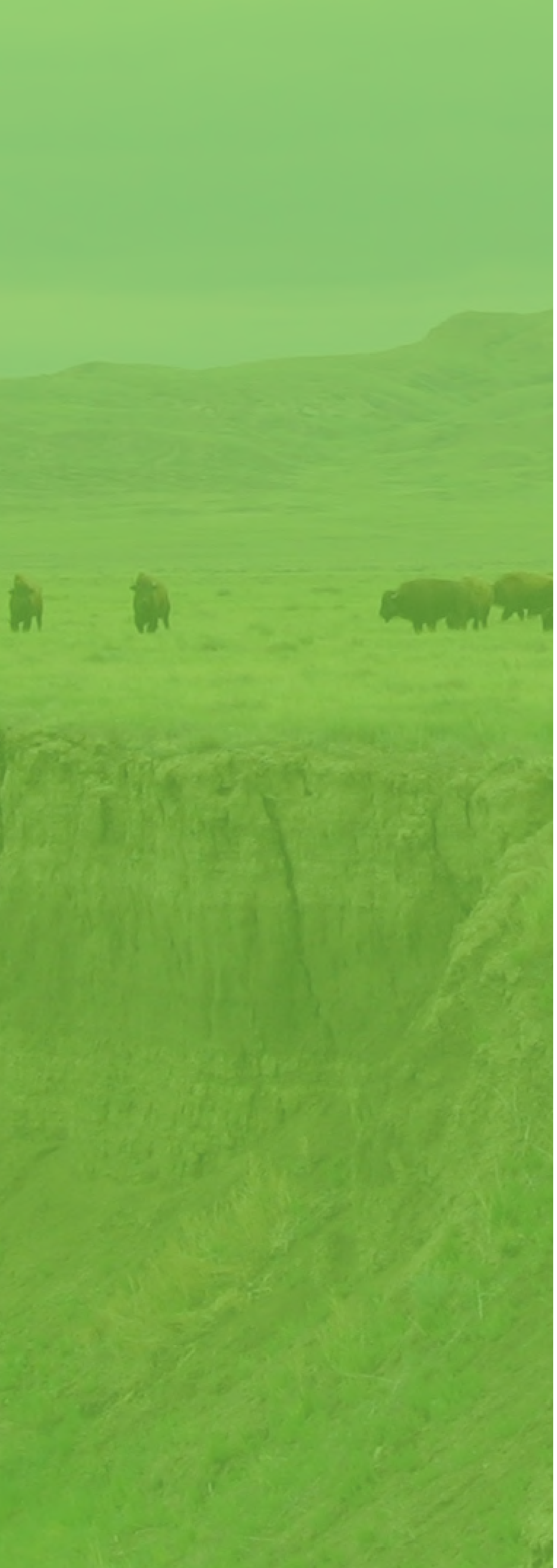
Responsible Banking™

2020 ANNUAL REPORT

innovation CREDIT UNION



Contents

A message from your Board President

2020 was a year many would like to forget: financial struggles, job losses, business closures, not to mention health and safety concerns throughout the pandemic. Despite all of that, I'd like to remember how proud we are of our Credit Union throughout this challenging year.

Seeing our leadership team and staff group come together to find innovative ways to help you was amazing. They added additional re-payment options for loans and mortgages. They extended our call centre hours of service and trained you how to bank digitally from home using your app and online banking. They lessened holds for digital cheque deposits and increased touchless payment limits for credit cards. They helped you with Government programs like CERB and CEBA. And if you did have to visit an advice centre, our facilities staff installed plexiglass barriers to protect you and staff alike.

Because of your support through it all, we were still able to distribute $1.647 million in Member Rewards back to you. We also put $504,730 back into your communities in the form of sponsorships, grants, and scholarships. On behalf of the board, management, and staff, thank you for your business.

We are also incredibly proud of how well we supported our staff members through COVID-19. They could easily work from home given our digital systems available to them. No jobs were lost. And they could still serve you with a smile through video chats or phone appointments. Thank you to this outstanding staff group for their resilience through all the changes this pandemic presented to them.

Last, but certainly not least, thank you to my fellow board members for their support and dedication to you the membership and our Credit Union. 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. Board members were able to complete all these tasks in a virtual environment, with ease and enthusiasm. You can be proud of this dedicated leadership group.

During these unusual times, our commitment to you, the membership, has remained strong through our member first training initiative. Each day Innovation Credit Union is making progress in becoming a federally regulated credit union. Thanks to the contribution of every Innovation employee, we hope to obtain approval from the Office of the Superintendent of Financial Institutions soon.

We were honored to once again be named as a Caring Company and a Saskatchewan Top Company in 2020. Thank you for contributing to our success.

In good times and bad, we aim to follow our Responsible Banking philosophy and 2020 certainly put us to the test. We were still able to share profits with you and your community. Our investment in technology helped you bank safely from home. Our free banking and loan repayment options helped keep more money in your pocket. We're looking forward to offering you even more in 2021. And as always, please reach out to us with any feedback or concerns you have. We're here to make life simpler for you.

Sincerely,

Bruce Sack
Board President

2020 Innovation Credit Union Board of Directors

Bruce Sack
President

Russ Siemens
1st Vice President

Mike Davis
2nd Vice President

Joan Baer

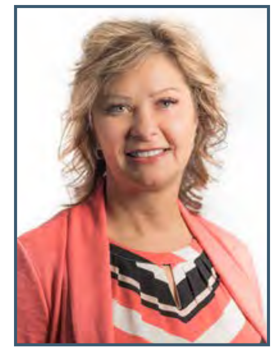
Jerome Bru

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

I am very proud of the steps that we have taken over the past number of years to create one of Canada's strongest credit unions built on a solid Capital based fueled by our Responsible Banking platform and Innovation's co-operative principles. Further, I am amazed at how well our team continues to serve members through these uncharted pandemic times. We will get through this pandemic together with our members and arrive stronger because of it.

Each year, I use the same CEO message in our strategic plan and annual report. This year will be the same, however the format is different. Innovation is at the cusp of executing on exciting multi-year initiatives. One way to visualize these initiatives is to describe what the results of the work will be in the future. We have done this with the following future based press release:

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FOR IMMEDIATE RELEASE

Innovation Federal Credit Union (May 2026)

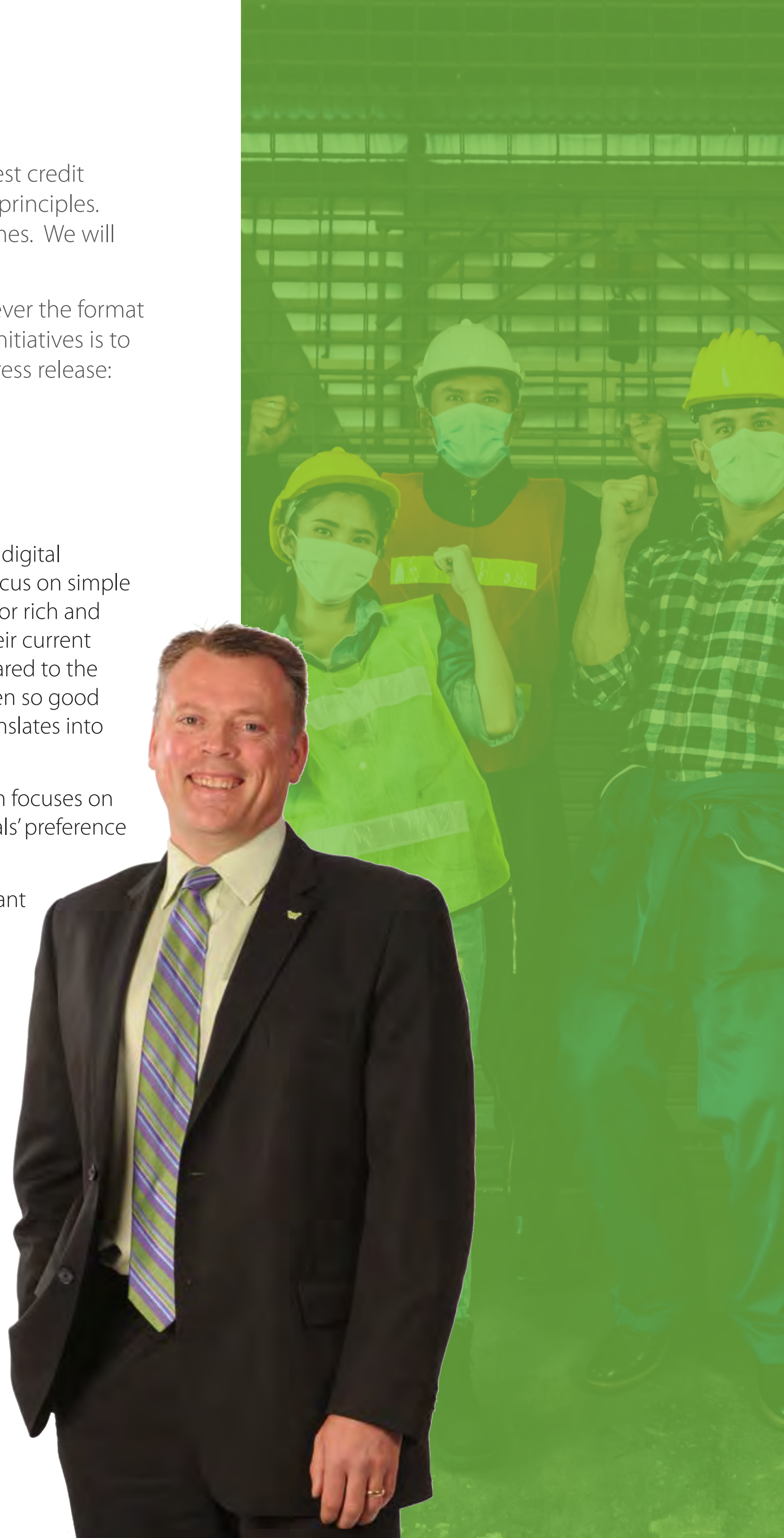
This challenger credit union is serving members on Microsoft's Omni-Channel Delivery Platform - Canada's first purely digital challenger credit union. Innovation Federal Credit Union (IFCU) transformed to meet the needs of Canadians with a focus on simple frictionless experiences, tailored advice & guidance, and excellent rates & service. In addition, Canadians are looking for rich and meaningful digital and mobile experiences, so Innovation adopted a digital-only branchless approach to augment their current advice centre array, creating an outstanding user experience resulting in an excellent Net Promoter Score (77% compared to the 45% average for Canadian banks) with their popularity driven predominantly by word of mouth. The response has been so good that 50% of all new members come through referrals. The absence of traditional brick-and-mortar expansion costs translates into savings that are passed on to members in the form of free services and Member Rewards for everyday banking™.

Canadians, especially millennials want digital experiences - In addition to their current membership, Innovation focuses on people between 18 and 45 years of age and created a digital advice centre (branch) as a key pillar to address millennials' preference for online, social and mobile channels as opposed to traditional banking branches.

Reinventing financial services for simplicity - After conducting market research, one of the first and most significant issues Innovation addressed was the intensity of technology. Simplicity is the foundation of Innovation's onboarding process, designed to be simple and user-friendly. IFCU does not plan to have a large number of physical locations as they grow, so its employees visit members as required. The member experience can be completely digital and available from a web browser or a mobile device, resulting in fully digital onboarding.

Launching the Federal Credit Union - Microsoft and VERiPARK were selected as the digital technology partners for Innovation with its solution providing the credit union's members with an omni-channel experience. Innovation's relationship with Microsoft has been transformative and is why they decided to extend their partnership to this fully digital business enterprise. Innovation wanted to launch quickly and thus kept their initial product offering simple by focusing on deposit growth with their free account and Member Rewards. To stand out and make their initial product offering attractive, Innovation's strategy was to provide the most competitive interest rates in the market and then expand their product portfolio by introducing credit cards, loans and commercial services.

Today, members can do everything online: open new accounts, take out loans, apply for a credit card, transfer money or update information. This approach also drives digital inclusion for the young who now have access to a full range of services anywhere and on any device. By focusing on digital and non-digital channels, Innovation is the only Canadian financial institution that offers Member Rewards for everyday banking™ and a truly no fee account. It also offers loyalty benefits, including discounts on popular millennial-focused services.



Fully digital onboarding process - After going federal, Innovation immediately launched a primarily digital advertising campaign. The marketing and advertising push drove rapid member growth, which was in part a result of the fully digital onboarding process that encouraged all members to open an account and try out the service.

After the initial promotional stage, the company increasingly relied upon member referrals and word of mouth. Internal research data shows that 50% of new customers arrive through referrals or word of mouth. By offering the best interest rates and transactions without fees, the credit union is already in a good competitive position but the user experience it delivers through its website further cements its market position.

Our members are very happy with us and our Net Promoter Score is 77%, while the average for banks in Canada is only 45%. 9 out of 10 members are happy to be our members and we see that response was hugely positive on social media as well. Our platform is receiving good reviews across the board.

Focus on expanding the offering in Small and Medium Enterprises (SMEs) - SMEs are the backbone of the Canadian economy. The credit union became federally regulated in 2021 and has been expanding its offering steadily. After success in the consumer market Innovation started to leverage their SME talent and experience and launched commercial banking services in 2023 beyond their provincial walls, which has been their focus for the past two years. Once SME's become a member of Innovation, they can reach out to a Business Advisor on the phone in just 30 seconds when they need any kind of support for their banking transactions. The credit union is focused on growth through Responsible Banking and adding new products for consumer and commercial accounts that will further distinguish it from other traditional players in the market.

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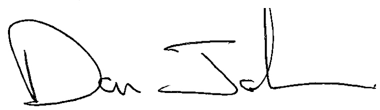
Thanks for reviewing our bold future based press release and thank you in advance for your continued support and business.

Thank you,



Daniel Johnson, Chief Executive Officer

"At Innovation, we do not just adapt to change, we transform by embracing disruption." - Daniel Johnson

2020 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

Product, Services and Enhancements

We were pleased to deliver the following notable services, products and enhancements in 2020:

Fresh Start Loan Program

In conjunction with the FFUN Group, Innovation Credit Union has created a loan program for people to help establish credit or re-establish their credit rating.

The Fresh Start Loan program will lend to these individuals and put these loan proceeds into a Redeemable Term Deposit at Innovation Credit Union which will then secure the loan.

This product not only starts the member on a savings plan, but they would earn investment income and help build their credit rating, as Innovation Credit Union reports to the Credit Bureau on a monthly basis.

Call Centre Hours Expanded

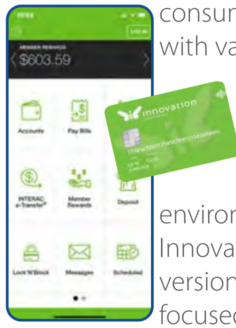
- 8 hours per week of service added
- Staffing levels increased
- Wait times now often under 1 minute

Refer a Friend

To reward both our referring members and new members joining Innovation Credit Union, we held a refer a friend promotion in 2020. 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.

New Member $300 Incentive Program

Innovation Credit Union launched a $300 new member incentive campaign in the fall 2020.

