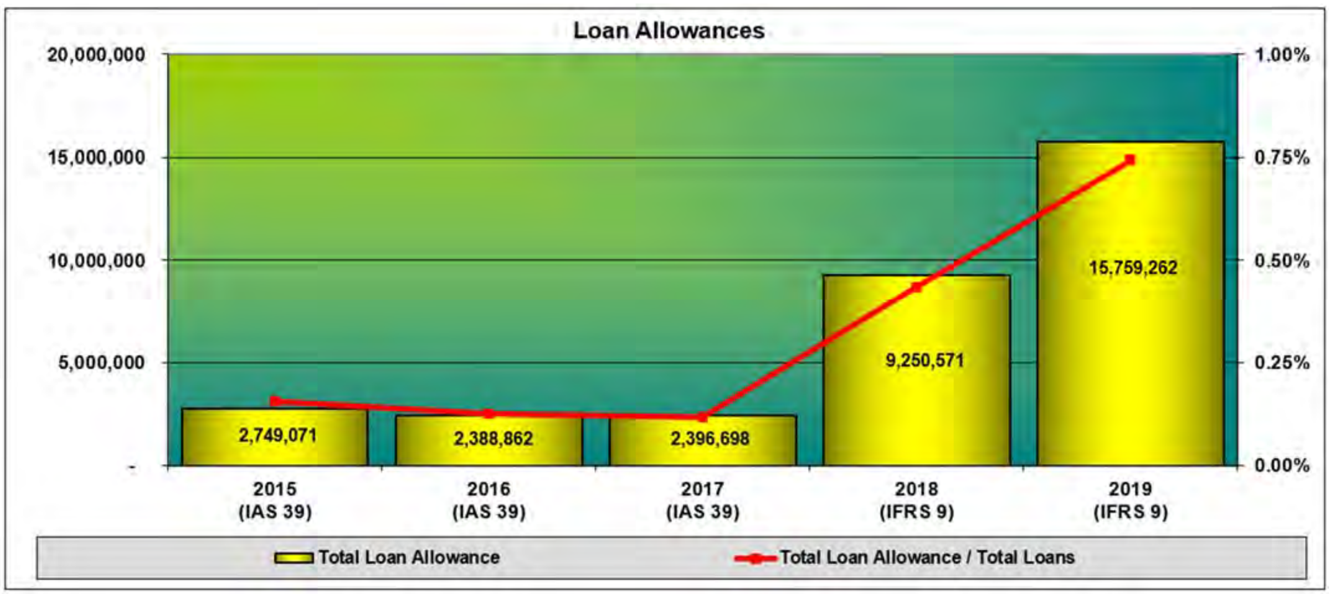
Table 13 (a): Total ECL Allowance by Portfolio

	2019	2018	Change $	%
Agriculture	772,790	394,149	378,641	96.1%
Commercial	11,581,637	5,241,766	6,339,871	120.9%
Consumer	3,404,835	3,614,656	(209,821)	(5.8%)
Total ECL	**15,759,262**	**9,250,571**	**6,508,691**	**70.4%**

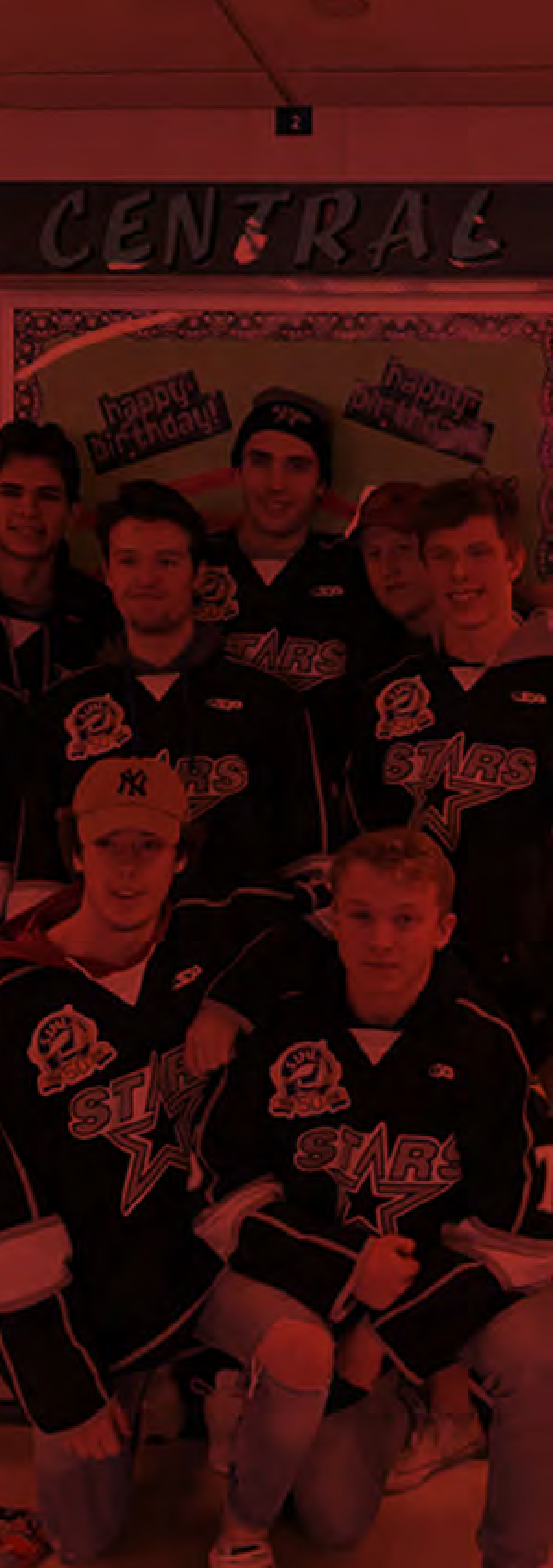
Table 13 (b): Total ECL Allowance by Recognition Stage

	2019	2018	Change $	%
Stage 1 – 12-month ECL	2,167,665	1,363,925	803,740	58.9%
Stage 2 – Lifetime ECL not credit impaired	1,578,162	1,770,172	(192,010)	(10.8%)
Stage 3 – Lifetime ECL credit impaired	12,013,435	6,116,474	5,896,961	96.4%
Total ECL	**15,759,262**	**9,250,571**	**6,508,691**	**70.4%**

In relation to the size of the total loan portfolio, total loan allowances ended 2019 at a level of 0.74% of the total loan portfolio, which is an increase from the prior year-end results of 0.44%. Comparative trends over the past five years will be skewed resulting from changes in accounting standards followed. As mentioned, IAS 39 was followed in 2015 – 2017 while IFRS 9 was followed in 2018 – 2019.



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



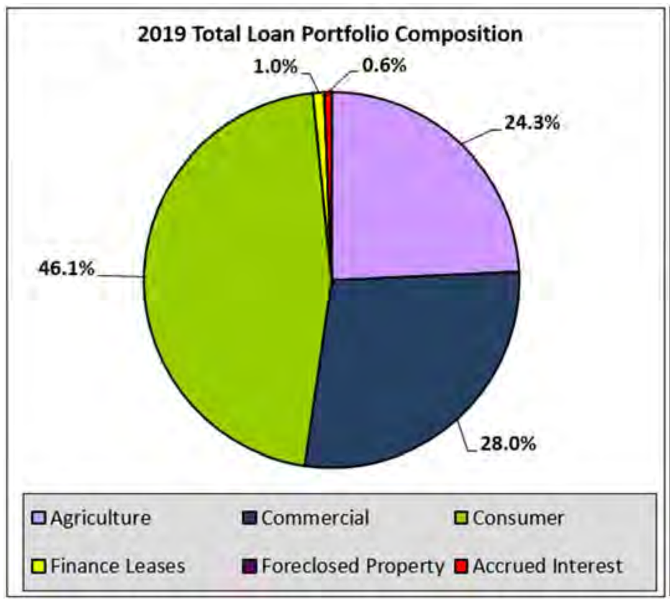
Total Loans

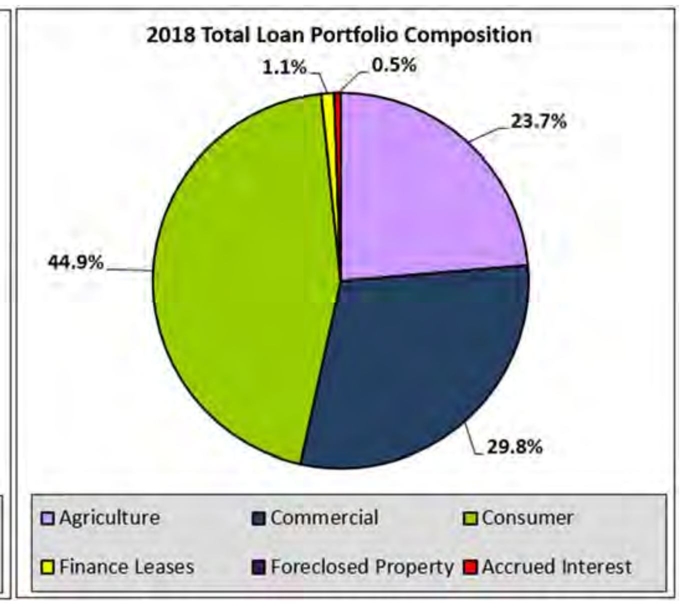
The total loan portfolio aggregates the performing loan portfolio with the impaired loan portfolio less loan allowances.

Table 14: Total Loan Portfolio

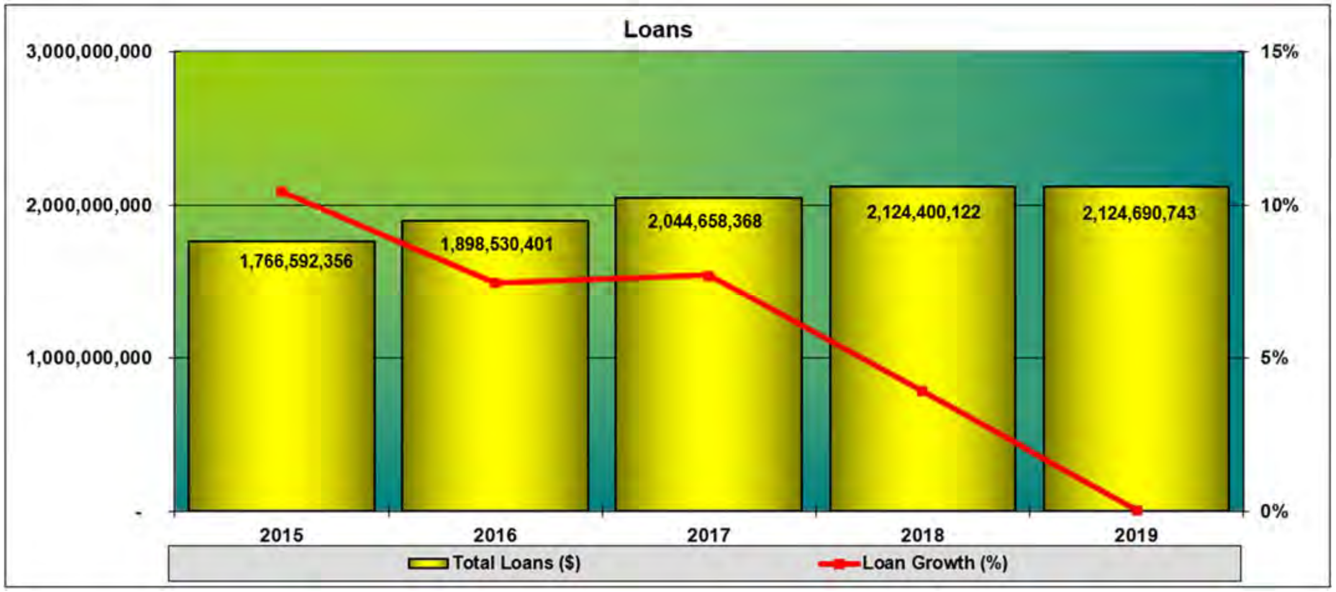
	2019	2018	Change $	Change %
Agriculture	515,702,206	502,677,028	13,025,178	2.6%
Commercial	595,232,280	632,743,198	(37,510,918)	(5.9%)
Consumer	979,922,407	953,652,672	26,269,735	2.8%
Finance Leases	20,541,330	23,718,913	(3,177,583)	(13.4%)
Foreclosed Property	264,500	234,862	29,638	12.6%
Accrued Interest	13,028,020	11,373,449	1,654,571	14.5%
Total Loans	**2,124,690,743**	**2,124,400,122**	**290,621**	**0.0%**

The total loan portfolio grew by $0.3 million or 0.0% to $2.125 billion in 2019. Declines in the commercial and finance lease portfolios were offset by growth within the consumer and agriculture portfolios. As a result of this growth pattern, the proportion of the total loan portfolio held in consumer loans increased when compared to the prior year.





The average annual growth rate over the past five years equates to 5.9%. 2019 growth of 0.0% fell short of this five-year average while also falling short of the prior year annual growth rate of 3.9%.



Residential Mortgage Portfolio

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

Innovation is limited to providing residential mortgages of no more that 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 Genworth 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 that 65% of the collateral value.

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

The following tables 15-20 provide details of Innovation's residential mortgage portfolio to allow for evaluation of the soundness and condition of Innovation's residential mortgage operations.

The average annual growth rate over the past five years equates to 5.9%. 2019 growth of 0.0% fell short of this five-year average while also falling short of the prior year annual growth rate of 3.9%.

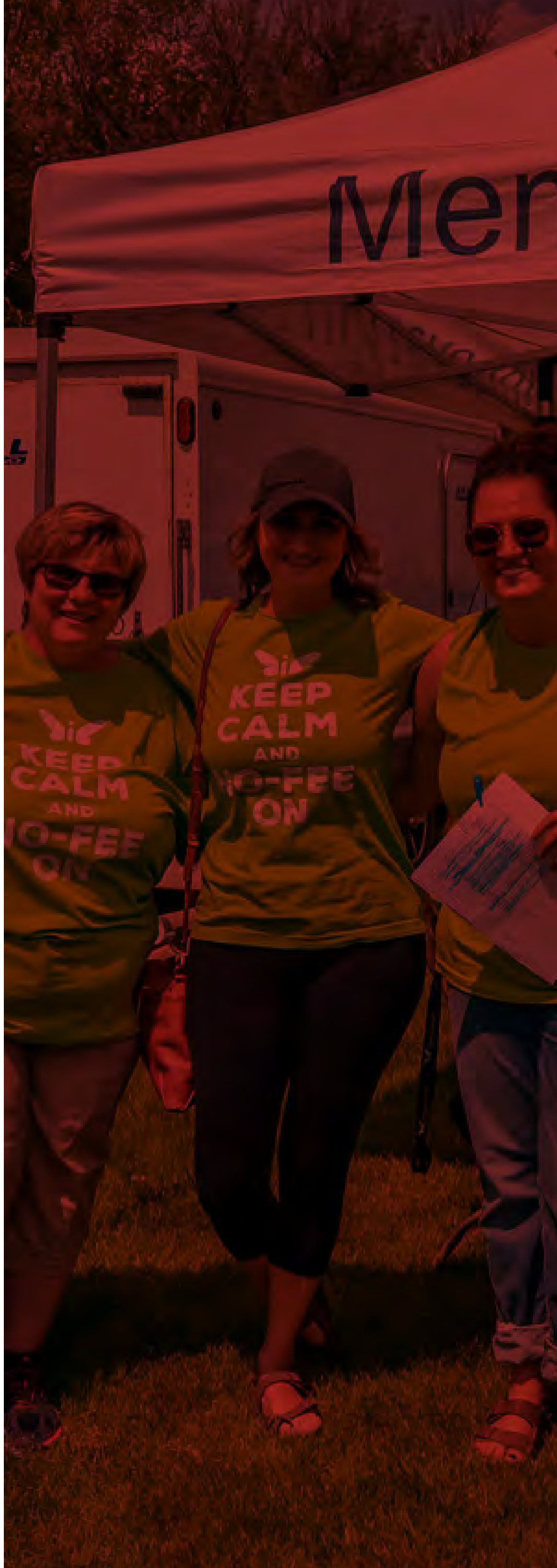


Table 15: Residential Mortgage Loan Portfolio

	2019	% of Portfolio	2018	% of Portfolio	Change $	Change %
Insured	358,990,254	47.9%	357,463,571	49.4%	1,526,683	0.4%
Uninsured	376,719,686	50.4%	352,547,563	48.7%	24,172,123	6.9%
HELOC (Home Equity Line of Credit)	14,252,170	1.9%	13,397,895	1.9%	854,275	6.0%
Total Loans	**749,962,110**	**100%**	**723,409,029**	**100%**	**26,553,081**	**3.7%**

Table 16: Residential Mortgage Portfolio by Amortization

Amortization Range	Number	Mortgage Balance	% of Portfolio	Average Balance
Less than 10 years	819	34,267,485	4.6%	41,841
10 – 15 years	742	68,740,023	9.3%	92,642
15 – 20 years	1,162	170,043,814	22.7%	146,337
20 – 25 years	2,462	473,382,747	63.1%	192,276
Greater than 25 years	22	3,528,041	0.5%	160,366
Total	**5,207**	**749,962,110**	**100%**	**144,030**

Table 17: Residential Mortgage Loan Term Portfolio by Loan to Value (LTV)

Loan to Value (LTV)	Number	Mortgage Balance	% of Portfolio	Average Balance
Less than 25%	633	20,826,403	2.8%	32,901
25% – 50%	980	91,168,589	12.1%	93,029
50% – 60%	577	78,957,973	10.5%	136,842
60% – 70%	823	135,097,172	18.1%	164,152
70% – 80%	941	186,339,333	24.8%	198,023
80% – 90%	818	151,367,787	20.2%	185,046
Greater than 90%	435	86,204,853	11.5%	198,172
Total	**5,207**	**749,962,110**	**100%**	**144,030**

Table 18: Residential Mortgage Loan Term Portfolio by Beacon Score

Beacon Score	Number of members	Mortgage Balance	% of Portfolio
800+	644	88,811,834	11.9%
680 - 799	3,071	514,605,888	68.4%
640 - 679	405	68,444,041	9.4%
580 - 639	295	44,319,637	5.9%
Below 580	216	30,182,589	3.9%
No score	28	3,598,121	0.5%
Total	**4,659**	**749,962,110**	**100%**

Table 19: Residential Mortgage Loan Portfolio by Age

Age	Number	Mortgage Balance	% of Portfolio
19 to 24	105	14,867,527	2.0%
25 to 34	1,077	193,488,699	25.8%
35 to 44	1,167	220,430,485	29.4%
45 to 54	951	163,304,911	21.8%
55 to 64	889	111,946,402	14.9%
65+	470	45,924,086	6.1%
Total	**4,659**	**749,962,110**	**100%**

Table 20: Residential Mortgage Loan Portfolio by Delinquency category

Delinquency	Number	Mortgage Balance	% of Portfolio
Not Delinquent	5,096	734,678,716	97.9%
1 – 29 days	59	8,442,193	1.1%
30 – 59 days	18	2,664,109	0.4%
60 – 90 days	6	371,078	0.0%
Greater than 90 days	28	3,806,014	0.6%
Total	**5,207**	**749,962,110**	**100%**

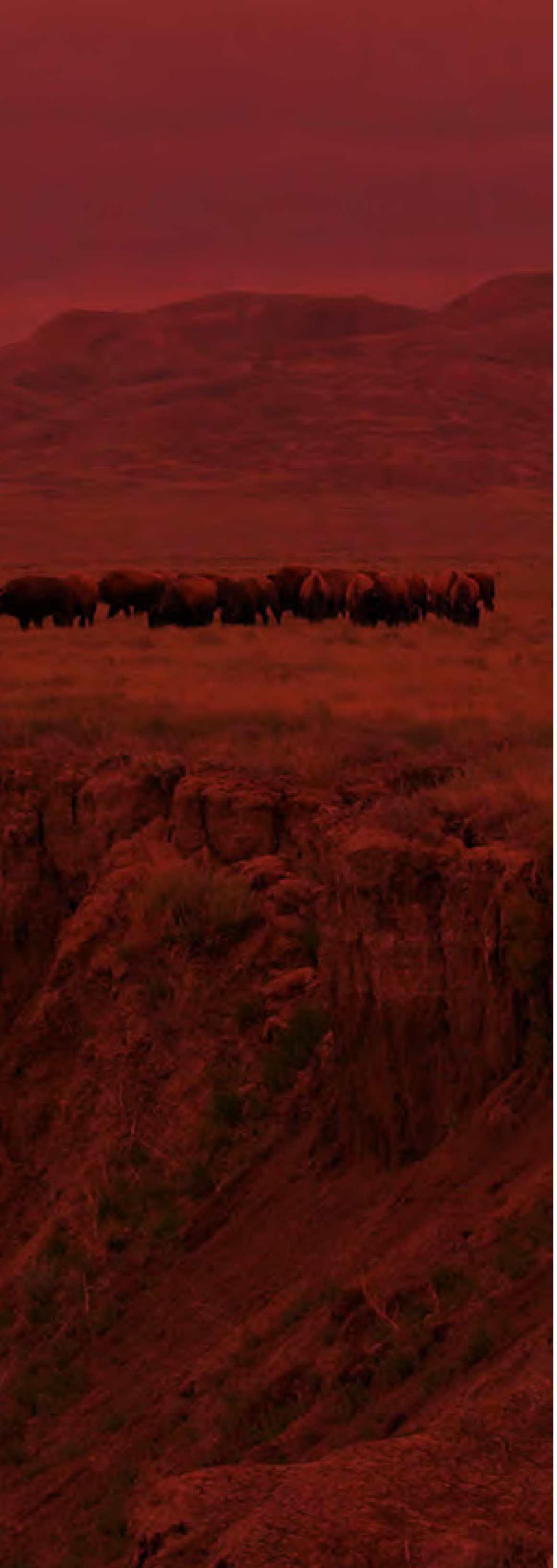
Deposits

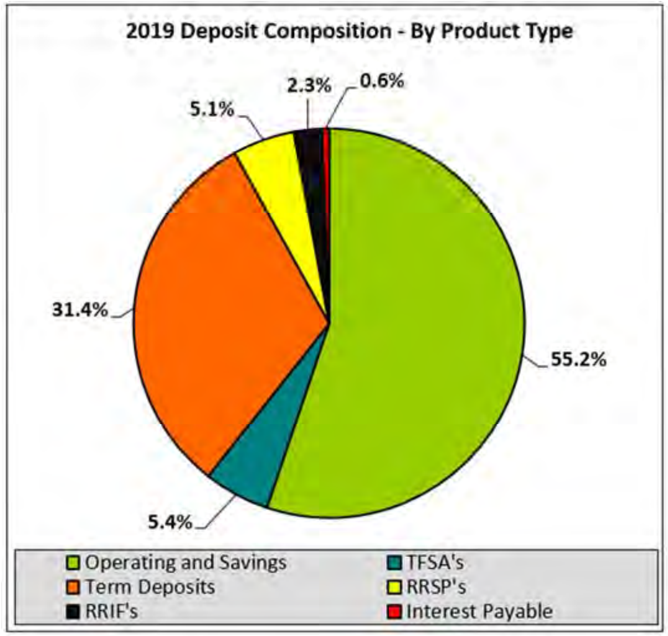
Innovation offers a variety of competitive deposit products to members including registered and non-registered investments.

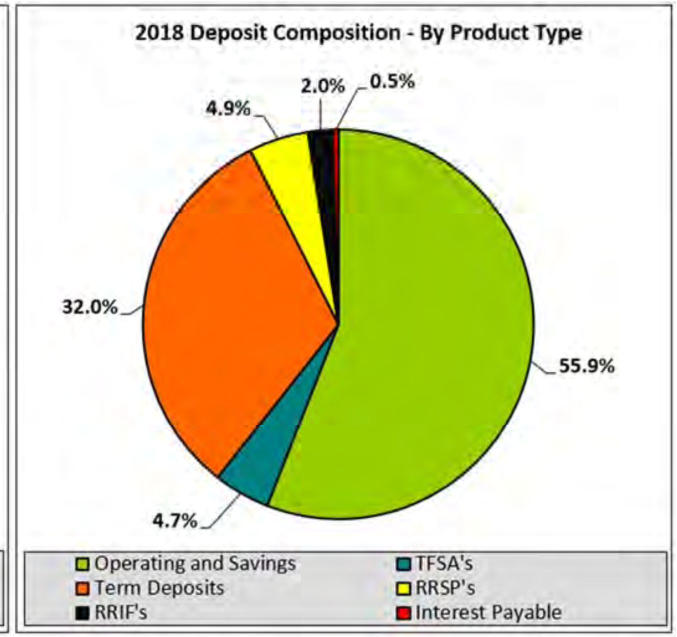
Table 21: Deposit Concentration - By Product Type

			Change	
	2019	2018	$	%
Operating and Savings	1,312,532,798	1,279,376,769	33,156,029	2.6%
TFSA's	129,577,230	106,787,976	22,789,254	21.3%
Term Deposits	746,072,307	731,192,707	14,879,600	2.0%
RRSP's	122,196,410	112,489,253	9,707,157	8.6%
RRIF's	55,618,861	46,742,426	8,876,435	19.0%
Interest Payable	13,435,338	10,545,401	2,889,937	27.4%
Total Deposits	**2,379,432,944**	**2,287,134,532**	**92,298,412**	**4.0%**

Total deposits grew by $92.3 million or 4.0% to $2.379 billion in 2019. Positive growth across all product types in 2019.





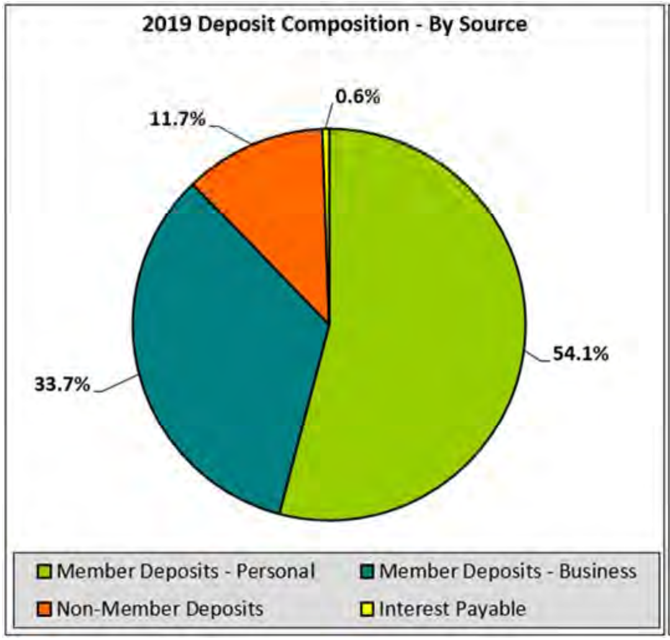


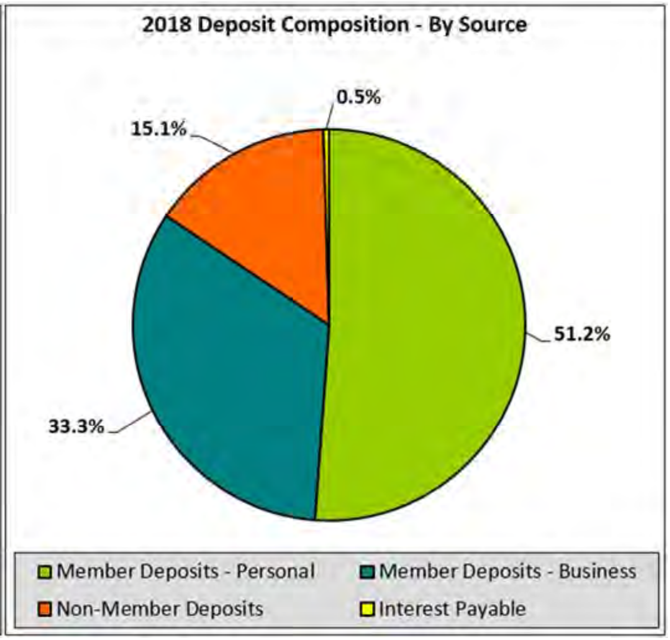
The organization strives to continue to grow the deposit portfolio through deepening wallet share with current personal and business members as well as through expanding the membership base. In addition to provide greater funding assurance, Innovation has established multiple diversified deposit funding sources outside the current membership base.
These non-member retail deposits are sourced through individual relationships with multiple national investment dealers while also leveraging Innovation's listing on the CANNEX Financial Network.

Table 22: Deposit Concentration - By Source

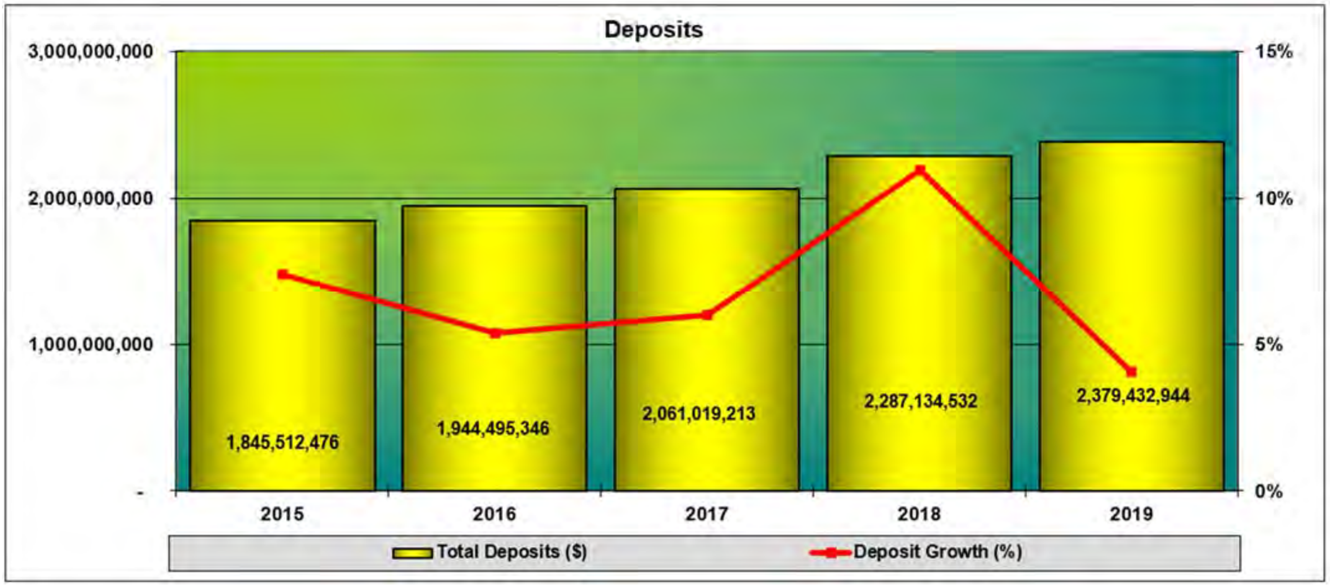
	2019	2018	Change $	%
Member Deposits				
Personal Members	1,287,255,037	1,170,136,935	117,118,102	10.0%
Business Members	801,124,993	760,508,377	40,616,616	5.3%
Total Member Deposits	2,088,380,030	1,930,645,312	157,734,718	8.2%
Total Non-Member Deposits	277,617,576	345,943,819	(68,326,243)	(19.8%)
Accrued Interest	13,435,338	10,545,401	2,889,937	27.4%
Total Deposits	**2,379,432,944**	**2,287,134,532**	**92,298,412**	**4.0%**

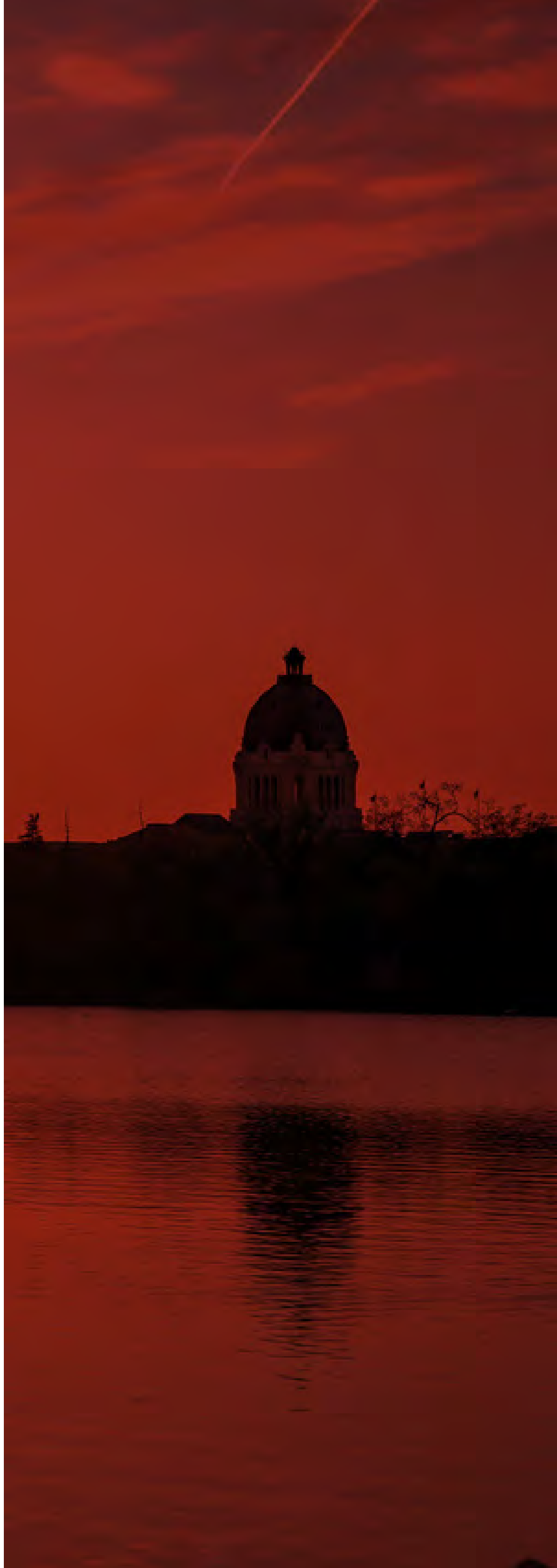
Innovation continues to leverage its wide range of funding sources based on the cash flow needs of the credit union. Growth patterns witnessed during 2019 provided an opportunity to shift the mix of the total deposit portfolio. The proportionate share of the total deposit portfolio sourced from non-members decreased in 2019.