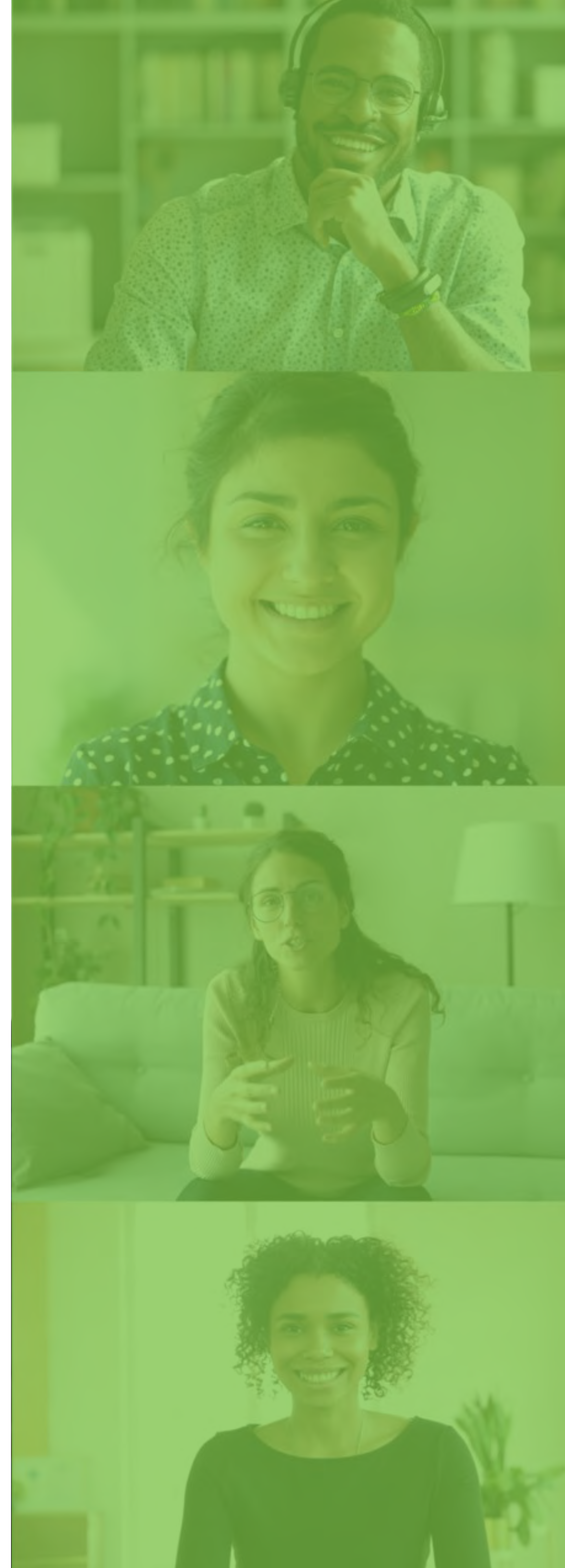


The market had shown that big banks were flooding consumer search, advertising, and social feeds with various incentives ranging from cash offers to AirPods – with a majority of competitive cash offers being at the $300 incentive threshold. This creates an extremely competitive environment in the digital marketing space. Innovation Credit Union executed a similar version of an incentive campaign that focused on an offer of a $300 cash incentive, supported by savings of up to $360 per year in bank account fees. The campaign was very successful - netting 1392 new members and creating positive word-of-mouth regarding their sign-up experience.

Campaign Results
1392
New Members

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.



Acknowledgements and Accomplishments

2020 was a year like no other, but we got through it the only way we know how – together. We embraced the challenges and along with our membership we have come out even stronger and have many reasons to celebrate.

We continued to 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.

COVID-19

We successfully transitioned 260 staff members to work from home. 50% of our staff are still working from home to keep you safer in our advice centres.

New Members

Innovation Credit Union gained 4,117 new members boosting our total membership to 57,793 and counting.

We're honored to be named a Caring Company

In 2020, Innovation Credit Union was once again 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.

Saskatchewan Top 100 Company

We were honored to once again be named a Saskatchewan Top 100 Company for 2020. Thank you for your support!

Assets Under Administration

$356.8 Million
(+10.2%) to end the year at $3.849 billion

Member Rewards

$33.8 Million
earned by members

Our Member Rewards program is still going strong. In the past 14 years, not only have our members earned $33.8 million through our Member Rewards program, but they've also helped us give back approximately $6.8 million to the communities we serve, simply by doing business with us.

Giving

Over $504,000
Committed to Communities

We committed over $504,000 to local organizations who are making a difference, including $35,000 to food banks throughout our regions

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.

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

Banking Options

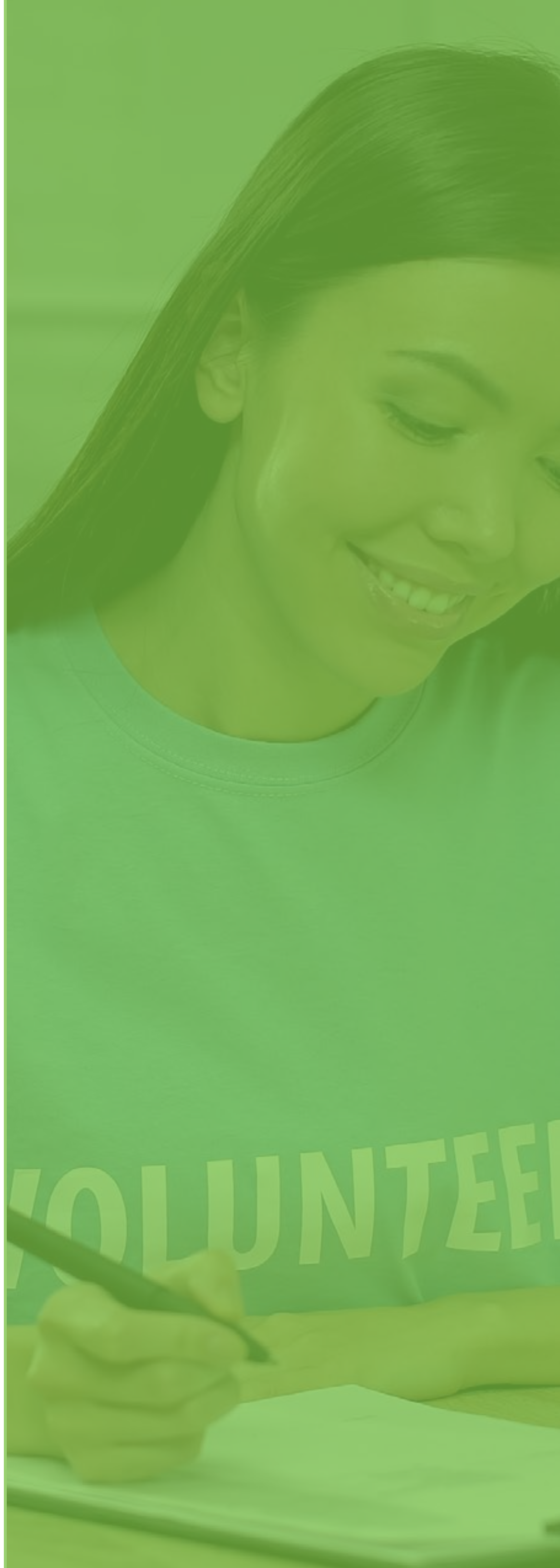
Members at Innovation Credit Union are able to access our services anytime, anywhere through:

- 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.

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.



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

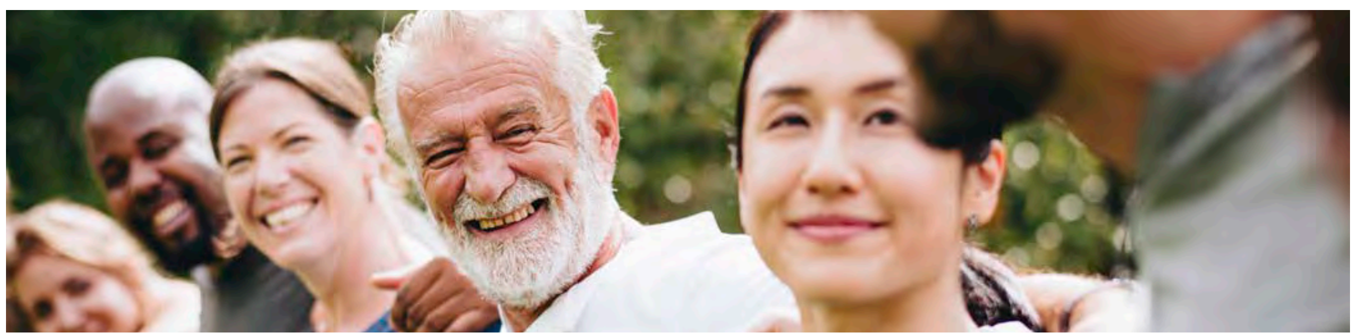
Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits 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 purpose will answer "Why do we exist?" and "What are we here for?" 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

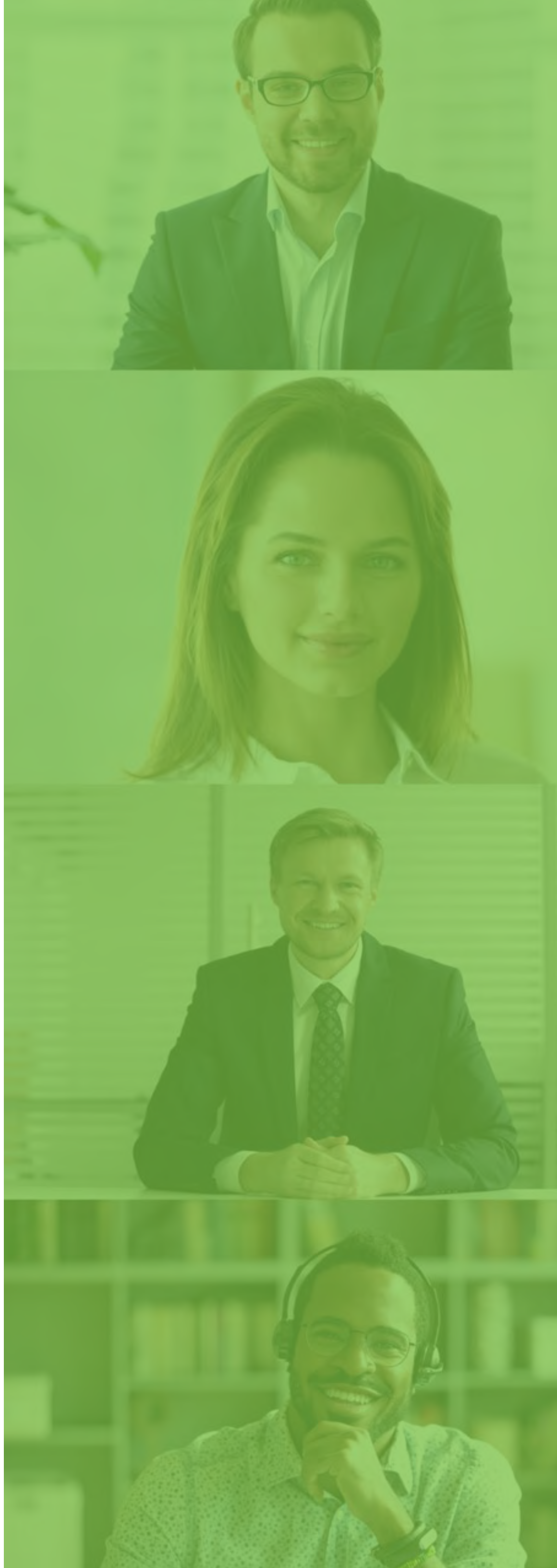
We are a responsive and innovative financial partner to our membership. We deliver on all of their financial needs through an exceptional Member First advisory experience anywhere in the world. We partner with community leaders and builders to strengthen the long term viability and sustainability of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



Scorecard Results 2020 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	64%	>= 74%
	Our digital infrastructure is critical for the engagement of our members and of our staff and allows our teams to be productive and efficient.	Enabling infrastructure score	58%	>= 66%
			Actual	**Target**
Growth	Demonstrate and enhance member experience.	Net Promoter Score (NPS)	37.22%	>= 40.00%
	Growth in membership is very important for future sustainability.	Membership Total	57,793	>= 57,496
			Actual	**Target**
Business	Progress on the digital roadmap is key for the achievement of long-term targets.	Completion of outlined digital projects	85%	100%
	Innovation strives to become a federally regulated credit union.	Closing of recommendations and findings	90%	100%
			Actual	**Target**
Finance and Risk	Ensure efficient processes and productivity.	Efficiency Ratio†	75.28%	<= 75.71%
	Achieve earnings equal to or better than budget.	Return on Equity*†	4.11%	>=7.90%
	Internal processing and review of new credit requests to ensure high quality results in new lending opportunities.	Quality Assurance	81.9%	>= 87.0%
	The Enterprise Risk Management function of the organization monitors risks across all areas.	ERM Score	2.88	> 2.50

** before member distributions and taxes excluding unrealized gains (losses)*

† excludes gain on sale of insurance subsidiaries

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

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.

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!

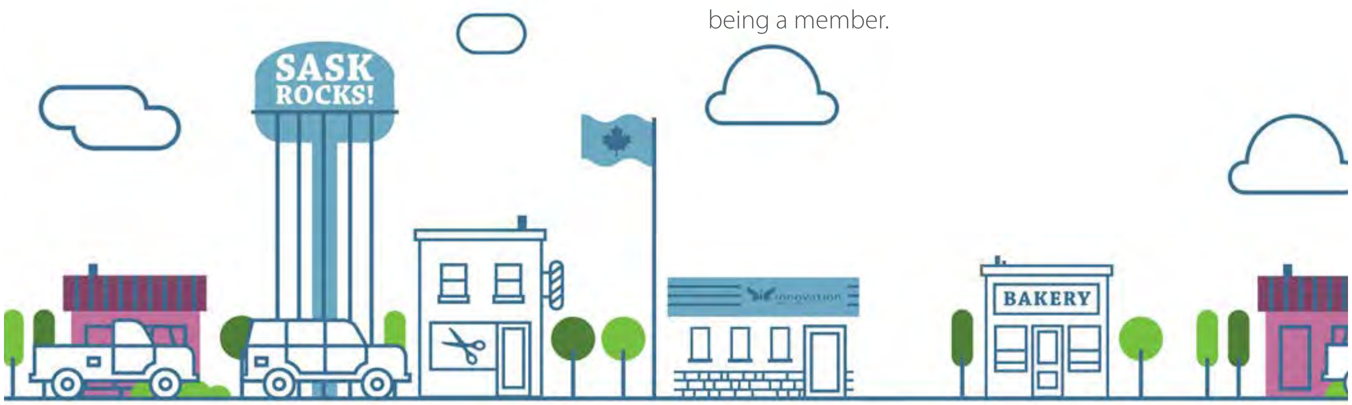
Values:

- **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

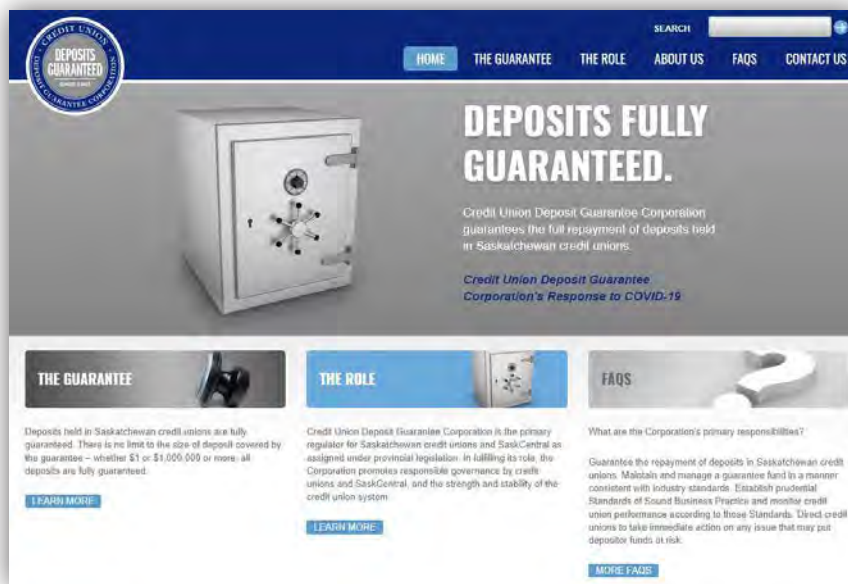
January 2020

Deposits Fully Guaranteed

Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantor for Saskatchewan credit unions. The Corporation is also 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.