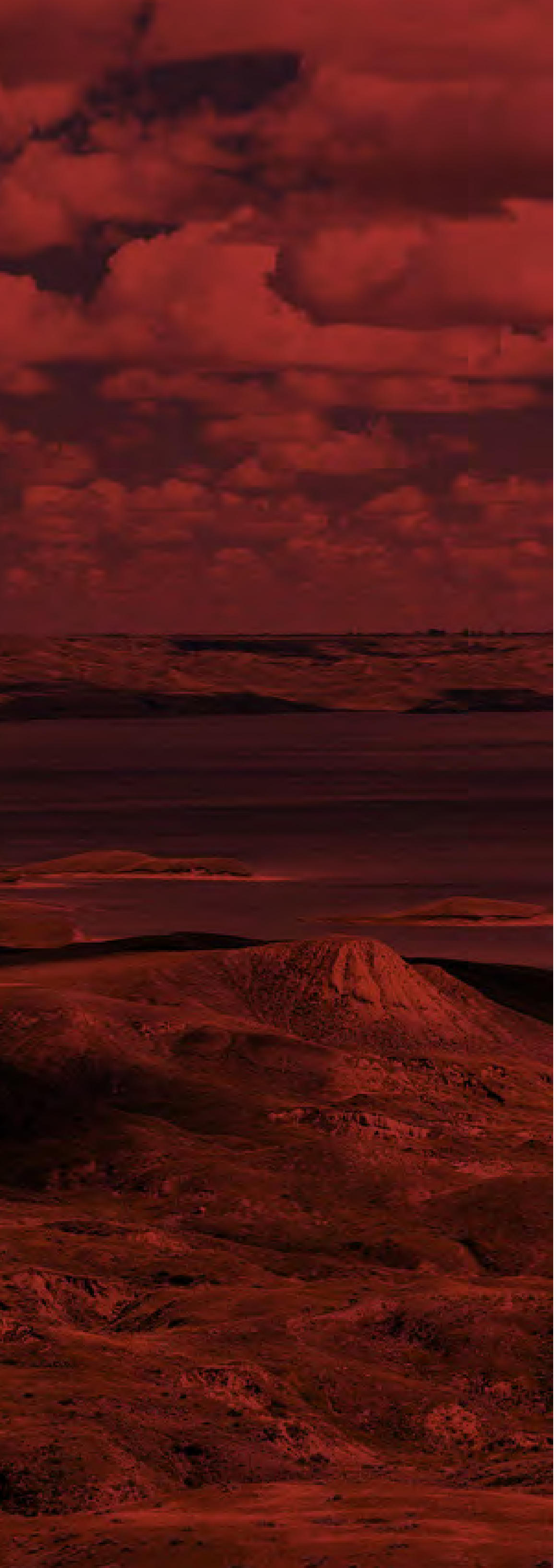




The average annual growth rate over the past five years equates to 6.8%. 2019 growth of 4.0% fell short of this five-year average while also falling short of the prior year annual growth rate of 11.0%. From a historic perspective, the results achieved over the past five years continue to demonstrate well-managed, stable and prudent growth of the organization's deposit portfolio.







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, even under stressed conditions. Innovation's liquidity management framework, targets and strategies are established and documented in a Liquidity Plan as well as a Contingency Funding Plan, which is approved by the board of directors on an annual basis.

The principles of Innovation's liquidity management framework are:

- maintaining a strategy and policies for managing liquidity risk
- maintaining a stock of liquid assets
- measuring and monitoring funding requirements
- managing market access to funding sources
- contingency planning
- ensuring internal controls over liquidity risk management process.

Innovation has an established policy with respect to liquidity and has many processes and practices with respect to the management of funding requirements. Innovation has built and maintains access to numerous funding sources. A very important source of funding is the deposit portfolio which totaled $2.379 billion as at 2019 year-end.

In addition to deposits, Innovation maintains external borrowing facilities from various sources with a combined credit limit of $143.5 million. These credit sources are well diversified and are comprised of the following individual credit arrangements:

- $34.2 million (CDN) line of credit with SaskCentral
- $0.5 million (USD) line of credit with SaskCentral
- $18.8 million (CDN) demand loan with SaskCentral
- $40.0 million (CDN) demand loan with Concentra Bank
- $50.0 million (CDN) demand loan with Desjardins

During 2019 Innovation used external borrowing facilities minimally with no outstanding amount on any credit facility as at 2019 year-end.

Innovation leverages the securitization market for funding purposes as well as building an effective liquidity framework. Innovation periodically securitizes assets to generate funding through the capital markets, resulting in on-balance sheet securitization liabilities or high-quality liquid assets. 2019 securitization transactions totaled $37.8 million, of which $32.9 million was received in new funding. Total securitization liabilities decreased by $3.1 million (-2.4%) to $124.3 million in 2019 driven by repayments on the underlying assets contained within this portfolio. The portfolio of high-quality liquid assets generated from securitization activities in 2019 totaled $4.9 million.

Loans are also potentially syndicated/sold to numerous credit unions and other organizations for funding purposes. In 2019, Innovation conducted a total of seven individual syndication transactions with two different partner organizations. This activity demonstrates the effectiveness of this additional funding source.

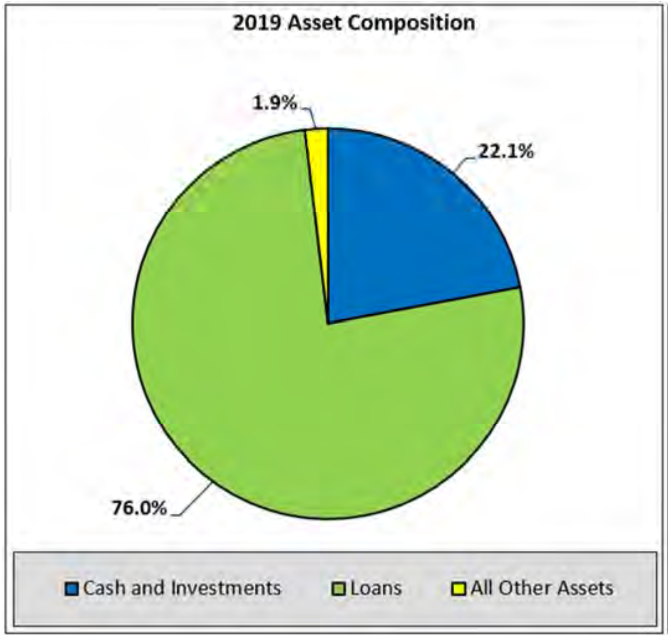
Utilizing these diversified funding sources improves the overall funding assurance of the organization.

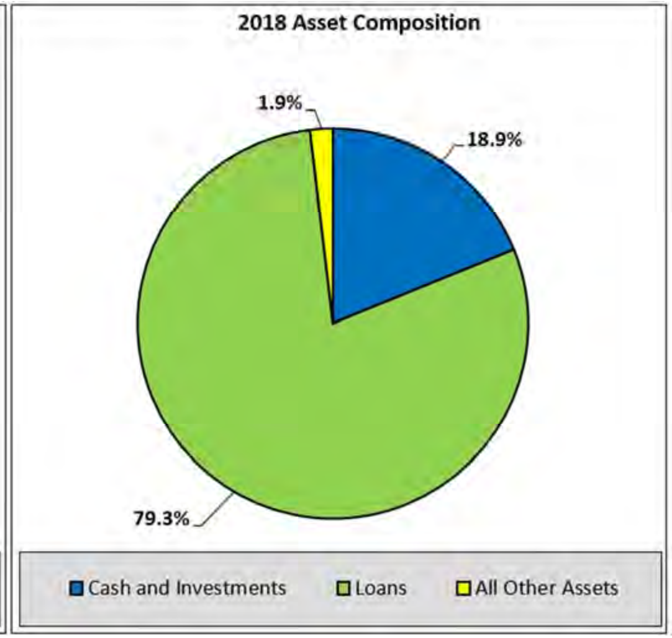
The balance sheet structure continues to influence the organization's ability to manage liquidity risk.

Table 23: Asset Composition

	2019	2018	Change $	%
Cash and Investments	616,733,955	505,486,395	111,247,560	22.0%
Loans	2,124,690,743	2,124,400,122	290,621	0.0%
All other assets	53,160,039	50,548,900	2,611,139	5.2%
Total Assets	**2,794,584,737**	**2,680,435,417**	**114,149,320**	**4.3%**

In 2019 the structure of the balance sheet shifted driven by the asset growth patterns outlined previously. As a result, a greater proportion of total assets are held as cash and investments when compared to the prior year.





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 as well as within the investment portfolio.

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

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

Innovation continues to measure LCR under the current provincial regulatory environment (CUDGC) as well as under the federal regulatory environment (OSFI).

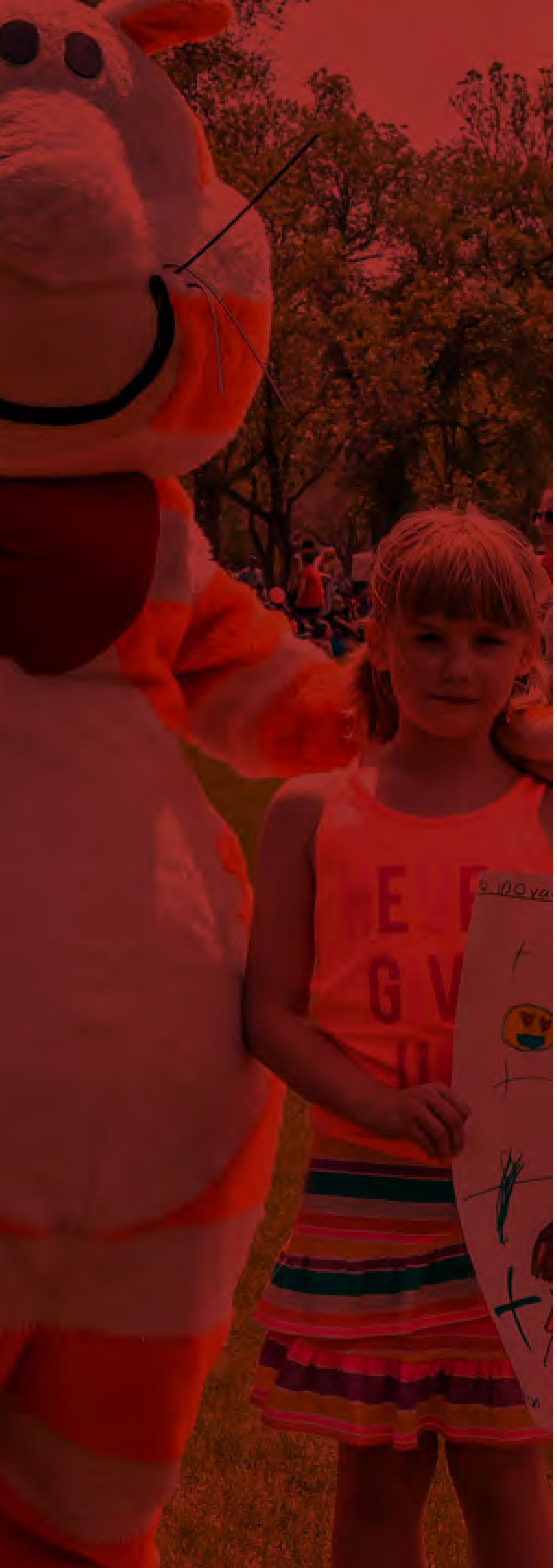


Table 24 (a): Liquidity Coverage Ratio (LCR) - CUDGC

	2019	2018	Change $	Change %
Level 1 Weighted Assets	263,107,899	263,568,279	(460,379)	(0.2%)
Level 2A Weighted Assets	2,802,965	4,600,745	(1,797,780)	(39.1%)
Level 2B Weighted Assets	30,263,481	29,371,044	21,210,596	259.9%
High Quality Liquid Assets (HQLA)	**296,174,345**	**297,540,068**	**(1,365,23)**	**(0.5%)**
Retail and Small Business Deposit Run-Off	47,839,358	42,406,576	5,432,782	12.8%
Unsecured Wholesale Funding Run-Off	72,526,487	71,366,630	1,159,856	1.6%
Secured Funding Run-Off	-	-	-	-
Additional Requirements	15,854,467	22,067,093	(6,212,626)	(28.2%)
Total Prescribed Outflows	136,220,312	135,840,300	(4,702,306)	(3.3%)
Total Prescribed Cash Inflows *	102,165,234	50,935,645	51,229,589	100.6%
Net Prescribed Cash Outflows	**34,055,078**	**84,904,655**	**(50,849,577)**	**(59.9%)**
Liquidity Coverage Ratio (LCR) - CUDGC	**869.7%**	**350.4%**		

** prescribed cash inflows are capped at 75% of total prescribed outflows (2019 calculated prescribed inflows = $211,245,393)*

Table 24 (b): Liquidity Coverage Ratio (LCR) - OSFI

	2019	2018	Change $	Change %
Level 1 Weighted Assets	297,882,409	296,270,038	1,612,371	0.5%
Level 2A Weighted Assets	2,802,965	4,713,300	(1,910,335)	(40.5%)
Level 2B Weighted Assets	3,806,842	4,489,012	(682,170)	(15.2%)
High Quality Liquid Assets (HQLA)	**304,492,216**	**305,472,350**	**(980,134)**	**(0.3%)**
Eligible Non-Operational Demand Deposits	178,342,861	-	178,342,861	n/a
HQLA & Eligible Non-Op Demand Deposits	**482,835,077**	**305,472,350**	**177,362,727**	**58.1%**
Retail and Small Business Deposit Run-Off	56,996,031	38,697,299	18,298,732	47.3%
Unsecured Wholesale Funding Run-Off	130,773,805	197,627,784	(66,853,979)	(33.8%)
Secured Funding Run-Off	-	-	-	-
Additional Requirements	33,803,815	20,999,581	12,804,234	61.0%
Total Prescribed Outflows	221,573,651	257,324,664	(35,751,013)	(13.9%)
Total Prescribed Cash Inflows	46,589,682	50,935,645	(4,345,963)	(8.5%)
Net Prescribed Cash Outflows	**174,983,969**	**206,389,019**	**(31,405,050)**	**(15.2%)**
Liquidity Coverage Ratio (LCR) – OSFI	**275.9%**	**148.0%**		

The organization's Risk Appetite Statement (RAS) contains a board of director approved LCR range of 110%-200%. 2019 LCR results are above the range defined within the Risk Appetite Statement. Minimal growth in the loan portfolio combined with solid growth within the deposit portfolio has produced a very strong liquidity position as evident by the change in the LCR ratio year-over-year.

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 in order to capture the risk posed by funding mismatches between assets and liabilities. By utilizing this type of cash flow analysis, institutions may be able to better mitigate the risk of disruption to market confidence and maintain the ability to meet short-term liabilities in a liquidity crisis.

In addition, Innovation continues to monitor liquidity risk utilizing a stress testing program which models the impacts of eight distinct scenarios and calculates the resulting impacts on organizational liquidity measured over five different time periods. The results of this stress testing program are reported on a quarterly basis to the Audit & Finance Committee of the board.

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

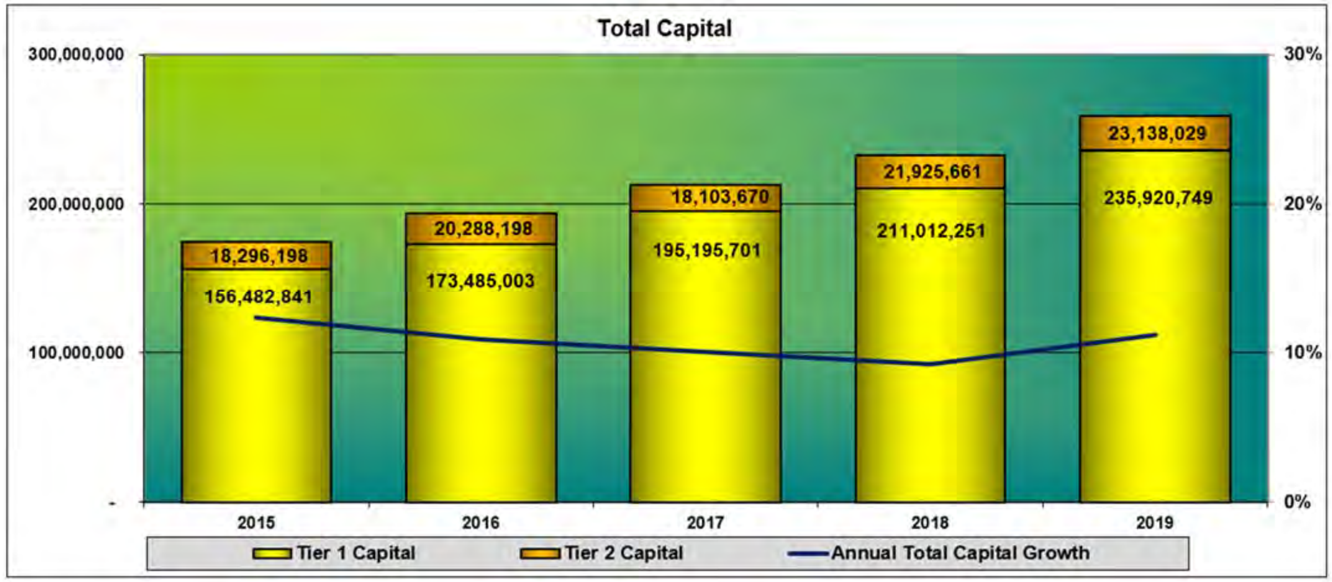
Capital Management

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

Table 25: Regulatory Capital

			Change	
	2019	**2018**	**$**	**%**
Retained Earnings	243,572,436	217,637,684	25,934,752	11.9%
Deduct: Goodwill	(5,091,190)	(5,091,190)	-	-
Deduct: Intangible Assets	(2,560,497)	(1,534,237)	(1,026,260)	66.9%
Common Equity Tier 1 (CET1) Capital	**235,920,749**	**211,012,251**	**24,908,498**	**11.8%**
Additional Tier 1 Capital	**-**	**-**	**-**	**-**
Membership Shares – Par Value	279,695	263,265	16,430	6.2%
Membership Shares – Patronage Allocations	19,112,507	18,528,296	584,211	3.2%
ECL (stage 1 + stage 2)	3,745,827	3,134,100	611,730	19.5%
Tier 2 Capital	**23,138,029**	**21,925,661**	**1,212,368**	**5.5%**
Total Capital	**259,058,778**	**232,937,912**	**26,120,865**	**11.2%**

Total capital grew by $26.1 million or 11.2% to $259.1 million in 2019. Innovation continues to build and maintain a very solid capital base.



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

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

Table 26: Risk Weighted Assets - CUDGC

	2019			2018		
	Net Exposure	**Effective Risk %**	**Risk-Weighted Amount**	**Net Exposure**	**Effective Risk %**	**Risk-Weighted Amount**
On-Balance Sheet						
Cash and cash equivalents	244,334,229	0%	-	100,081,744	0%	-
Investments	372,399,726	24.5%	91,298,614	405,404,651	15.8%	63,992,231
Loans	2,124,690,743	63.9%	1,358,095,654	2,124,400,122	65.2%	1,384,173,275
Property and equipment	17,989,108	100.0%	17,989,108	18,648,097	100.0%	18,648,097
Goodwill & intangible	7,651,687	0%	-	6,625,427	0%	-
All other assets	27,519,244	259.8%	71,499,326	25,275,377	247.4%	62,528,310
Total Assets	**2,794,584,737**	**55.1%**	**1,538,882,702**	**2,680,435,417**	**57.1%**	**1,529,341,913**
Off-Balance Sheet Items						
Derivatives	100,000,000	0.1%	100,000	150,000,000	0.1%	150,000
Credit Commitments	374,478,236	15.8%	59,297,678	404,522,891	20.0%	80,861,956
Total Credit Risk	**474,478,236**	**12.5%**	**59,397,678**	**554,522,891**	**14.6%**	**81,011,956**
Operational Risk			**171,187,420**			**151,586,174**
Total Risk-Weighted Assets	**3,269,062,973**	**54.1%**	**1,769,467,800**	**3,234,958,308**	**54.5%**	**1,761,940,043**

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

Table 27: Leverage Exposure

	2019	2018	Change $	%
On-Balance Sheet Assets	2,794,584,737	2,680,435,417	114,149,320	4.3%
Less: Deductions from Capital	(7,651,687)	(6,625,427)	(1,026,260)	15.5%
Add: Off-Balance Sheet Exposures	29,068,251	50,613,479	(21,545,228)	(42.6%)
Total Leverage Exposure	**2,816,001,301**	**2,724,423,469**	**91,577,832**	**3.4%**

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

Four prescribed tests have been established to assess the capital adequacy of financial institutions:

- Common Equity Tier 1 (CET1) Capital / Total Risk Weighted Assets
- Tier 1 Capital / Total Risk Weighted Assets
- Total Eligible Capital / Total Risk Weighted Assets
- Total Eligible Capital / Total Leverage Exposure

Innovation's board of directors approves internal capital policy targets that:

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

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

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

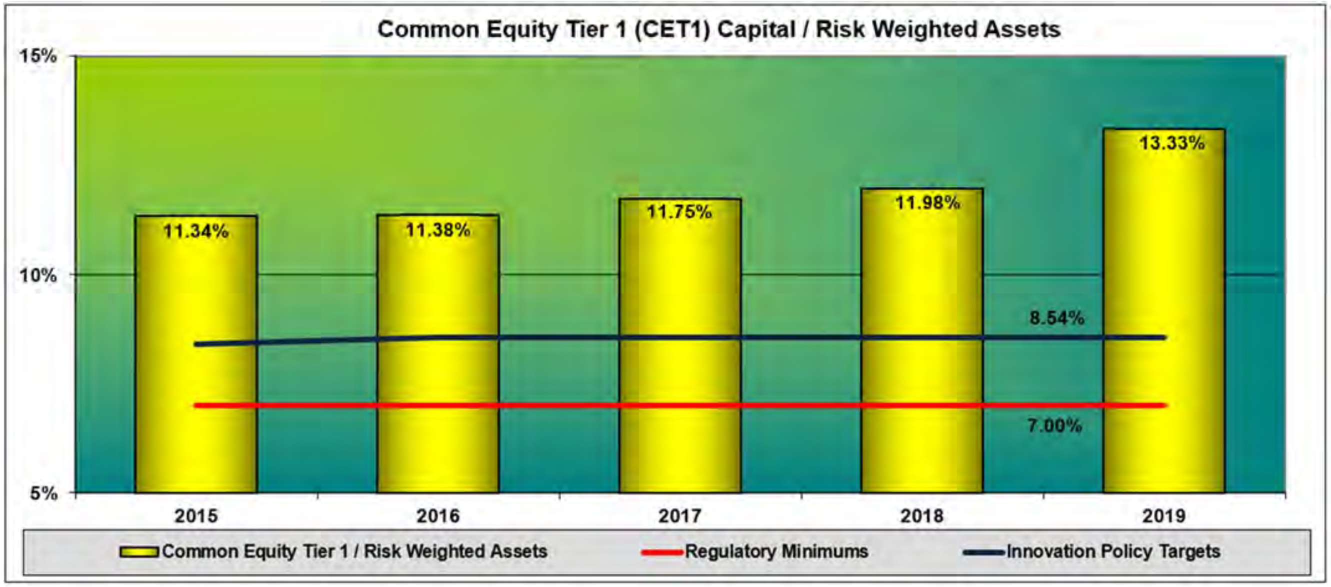
Capital Measure	Regulatory Minimum	Policy Target
Common Equity Net Tier 1 / Risk Weighted Assets	7.00%	8.54%
Total Tier 1 Capital / Risk Weighted Assets	8.50%	10.37%
Total Eligible Capital / Risk Weighted Assets	10.50%	12.81%
Total Eligible Capital / Leveraged Assets	5.00%	6.10%

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

Table 28: CET1 Capital Ratio

	2019	2018	Change $	Change %
Common Equity Tier 1 Capital	235,920,749	211,012,251	24,908,498	11.8%
Risk Weighted Assets	1,769,467,800	1,761,940,043	7,527,757	0.4%
CET1 Capital Ratio	**13.33%**	**11.98%**		

Common equity tier 1 (CET1) capital ratio improved in 2019 by 135 basis points to 13.33%. This positive result was driven by total CET1 capital growth outpacing the growth of the total risk weighted assets held by the organization. From a historic perspective, the 2019 results continue the positive trend experienced over the past five years.

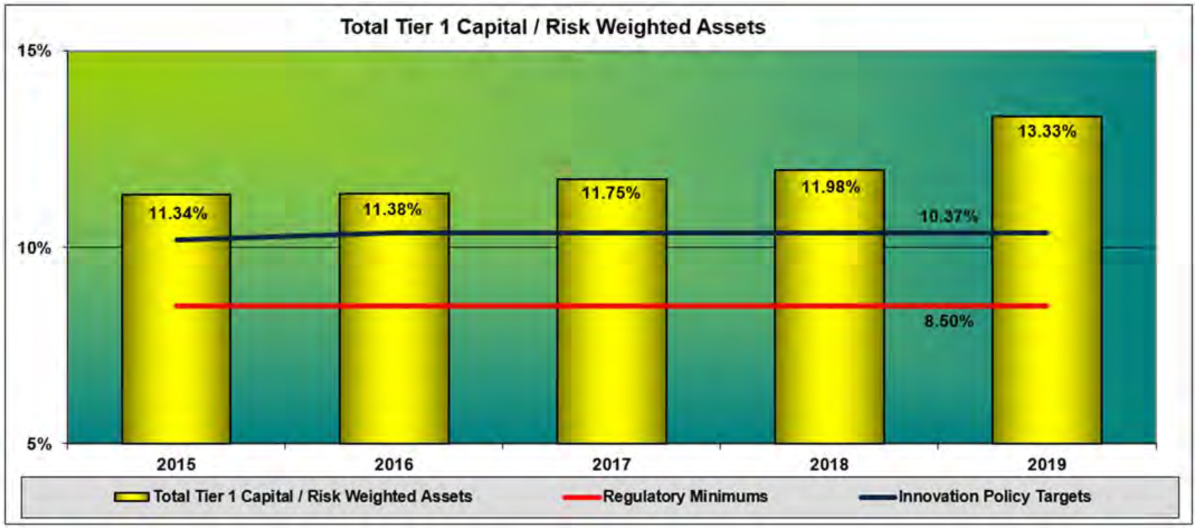


The second capital adequacy ratio focuses on total tier 1 capital as a percentage of total risk weighted assets. Innovation currently has no additional forms of tier 1 capital aside from the common equity tier 1 (CET1) capital.

Table 29: Total Tier 1 Capital Ratio

	2019	2018	Change $	Change %
Common Equity Tier 1 Capital	235,920,749	211,012,251	24,908,498	11.8%
Additional Tier 1 Capital	-	-	-	-
Total Tier 1 Capital	235,920,749	211,012,251	24,908,498	11.8%
Total Risk Weighted Assets	1,769,467,800	1,761,940,043	7,527,757	0.4%
Total Tier 1 Capital Ratio	**13.33%**	**11.98%**		

The total tier 1 capital ratio improved in 2019 by 135 basis points to 13.33%. This positive result was driven by total tier 1 capital growth outpacing the growth of the total risk weighted assets held by the organization. From a historic perspective, the 2019 results continue the positive trend experienced over the past five years.

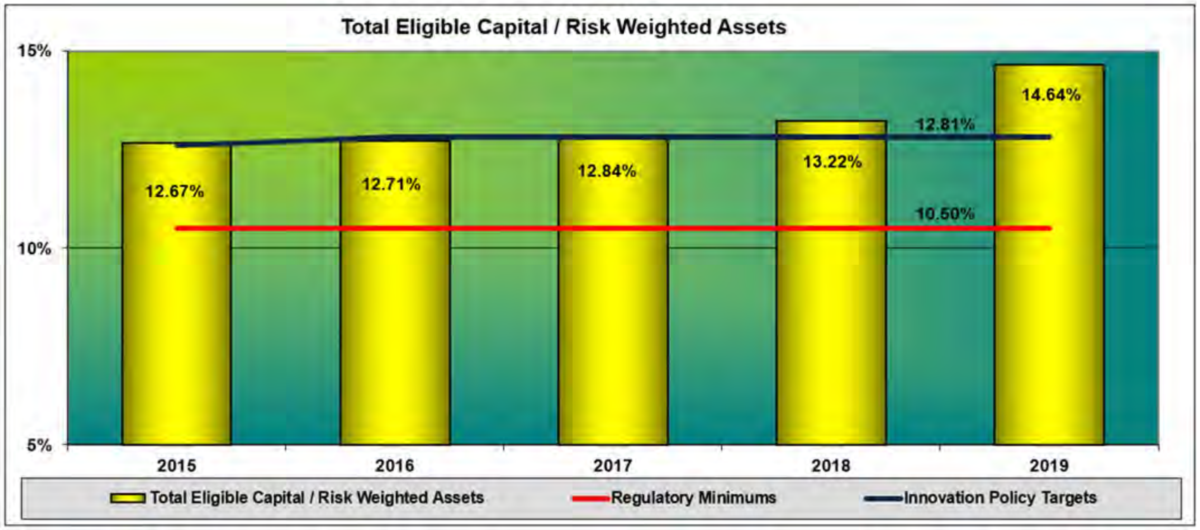


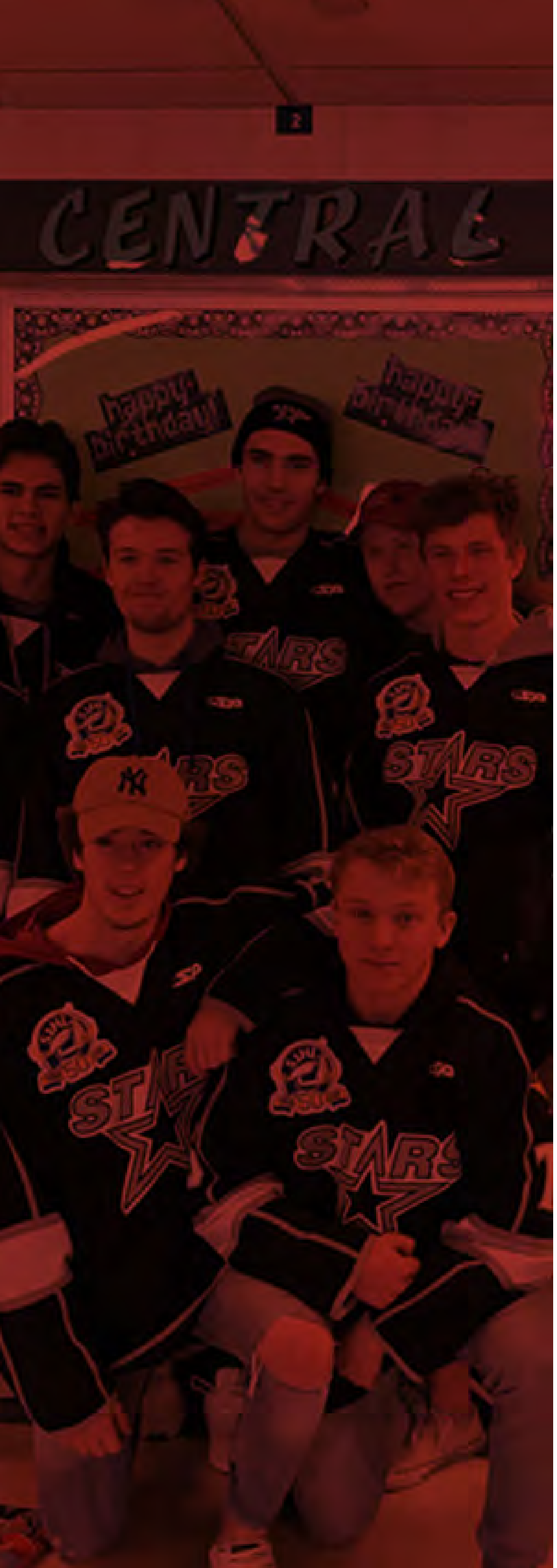
The third capital adequacy ratio focuses on total eligible capital as a percentage of total risk weighted assets.

Table 30: Total Capital Ratio

	2019	2018	Change $	Change %
Total Capital	259,058,778	232,937,912	26,120,865	11.2%
Risk Weighted Assets	1,769,467,800	1,761,940,043	7,527,757	0.4%
CET1 Capital Ratio	**14.64%**	**13.22%**		

The total capital ratio improved in 2019 by 142 basis points to 14.64%. This positive result was driven by total capital growth outpacing the growth of the total risk weighted assets held by the organization. From a historic perspective, the 2019 results continue the positive trend experienced over the past five years.



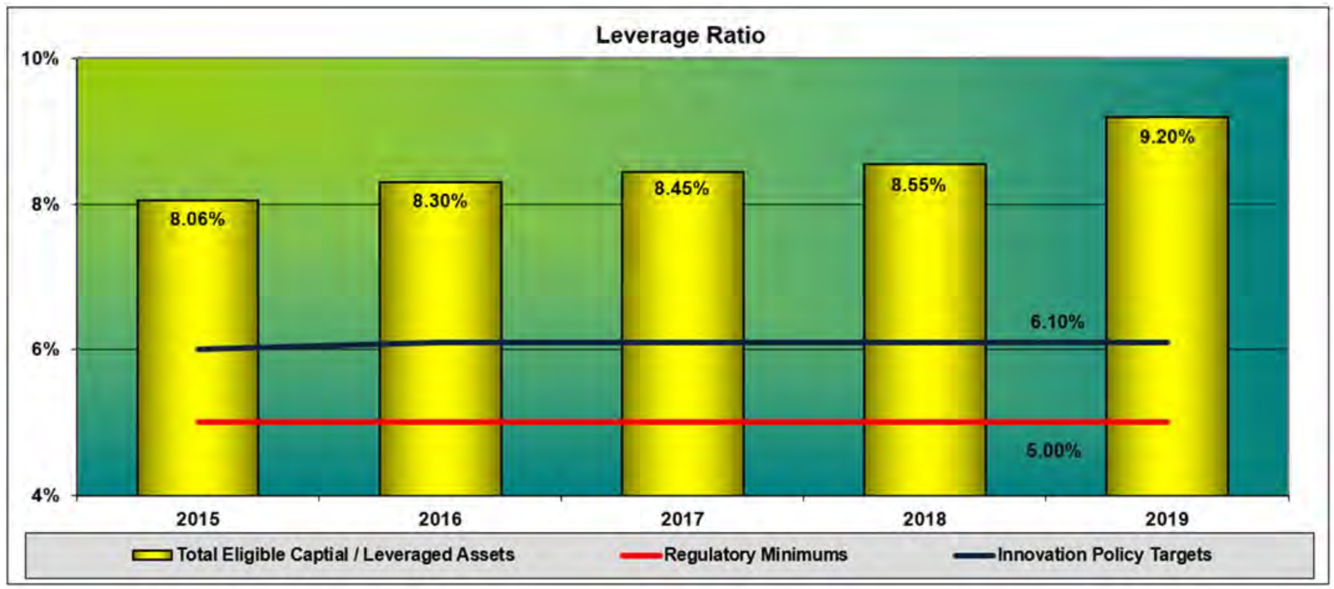


The final capital adequacy ratio focuses on total eligible capital in relation to total leverage exposures. This ratio is commonly referred to as the leverage ratio. Total leverage assets include on-balance sheet assets less deductions from capital along with specified off-balance sheet items such as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

Table 31: Leverage Ratio

	2019	2018	Change $	Change %
Total Capital	259,058,778	232,937,912	26,120,865	11.2%
Leverage Exposure	2,816,001,301	2,724,423,469	91,577,832	3.4%
Leverage Ratio	**9.20%**	**8.55%**		

The total leverage ratio improved in 2019 by 65 basis points to 9.20%. This positive result was driven by total capital growth outpacing the growth of leverage exposures. From a historic perspective, the 2019 results continue the positive trend over the past five years.



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

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

ENTERPRISE RISK MANAGEMENT

As a financial institution, Innovation is exposed to a variety of risks. Each year Innovation Credit Union measures and assesses potential and existing risks in order to ensure the credit union is adequately prepared to serve our members and communities now and in the future. The enterprise risk management (ERM) process it is a requirement of credit unions in Saskatchewan as mandated by CUDGC. The ERM approach is used for the identification, measurement and monitoring of risks. Innovation n has in place a rigorous evolving ERM program and framework that on a structured basis actively manages all its risks.

Risk Governance

Risk governance sets the risk appetite and policy, it determines an appropriate organizational structure and defines authority and responsibility for risk decisions. The following groups and committees have the authority and responsibility for risk decisions within Innovation.