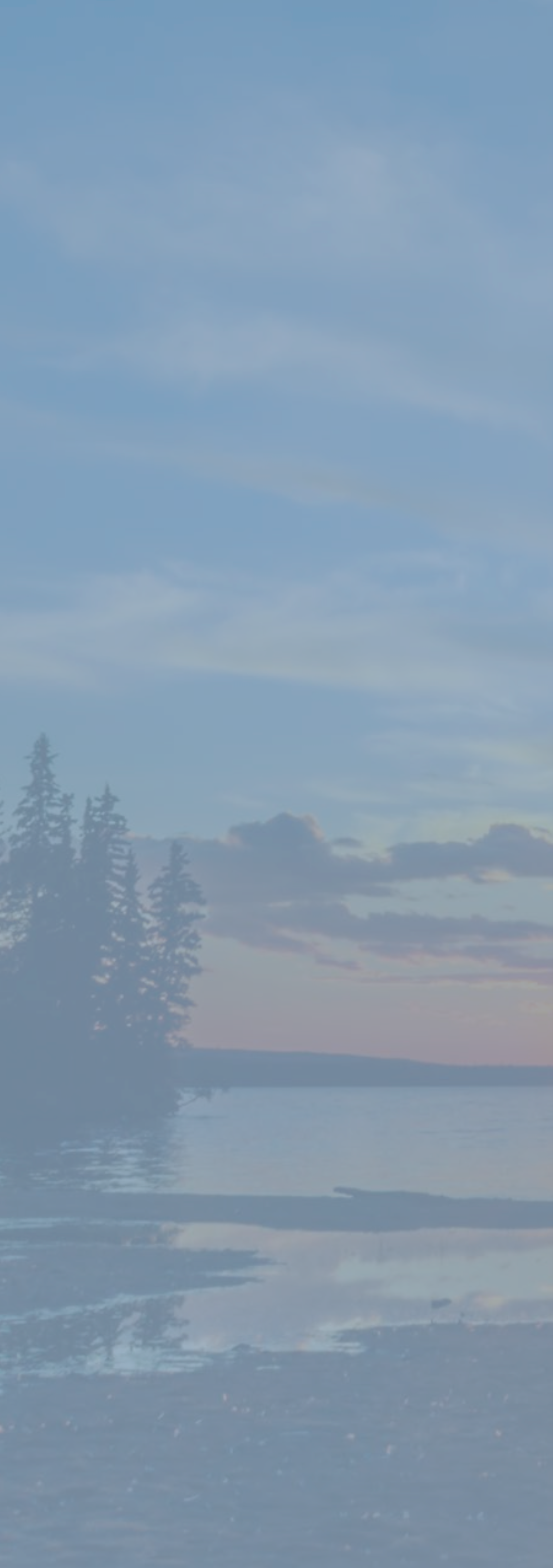
For more information about the Corporation's responsibilities and its role in promoting the strength and stability of Saskatchewan PRFIs, consult the Corporation's web site at www.cudgc.sk.ca.



Social Responsibility and Innovation Credit Union

2020 ANNUAL REPORT

innovation
CREDIT UNION



Fresh Approaches, Stronger Communities, and the Spirit of Co-operation

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, 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 members, Innovation Credit Union brings fresh approaches to social responsibility that are as individual and exceptional as the communities we serve.

Investing in Communities

At Innovation Credit Union, our goal is to give back **2% - 4%** of pre-tax profits each year. In 2020, despite the challenges faced due to the global pandemic, we invested **$504,731** into our communities, resulting in **2.13%** of pre-tax profits. Our main priority was to continue to support the community and members we serve during a time when many needed it the most.

Local Food Banks

In lieu of corporate Christmas gifts, we donated **$35,000** to food banks in our regions. This amounts to over 13,000 lbs. of food supplied to the Swift Current Salvation Army, the Battlefords District Food & Resource Centre, the Meadow Lake Salvation Army Food Bank, the Door of Hope Meadow Lake Food Bank, the Regina & District Food Bank, and the Saskatoon Food Bank & Learning Centre.

Boys & Girls Clubs of the Battlefords

In support of the Boys and Girls Clubs of the Battlefords, we invested **$15,000** to support two programs: the Innovation Credit Union Grub Club, and the Innovation Credit Union Saturday Program. However, due to COVID-19 these funds were re-directed to fund a Pandemic Support Service, which delivered 4,084 meals to children and youth in need.

Swift Current Community Youth Initiative – The Center

We supported The Center, investing **$7,500** to support two programs: the Innovation Credit Union Thursday Meal Program and The Center Refresh. With the impact of COVID-19, the funds from the Thursday Meal Program were used to provide free take away meals for youth, families, and seniors within Swift Current.

United Way

We were thrilled to partner with the United Way, investing **$7,500** to establish the iRead Book Worms Program. The program is committed to moving the needle on childhood literacy. As a result of our support, 250 students from Kindergarten to Grade 3 participated in a fun, interactive, 5-week program and received a literacy tool kit. The kit contained an assortment of self-directed, interactive tools for the children to engage and learn independently to help prepare them for their return to school in the fall.

iRead Book Worms
SUMMER LITERACY KIT

Our Strong Values

We challenge ourselves to make community responsibility and sustainability a core part of our business. We believe creating exceptional value includes giving back to the communities and regions we serve.

Dress Down Program

For a donation of $2 per pay period, staff members can partake in our Dress Down for Charity program. Registered participants vote on the charities that they would like to see benefit from the charity program. In 2020, our staff donated **$21,401** to the following charities:

Co-op Week & Credit Union Day

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

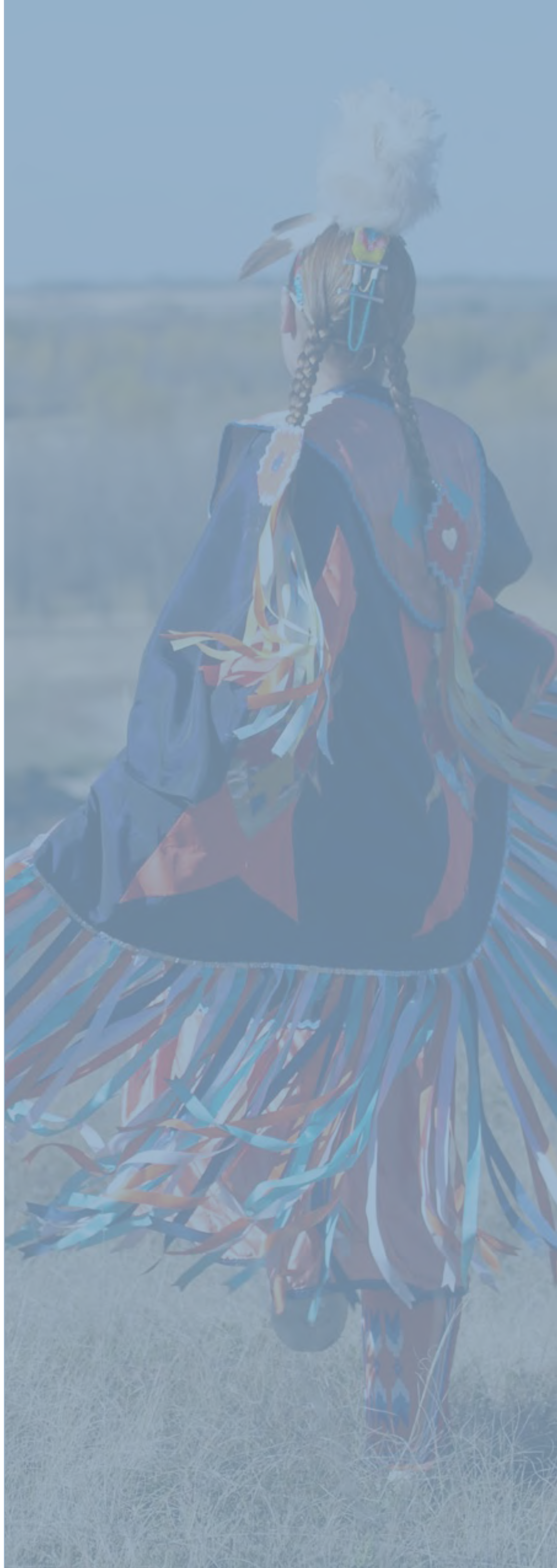
We took the opportunity to show members how much we value our relationships with them by giving back in a unique way during Co-op Week on Credit Union Day. Members had the opportunity to nominate a deserving person or business on social media for a chance to **win $250**. We gave away **50 - $250 prizes** to wonderful people and businesses within our communities who go above and beyond. This was our small way of spreading Random Acts of Kindness throughout Co-op Week.

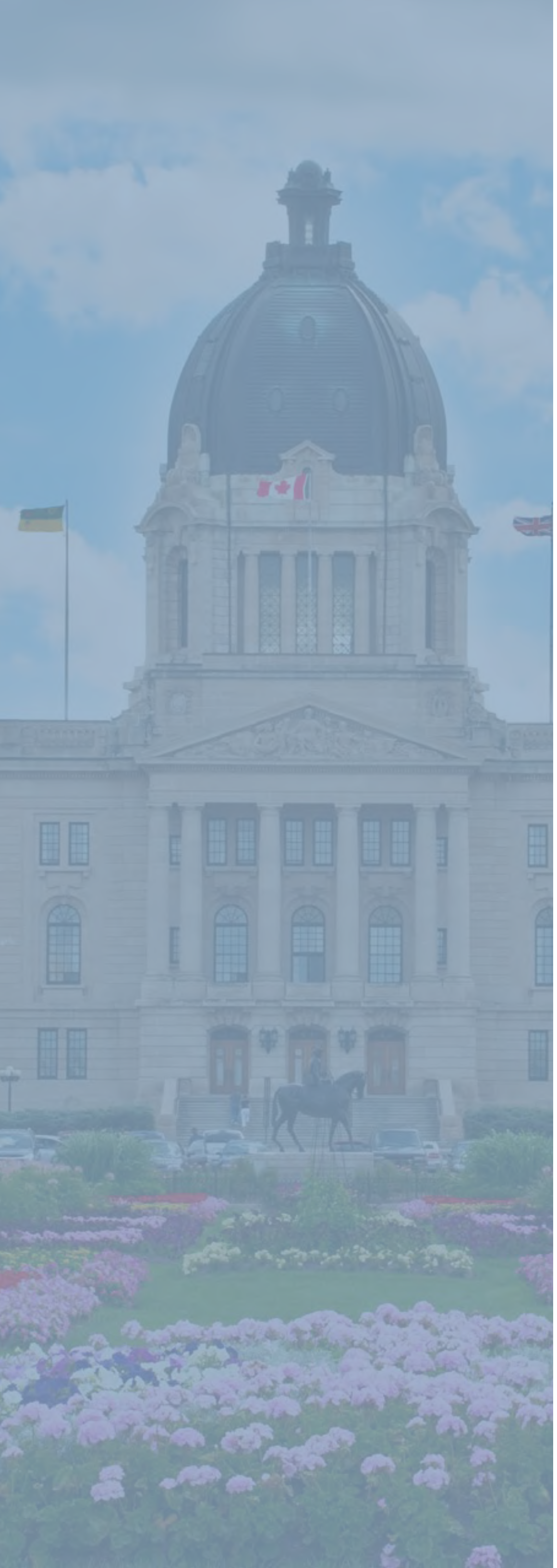
STARS®

Ronald McDonald House Charities

Jim Pattison Children's Hospital Foundation

STARS Foundation Saskatchewan	Ronald McDonald House Saskatchewan	Jim Pattison Children's Hospital Foundation
$10,701	$5,564	$5,136





Community 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. Community economic development projects have a significant impact on both social and economic growth.

Scholarships and Spirit Awards

In 2020, we were thrilled to empower **47** students across Saskatchewan to pursue their career and life dreams by awarding **$32,783** in scholarships and awards. With high schools, universities, and colleges closing their doors to students in March, we worked closely with educators and administrators to adjust our scholarship and award programs to reach students in this new reality.

Community Development Grant & Legacy Fund Program

We are passionate about funding local projects that leave a long-lasting impact in the communities we serve. The Community Development Grant and the Legacy Fund Program are intended for one-off project-based proposals in which financial assistance is required to start something new or to assist with large purchases. In 2020, we invested a combined total of **$58,500** to ten deserving organizations and projects.

What our amazing organizations say: *"An enthusiastic thumbs up to Innovation Credit Union for awarding $5,000 from their Community Grant Program. These funds will be used to support our playground upgrades. Thank you for continuing to support our community!"* – Eastend School Community Council

Innovation Credit Union Community Grant - $25,000

- Frontier Minor Sports - $10,000
  - Frontier Rink Rehab Project
- Hafford School Community Council - $5,000
  - School Playground Upgrade Project
- Eastend School Community Council - $5,000
  - Playground Development Project
- Village of Bracken - $2,500
  - Bracken Community Building Renovation Project
- Battlefords Residential Services Inc. - $2,500
  - Snoozelon BRIDGE Project

Goodsoil Legacy Fund - $20,000

- Goodsoil Recreation Hall Complex Board - $10,000
  - Furnace and AC Replacement Project
- Beaver River Health Care Foundation Inc. - $5,000
  - Community Handivan Replacement Project
- Goodsoil Curling Club - $5,000
  - Curling Club Chiller and Improvements Project

Pierceland Legacy Fund - $13,500

- Pierceland Senior Citizens Organization #28 - $10,000
  - Pierceland Senior Hall Flooring Replacement Project
- Pierceland Volunteer Fire Department - $3,500
  - Fire Fighter Equipment Replacement Project

Member Rewards

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

How do I save?

Members save on fees! Our No-Fee Bank Account saves members as much as $360/year in bank fees!

How do I earn?

We approved **$1,647,082** in member distributions in 2020!

Members earn quarterly patronage allocations to their Member Rewards Account based on the business they do with us. In 2020, **$835,706** was returned to members in the form of allocations.

We also pay cash dividends based on the amount of equity members have. We paid **$753,641** to members in the form of dividends. In addition, youth ages 18 and under receive $5 cash every 3 months, totaling **$57,735**.

Our members have earned approximately **$33.8 million** in equity and cash dividends simply by doing business with us!

How do I give?

Our members help us support our communities. Because we share our profits, their business has helped us give back approximately $6.8 million to the communities we serve..

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. In recent years, Innovation Credit Union has led the way with responsible employment, governance, environmental and investment programs, as well as policies. And throughout our history, we have empowered consumers with innovative products and services.

Save.

Save up to $360/year in bank fees with our No-Fee Bank Account.

Earn.

Get cash rewards for everyday banking with us. Our members have earned $33.8 million in equity and cash dividends simply by doing business with us.

Give.

Our members have helped us give back over $6.8 million to the communities we serve.

Member Feedback and Research

Member participation and feedback are crucial to the overall success of Innovation Credit Union. In 2020, Innovation increased the frequency of its member research surveys from annual to monthly. The objective of the monthly surveys is to measure and benchmark Innovation Credit Union's net promoter score (NPS) for strategic planning and quality improvement purposes. Survey analytics and member stories assist Innovation in being data driven and member focused in our efforts to ensure we deliver an excellent member experience.

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 2020 for each category is as follows:

- Consumer members (Overall): 37.3 (37.7 in 2019, 43.3 in 2018, and 44.8 in 2017). This gives Innovation the highest ranking when compared to other Saskatchewan retail banking institutions.
- Consumer members (Primary Financial Institution Rating Only): 47.8 (47.2 in 2019, 48.2 in 2018 and 53.3 in 2017).

The overall Consumer NPS score of 37.3 was below the annual target of 40.0 to 44.9, resulting in Innovation not meeting its corporate scorecard target. Improving member experience and incorporating member recommendations will remain an important focus in the years ahead.

Innovation also launched weekly transactional net promoter score surveys for agricultural and business lending activities beginning in September 2020. These surveys provide timely member feedback on all aspects of the lending experience. Data collected is used for quality improvement purposes with a focus on improving the ease of getting a mortgage or loan as evaluated from the members' perspective.

In addition to formal surveys, Innovation collects ongoing member feedback through its website. Members have the opportunity to provide feedback, creating awareness and allowing Innovation to review and resolve any concerns they may have. This mechanism provides an opportunity for real-time feedback and ensures Innovation Credit Union responds quickly to member concerns.

The leadership team uses this data to identify member experience "hot spots" and allows Innovation to work proactively to resolve potential member experience issues.

Social Responsibility

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 processes
- How we protect the interests of those who do business with Innovation Credit Union by ensuring all member/client information is kept confidential is 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 environmental or social cost.

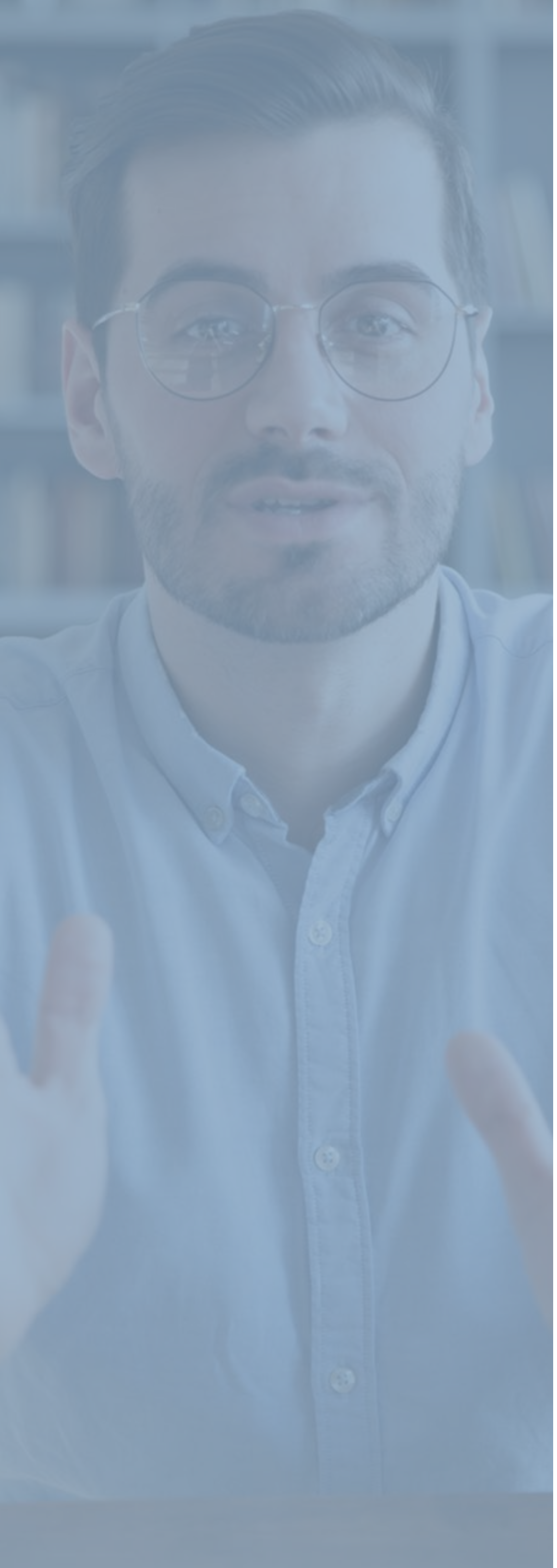
Credit unions have been pioneers in socially responsible investing. Founded by credit unions in 1992, Northwest & Ethical Investments L.P., is Canada's leader in Responsible Investment solutions. It is the country's most comprehensive family of sustainable investments. Companies that combine strong financial performance and rigorous Environmental, Social and Governance (ESG) practices have the greatest potential to outperform and mitigate risk over the long-term.

WaterEquity

We partnered with WaterEquity which includes a **$1 million** interest bearing strategic impact investment. WaterEquity's investments promote access to safe water and sanitation, economic opportunity, and gender equality.

WaterEquity's funds have made 30 investments in three countries. Of all of the individuals these investments directly supported, 93% were women and 100% had low income. Visit www.waterequity.org.

Mutual funds and related financial planning services are offered through Credential Asset Management Inc. Mutual funds, other securities and securities related financial planning services are offered through Credential Securities, a division of Credential Qtrade Securities Inc. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Unless otherwise stated, mutual fund securities and cash balances are not insured nor guaranteed, their values change frequently and past performance may not be repeated. Credential Securities is a registered mark owned by Aviso Wealth Inc. Northwest Funds, Ethical Funds and NEI Investments are registered trademarks of Northwest & Ethical Investments L.P. Ethical Funds® are available only to Canadian residents. Credential Asset Management Inc., Credential Qtrade Securities Inc. and Northwest & Ethical Investments L.P. are wholly owned subsidiaries of Aviso Wealth Inc.



Investing in our Employees

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.

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

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. In 2020, we accepted 16 students in which two students successfully graduated from the program, becoming permanent employees of Innovation Credit Union. In 2021, we have committed to hiring 14 summer students.

Students gain experience in all areas of our organization from front-line to support roles. 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 and digital environment is often viewed by our students as an exciting opportunity.

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.

We are proud to offer our employees more opportunities through our collaborative iMentor program with Cornerstone Credit Union. 2020 was the fourth year of the partnership where we were able to match 8 pairs of employees between the two credit unions.

Building Future Leaders

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. 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 to create initiatives that help attract this essential demographic to our credit union.

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 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 **12,080 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

12,080

Hours of Staff Training

Building Engagement

The financial services industry is facing a time of transformation more than ever: changing consumer behavior, technology, increasing competition, economic instability, and rapidly changing regulatory environments. Many of these changes require our employees to think progressively and find innovative solutions.

In this changing environment it is important that Innovation employees have the support and resources they need to be effective, engaged, inspired, and satisfied at work. In 2020, we continued our work with Kincentric, one of North America's leaders in measuring employee engagement. We had the opportunity to conduct a 'pulse check' in June as well as complete the full survey in October. This year our engagement score increased 2 points early in the year and later dropped, ending the year 8 points lower than 2019. Although outside our target goal, this engagement trend is not uncommon, and in fact is well aligned to what many organizations experienced in 2020.

The unique year brought on many challenges including a global pandemic, a move to remote work, economic uncertainty, and many changes to roles, processes, and procedures. Innovation Credit Union has embraced these challenges and taken the opportunity to grow and better ourselves for the future. Employee engagement will continue to be a priority through 2021 as we work with our employees to better understand engagement drivers and position Innovation to thrive in the future.

Employee Diversity Strategy

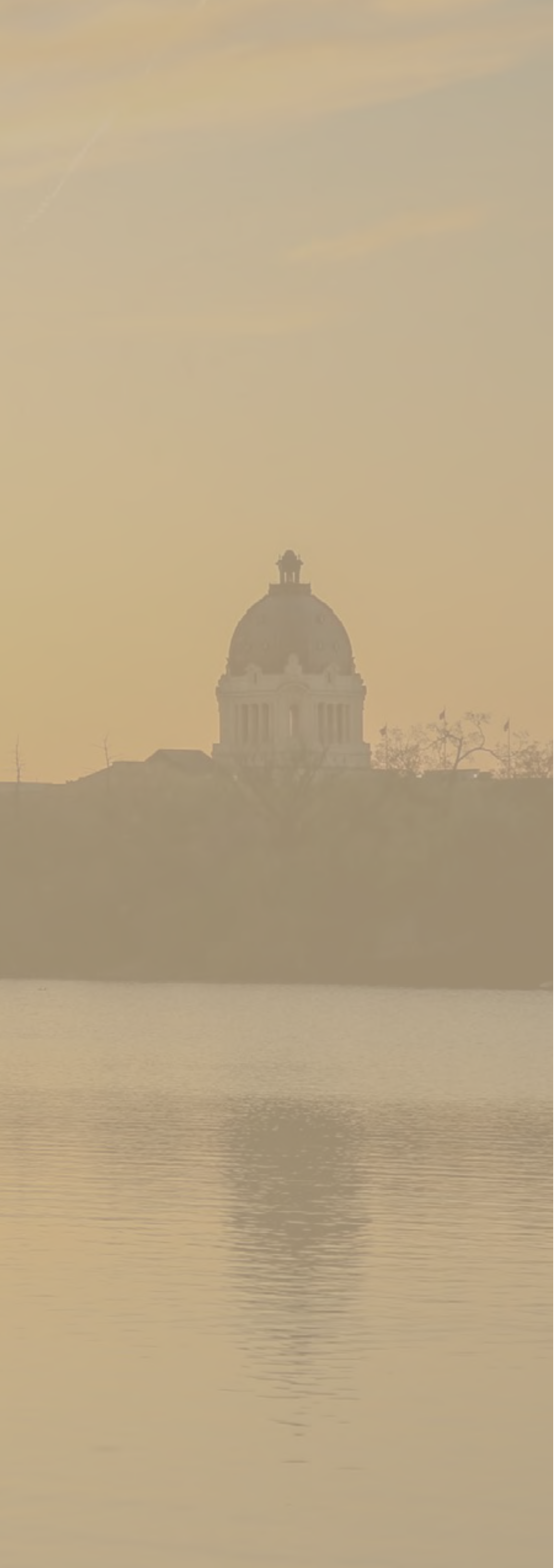
In 2020, Innovation Credit Union formed a Diversity and Inclusion Committee that includes a diverse set of employees from different levels and backgrounds of the organization including a member of our board. We also held a Truth and Reconciliation Workshop that was piloted by 30 staff with plans to include all staff by the end of 2021 or early 2022.

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.

Corporate Structure and Governance

2020 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 X

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 X

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/**

2020 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 X.

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

The Board of Directors of Innovation Credit Union, through policy, have adopted a comprehensive Mandate and Responsibilities of the Board. Key statements within the Board Mandate include:

- 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 twelve individuals elected from two Districts. Seven directors are elected from District 1 (North) and five directors from District 2 (South). 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. As per the Credit Union's by-laws, call for nominations must occur at least 60 days prior to the Annual General Meeting, which was satisfied by the nomination period of Feb 3rd, 2020 through Feb. 21st, 2020. All Directors must meet minimum requirements as identified in the credit union bylaws. The Governance & People Committee vets and approves all candidates against the requirements.

Any member who meets the minimum requirements is welcome to seek nomination and election to the Credit Union board of directors. The Governance & People Committee does annually establish a set of skills and competencies of which are being sought on the Board. These are determined by comparing current or anticipated gaps in the overall skills and competencies of the Board compared to the desired state. The desired state and process for establishing are engrained in the Director Development and Director Succession Planning policies. The Board has in place a diversity policy that strives to ensure that no single gender can represented more than 70% of Directors.

Voting by the membership for the Board of Directors can be completed electronically through the Innovation Credit Union website or by paper ballot through mail or in an Advice Centre location. As set in the bylaws, the voting period shall be set annually by the Board of Directors and shall be not less than 7 calendar days or more than 21 calendar days in length and shall begin not more than 28 days or end less than 7 days prior to the Annual Meeting. The voting period for 2020 was between April 6th and 21st providing for a 16 day election period. The Annual General Meeting was held on April 28th. Due to the COVID-19 pandemic, the AGM was held virtually.

2020-2021 Board of Directors

A year in the term of a Director at Innovation Credit Union is established by the time between the dates of the Annual General Meeting. For the period between the 2020 and 2021 Annual General Meeting, the Directors of Innovation Credit Union were as follows:

Bruce Sack - Board President
North Battleford, SK, Canada
Director since 2010. Term expires 2023

Bruce was elected to Innovation Credit Union's Board in 2010. He is a 2014 graduate of the accredited Credit Union Institute of Canada through Dalhousie University.

He was employed from 1973 to 2003 in various management positions including Branch Manager of both Battleford and North Battleford Branches, Special Projects Manager, Business Development Manager, and Human Resources Manager. He retired as the VP of Business Development and Human Resources.

Skills & Experience

- Community Leadership
- Executive Compensation
- Executive Management
- Governance & Ethics
- Human Resources
- Regulatory

Relevant Experience

- Chairman of the Board of Stewards for the Battleford United Church
- Trustee of local Public-School Board for seven years
- Director with the Battleford Recreation Board
- Director with the Battleford Housing Authority for nine years
- Chairman of the local Canadian Diabetes Association
- Battlefords Minor Hockey for six years
- Minor hockey and baseball coach for over twenty years

2020/2021 Board Committees

- Board President

Russ Siemens, Ed.D, ACCUD, ICD.D - 1st Vice President
Swift Current, SK, Canada
Director since 2007. Term expires 2023

Russ is highly engaged in current leadership practices, has substantial governance experience, and has a strategic mindset. He has recent certifications in Governance (ICD.D, 2014), Fintechs (MIT, 2015) Cybersecurity (ISACA, 2017), Diversity and Inclusion (CCDI, 2019), and Environmental Sustainability (NYU, 2021- in progress). He is consensus-motivated with significant HR, financial services, and educational administration experience. Following a fulfilling 30-year career serving educational communities, he presently focuses on using his team-building skills to lead Boards in providing a clear vision and exceptional value and sustainable results to stakeholders. He is future focused and an innovative thinker with an entrepreneurial orientation and experience leading organizations through complex change processes.

Russ is married to Jacqueline and they enjoy spending time with their adult-aged children: Colten and Jori and Marshall and Mary. In addition to Credit Union service, Russ enjoys riding vintage motorcycles, boating, and playing guitar.

Skills & Experience

- Corporate Social Responsibility/ Community Involvement
- Co-operatives and Credit Unions
- Audit & Compliance
- Financial Literacy
- Governance
- Leadership

Relevant Experience

- Chairman of the Board of Stewards for the Battleford United Church
- Trustee of local Public-School Board for seven years
- Director with the Battleford Recreation Board
- Director with the Battleford Housing Authority for nine years
- Chairman of the local Canadian Diabetes Association
- Battlefords Minor Hockey for six years
- Minor hockey and baseball coach for over twenty years

2020/2021 Board Committees

- 1st Vice President
- Audit & Finance
- Technology
- Federal Continuance

Mike Davis, Pharm.D. - 2nd Vice President
Swift Current, SK, Canada
Director since 2007. Term expires 2023

Mike has served on the Boards of Southwest and Innovation Credit Union since 2000. He is the Pharmacist / Manager at Pioneer Co-op in Swift Current.