Board of Directors:

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

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

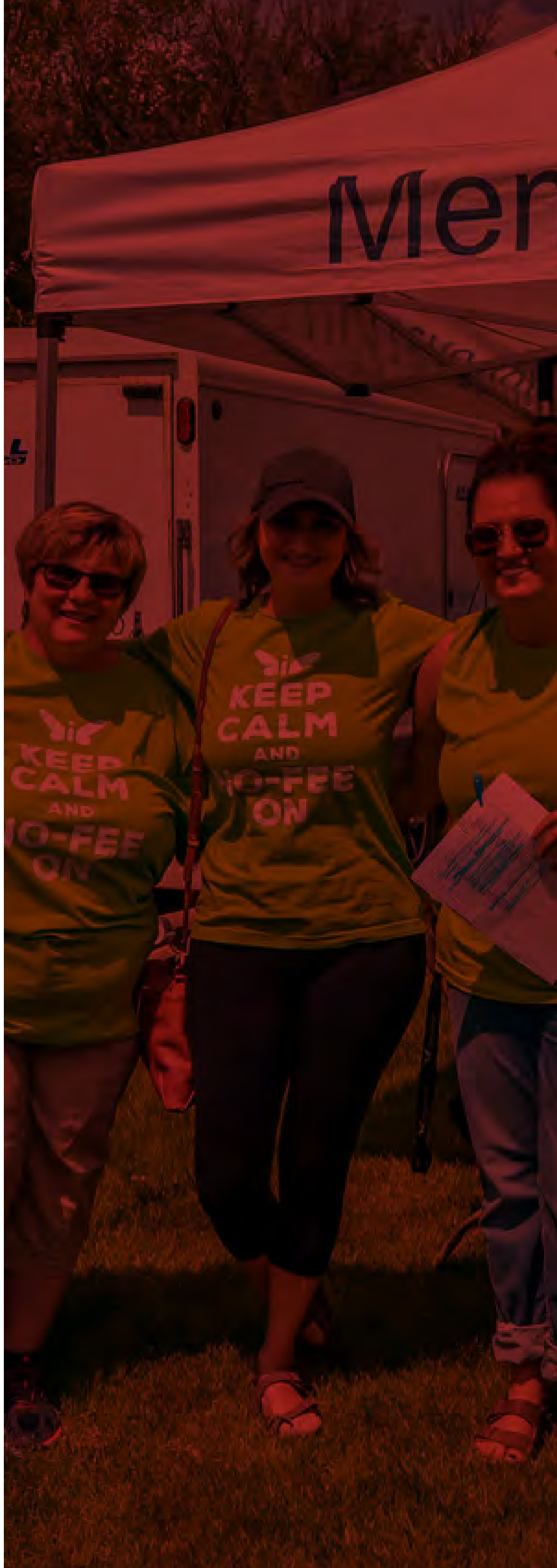
- Monitors major risks and recommends acceptable risk levels to the board
- Reviews the appropriateness and effectiveness of risk management and compliance practices
- Provides oversight of external and internal audit functions

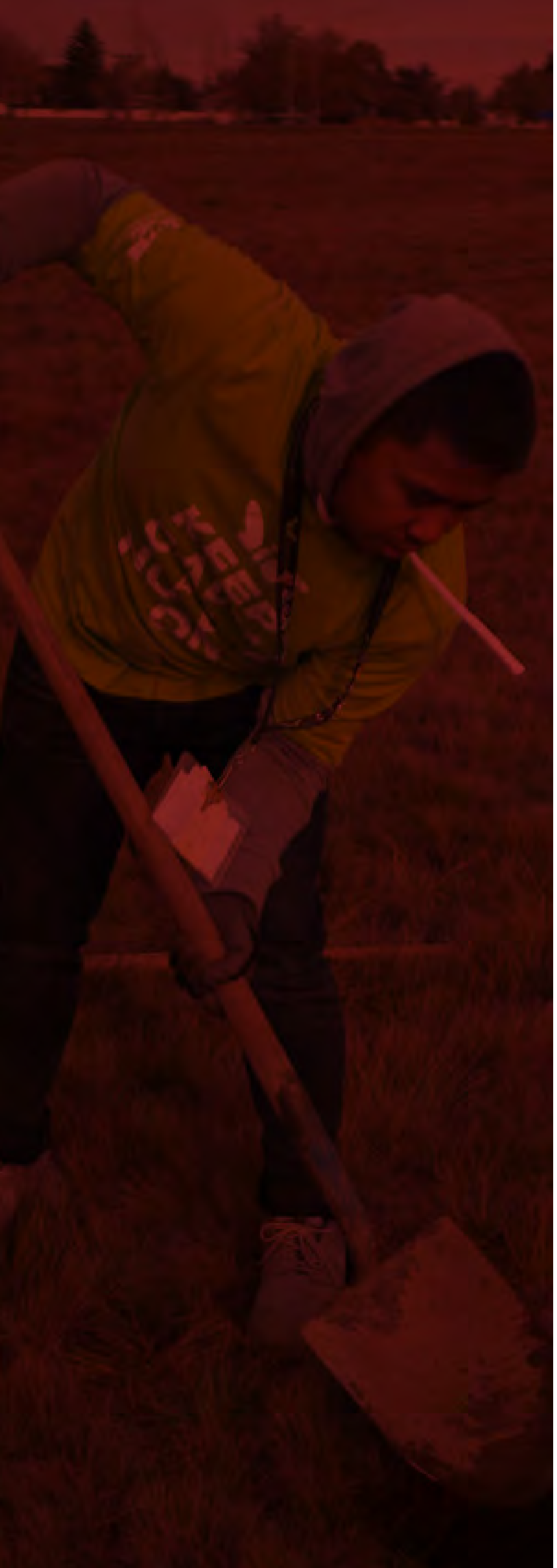
Executive Management:

- 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
- Oversees the insurance risk management program
- Establishes credit policies and oversees credit risk management
- Monitors credit risk profile, and risk exposures
- Monitors compliance with credit risk policies

Enterprise Risk Committee (ERC)

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





Internal Audit, Compliance and ERM areas:

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

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

Strategic Financial Management Committee (SFM):

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

Corporate Finance:

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

SIGNIFICANT RISK AREAS

Through ERM, six categories of risk were identified as significant to Innovation and they are as follows:

A. Strategic Risk

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

Key Strategic Risks

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

Strategic Risk Management

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

B. Market Risk

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

Key Market Risks

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

Market Risk Management

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

C. Liquidity Risk

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

Key Liquidity Risks

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

Liquidity Risk Management

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

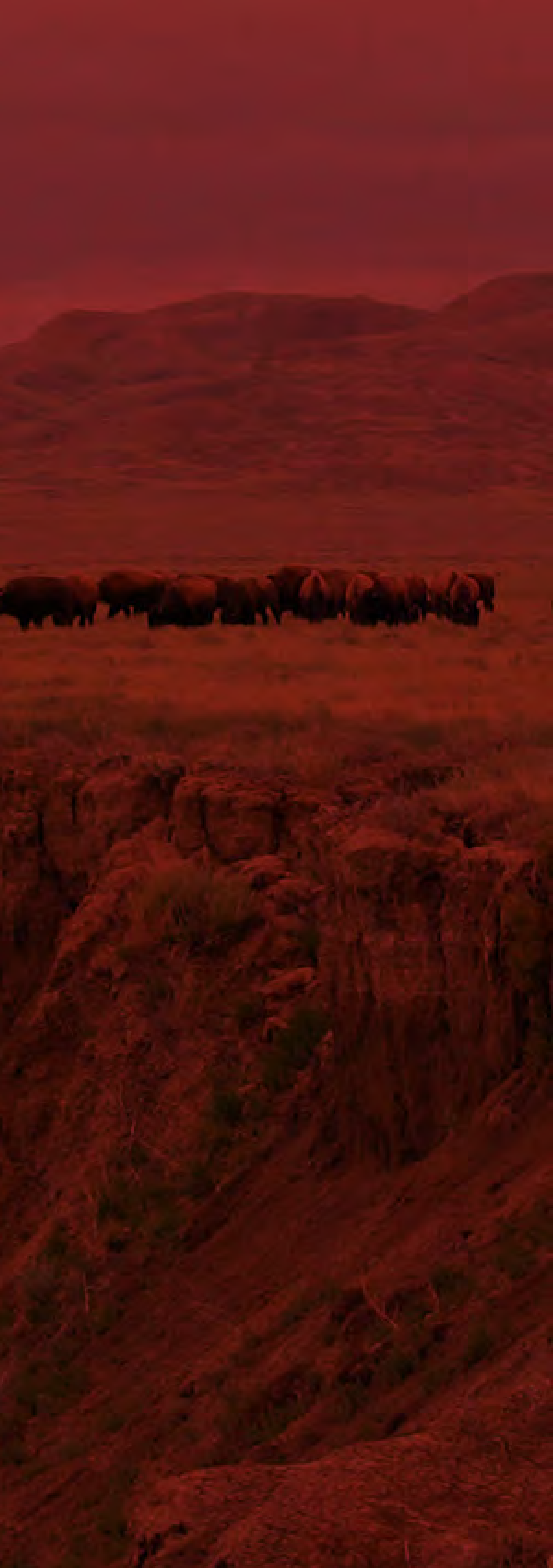
The elements of liquidity risk management are similar to the other risk categories already discussed. Effective management of liquidity involves policies, limits, reporting and proactive management. Liquidity policies and limits are well documented at Innovation. The liquidity risk management plan is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

D. Credit Risk

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

Key Credit Risks

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



Credit Risk Management

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

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

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

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

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

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

E. Legal & Regulatory Risk

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

Key Legal & Regulatory Risks

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

Legal & Regulatory Risk Management

Governance, policy and procedures and awareness aid Innovation Credit Union in complying with laws and regulations, and therefore, are effective ways to manage legal and regulatory risk. Innovation Credit Union 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 and Conduct Review Committee of the Board on compliance.

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

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

F. Operational Risk

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

Key Operational Risks (Taxonomy)

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

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

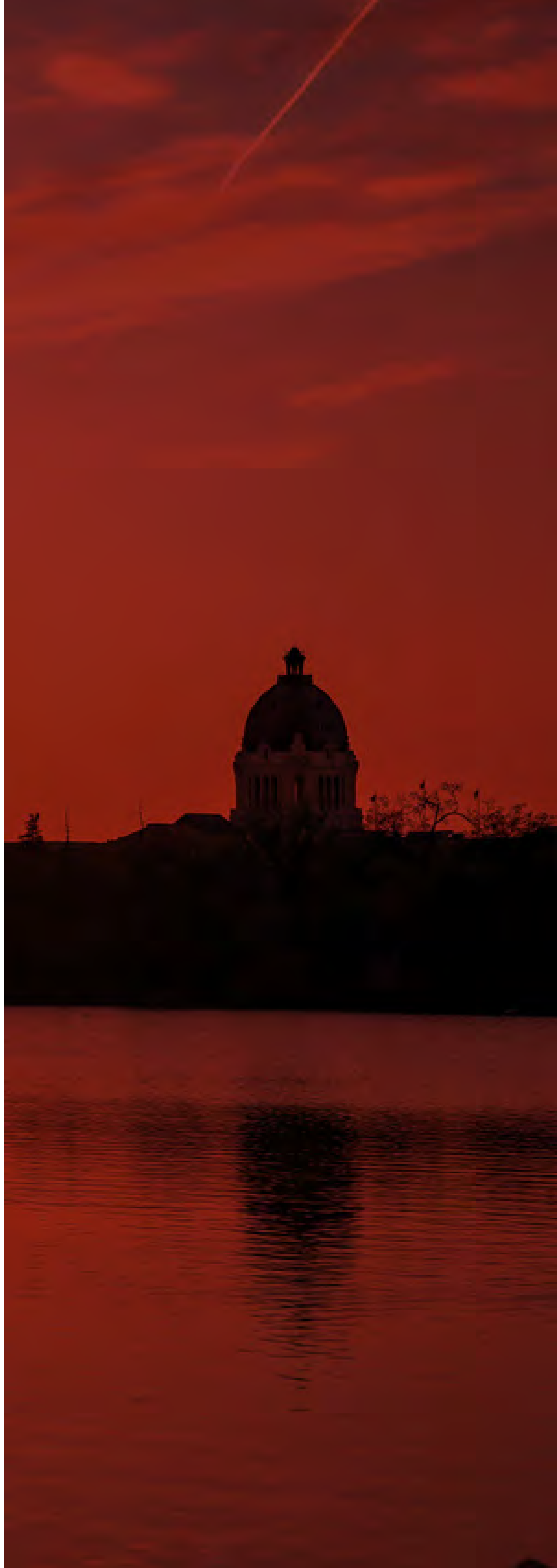
Operational Risk Management

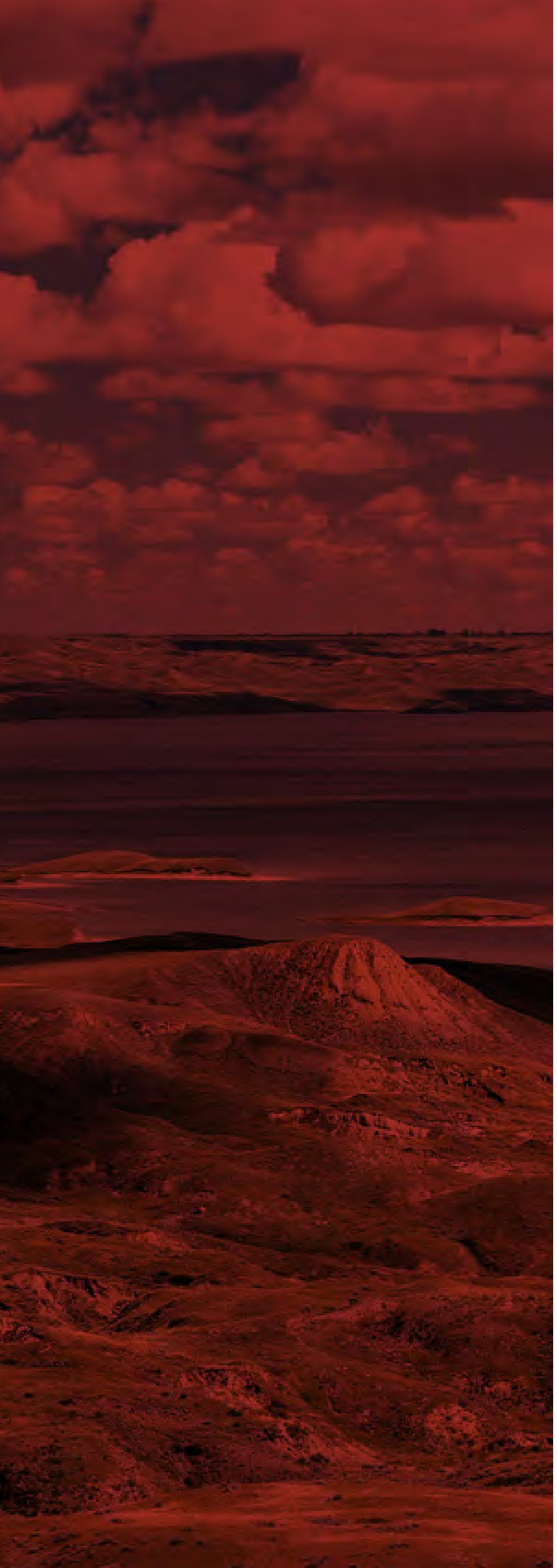
Innovation has implemented a formal operational risk process. Accountability for the management of operational risk is a key component of the ICU operational risk program. The basis is the use of the three lines of defence structure.

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

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

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





Office of Dispute Management

Innovation will adhere to the principles regarding complaint handling as reflected in the Credit Union Complaint Handling Terms of Reference produced by SaskCentral. The office of Dispute Management received and resolved a total of 1 complaint(s) during 2019 that was escalated to the SaskCentral Ombudsman.