He has coached and officiated Swift Current Minor Football.

Mike has been a credit union member for over 30 years. He and his wife have two grown sons. Mike enjoys golfing and curling as hobbies

Skills & Experience

- Cooperative Business Models
- Audit & Compliance
- Leadership
- Strategic Planning
- Human Resources

Relevant Experience

- Chair of the Discipline Committee of the Saskatchewan College of Pharmacists
- Chair of Licensing and Registration Committee of the Saskatchewan College of Pharmacists
- Past President of the Saskatchewan College of Pharmacists
- Served on Board of Swift Current Minor Football

2020/2021 Board Committees

- 2nd Vice President
- Audit & Finance, Chair
- Corporate Governance & People Human Resources

Joan Baer, MBA, OMP, ACUIC
Goodsoil, SK, Canada
Director since 2019. Term expires 2022

Joan is the owner of Baer Values which provides consulting services in the areas of business cases, research, project management, and strategic and risk consulting.

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

Her and her husband Blair live in Goodsoil.

Skills & Experience

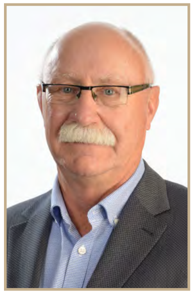
- Strategic Planning
- Leadership
- Audit & Compliance
- Enterprise Risk Management
- Cooperative Business Models

Relevant Experience

- Consultant of business cases, research project management, and strategic and risk consulting
- Over 35 years experience in the Credit Union System
- General Manager of Goodsoil Credit Union from 1988 to 2008
- SaskCentral leader from 2008-2017 with a focus on implementing internal audit functions for Saskatchewan Credit Unions
- Masters of Business Administration (MBA) in Executive Management
- Organizational Management Project (OMP)
- ISO 3100 Course
- ACUIC Designation with Honors

2020/2021 Board Committees

- Risk and Conduct
- Audit & Finance
- Corporate Governance & People



Jerome Bru
North Battleford, SK, Canada
Director since 2007. Term expires 2021

Jerome, a credit union member since 1968 and long-time resident of the Battlefords and area, is currently employed as a Field Supervisor with Saskatchewan Crop Insurance.

Jerome has served as a board member with BCU Financial and Innovation Credit Union from 1995 to present, serving as President from 2003 to 2006. His other volunteer work includes being Manager of the Midget AA Barons, as well as Chairman of the lounge committee for the 2008 Provincial Scotties and the 2011 Provincial Men's Tankard.

Skills & Experience
- Audit & Compliance
- Community Leadership
- Corporate Social Responsibility
- Governance

Relevant Experience
- BCU Financial Board
- Field Supervisor with Saskatchewan Crop Insurance
- Saskatchewan Wheat Pool
- Sales at Valley Ford
- Crop adjuster
- Compliance auditor
- Leadership roles in various community initiatives and events

2020/2021 Board Committees
- Community & Member Relations
- Federal Continuance

Ian Hamilton, BComm, CA, Retired CPA
North Battleford, SK, Canada
Director since 2017. Term expires 2021

Ian is nearing the end of his first term as a member of the Innovation Credit Union Board of Directors.

Ian hopes to continue as a Board Member while Innovation continues our federal continuance journey. Ian believes this is a strategic move for our Credit Union to remain relevant in today's digital environment so we can provide banking services for members when, where and how they choose. Ian also believes this is a critical step to ensure Innovation can attract capital from a wider range of the Canadian population than we are presently allowed by being provincially regulated.

Ian also believes that this strategy will ensure that we remain strong and ability to serve our current membership for many years to come.

Skills & Experience
- Corporate Social Responsibility/ Community Involvement
- Co-operatives and Credit Unions
- Audit & Compliance
- Financial Literacy
- Governance

Relevant Experience
- CA/CPA provides understanding of financial information provided to the Board
- Audit experience reinforces the need for strong policy, procedures and system of internal controls
- 10 years of experience on city council with 7 of those years being Mayor of North Battleford
- 40+ years of serving on many Boards and Committees in the community

2020/2021 Board Committees
- Audit & Finance
- Community & Member Relations
- Risk & Conduct Review

Gwen Humphrey, CUDA
Eastend, SK, Canada
Director since 2013. Term expires 2021

Gwen served on the Board of Directors of Eastend Credit Union from 1996 to December 31, 2012 at which time Eastend Credit Union merged with Innovation Credit Union. She is excited to be on Innovation's Board of Directors effective April 2014.

Gwen is married to Curtis. They have 3 children: son, Jay married to Karen with 2 girls, Lily and C'Jay; daughter, Pam married to Jeff; and daughter, Dixie married to Travis with 3 children, Tash, Colby and Jewels

Skills & Experience
- Community Leadership
- Corporate Social Responsibility
- Governance

Relevant Experience
- BCU Financial Board
- Field Supervisor with Saskatchewan Crop Insurance
- Saskatchewan Wheat Pool
- Sales at Valley Ford
- Crop adjuster
- Compliance auditor
- Leadership roles in various community initiatives and events

2020/2021 Board Committees
- Community & Member Relations-Chair
- Technology
- Federal Continuance

Murali Krishan, B.Eng, PMP, ICD.D, ACCUD
Swift Current, SK, Canada
Director since 2017. Term expires 2021

Murali is the Owner and President of a local construction company, D3 Developers Inc. Murali has had a long corporate career in executive positions with large multi-national organizations such as Kuwait Oil Company, Shell Petroleum, IBM and Cameco Corporation. He possesses extensive experience in strategic planning, information technology, risk management and business transformation.

Murali has experience in the Financial Services area through his consulting work with IBM, assisting Farm Credit Canada, CUETS in their computerization and e-business initiatives. He has been a member of Innovation Credit Union's board of directors for four years.

Murali also brings a strong knowledge of corporate governance. His professional certifications include: Director, Institute of Corporate Directors (ICD.D) and Accredited Canadian Credit Union Director (ACCUD).

Skills & Experience
- Audit & Compliance
- Enterprise Risk Management
- Executive Management
- Human Resources
- Information Technology
- Leadership
- Strategic Planning

Relevant Experience
- Innovation Credit Union Board (2017-Current)
- Executive positions in multi-national organizations in Canada and abroad
- Leadership of Information Technology departments and large domestic and international computerization projects
- Oversight of Strategic Planning and Enterprise Risk Management functions
- Consultancy with Financial Services organizations

2020/2021 Board Committees
- Technology Committee Chair
- Risk and Conduct Review
- Federal Continuance

Gord Lightfoot
Swift Current, SK, Canada
Director since 2007. Term expires 2022

Gord is a farmer in southwest Saskatchewan. Gord has many years experience in the governance of Co-operatives. Gord is very passionate about the credit unions system and the values and principles of co-operatives. Gord wants to ensure that all members have their voices heard and that the Credit Union remains democratic.

Skills & Experience
- Audit
- Cooperative Business Models
- Governance & Ethics
- Financial Literacy
- Corporate Social Responsibility
- Enterprise Risk Management

Relevant Experience
- Board of Directors of Southwest Credit Union
- Past Board President of Innovation Credit Union
- SaskCentral Board Member for 17 years
- Credit Union Central of Canada Board Member
- Concentra Financial Board Member
- Chairman of Board for Credit Union Deposit Guarantee Corporation

2020/2021 Board Committees
- Risk & Conduct-Chair
- Audit and Finance

Michele Wilde
Meadow Lake, SK, Canada
Director since 2018. Term expires 2022

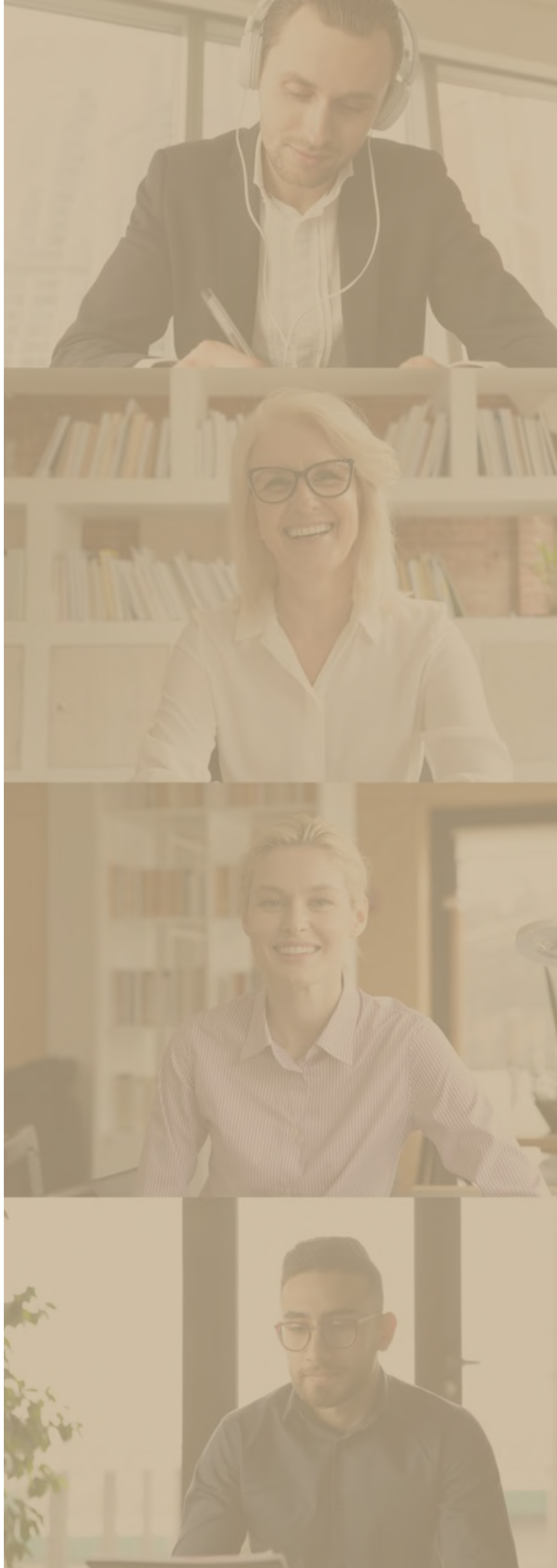
In 1996 Michele and her spouse established and grew a small business in Meadow Lake. They sold it in 2018 after more than two decades of successful ownership.

Michele is married to Warren and they have a daughter, Madison. Together they enjoy living at Jeannette Lake in the Meadow Lake Provincial Park.

Skills & Experience
- Cooperative Business Models
- Governance & Ethics
- Leadership
- Corporate Social Responsibility
- Strategic Planning

Relevant Experience
- Completed numerous classes from the Credit Union Director Achievement (CUDA) program
- Entrepreneur
- Board Member of Meadow Lake Co-op including being President

2020/2021 Board Committees
- Corporate Governance and People - Chair
- Community & Member Relations
- Technology



Karen Yurko
Pierceland, SK, Canada
Director since 2019. Term expires 2022

Karen is an effective public speaker, has proven leadership and people skills, and an ability to absorb and analyze data through margin analysis and strategic planning. She's also an expert cabbage roll maker!

Her and her husband, Barry Butler, have a daughter, three sons, and 11 grandchildren. She also has a cat who "rules our home".

Skills & Experience
- Strategic Planning
- Leadership
- Corporate Social Responsibility
- Community Leadership
- Human Resources

Relevant Experience
- Board of Director Pierceland Credit Union for 10 years including the role of Board President
- Business Coordinator at SITE Energy (manages off-site administrative resources, several project and supports of margin analysis, forecasting, product inventory and planning)
- Board Chair and Delegate for SaskCentral
- Completion of courses from the Credit Union Director Achievement (CUDA) program
- Education in Broadcasting

2020/2021 Board Committees
- Federal Continuance-Chair
- Corporate Governance and People
- Risk & Conduct

Bryon Zanyk, B.S.A., M.Sc.
North Battleford, SK, Canada
Director since 2016. Term expires 2023

He is married to Lisa and the proud father of Noah and Rachel. In Bryon's spare time he enjoys photography.

Bryon's mix of education and practical experience are great mix valuable skills to have at the Board table.

Skills & Experience
- Governance
- Human Resources
- Community Leadership
- Technology
- Financial Literacy

Relevant Experience
- Board of Director Battlefords Credit Union, and BCU Financial
- Program Coordinator at North West College
- Bachelor of Science in Agriculture
- Masters degree in Science
- Completion of Director Training and the academic requirements of the Institute of Corporate Directors Education Program
- Member of Canadian Institutional Research and Planning which provided experience interpreting data and development of communication regarding findings

2020/2021 Board Committees
- Corporate Governance and People
- Community & Member Relations
- Technology

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 2020 included:

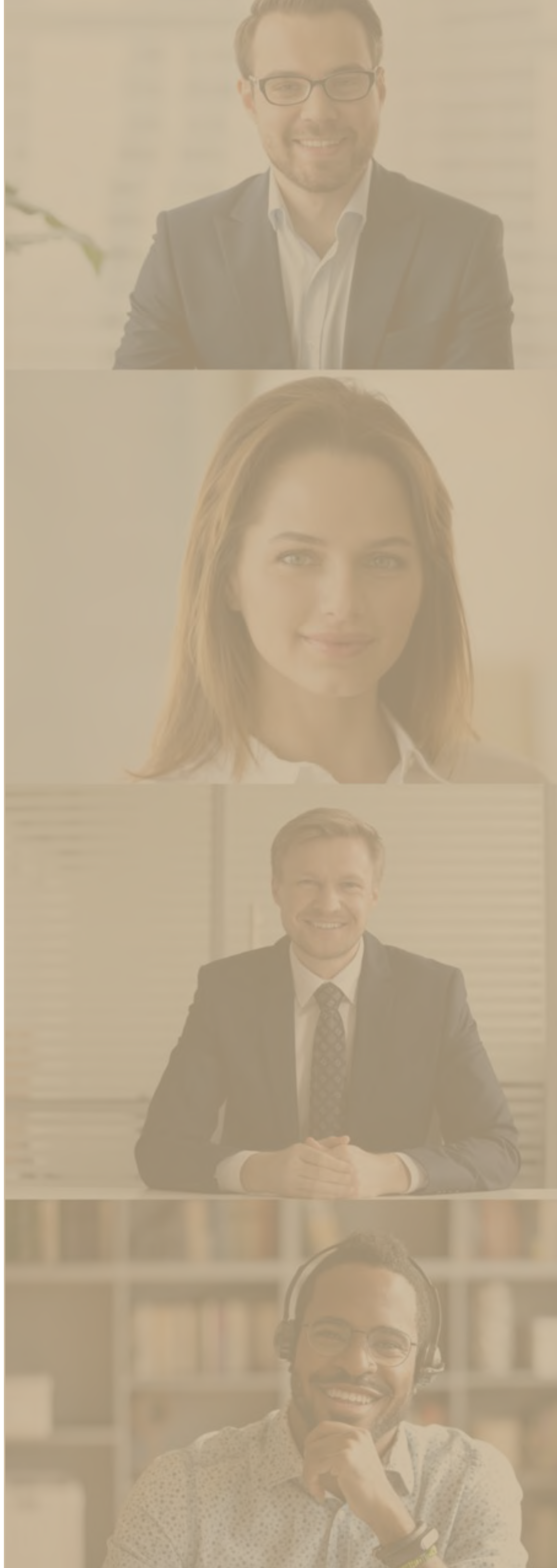
- Approval of the annual internal audit plan.
- Evaluation of the performance of the VP Internal Audit.
- Participation in the Quality Assessment Review for Collaborative Internal Audit Services.
- Review of the 2019 audited financial statement.
- Review of 2019 Management Discussion & Analysis.
- Evaluation of the external auditor and recommendation for continuation of services.
- Review of the 2020 external audit plan.
- Review of 2020 Liquidity Plan, Contingency Funding Plan and Capital 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, oversees compensation, monitors 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 2020 included:

- Approved a new policy in respect to Director Independence.
- Approved a Board policy regarding minimum requirements and standards for Responsible Persons.
- Engaged a third party to review and provide recommendations around Executive compensation.
- Received and reviewed regular reporting from Management on impacts of and responses to COVID-19 Pandemic.
- Continued focus on Director Development through dedicated learning and development sessions as a board as well as the creation of development plans for each individual director.
- Engaged a third party to conduct an assessment of the effectiveness of the Board.
- Review and approval of CEO succession planning as well as review of the corporate succession planning regime.
- Review of Director Remuneration to market and approval of updated remuneration for Directors.
- Received regular reporting from Management on employee engagement including review of annual Employee Engagement Survey.



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 2020 included:

- Reviewed & recommended to the Board for approval policies pertaining to Risk, our Internal Control Framework (new) and our Internal Capital Adequacy Assessment Process (ICAAP).
- Assisted the Board of Directors in defining and approving the Risk Appetite Statement & Framework.
- Completed annual Risk Assessment, identifying corporate risks for Innovation.
- Expanded and enhanced the Risk Dashboard and Risk metrics.
- Provided Board Learning & Development sessions related to Enterprise Risk.
- Accountable for Innovation CU's Pandemic Plan & response.

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

The Community and Member Relation Committee ensures an effective framework for corporate social responsibility by ensuring the credit union is effectively linked to and contributing to the welfare of the community, beyond direct business practices. 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 2020 included:

- Despite the challenges faced due to the global pandemic, we invested 2.13% of pre-tax profits into our communities
- Empowered 47 students across Saskatchewan to pursue their career and life dreams by awarding $32,783 in scholarships and awards
- Consumer NPS (net promotor score) overall 37.3. This gives Innovation the highest ranking when compared to other Saskatchewan retail banking institutions
- Invested a combined total of $58,500 to 10 deserving organizations and projects through our Community Development Grant and Legacy Fund Program

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 2020 included:

- Enhanced reporting to the Technology Committee in respect to IT governance (COBIT and ITIL), IT project management, IT operations (including Vendor SLA's) and IT security, particularly:
    - COVID remote workforce reporting
    - ITIL internal incident reporting
    - Vendor incident reporting
- Oversaw the alignment of IT Cyber Security policies, practices, and procedures into a single Framework.
- Approved major Digital Transformation project for Innovation (I.e., VeriPark: including Online and Mobile Banking, Customer Relationship Management [CRM], Account Origination System [AOS] and Loan Origination System [LOS]).

Compensation and Attendance

Regular Board and Committee meetings are held following each quarter end as well as a separate meeting in December to approve the annual budget, strategic plan, business 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.

The Corporate Governance and People Committee is responsible to provide oversight to Director remuneration, review at minimum of every two years and make appropriate recommendations to the Board in regard to remuneration structure and amounts. Policy states that Director remuneration is to be set at the median of peer credit unions.

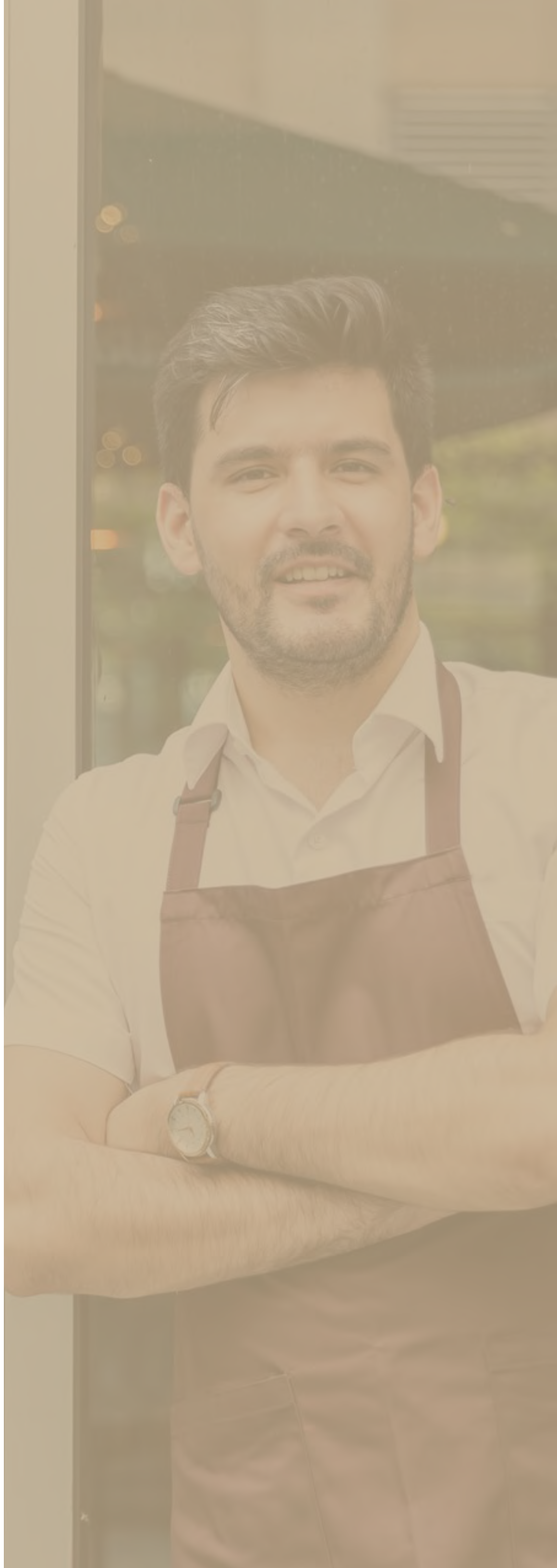
A review of remuneration occurred in 2020 with amendments approved by the Board effective January 1st 2021.

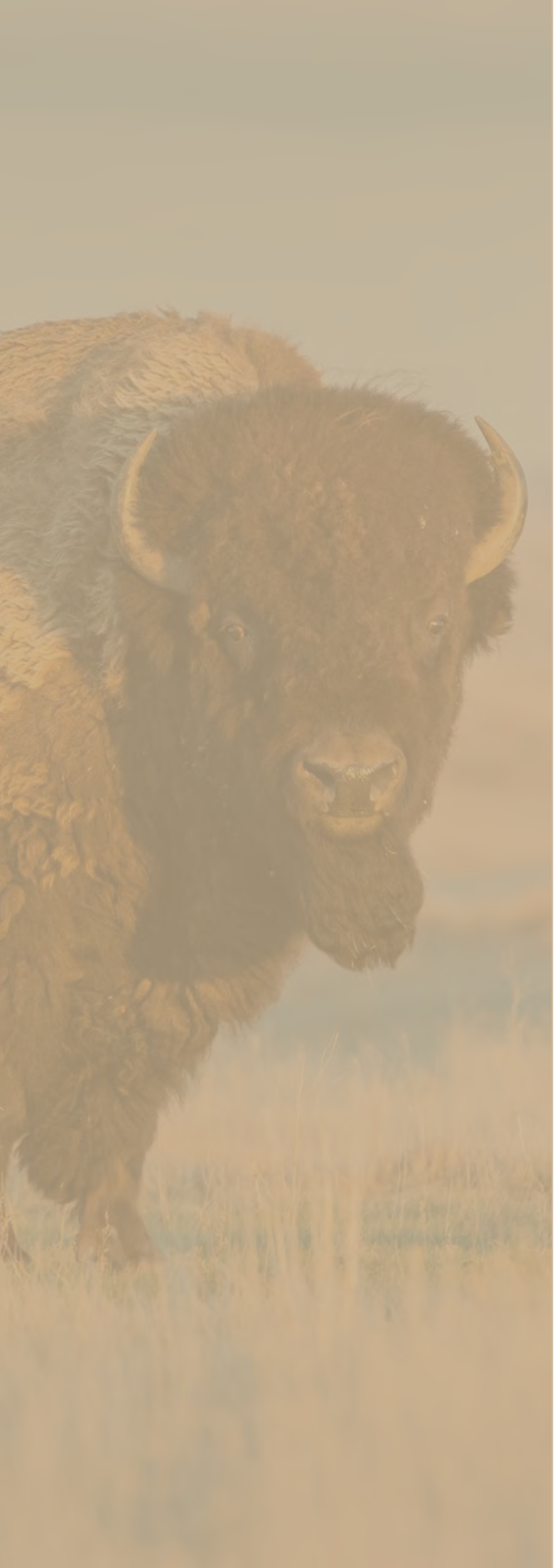
In 2020, the total remuneration paid to all directors was $249,612 (includes taxable benefits); (2019 - $257,564). Travel costs associated with the responsibilities of fulfilling their obligation to be an effective director were $8,711; (2019 – 31,119).

The table below summarizes the board of director attendance for regular board as well as committee meetings in 2020. 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 two days of strategic planning and three dedicated board development days along with a number of short, ad hoc meetings to provide updates on the COVID-19 Pandemic or other important topics.

Board Member	Total Per Diem and Honorariums	Date Served as a Director in 2020
Joan Baer	$19,676	January 1 to December 31, 2020
Jerome Bru	$18,125	January 1 to December 31, 2020
Mike Davis	$17,701	January 1 to December 31, 2020
Ian Hamilton	$16,276	January 1 to December 31, 2020
Gwen Humphrey	$18,675	January 1 to December 31, 2020
Murali Krishnan	$23,901	January 1 to December 31, 2020
Gord Lightfoot	$17,775	January 1 to December 31, 2020
Bruce Sack - President	$37,404	January 1 to December 31, 2020
Russ Siemens	$18,951	January 1 to December 31, 2019
Michele Wilde	$20,801	January 1 to December 31, 2020
Karen Yurko	$22,101	January 1 to December 31, 2020
Bryon Zanyk	$18,226	January 1 to December 31, 2020
Total Director Per Diems	**$249,612**	





2020 Board and Board 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	7 of 7	5 of 5		5 of 5	6 of 6		
Jerome Bru	7 of 7				2 of 2		4 of 4
Mike Davis	7 of 7	4 of 5	1 of 2	1 of 1	3 of 4		
Ian Hamilton	7 of 7	5 of 5		3 of 3		4 of 4	
Gwen Humphrey	7 of 7		4 of 4			4 of 4	4 of 4
Murali Krishnan	7 of 7		4 of 2	5 of 5			4 of 4
Gord Lightfoot	6 of 7	5 of 5		5 of 5		2 of 2	
Bruce Sack – President	7 of 7	5 of 5	4 of 4	5 of 5	6 of 6	4 of 4	4 of 4
Russ Siemens	7 of 7	5 of 5	4 of 4				3 of 4
Michele Wilde	7 of 7		4 of 4		6 of 6	2 of 2	2 of 2
Karen Yurko	6 of 7			5 of 5	6 of 6	2 of 2	2 of 2
Bryon Zanyk	7 of 7		4 of 4		6 of 6	4 of 4	

Director Training/Development

Despite challenges associated with COVID-19, Directors continued to demonstrate their commitment to education and personal development. All Directors participated in various training opportunities including, online training, dedicated development days, professional director development and various webinars. 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 $2,009/director spent on training and development.

The board of Innovation is pleased to announce that we have 2 additional directors who have completed all modules of the CUDA (Credit Union Director Program) during 2020: Joan Baer and Michele Wilde. Four Directors are Accredited Directors through Dalhousie University. They include: Gwen Humphrey, Bruce Sack, and Russ Siemens and in 2020 Murali Krishnan became Accredited. All Accredited Directors maintained their accreditation by completing the required continuous development. The board also has 3 directors who have achieved professional director designations. They include Mike Davis, Murali Krishnan and Russ Siemens 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, 2020, 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, served as a Member Representative to SaskCentral as well as the SaskCentral Board of Directors where he holds the position of Chair.

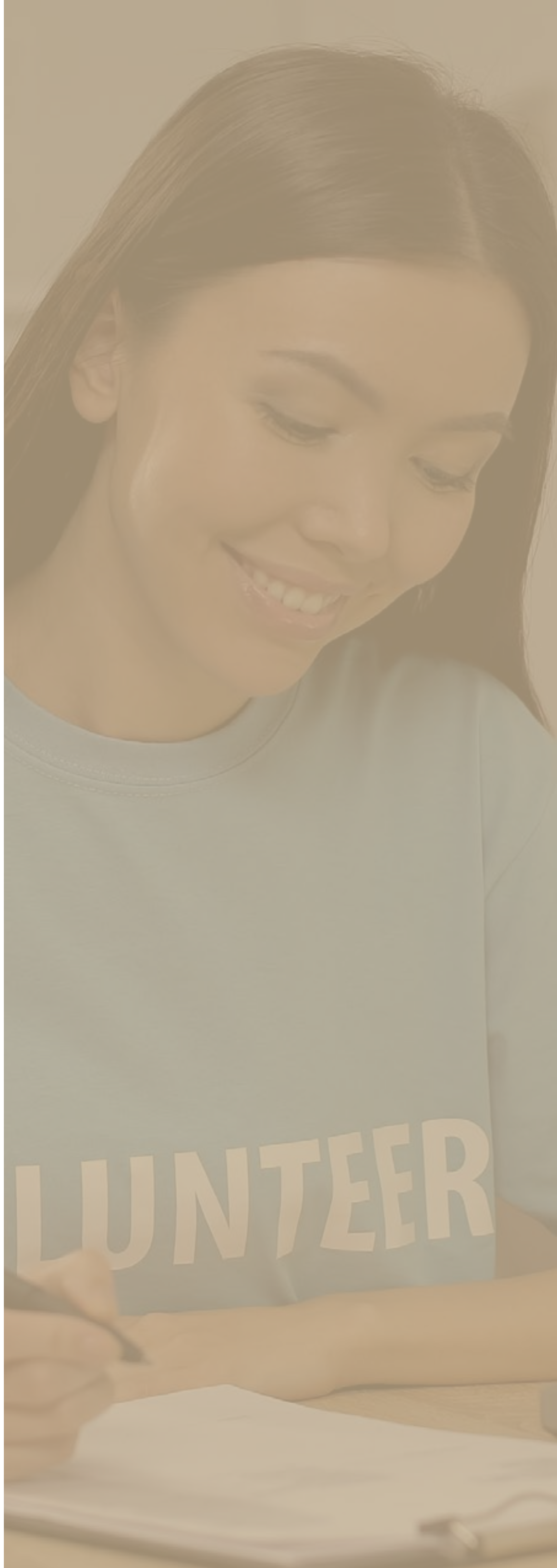
Joan Baer served on the Government Relations Committee of Canadian Credit Union Association (CCUA). This Committee provides important guidance for the advocacy and government relations priorities for the Canadian credit union system.

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 (Hugessen Consulting) 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 2020 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.