Consolidated Financial Statements

December 31, 2019

2019 ANNUAL REPORT

innovation CREDIT UNION

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Canada

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Independent Auditor's Report

To the Members of
Innovation Credit Union

Opinion

We have audited the consolidated financial statements of Innovation Credit Union (the "Credit Union"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Deloitte LLP

Chartered Professional Accountants
Regina, Saskatchewan
March 11, 2020

INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2019

	Note		2019		2018
ASSETS					
Cash and cash equivalents	4	**$**	**244,334,229**	$	100,081,744
Investments	5		**372,399,726**		405,404,651
Loans	6		**2,124,690,743**		2,124,400,122
Accounts receivable			**4,213,597**		4,305,968
Prepaid expenses			**1,258,141**		1,747,711
Derivative assets	8		**1,433,207**		2,717,853
Property and equipment	9		**17,989,108**		18,648,097
Right of use assets	23		**632,041**		-
Goodwill	10		**5,091,190**		5,091,190
Intangible assets	10		**2,560,497**		1,534,237
Deferred income tax asset	21		**19,982,258**		16,503,844
		$	**2,794,584,737**	$	2,680,435,417
LIABILITIES					
Deposits	11	**$**	**2,379,432,944**	$	2,287,134,532
Securitized borrowings	13		**124,324,597**		127,446,809
Accounts payable			**18,759,724**		22,161,048
Derivative liabilities	8		**303,114**		208,119
Lease liabilities	23		**643,047**		-
Income taxes payable			**273,937**		592,848
Deferred income tax liabilities	21		**32,577**		31,645
Deferred revenue			**462,549**		462,879
Membership shares and distributions	15		**26,779,812**		24,759,859
			2,551,012,301		2,462,797,739
Commitments	20				
EQUITY					
Retained earnings including contributed surplus			**243,572,436**		217,637,678
			243,572,436		217,637,678
		$	**2,794,584,737**	$	2,680,435,417

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

APPROVED BY THE BOARD

.... Director

.... Director

INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended December 31, 2019

	Note		**2019**		2018
INTEREST INCOME					
Loans		**$**	**97,737,206**	$	89,035,816
Investments			**12,768,631**		9,551,314
Derivative Instruments			**1,015,525**		618,396
			111,521,362		99,205,526
INTEREST EXPENSE					
Deposits			**35,733,225**		25,956,385
Borrowed money			**2,451,884**		2,960,260
Member distributions	15		**3,480,737**		3,790,713
			41,665,846		32,707,358
REALIZED GAIN (LOSS) ON FVTPL INVESTMENTS			**2,062,939**		2,261,358
NET INTEREST INCOME BEFORE CREDIT LOSSES			**71,918,455**		68,759,526
PROVISION FOR CREDIT LOSSES	7		**7,498,184**		5,058,942
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES			**64,420,271**		63,700,584
UNREALIZED (LOSS) GAIN ON FVTPL INVESTMENTS			**(1,245,834)**		733,524
UNREALIZED LOSS ON DERIVATIVES			**(1,346,468)**		(1,322,900)
OTHER INCOME	14		**20,784,270**		20,644,434
NET INTEREST AND OTHER INCOME			**82,612,239**		83,755,642
OPERATING EXPENSES					
Personnel			**36,354,579**		36,347,954
Security			**2,318,723**		2,035,326
Organizational			**951,892**		865,030
Occupancy			**4,258,127**		3,977,302
General business			**20,452,309**		19,235,359
			64,335,630		62,460,971
INCOME BEFORE PROVISION FOR INCOME TAXES			**18,276,609**		21,294,671
PROVISION FOR INCOME TAXES					
Current	21		**7,259,856**		7,278,416
Deferred	21		**(3,465,897)**		(3,342,426)
			3,793,959		3,935,990
NET INCOME AND COMPREHENSIVE INCOME		**$**	**14,482,650**	$	17,358,681

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

INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended December 31, 2019

	Note	2019	2018
RETAINED EARNINGS INCLUDING CONTRIBUTED SURPLUS			
Balance, beginning of year		**$ 217,637,678**	$ 200,278,998
Addition to contributed surplus from business combinations	22	**11,452,108**	-
Net income		**14,482,650**	17,358,681
Balance, end of year		**$ 243,572,436**	**$ 217,637,678**

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

INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended December 31, 2019

	Note		2019		2018
OPERATING ACTIVITIES					
Net income		$	**14,482,650**	$	17,358,681
Adjustments for non-cash items:					
Net interest income before credit losses			**(71,918,455)**		(68,759,525)
Provision for credit losses	7		**7,498,184**		5,058,942
Unrealized (gain) loss on financial instruments classified as FVTPL			**2,592,302**		589,377
Gain on disposal of property and equipment			**(21,802)**		(8,309)
Depreciation - property and equipment	9		**2,625,580**		2,475,767
Depreciation - right of use assets			**134,712**		-
Amortization - intangible assets	10		**544,079**		404,954
Current income tax expense	21		**7,259,856**		7,278,416
Deferred income tax recovery	21		**(3,465,897)**		(3,342,426)
Changes in non-cash working capital					
Loans			**72,166,864**		(82,219,153)
Accounts receivable			**127,010**		2,834,566
Prepaid expenses			**540,754**		(874,483)
Deposits			**3,027,788**		222,078,167
Accounts payable			**(3,659,737)**		10,061,836
Deferred revenue			**(102,478)**		(2,640,633)
Dividends received			**2,157,598**		3,674,388
Interest received			**108,392,625**		91,536,508
Interest paid			**(35,921,197)**		(28,051,811)
Income taxes paid			**(7,613,243)**		(8,302,306)
			98,847,193		169,152,956
INVESTING ACTIVITIES					
Investments			**50,130,000**		(109,574,134)
Purchase of property and equipment			**(1,642,383)**		(1,593,427)
Proceeds from disposal of property and equipment			**21,802**		18,660
Purchase of intangible assets			**(669,194)**		-
Net cash and cash equivalents acquired through business combinations	22		**2,271,769**		-
			50,111,994		(111,148,901)
FINANCING ACTIVITIES					
Net change in securitized borrowing			**(3,122,212)**		(25,658,172)
Repayment of lease liabilities			**(123,706)**		-
Membership distributions paid			**(1,477,214)**		(1,237,364)
Increase in membership shares			**16,430**		5,115
			(4,706,702)		(26,890,421)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			**144,252,485**		31,113,634
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR			**100,081,744**		68,968,110
CASH AND CASH EQUIVALENTS, END OF YEAR		$	**244,334,229**	$	100,081,744

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

1. REPORTING ENTITY

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

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

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

The consolidated financial statements for the year ended December 31, 2019 were authorized for issue by the Board of Directors (the "Board") on March 11, 2020.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below. These accounting policies have been applied consistently to all periods presented in these consolidated financial statements except as noted in Note 23 Changes in Significant Accounting Policies.

Use of Estimates, Key Judgments and Assumptions

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates, Key Judgments and Assumptions (continued)

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

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

a) Valuation of Financial Instruments

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

b) Determination of Allowance for Credit Losses

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

- Determining criteria for significant increase of credit risk: IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Credit Union takes into account qualitative and quantitative reasonable and supportable information.
- Choosing appropriate models and assumptions: The Credit Union uses various models and assumptions in estimating ECL. Judgement 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 the Credit Union uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers.
- Probability of default (“PD”): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, and assumptions/expectations of future conditions.
- Loss Given Default (“LGD”): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect the receive, taking into account cash flows from collateral.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates, Key Judgments and Assumptions (continued)

b) Securitized Borrowings

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

Goodwill is measured at cost less accumulated impairment losses, if any. Calculation of impairment losses requires estimation of the value in use and fair value less costs to sell of cash-generating units ("CGU"s) that goodwill has been allocated to. Judgment is required to allocate goodwill between CGU's.

e) Intangible Assets

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

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 CGUs and the allocation of assets to CGUs requires estimation and judgment.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates, Key Judgments and Assumptions (continued)

g) Impairment of Non-Financial Assets (continued)

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

h) Classification of Financial Assets

Business Model Assessment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation

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

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

Included in the consolidated financial statements are the following entities controlled by the Credit Union:

Subsidiary[(1)]	Head office		Book value of shares	Voting rights
Innovative Holdings Inc.	Swift Current	$	102	100%
North Battleford Agencies (1980) Ltd.	North Battleford	$	143	100%
Meadow North Agencies Ltd.	Meadow Lake	$	400	100%
Dickson Agencies (1975) Ltd.	Swift Current	$	1,559	100%

(1) The 2018 comparatives include the assets, liabilities, revenues and expenses of the fully owned subsidiary Meota Insurance Agency Inc. (Meota). Meota was amalgamated with another fully owned subsidiary – North Battleford Agencies (1980) Ltd. – on January 1, 2019.

Business combinations

Business combinations are accounted for using the acquisition method of accounting. For every business combination, an acquirer is identified, which is the combining entity that obtains control of the other combining entity. The effective date of the business combination is the date the acquirer gains control of the acquired entity. The identifiable assets and liabilities of the acquired entity are measured at fair value. The excess of the consideration transferred over the fair values of the identifiable net assets is recognized as goodwill. The transaction costs incurred for a business combination are expensed as incurred.

Financial Instruments

Recognition and initial measurement

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

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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;
- FVOCI; or
- FVTPL

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

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

ai) Debt instruments measured at amortized cost

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

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

aii) Debt instruments measured at FVTPL

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis, assets whose cash flows do not represent payments that are SPPI, and assets which are designated as such at initial recognition. These instruments

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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 in the consolidated statement of comprehensive income.

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

c) Financial liabilities

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

d) Derecognition

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

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

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

e) Derivative Financial Instruments

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

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

f) Embedded derivatives

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

g) Fair value of financial instruments

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

Fair values are determined, where possible, by reference to quoted bid or asking prices in an active market. In the absence of an active market, the Credit Union determines fair value based on internal or external valuation models, such as discounted cash flow analysis or using

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

observable market-based inputs (bid and ask price) for instruments with similar characteristics and risk profiles.

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

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

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy. See Note 18 for further discussion on the classification and fair value of financial instruments.

h) Financial asset impairment

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

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

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

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

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

- 12-month ECL (Stage 1) – Where there has not been a significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12 months ECL is

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

recorded. The ECL is computed using a probability of default occurring over the next 12 months.

- Lifetime ECL not credit-impaired (Stage 2) – When a financial instrument experiences a significant increase in credit risk subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of ECL based on the probability of default over the remaining estimated life of the financial instrument.
- Lifetime ECL credit-impaired (Stage 3) – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime ECLs.

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

hii) Model parameters

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

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

These parameters are derived from both public and proprietary third party data for each major asset class.

hiii) Significant increase in credit risk

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

The Credit Union allocates its loans to a relevant credit risk grade depending on their credit quality. The quantitative information is primary indicator of significant increase in credit risk

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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 the Credit Union considers the credit score changes of its members and events such as bankruptcy.

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

hiv) Forward-looking information

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

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

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

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

hv) Modified financial assets

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the financial asset should be derecognized. Where the modification does not result in derecognition, the date of origination continues to be used to determine significant increase in credit risk. Where modification results in derecognition, the original asset is derecognized and the new asset is recognized at its fair value. The difference between the carrying value of the derecognized asset and the fair value of the new asset is recognized as a gain or loss in the consolidated statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

hvi) Definition of default

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

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

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

hviii) Write-off policy

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

Cash and Cash Equivalents

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

Loans

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Impairment of Tangible and Intangible Assets other than Goodwill

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Tangible and Intangible Assets other than Goodwill (continued)

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

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

Goodwill

Goodwill is measured as the excess of the fair value of consideration given over the Credit Union's proportionate share of the fair value of the net identifiable assets of the business acquired as at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses, if any.

Goodwill is not amortized but reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Credit Union's CGU's that are expected to benefit from the synergies of the related business combination.

If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then reduces the carrying amount of the other assets of the CGU on a pro rata basis. An impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Transaction costs incurred in a business combination, other than those associated with the source of debt or equity securities, are expensed as incurred.

Income Taxes

Income tax expense comprises 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

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 the re-measurement or re-assessment is recognized in the year of change, except when they relate to items recognized directly in other comprehensive income.

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

Leases

a) As lessor

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

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

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

b) As lessee – Under IFRS 16 for the year ended December 31, 2019

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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

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

c) As lessee – Under IAS 17 for the year ended December 31, 2018

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The leases entered into by the Credit Union as lessee are all classified as operating leases. The total payments made under operating leases are charged to non-interest expense in the consolidated statement of income on a straight-line basis over the term of the lease.

Revenue Recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. The interest income is calculated by applying the effective interest rate to the gross carrying amount of the non-credit impaired financial assets. For credit-impaired financial assets the interest income is calculated by applying the effective interest rate to the amortized cost of the credit-impaired financial assets.

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

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.

3. SIGNIFICANT 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 profit or loss.

Employee Future Benefits

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

Credit Union contributions to the defined contribution plan are expensed as incurred. Pension benefits of $1,601,124 (2018 - $1,528,702) were paid to defined contribution retirement plans during the year.

Future Accounting Changes

At December 31, 2019, a number of new standards, interpretations and amendments have been issued by the IASB which are not effective for these consolidated financial statements. These future accounting changes are not expected to have a significant effect, if any, on the Credit Union's consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

	2019	2018
Cash on hand	**$ 13,066,162**	$ 12,241,960
Cash held with SaskCentral	**36,311,316**	87,839,784
Cash held with Concentra Bank	**16,613,890**	-
Cash held with National Bank	**178,342,861**	-
Total Cash	**$ 244,334,229**	**$** 100,081,744

5. INVESTMENTS

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

		2019		2018
Debt Investments				
SaskCentral - Statutory Liquidity Variable Deposit	$	**162,696,611**	$	112,803,856
SaskCentral - Statutory Liquidity Term Pool		**82,239,130**		101,414,879
Concentra Bank		**26,602,100**		159,548,700
National Bank		**50,000,000**		-
CIBC Bank		**10,000,000**		-
Mortgage-Backed Securities		**6,768,143**		-
Central 1		**3,788,830**		3,864,100
Other		**264,221**		310,173
Equity Investments				
SaskCentral Membership Shares		**16,659,518**		14,500,000
Concentra Bank Class A Series 1 Preferred Shares		**1,750,000**		1,500,000
APEX (I, II and III)		**4,720,757**		6,925,089
WestCap		**4,025,338**		2,720,800
WaterCredit		**1,179,213**		-
Other		**512,043**		470,521
Accrued interest		**1,243,868**		1,369,087
Impairment		**(50,046)**		(22,554)
Total Investments	**$**	**372,399,726**	$	405,404,651

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

Pursuant to Regulation 18(1)(a), Credit Union Central of Saskatchewan (“SaskCentral”) requires that the Credit Union maintain 10% of its liabilities using a prescribed formula in specified liquidity deposits in SaskCentral. The regulator of Saskatchewan Credit Unions, CUDGC, requires that the Credit Union adhere to these prescribed limits and restrictions. As of December 31, 2019, the Credit Union met this requirement.

At December 31, 2019, $67,232,273 (2018 - $80,064,879) of debt investments mature more than 12 months after the reporting date.

SaskCentral Membership Shares

Currently the Credit Union holds $16,659,518 in membership shares of SaskCentral. The voting rights, characteristics, and value of membership shares are set out in the bylaws of SaskCentral. Membership shares of SaskCentral carry an issuance and redemption price of $10 per share.

5. INVESTMENTS (continued)

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

Concentra Bank Preferred Shares

Currently the Credit Union holds $1,750,000 in Class A Series 1 Preferred shares in Concentra Bank. These shares entitle the holders to an annual, non-cumulative fixed dividend of $1.15 per share for an initial period expiring on January 31, 2021. 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 Concentra Bank for $25 per share no earlier than January 31, 2021, subject to the approval of OSFI and the requirements of the Bank Act (Canada).

6. LOANS

			ECL Allowance			2019
	Performing	Impaired	12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Net
Agriculture	$ 516,047,245	$ 427,751	$ 84,713	$ 235,539	$ 452,538	$ 515,702,206
Commercial	582,598,579	24,215,338	205,556	797,686	10,578,395	595,232,280
Consumer	981,645,590	1,681,652	1,877,396	544,937	982,502	979,922,407
Finance Leases	20,541,330	-	-	-	-	20,541,330
Foreclosed Property	-	264,500	-	-	-	264,500
Accrued Interest	10,488,211	2,539,809	-	-	-	13,028,020
Total Loans	$ 2,111,320,955	$ 29,129,050	$ 2,167,665	$ 1,578,162	$ 12,013,435	$ 2,124,690,743

6. **LOANS** (continued)

						2018
			ECL Allowance			
	Performing	Impaired	12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Net
Agriculture	$ 502,893,372	$ 177,806	$ 52,482	$ 152,455	$ 189,213	$ 502,677,028
Commercial	630,596,099	7,388,866	207,305	352,537	4,681,925	632,743,198
Consumer	955,286,042	1,981,286	1,104,138	1,265,183	1,245,335	953,652,672
Finance Leases	23,718,913	-	-	-	-	23,718,913
Foreclosed Property	-	234,862	-	-	-	234,862
Accrued Interest	10,797,248	576,201	-	-	-	11,373,449
Total Loans	$ 2,123,291,674	$ 10,359,021	$ 1,363,925	$ 1,770,175	$ 6,116,473	$ 2,124,400,122

The aging of loans, including those that were past due but not impaired and those that were individually impaired, as at December 31, 2019 was:

	2019		2018	
	Performing	Impaired	Performing	Impaired
Current	**$ 2,081,857,899**	**$ 1,500,618**	$ 2,085,741,094	$ 328,171
31-60 days	**4,859,321**	**45,155**	5,838,304	55,766
61-90 days	**811,523**	**115,848**	649,603	57,496
91 -120 days	**2,199,683**	**103,477**	1,472,670	55,702
120+ days	**11,104,317**	**24,824,143**	18,792,755	9,285,685
Accrued interest	**10,488,212**	**2,539,809**	10,797,248	576,201
Total	**$ 2,111,320,955**	**$ 29,129,050**	$ 2,123,291,674	$ 10,359,021

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

At year end, the Credit Union holds residential property with a carrying value of $264,500 (2018 - $234,862) which was obtained 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 PROVISION FOR CREDIT LOSSES

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

	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	2019 Total ECL
Beginning Balance, January 1, 2019	$ 1,363,925	$ 1,770,175	$ 6,116,473	$ 9,250,573
Transfer to 12-month ECL	1,121,889	(863,818)	(258,071)	-
Transfer to lifetime ECL not credit-impaired	(256,988)	437,193	(180,205)	-
Transfer to lifetime ECL credit-impaired	(394,187)	(591,883)	986,070	-
Net remeasurement of loss allowance	(500,366)	1,064,074	6,804,396	7,368,104
New financial assets originated	984,262	-	-	984,262
Financial assets that have been derecognized	(150,870)	(237,579)	(493,225)	(881,674)
Write-offs	-	-	(962,003)	(962,003)
Balance at December 31, 2019	$ 2,167,666	$ 1,578,162	$ 12,013,435	$ 15,759,263

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, 2019	$ 52,482	$ 152,454	$ 189,213	$ 394,149
Transfer to 12-month ECL	76,871	(45,740)	(31,131)	-
Transfer to lifetime ECL not credit-impaired	(1,582)	129,739	(128,157)	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
Net remeasurement of loss allowance	(68,617)	64,622	422,613	418,618
New financial assets originated	31,454	-	-	31,454
Financial assets that have been derecognized	(5,895)	(65,536)	-	(71,431)
Write-offs	-	-	-	-
Balance at December 31, 2019	$ 84,713	$ 235,539	$ 452,538	$ 772,790

Commercial	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Total ECL
Beginning Balance, January 1, 2019	$ 207,305	$ 352,535	$ 4,681,926	$ 5,241,766
Transfer to 12-month ECL	22,433	(22,433)	-	-
Transfer to lifetime ECL not credit-impaired	(34,118)	34,118	-	-
Transfer to lifetime ECL credit-impaired	(30,253)	(205,292)	235,545	-
Net remeasurement of loss allowance	17,327	671,825	5,732,078	6,421,230
New financial assets originated	53,184	-	-	53,184
Financial assets that have been derecognized	(30,322)	(33,067)	(2,135)	(65,524)
Write-offs	-	-	(69,019)	(69,019)
Balance at December 31, 2019	$ 205,556	$ 797,686	$ 10,578,395	$ 11,581,637