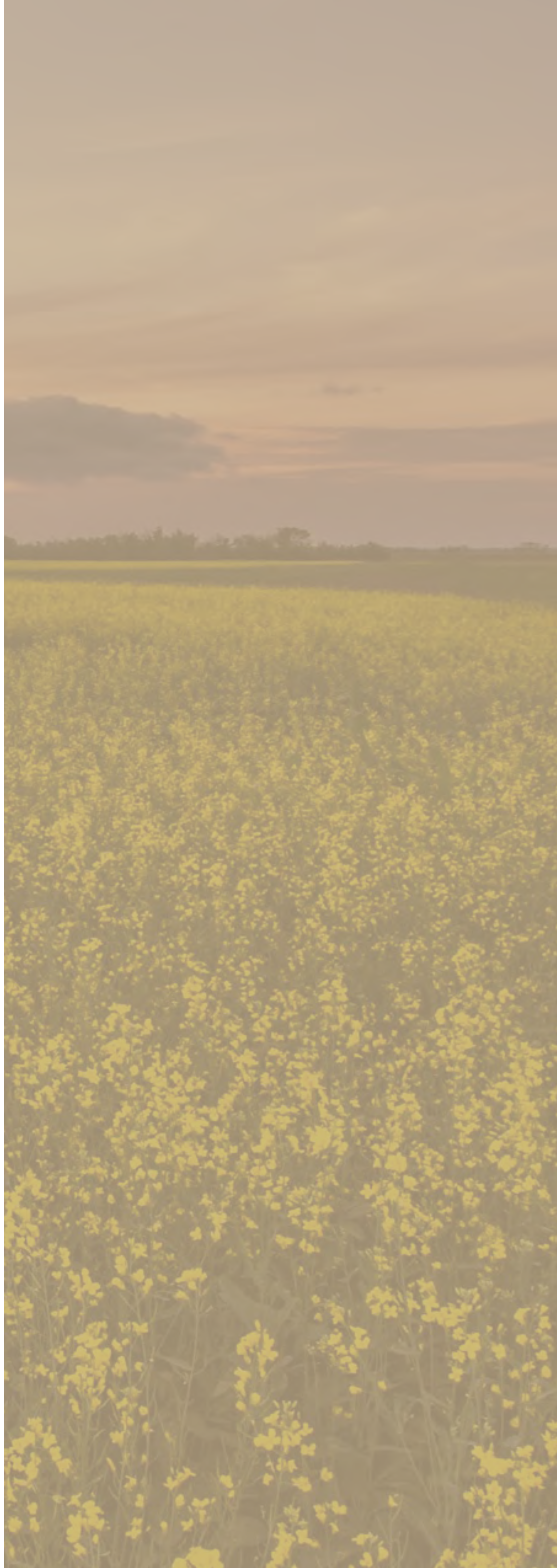
Brad Appel - Chief Risk Officer

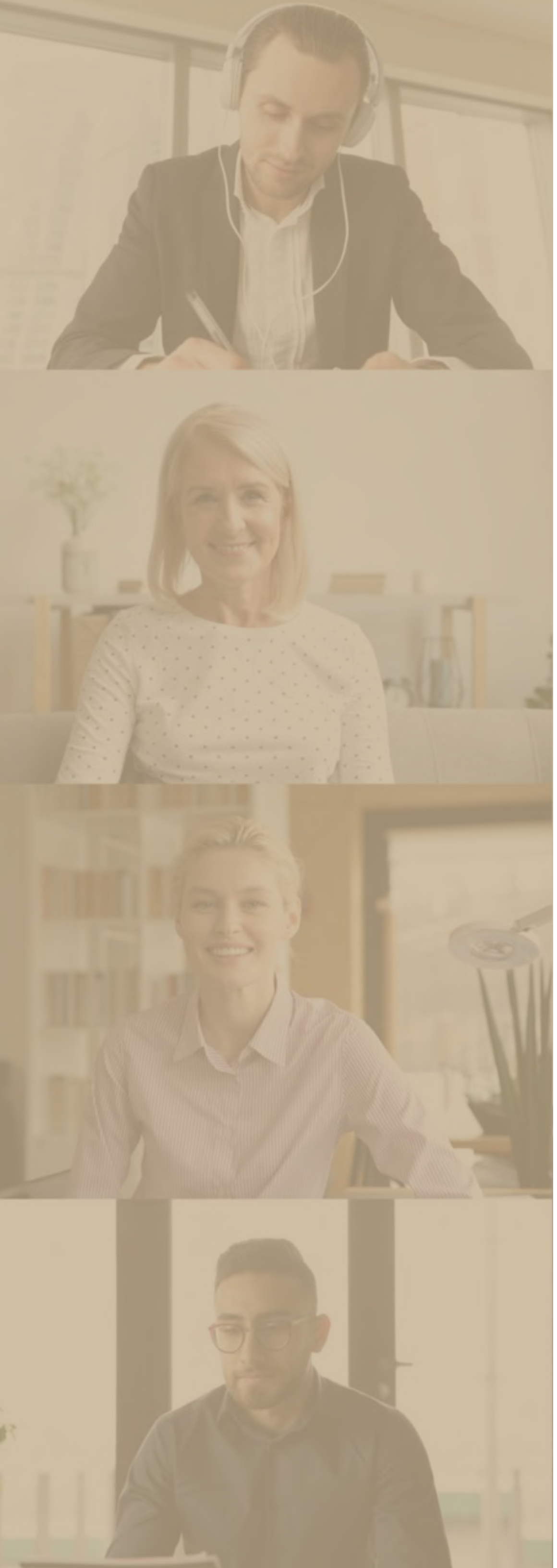
As Chief Risk Officer, Brad oversees the strategic management of risk on an enterprise-wide basis. Brad has over 25 years of experience in the credit union system, spending the past 13 years at the executive level. With a passion for credit management, Brad has strategically expanded Innovation's quality 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.

Executive Compensation

The Board of Directors has accountability for oversight of the compensation regime of the Credit Union and directly reviews and approved Executive compensation. Oversight of Compensation is delegated to the Governance & People Committee through the board approved Governance & People Committee Mandate. A portion of compensation is aligned with performance goals that motivate achievement of strategic goals prudently and within the defined Risk Appetite, while driving appropriate financial performance, member satisfaction and generating long term sustainability.

From time to time, Innovation engages independent advisors to provide an external perspective of market and best practices related to compensation design and governance to provide objective advice on the appropriate levels of compensation. At a minimum of every four years, the Governance and People Committee will engage third party with sufficient experience in executive to complete a thorough review of Executive Compensation.

Total compensation, including short term incentive and company funded benefits paid to Executive Management in 2020 amounted to $2,543,965 compared to $2,529,175 in 2019.

CEO Performance Management –

The Board is responsible for developing performance objectives for the CEO, evaluating performance and approving the CEO's compensation. The Board engages an external party to facilitate the CEO performance management process.

Co-operative Industry Directorships held by Executive

Daniel Johnson, CEO, served as a Director to Concentra Bank, where he held the position of Chair. Mr. Johnson is a nominee of the majority Shareholder, SaskCentral.

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.

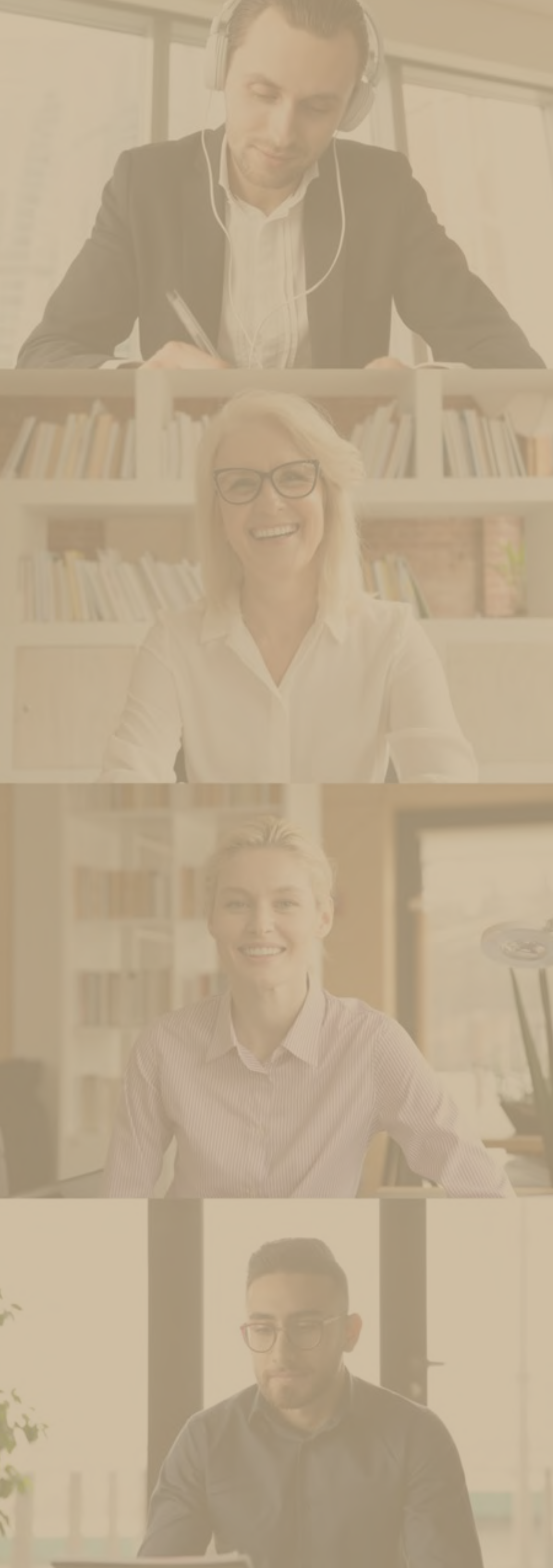
Professional Conduct

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.

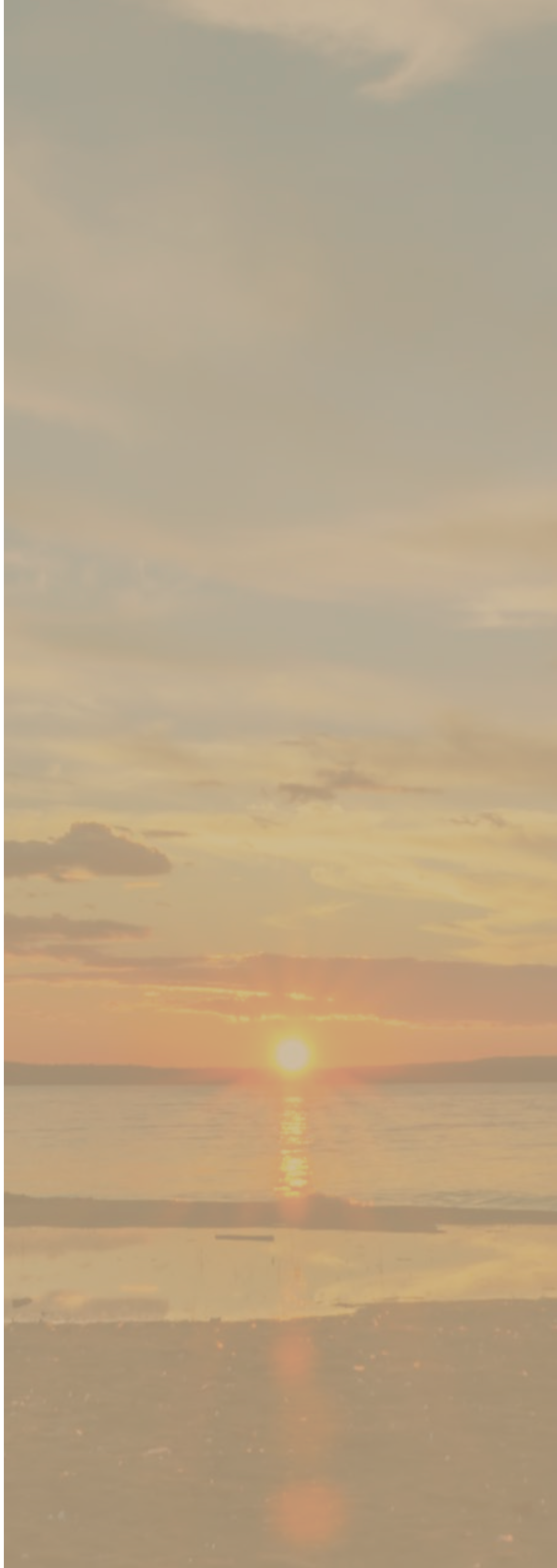
- Additional information has been included in the Code to reflect important policy items (e/g. market practices).
- Commonly encountered items such as illegal or anti-competitive sales practices, proprietary rights, solicitation, and conflict of interest have been included.
- "Reporting of dishonesty"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

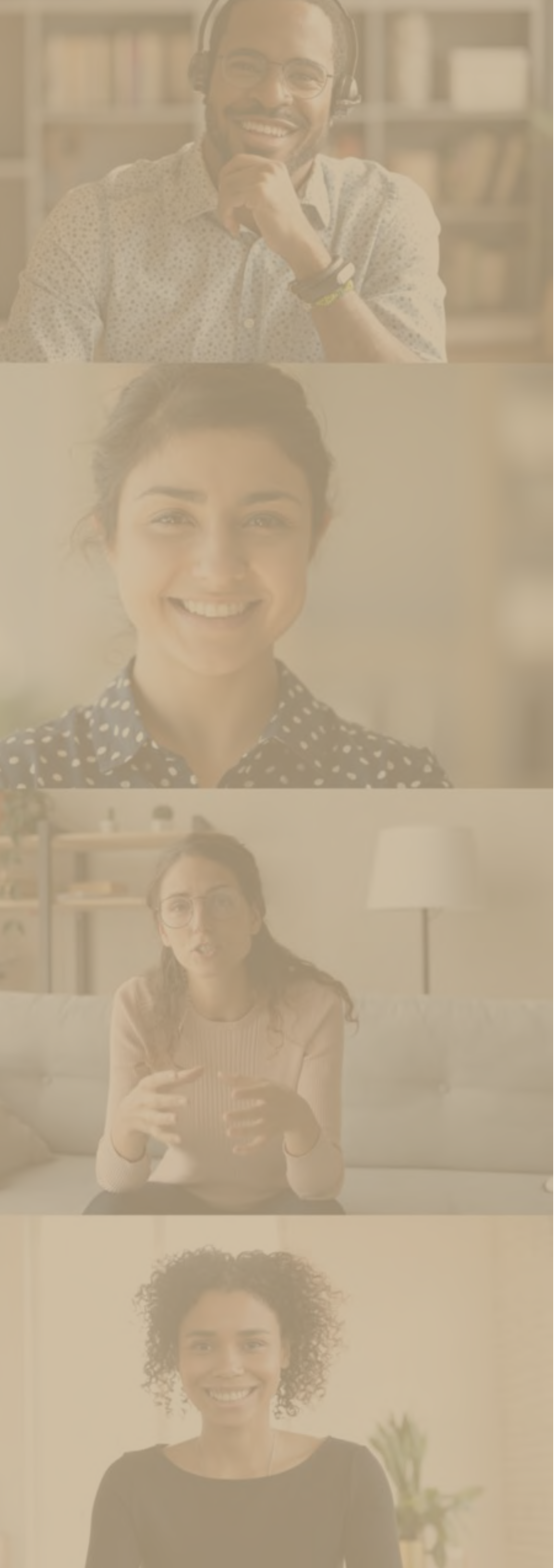
Abiding by the law

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.