7. ALLOWANCE AND 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, 2019	**$**	**1,104,138**	**$**	**1,265,183**	**$**	**1,245,335**	**$**	**3,614,656**
Transfer to 12-month ECL		**1,022,585**		**(795,645)**		**(226,940)**		**-**
Transfer to lifetime ECL not credit-impaired		**(221,288)**		**273,336**		**(52,048)**		**-**
Transfer to lifetime ECL credit-impaired		**(363,934)**		**(386,591)**		**750,525**		**-**
Net remeasurement of loss allowance		**(449,076)**		**327,630**		**649,704**		**528,258**
New financial assets originated		**899,624**		**-**		**-**		**899,624**
Financial assets that have been derecognized		**(114,653)**		**(138,976)**		**(491,090)**		**(744,719)**
Write-offs		**-**		**-**		**(892,984)**		**(892,984)**
Balance at December 31, 2019	**$**	**1,877,396**	**$**	**544,937**	**$**	**982,502**	**$**	**3,404,835**

2018

		12-month ECL (Stage 1)		Lifetime ECL not credit-impaired (Stage 2)		Lifetime ECL credit-impaired (Stage 3)		Total ECL
Beginning Balance, January 1, 2018	$	3,421,199	$	1,266,743	$	1,900,670	$	6,588,612
Transfer to 12-month ECL		650,366		(636,810)		(13,556)		-
Transfer to lifetime ECL not credit-impaired		(409,423)		454,983		(45,560)		-
Transfer to lifetime ECL credit-impaired		(147,717)		(18,408)		166,125		-
Net remeasurement of loss allowance		(1,478,899)		1,019,748		6,787,051		6,327,900
New financial assets originated		310,765		244,102		77,090		631,957
Financial assets that have been derecognized		(535,219)		(101,390)		(1,286,861)		(1,923,471)
Write-offs		(447,147)		(458,793)		(1,468,487)		(2,374,427)
Balance at December 31, 2018	$	1,363,925	$	1,770,175	$	6,116,473	$	9,250,572

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, 2018	$	171,202	$	19,809	$	79,621	$	270,632
Transfer to 12-month ECL		2,070		(2,070)		-		-
Transfer to lifetime ECL not credit-impaired		(5,592)		5,592		-		-
Transfer to lifetime ECL credit-impaired		(182)		(41)		223		-
Net remeasurement of loss allowance		(56,540)		99,879		304,689		348,028
New financial assets originated		11,849		66,759		-		78,608
Financial assets that have been derecognized		(70,325)		(1,357)		(79,620)		(151,302)
Write-offs		-		(36,117)		(115,700)		(151,817)
Balance at December 31, 2018	$	52,482	$	152,454	$	189,213	$	394,149

7. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

2018

Commercial	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Total ECL
Beginning Balance, January 1, 2018	$ 2,270,088	$ 249,583	$ 844,593	$ 3,364,264
Transfer to 12-month ECL	2,608	(2,608)	-	-
Transfer to lifetime ECL not credit-impaired	(342,482)	342,482	-	-
Transfer to lifetime ECL credit-impaired	(144,580)	(379)	144,959	-
Net remeasurement of loss allowance	(1,230,792)	(212,407)	5,397,603	3,954,404
New financial assets originated	27,091	39,037	-	66,128
Financial assets that have been derecognized	(369,326)	(838)	(749,516)	(1,119,680)
Write-offs	(5,302)	(62,335)	(955,713)	(1,023,350)
Balance at December 31, 2018	$ 207,305	$ 352,535	$ 4,681,926	$ 5,241,766

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, 2018	$ 979,909	$ 997,351	$ 976,456	$ 2,953,716
Transfer to 12-month ECL	645,688	(632,132)	(13,556)	-
Transfer to lifetime ECL not credit-impaired	(61,350)	106,909	(45,559)	-
Transfer to lifetime ECL credit-impaired	(2,956)	(17,988)	20,944	-
Net remeasurement of loss allowance	(191,566)	1,132,275	1,084,759	2,025,468
New financial assets originated	271,825	138,305	77,090	487,221
Financial assets that have been derecognized	(95,568)	(99,195)	(457,725)	(652,488)
Write-offs	(441,844)	(360,342)	(397,074)	(1,199,260)
Balance at December 31, 2018	$ 1,104,138	$ 1,265,183	$ 1,245,335	$ 3,614,656

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

	2019	2018
Debt instruments at Amortized Cost		
Agriculture loans	**$ 378,639**	$ 275,335
Commercial loans	**6,291,123**	2,900,852
Consumer loans	**800,930**	1,860,201
Investments	**27,492**	22,554
Total Provision for Credit Losses	**$ 7,498,184**	$ 5,058,942

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

	Maturities of derivatives (notional amount)					Net fair value			
				2019	2018	2019		2018	
	Under 1 year	1 to 5 years	Over 5 years	Total	Total	Assets	Liabilities	Assets	Liabilities
Derivatives at FVPL									
Interest rate swaps	$ 75,000,000	$ 25,000,000	-	100,000,000	150,000,000	1,130,093	-	2,509,734	-
Index-linked options	1,186,572	2,570,917	-	3,757,489	3,012,392	303,114	303,114	208,119	208,119
	$ 76,186,572	$ 27,570,917	-	103,757,489	153,012,392	1,433,207	303,114	2,717,853	208,119

Interest rate swaps

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

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

Index-linked options

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

9. PROPERTY AND EQUIPMENT

2019	Land	Facilities	Computer Hardware	Furniture & Equipment	Automotive	Total
Cost						
Balance at December 31, 2018	$ 1,558,864	$ 34,357,618	$ 10,079,397	$ 3,598,664	$ 1,211,447	$ 50,805,990
Additions	-	78,495	1,010,433	364,733	188,722	1,642,383
Acquisitions through business combinations	158,661	128,450	5,398	31,699	-	324,208
Disposals	-	-	(11,036)	-	(81,152)	(92,188)
Balance at December 31, 2019	$ 1,717,525	$ 34,564,563	$ 11,084,192	$ 3,995,096	$ 1,319,017	$ 52,680,393
Depreciation and impairment losses						
Balance at December 31, 2018	$ -	$ 19,637,846	$ $ 8,427,576	$ $ 3,460,516	$ 631,955	$ 32,157,893
Depreciation Expense	-	1,508,228	764,291	134,338	218,723	2,625,580
Disposals	-	-	(11,036)	-	(81,152)	(92,188)
Balance at December 31, 2019	$ -	$ 21,146,074	$ 9,180,831	$ 3,594,854	$ 769,526	$ 34,691,285
Net Book Value						
Balance at December 31, 2019	$ 1,717,525	$ 13,418,489	$ 1,903,361	$ 400,242	$ 549,491	$ 17,989,108

9. PROPERTY AND EQUIPMENT (continued)

				2018		
	Land	Facilities	Computer Hardware	Furniture & Equipment	Automotive	Total
Cost						
Balance at December 31, 2017	$ 1,558,864	$ 33,493,826	$ 11,873,209	$ 3,629,695	$ 1,191,303	$ 51,746,897
Additions	-	893,214	590,660	9,306	100,247	1,593,427
Disposals	-	(29,422)	(2,384,472)	(40,337)	(80,103)	(2,534,334)
Balance at December 31, 2018	$ 1,558,864	$ 34,357,618	$ 10,079,397	$ 3,598,664	$ 1,211,447	$ 50,805,990
Depreciation and impairment losses						
Balance at December 31, 2017	$ -	$ $ 18,191,780	$ $ 10,087,630	$ $ 3,425,826	$ 500,874	$ 32,206,110
Depreciation Expense	-	1,465,378	724,178	75,027	211,184	2,475,767
Disposals	-	(19,313)	(2,384,232)	(40,337)	(80,103)	(2,523,985)
Balance at December 31, 2018	$ -	$ 19,637,846	$ 8,427,576	$ 3,460,516	$ 631,955	$ 32,157,893
Net Book Value						
Balance at December 31, 2018	$ 1,558,864	$ 14,719,772	$ 1,651,821	$ 138,148	$ 579,492	$ 18,648,097

10. GOODWILL AND INTANGIBLE ASSETS

			2019		
		Intangible Assets			
	Goodwill	Software	Naming Rights	Core Deposits	Total
Cost					
Balance at December 31, 2018	**$ 5,091,190**	**$ 5,627,301**	**$ 1,500,000**	**$ -**	**$ 12,218,491**
Additions	**-**	**669,194**	**-**	**-**	**669,194**
Acquisitions through business combinations	**-**	**-**	**-**	**901,145**	**901,145**
Balance at December 31, 2019	**$ 5,091,190**	**$ 6,296,495**	**$ 1,500,000**	**$ 901,145**	**$ 13,788,830**
Amortization and impairment losses					
Balance at December 31, 2018	**$ -**	**$ 5,268,064**	**$ 325,000**	**$ -**	**$ 5,593,064**
Amortization expense	**-**	**406,453**	**37,500**	**100,126**	**544,079**
Balance at December 31, 2019	**$ -**	**$ 5,674,517**	**$ 362,500**	**$ 100,126**	**$ 6,137,143**
Carrying Value					
Balance at December 31, 2019	**$ 5,091,190**	**$ 621,978**	**$ 1,137,500**	**$ 801,019**	**$ 7,651,687**

		2018		
		Intangible Assets		
	Goodwill	Software	Naming Rights	Total
Cost				
Balance at December 31, 2017	$ 5,091,190	$ 6,390,884	$ 1,500,000	$ 12,982,074
Additions	-	-	-	-
Disposals	-	(763,583)	-	(763,583)
Balance at December 31, 2018	$ 5,091,190	$ 5,627,301	$ 1,500,000	$ 12,218,491
Amortization and impairment losses				
Balance at December 31, 2017	$ -	$ 5,664,194	$ 287,500	$ 5,951,694
Amortization expense	-	367,454	37,500	404,954
Disposals	-	(763,584)	-	(763,584)
Balance at December 31, 2018	$ -	$ 5,268,064	$ 325,000	$ 5,593,064
Carrying Value				
Balance at December 31, 2018	$ 5,091,190	$ 359,237	$ 1,175,000	$ 6,625,427

11. DEPOSITS

		2019		2018
Operating and Savings	$	1,312,532,798	$	1,279,376,769
TFSA's		129,577,230		106,787,976
Term Deposits		746,072,307		731,192,707
RRSP's		122,196,410		112,489,253
RRIF's		55,618,861		46,742,426
Interest Payable		13,435,338		10,545,401
Total Deposits	$	2,379,432,944	$	2,287,134,532

At December 31, 2019, $427,645,000 (2018 - $350,362,000) of deposits are expected to be settled more than 12 months after the reporting date.

12. LOANS PAYABLE

The Credit Union has an authorized line of credit bearing interest at prime less 0.50% in the amount of $34,200,000 (CDN) (2018 - $29,700,000) with SaskCentral. The Credit Union also has an authorized line of credit bearing interest at prime plus 0.50% in the amount of $500,000 (USD) with SaskCentral. At December 31, 2019, the Credit Union had $Nil (2018 - $Nil) drawn on these lines of credit.

The Credit Union has an authorized demand loan with Concentra Bank of $40,000,000 with a balance outstanding of $Nil (2018 - $Nil) bearing interest at 1 month CDOR rate plus 2.50% and an annual standby fee of 0.15%.

The Credit Union is authorized to borrow up to $18,800,000 (2018 - $15,800,000) under a commercial paper program with SaskCentral with a balance outstanding of $Nil (2018 - $Nil) bearing interest at 1 month Banker’s Acceptance rate plus 0.375%.

The Credit Union has an authorized demand loan with Desjardin of $50,000,000 with a balance outstanding of $Nil (2018 - $Nil) bearing interest Desjardin’s internal cost of funds plus 0.85% and an annual standby fee of 0.175%.

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

13. SECURITIZED BORROWINGS

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

At December 31, 2019, the carrying value of the residential mortgage loans, including accrued interest is $125,089,384 (2018 - $128,326,073). Due to retention of substantially all the risks

13. SECURITIZED BORROWINGS (continued)

and rewards of ownership of these assets, the Credit Union continues to recognize them within loans on the consolidated statement of financial position, and the transfers are accounted for as secured financing transactions. The associated liability of $124,324,597 (2018 - $127,446,809), secured by these assets, is included in securitized borrowings on the consolidated statement of financial position and is carried at amortized cost.

The Credit Union also retains certain amounts of its issued NHA MBS certificates as part of its liquidity management strategy. As at December 31, 2019 residential mortgages of $35,275,521 (2018 - $33,177,046) with a fair value of $35,597,890 (2018 - $33,215,847) were assigned to NHA MBS certificates and retained by the Credit Union. These unsold NHA MBS certificates are reported in consumer loans on the consolidated statement of financial position.

14. OTHER INCOME

		2019		2018
Service charges on products	**$**	**1,304,856**	$	1,285,187
Loan fees, commissions and insurance		**4,360,805**		4,195,738
Other fees and commissions		**4,669,592**		4,758,120
Wealth management		**3,930,363**		3,806,025
Insurance agencies		**5,430,480**		5,546,999
Other		**1,088,174**		1,052,365
Total Other Income	**$**	**20,784,270**	$	20,644,434

15. MEMBERSHIP SHARES AND DISTRIBUTIONS

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

The authorized share capital is unlimited in amount and consists of fully paid shares with a par value of $5 per share. Prior to 1998, the Act allowed membership shares to be held jointly. *The Act* now requires each member to have a separate membership share. Those in place prior to 1998 were grandfathered Member share accounts and are not guaranteed by CUDGC. Characteristics include permanence, freedom from mandatory charge and subordination to the rights of creditors and depositors.

The Credit Union Act also provides the ability for credit unions to distribute to members surplus earnings in the form of patronage allocations and/or dividends. Patronage allocations may be utilized to purchase additional membership shares in the credit union.

15. MEMBERSHIP SHARES AND DISTRIBUTIONS (continued)

Membership shares and distributions is comprised of the following:

		2019		2018
Membership shares - par value	$	**279,695**	$	263,265
Memberhip shares - patronage allocations		**19,112,507**		18,528,296
Membership rewards - unrestricted		**7,387,610**		5,968,298
Total Membership Shares and Distributions	**$**	**26,779,812**	**$**	24,759,859

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

The Board of Directors declared total member distributions in the amount of $3,480,737 (2018 - $3,790,713) based on 2019 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 deposit products).

The member distributions of $3,480,737 (2018 - $3,790,713) are reported on the consolidated financial statements as follows: $1,315,000 (2018 - $1,251,000) cash dividends, $56,000 (2018 - $52,000) youth cash dividends, $2,109,737 (2018 - $2,487,713) patronage allocations to Membership Shares.

16. CAPITAL MANAGEMENT

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

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

Tier 1 capital is defined as a credit union's primary capital and comprises the highest quality of capital elements while tier 2 is secondary capital and falls short of meeting tier 1 requirements for permanence or freedom from mandatory charges. Tier 1 capital consists of two

16. CAPITAL MANAGEMENT (continued)

components: common equity and additional tier 1 capital. Common equity includes retained earnings, contributed surplus and accumulated other comprehensive income. Deductions from common equity tier 1 capital include goodwill, intangible assets, deferred tax assets (except those arising from temporary differences), increases in equity capital resulting from securitization transactions, unconsolidated substantial investments and fair value gains/losses on own-use property. Additional tier 1 capital consists of qualifying membership shares and other investment shares issued by the Credit Union that meet the criteria for inclusion in additional tier 1 capital.

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

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

March 31, 2010 and all existing and future reinvestments related to Canada Mortgage Bonds (CMB) Insured Mortgage Purchase Program transactions completed up to and including March 31, 2010.

The Credit Union has adopted a capital plan that conforms to the capital framework and is regularly reviewed and approved by the Board of Directors. The following table compares CUDGC regulatory standards to the Credit Union's Board policy for 2019:

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

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

16. CAPITAL MANAGEMENT (continued)

The following table summarizes key capital information:

Capital Summary

	2019	2018
Eligible Capital		
Common Equity Tier 1 Capital	**$ 235,920,749**	$ 211,012,251
Additional Tier 1 Capital	**-**	-
Total Tier 1 Capital	**235,920,749**	211,012,251
Total Tier 2 Capital	**23,138,029**	21,925,661
Total eligible capital	**$ 259,058,778**	$ 232,937,912
Risk-weighted assets	**$ 1,769,467,800**	$ 1,761,940,043
Leverage assets	**2,816,001,301**	2,724,423,469
Common equity Tier 1 to risk weighted assets	**13.33%**	11.98%
Total Tier 1 to risk weighted assets	**13.33%**	11.98%
Total eligible capital to risk weighted assets	**14.64%**	13.22%
Total eligible capital to leveraged assets	**9.20%**	8.55%

17. RELATED PARTY TRANSACTIONS

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

Loans

At December 31, 2019, certain directors, senior management and their spouses, children and dependents were indebted to the Credit Union for an amount totaling $8,720,932 (2018 - $9,263,478). 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.

17. RELATED PARTY TRANSACTIONS (continued)

Deposits

As of December 31, 2019, certain directors, executive management, their spouses and dependents, and companies over which the director or executive has substantial control had deposits at the Credit Union for an amount totaling $3,128,670 (2018 - $2,217,445).

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:

	2019	2018
Salaries and other short-term employee benefits	**$ 2,679,590**	$ 2,666,390
Other long-term benefits	**109,442**	106,000
	$ 2,789,032	$ 2,772,390

18. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2019			2018		
	FVTPL	**Amortized Cost**	**Total Carrying Value**	FVTPL	Amortized Cost	Total Carrying Value
FINANCIAL ASSETS						
Cash and cash equivalents	**$ -**	**$ 244,334,229**	**$ 244,334,229**	$ -	$ 100,081,744	$ 100,081,744
Investments	**192,222,412**	**180,177,314**	**372,399,726**	143,553,554	261,851,097	405,404,651
Loans	**-**	**2,124,690,743**	**2,124,690,743**	-	2,124,400,122	2,124,400,122
Accounts receivable	**-**	**4,213,597**	**4,213,597**	-	4,305,968	4,305,968
Derivative assets	**1,433,207**	**-**	**1,433,207**	2,717,853	-	2,717,853
FINANCIAL LIABILITIES						
Deposits	**-**	**2,379,432,944**	**2,379,432,944**	-	2,287,134,532	2,287,134,532
Securitized borrowings	**-**	**124,324,597**	**124,324,597**	-	127,446,809	127,446,809
Accounts payable	**-**	**18,759,724**	**18,759,724**	-	22,161,048	22,161,048
Derivative liabilities	**303,114**	**-**	**303,114**	208,119	-	208,119
Membership shares and distributions	**-**	**26,779,812**	**26,779,812**	-	24,759,859	24,759,859

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.

18. CLASSIFICATION AND 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.

- 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 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. For certain loan and deposit products, discount rates are based on the Credit Union's best consumer rate plus an adequate credit spread. The following table summarizes the range of discount rates used by the Credit Union in determining fair values:

	2019	2018
Investments	**1.65% - 2.05%**	1.65% - 2.06%
Loans	**3.44% - 5.29%**	3.44% - 5.44%
Deposits	**0.00% - 2.25%**	0.00% - 2.20%

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

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

2019	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
FINANCIAL ASSETS					
Measured at FVTPL					
Investments	**192,222,412**	**-**	**181,963,834**	**10,258,578**	**192,222,412**
Derivative assets	**1,433,207**	**-**	**1,433,207**	**-**	**1,433,207**
Measured at Amortized Cost					
Investments	**180,177,314**	**-**	**193,114,861**	**-**	**193,114,861**
Loans	**2,124,690,743**	**-**	**2,060,226,636**	**-**	**2,060,226,636**
	$ 2,498,523,676	**$ -**	**$ 2,436,738,538**	**$ 10,258,578**	**$ 2,446,997,116**
FINANCIAL LIABILITIES					
Measured at FVTPL					
Derivative liabilities	**303,114**	**-**	**303,114**	**-**	**303,114**
Measured at Amortized Cost					
Deposits	**2,379,432,944**	**-**	**2,368,929,220**	**-**	**2,368,929,220**
Securitized borrowings	**124,324,597**	**-**	**124,324,597**	**-**	**124,324,597**
	$ 2,504,060,655	**$ -**	**$ 2,493,556,931**	**$ -**	**$ 2,493,556,931**

2018	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
FINANCIAL ASSETS					
Measured at FVTPL					
Investments	143,553,554	-	133,787,375	9,766,179	143,553,554
Derivative assets	2,717,853	-	2,717,853	-	2,717,853
Measured at Amortized Cost					
Investments	261,851,097	-	261,924,150	-	261,924,150
Loans	2,124,400,122	-	2,084,543,640	-	2,084,543,640
	$ 2,532,522,626	$ -	$ 2,482,973,018	$ 9,766,179	$ 2,492,739,197
FINANCIAL LIABILITIES					
Measured at FVTPL					
Derivative liabilities	208,119	-	208,119	-	208,119
Measured at Amortized Cost					
Deposits	2,287,134,532	-	2,276,745,967	-	2,276,745,967
Securitized borrowings	127,446,809	-	127,446,809	-	127,446,809
	$ 2,414,789,460	$ -	$ 2,404,400,895	$ -	$ 2,404,400,895

There were no transfers between Level 1, Level 2 or Level 3 during the period.

19. FINANCIAL INSTRUMENT RISK MANAGEMENT

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

Credit Risk

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

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

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

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

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

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

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

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

	2019	2018
Long Term Issuer Rating AAA	**$ 6,768,143**	$ -
Short Term Issuer Rating R-1 (high) (CIBC)	**10,000,000**	-
Short Term Issuer Rating R-1 (middle) (National Bank, Central 1)	**53,788,830**	3,864,100
Short Term Issuer Rating R-1 (low) (Concentra, SaskCentral)	**289,947,359**	389,767,435
Unrated	**10,701,572**	10,426,583
	$ 371,205,904	$ 404,058,118

At December 31, 2019, the Credit Union does not hold any credit derivative financial instruments (2018 - $Nil). The Credit Union is exposed to credit risk in the event of non-performance by counterparties to its derivative financial instruments but does not anticipate non-performance by any of the counterparties. Management monitors the credit risk and credit standing of counterparties on a regular basis.

In addition, in the normal course of business the Credit Union has entered into 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 customers. These are subject to normal credit standards, financial controls, risk management and monitoring procedures.

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

Guarantees and standby letters of credit represent irrevocable commitments that the Credit Union will make payments in the event that a customer cannot meet its obligations to third parties, and they carry the same risk, recourse and collateral security requirements as loans extended to customers. Documentary and commercial letters of credit are instruments issued on behalf of a customer authorizing a third party to draw drafts on the Credit Union up to a stipulated amount subject to specific terms and conditions. The Credit Union is at risk for any drafts drawn that are not ultimately settled by the customer 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 $367,557,628 (2018 - $402,826,419). This amount does not necessarily represent future cash requirements since many commitments will expire or terminate without being funded.

Liquidity Risk

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

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

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

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

The Credit Union manages the liquidity risk resulting from these transactions by investing in liquid assets such as money market term deposits and by entering into agreements to access loans as described in Note 12.

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

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Liquidity Risk (continued)

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

Regulatory standards require credit unions to maintain a minimum liquidity coverage ratio of 100% in 2019. During the year the Credit Union maintained internal liquidity adequacy targets that exceed regulatory requirements.

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

	< 1 year	1-2 years	2-3 years	3 + Years	2019 Total
Non-derivative financial liabilities					
Deposits	$ **1,951,787,861**	$ **185,022,665**	$ **105,995,627**	$ **136,626,791**	$ **2,379,432,944**
Securitized borrowings	**21,538,251**	**67,618,955**	**3,618,306**	**31,549,085**	**124,324,597**
Accounts payable	**18,609,724**	**150,000**	**-**	**-**	**18,759,724**
Membership equity	**-**	**-**	**-**	**26,779,812**	**26,779,812**
Total	$ **1,991,935,836**	$ **252,791,620**	$ **109,613,933**	$ **194,955,688**	$ **2,549,297,077**

	< 1 year	1-2 years	2-3 years	3 + Years	2018 Total
Non-derivative financial liabilities					
Deposits	$ 1,936,772,115	$ 129,234,559	105,767,350	$ 115,360,508	$ 2,287,134,532
Securitized borrowings	18,534,626	32,017,081	43,793,962	33,101,140	127,446,809
Accounts payable	22,011,048	150,000	-	-	22,161,048
Membership equity	-	-	-	24,759,859	24,759,859
Total	$ 1,977,317,789	$ 161,401,640	$ 149,561,312	$ 173,221,507	$ 2,461,502,248

Market Risk

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

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

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Market Risk (continued)

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

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

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

Interest Rate Risk

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

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

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

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

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Market Risk (continued)

	On Demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest sensitive	2019 Total
ASSETS							
Cash and cash equivalents	**$ 194,552,407**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 49,781,822**	**$ 244,334,229**
Effective interest rate	**1.82%**						**1.82%**
Investments	**261,056,027**	**27,665,000**	**39,422,224**	**43,062,654**	**-**	**1,193,821**	**372,399,726**
Effective interest rate	**1.94%**	**1.98%**	**1.98%**	**1.81%**	**-**	**-**	**1.93%**
Loans	**854,317,126**	**67,626,000**	**263,541,000**	**851,862,000**	**61,485,000**	**25,859,617**	**2,124,690,743**
Effective interest rate	**5.23%**	**4.44%**	**4.08%**	**3.85%**	**4.80%**	**-**	**4.49%**
Accounts receivable	**-**	**-**	**-**	**-**	**-**	**4,213,597**	**4,213,597**
	1,309,925,560	**95,291,000**	**302,963,224**	**894,924,654**	**61,485,000**	**81,048,857**	**2,745,638,295**
LIABILITIES							
Deposits	**1,241,483,982**	**192,979,970**	**373,262,837**	**427,154,776**	**490,308**	**144,061,071**	**2,379,432,944**
Effective interest rate	**0.80%**	**2.45%**	**2.08%**	**2.59%**	**2.49%**	**-**	**1.51%**
Securitized borrowings	**-**	**4,594,000**	**34,631,000**	**85,099,597**	**-**	**-**	**124,324,597**
Effective interest rate	**-**	**1.58%**	**1.55%**	**1.99%**	**-**	**-**	**2.08%**
Accounts payable	**-**	**-**	**-**	**150,000**	**-**	**18,609,724**	**18,759,724**
Membership equity	**-**	**-**	**-**	**-**	**-**	**26,779,812**	**26,779,812**
	1,241,483,982	**197,573,970**	**407,893,837**	**512,404,373**	**490,308**	**189,450,607**	**2,549,297,077**
2019 Statement of Financial Position Gap	**$ 68,441,578**	**$ (102,282,970)**	**$ (104,930,613)**	**$ 382,520,281**	**$ 60,994,692**	**$ (108,401,750)**	**$ 196,341,218**

	On Demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest sensitive	2018 Total
ASSETS							
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ 100,081,744	$ 100,081,744
Investments	158,414,580	110,454,000	76,535,916	58,650,000	-	1,350,155	405,404,651
Effective interest rate	2.18%	2.05%	2.23%	1.66%	-	-	2.08%
Loans	1,011,556,760	63,375,000	206,247,000	785,574,000	43,670,000	13,977,362	2,124,400,122
Effective interest rate	5.23%	4.57%	4.19%	3.71%	4.82%	-	4.53%
Accounts receivable		-	-	-	-	4,305,968	4,305,968
	1,169,971,340	173,829,000	282,782,916	844,224,000	43,670,000	119,715,229	2,634,192,485
LIABILITIES							
Deposits	1,231,449,000	110,366,000	336,576,000	493,025,000	60,000	115,658,532	2,287,134,532
Effective interest rate	0.90%	2.06%	2.27%	2.52%	2.40%		1.54%
Securitized borrowings	-	2,794,000	27,662,000	96,990,809	-		127,446,809
Effective interest rate	-	2.09%	1.95%	1.82%	-		2.14%
Accounts payable	-	-	-	150,000	-	22,011,048	22,161,048
Membership equity	-	-	-	-	-	24,759,859	24,759,859
	1,231,449,000	113,160,000	364,238,000	590,165,809	60,000	162,429,439	2,461,502,248
2018 Statement of Financial Position Gap	$ (61,477,660)	$ 60,669,000	$ (81,455,084)	$ 254,058,191	$ 43,610,000	$ (42,714,210)	$ 172,690,237

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

A 1.00% reduction in interest rates with all other variables held constant would result in a decrease in the Credit Union’s comprehensive income for the year ended December 31, 2019 of $5,294,019 (2018 - $5,015,447). A 1.00% increase in interest rates with all other variables held constant would result in an increase in the Credit Union’s comprehensive income for the year ended December 31, 2019 of $6,138,266 (2018 - $3,964,260). These changes are primarily due to changes in cash flows from variable rate assets and liabilities.

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Market Risk (continued)

The Credit Union uses both discrete and stochastic methods to simulate the effect of a change in the market rate of interest. The interest rate sensitivity information was prepared based on management's assumption that approximately $130 million (2018 - $128 million) of deposits have little or no sensitivity to changes in general market rates and $592 million (2018- $586 million) respond with 75% of the move in prime.

Foreign currency risk

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

20. COMMITMENTS

The Credit Union entered into a three year commitment for the provision of retail banking services provided by Celero. The annual operating fees for 2019 were $1,329,783 (2018 - $1,251,360).

The Credit Union is committed to investing up to $6,920,606 of additional capital in certain venture capital fund investments.

The Credit Union has committed $1,096,606 to invest in community development initiatives.

21. INCOME TAXES

Income tax expense is comprised of:

		2019		2018
Current income tax expense				
Current period	$	**7,049,766**	$	6,946,635
Adjustments for prior periods		**210,090**		331,781
		7,259,856		7,278,416
Deferred income tax recovery				
Origination and reversal of temporary differences		**(3,465,897)**		(3,342,426)
Provision for income taxes	$	**3,793,959**	$	3,935,990

21. INCOME TAXES (continued)

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

		2019		2018
Income before provision for income taxes	**$**	**18,276,609**	$	21,294,671
Combined federal and provincial tax rate		**27.00%**		27.00%
Income tax expense at statutory rate		**4,934,684**		5,749,561
Adjusted for effect of:				
Non-deductible expenses		**26,509**		29,477
Credit Union rate reduction		**(424,477)**		(310,213)
Deferred income tax expense resulting from rate changes		**(282,182)**		(1,748,731)
Other		**(460,575)**		215,896
	$	**3,793,959**	**$**	3,935,990
Effective rate of tax		**20.76%**		18.48%

In 2017, Saskatchewan provincial legislation changed impacting the provincial preferential tax rate for credit unions. The change is being phased in over a four year period from 2017 through 2020. The effect of this change is that the previously enacted provincial tax rate of 2% in 2016 increased to 4.44% in 2017, 6.75% in 2018, 9.5% in 2019 and 12% in 2020.

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

		2019		2018
Deferred income tax assets are comprised of the following:				
Loans and leases	**$**	**1,580,810**	$	1,231,711
Other		**205,556**		250,920
Property and equipment		**17,831,448**		14,410,441
Loss carryforwards		**364,444**		610,772
	$	**19,982,258**	$	16,503,844
Deferred income tax liabilities are comprised of the following:				
Property and equipment	**$**	**32,577**	$	31,645
	$	**32,577**	$	31,645

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The group recognized deferred income tax assets of $364,444 (2018 - $610,772) in respect of losses amounting to $1,349,792 (2018 - $2,262,118) that can be carried forward against future taxable income. Losses expire as follow:

21. INCOME TAXES (continued)

		Non-capital loss carry forward
2026	$	**93,697**
2027		**356,349**
2028		**445,367**
2029		**389,278**
2030		**65,101**
	$	**1,349,792**

22. BUSINESS COMBINATIONS

On January 1, 2019, the Credit Union acquired 100% of the equity interests of Pierceland Credit Union ("Pierceland") and Goodsoil Credit Union ("Goodsoil") through two separate amalgamation transactions. The assets and liabilities of Pierceland and Goodsoil in their entirety constitute a business and therefore the amalgamations were accounted for as business combinations under IFRS 3.

The amalgamations were approved through a member vote and subsequent regulatory approval by CUDGC. No cash was transferred, and no contingent consideration was provided however, an exchange of shares was performed whereby each of the members of Pierceland and Goodsoil exchanged their membership shares for new membership shares in the Credit Union.

As a result of this share exchange, the Credit Union is considered the acquirer in the business combinations and has recognized the identifiable assets and liabilities of Pierceland and Goodsoil in its consolidated balance sheet at the acquisition date fair values. The identifiable assets and liabilities include an intangible asset for low-cost core deposits (demand deposits from stable member relationships) which was previously not recognized in the financial statements of Pierceland and Goodsoil.

The acquisition date fair value of the equity interests and net identifiable assets and liabilities of Pierceland and Goodsoil is outlined below:

	As at January 1, 2019		
	Pierceland	Goodsoil	Total
Identifiable assets acquired			
Cash and cash equivalents	$ 842,828	$ 1,428,941	**$ 2,271,769**
Investments	6,642,381	9,882,653	**16,525,034**
Loans	36,446,964	42,287,329	**78,734,293**
Property and equipment	42,417	281,791	**324,208**
Intangible assets - core deposits	417,207	483,938	**901,145**
Other assets	51,184	48,921	**100,105**
	44,442,981	54,413,573	**98,856,554**
Identifiable liabilities assumed			
Deposits	39,462,226	47,544,487	**87,006,713**
Other liabilities	194,837	202,896	**397,733**
	39,657,063	47,747,383	**87,404,446**
Net addition to contributed surplus	$ 4,785,918	$ 6,666,190	**$ 11,452,108**

22. BUSINESS COMBINATIONS (continued)

As the fair values of the net identifiable assets and liabilities represents substantially all of the fair value of the equity interests in Pierceland and Goodsoil, no goodwill was recognized in the above noted business combinations.

23. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Credit Union adopted IFRS 16 Leases effective January 1, 2019, which supersedes the previous IAS 17 Leases ("IAS 17") standard and the related interpretations.

IFRS 16 eliminates the operating and finance lease classifications for lessees with a single, on-balance sheet lease accounting model. As a result of this change, the Credit Union now recognizes all leases to which it is a lessee in the consolidated balance sheet as a lease liability with a corresponding right-of-use asset, subject to recognition exemptions for certain short-term and low-value leases. For lessors, IFRS 16 substantially carries forward the accounting requirements from IAS 17 and consequently has not impacted the accounting for leases in which the Credit Union acts as lessor.

The Credit Union has elected to use the modified retrospective approach for its transition to IFRS 16, which applies the requirements of the standard in retrospectively from the date of adoption except as described below:

- Comparative periods have not been restated. Differences in the carrying value of assets and liabilities recorded upon transition are recognized in retained earnings as at January 1, 2019.
- Lease liabilities have been measured as of the transition date, rather than the commencement date of the lease, at an amount equal to the present value of the remaining lease payments, discounted using the incremental borrowing rate in effect at the transition date.
- Right-of-use assets have been measured as of the transition date, rather than the commencement date of the lease, at an amount equal to the recognized lease liabilities.

Upon transition to IFRS 16, the Credit Union has recognized lease liabilities and corresponding right-of-use assets of $766,753 as at January 1, 2019 with no impact to the previously reported retained earnings.

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