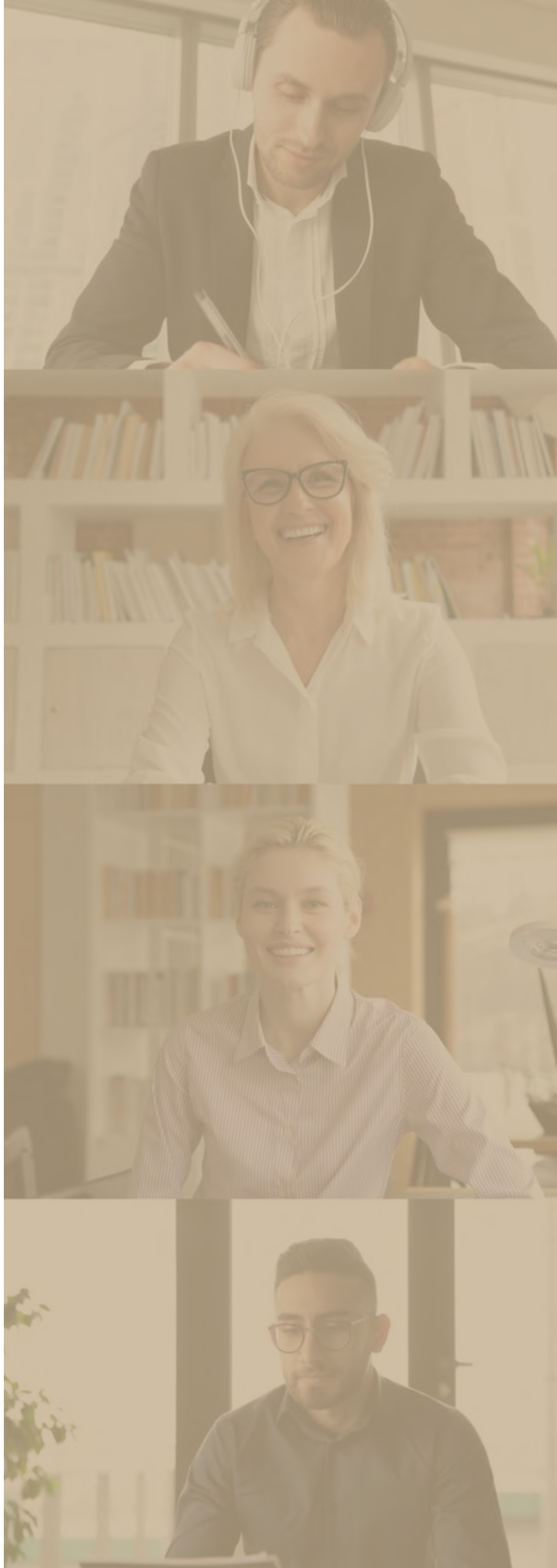
***"Unwelcome" means an action which the individual knows or should reasonably know is not desired by the person at which it is directed.

****"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.

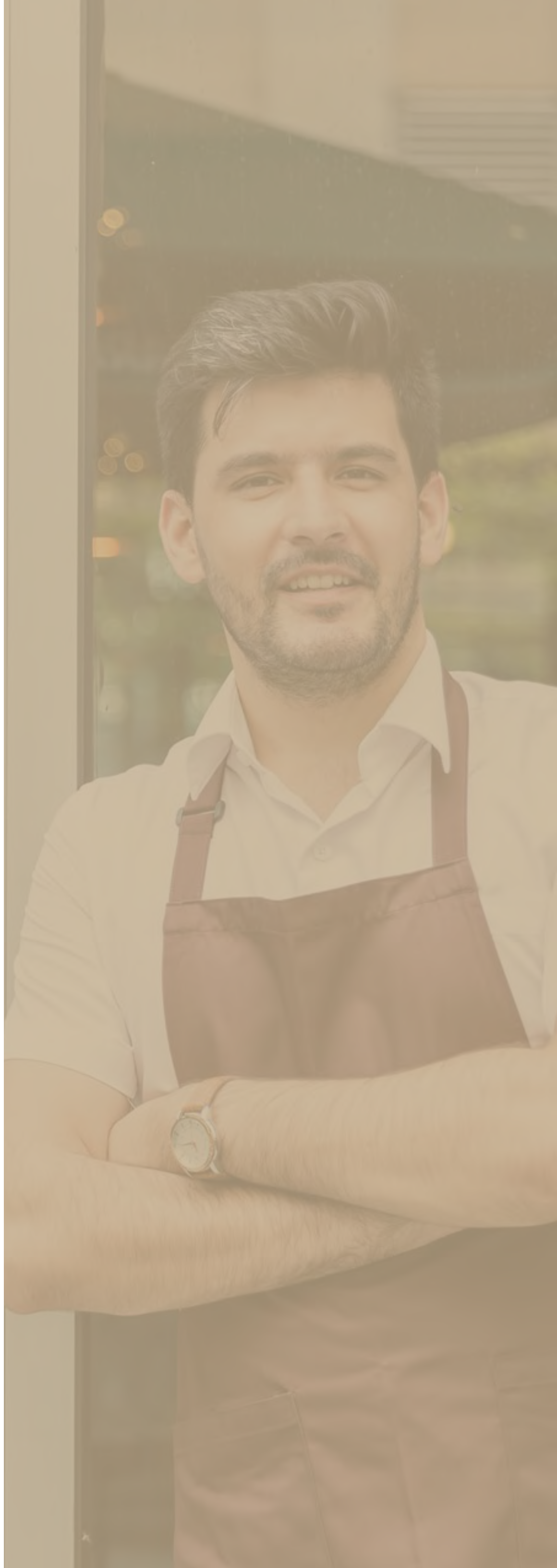
Directorships

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.

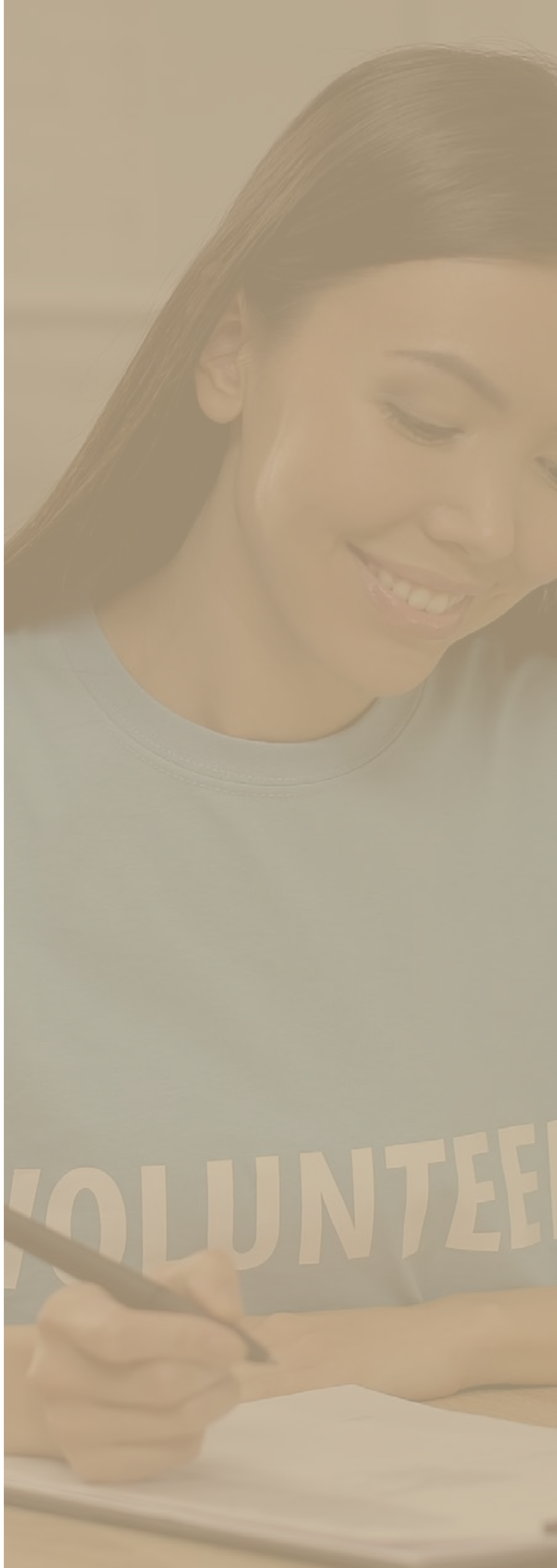
Accountability

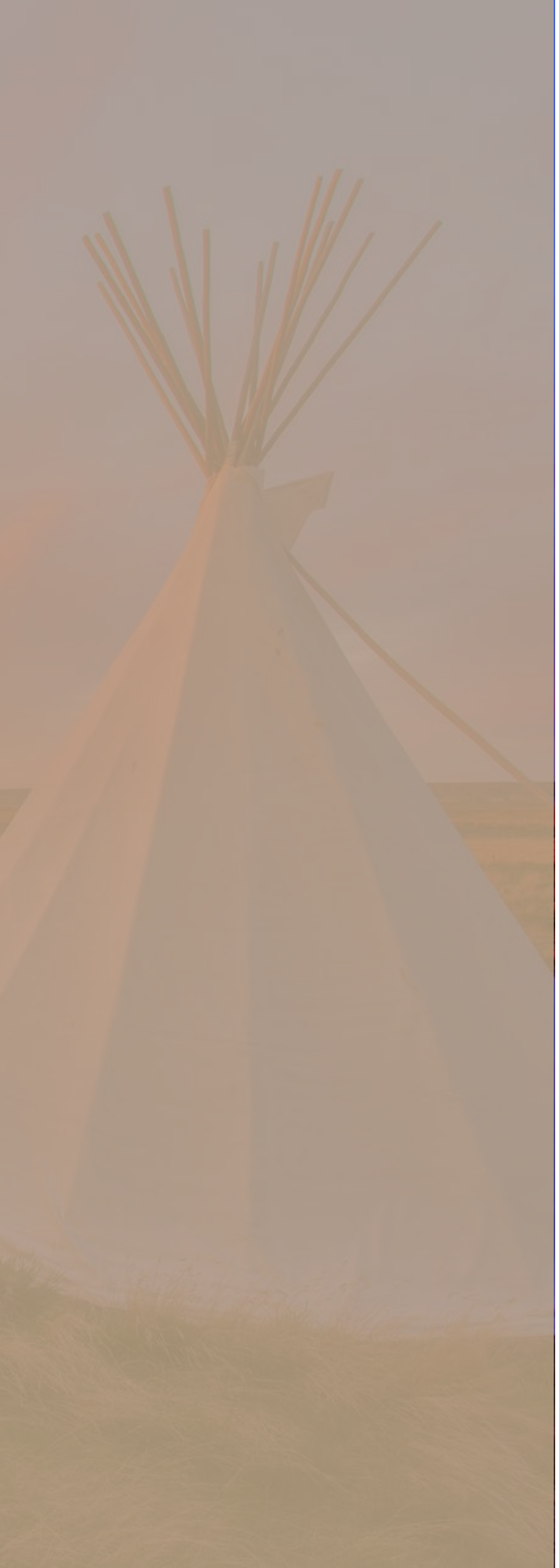
The credit union is responsible for adherence to the Market Code and will designate a Compliance Officer who is accountable for the credit union's compliance with the Market Code. Ultimate accountability for the credit union's compliance with the Market Code rests with the credit union's board of directors.

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

2020 ANNUAL REPORT

innovation
CREDIT UNION

Scorecard Results 2020 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	64%	>= 74%
	Our digital infrastructure is critical for the engagement of our members and our staff and allows our teams to be productive and efficient.	Enabling infrastructure score	58%	>= 66%
Growth	Demonstrate and enhance member experience.	Net Promoter Score (NPS)	37.22%	>= 40.00%
	Growth in membership is very important for future sustainability.	Membership Total	57,793	>= 57,496
Business	Progress on the digital roadmap is key for the achievement of long-term targets.	Completion of outlined digital projects	85%	100%
	Innovation strives to become a federally regulated credit union.	Closing of recommendations and findings	90%	100%
Finance and Risk	Ensure efficient processes and productivity.	Efficiency Ratio†	75.28%	<= 75.71%
	Achieve earnings equal to or better than budget.	Return on Equity*†	4.11%	>=7.90%
	Internal processing and review of new credit requests to ensure high quality results in new lending opportunities.	Quality Assurance	81.9%	>= 87.0%
	The Enterprise Risk Management function of the organization monitors risks across all areas.	ERM Score	2.88	> 2.50

** before member distributions and taxes excluding unrealized gains (losses)*

† excludes gain on sale of insurance subsidiaries

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, 2020, 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, 2020 and should be read together. The MD&A includes information up to February 27, 2021. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from Innovation's annual Consolidated Financial Statements.

Caution Regarding Forward-Looking Statements

This MD&A may contain forward-looking statements concerning Innovation's future strategies. These statements involve uncertainties in relation to prevailing economic, legislative and regulatory conditions at the time of writing. By their very nature, forward-looking statements are based on assumptions that involve inherent risks and uncertainties, both general and specific 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.

2020 Economic Conditions and Future Outlook

Global

According to the International Monetary Fund global economic growth was estimated at -3.5 percent in 2020. Expectations for 2021 have this annual growth rate rising to 5.5 percent in 2021 and 4.2 percent in 2022. (IMF, World Economic Outlook, January 2021)

The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis. (IMF, World Economic Outlook, January 2021)

Downside risks associated with these forecasts include the possibility of a virus surge (including from new variants) proves difficult to contain, slower-than-anticipated progress on medical interventions and potential early withdrawal of policy support. (IMF, World Economic Outlook, January 2021)

This global outlook is further supported by the latest Monetary Policy Report published by the Bank of Canada. Expectations contained within the January 2021 assumes the vaccine rollout proceeds largely as announced by governments and that Canada, other advanced economies and China achieve broad immunity by the end of 2021. Growth expectations as per the Bank of Canada can be found below. (Bank of Canada, Monetary Policy Report, January 2021)

Table 1: Projection for global economic growth

	Share of real global GDP* (percent)	Projected growth† (percent)				
		2019	2020	2021	2022	2023
United States	16	2.2 (2.2)	-3.5 (-3.6)	5.0 (3.1)	3.9 (3.4)	2.0
Euro area	12	1.3 (1.3)	-7.1 (-8.0)	4.4 (4.9)	4.5 (2.4)	2.7
Japan	4	0.3 (0.7)	-5.2 (-5.7)	2.8 (3.7)	1.9 (1.9)	1.0
China	17	6.0 (6.2)	1.7 (1.6)	8.4 (8.2)	5.4 (5.5)	5.9
Oil-importing EMEs‡	34	3.1 (3.0)	-3.4 (-5.6)	6.5 (5.3)	5.3 (6.0)	4.9
Rest of the world§	17	1.4 (1.3)	-4.3 (-5.0)	2.0 (1.0)	4.0 (2.5)	3.2
World	100	2.8 (2.8)	-2.9 (-4.0)	5.6 (4.8)	4.6 (4.3)	3.9

* GDP shares are based on International Monetary Fund (IMF) estimates of the purchasing-power-parity valuation of country GDPs for 2019 from the IMF's October 2020 *World Economic Outlook*.

† 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, emerging Europe and Africa (such as India, Brazil and South Africa) as well as newly industrialized economies (such as South Korea).

§ "Rest of the world" is a grouping of 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, economic activity is expected to decline in the first quarter of 2021 driven by a resurgence of COVID-19 cases and tightening containment measures are interrupting growth and imposing renewed hardship on households and businesses. (Bank of Canada, Monetary Policy Report, January 2021)

Earlier-than-expected arrival of vaccines is contributing to a forecast for stronger growth later in 2021. Consumption is expected to gain momentum as more Canadians are vaccinated and employment rises. Following a decline by 5.5 percent in 2020, economic activity is expected to grow by about 4.0 percent in 2021 and 4.8 percent in 2022. (Bank of Canada, Monetary Policy Report, January 2021)

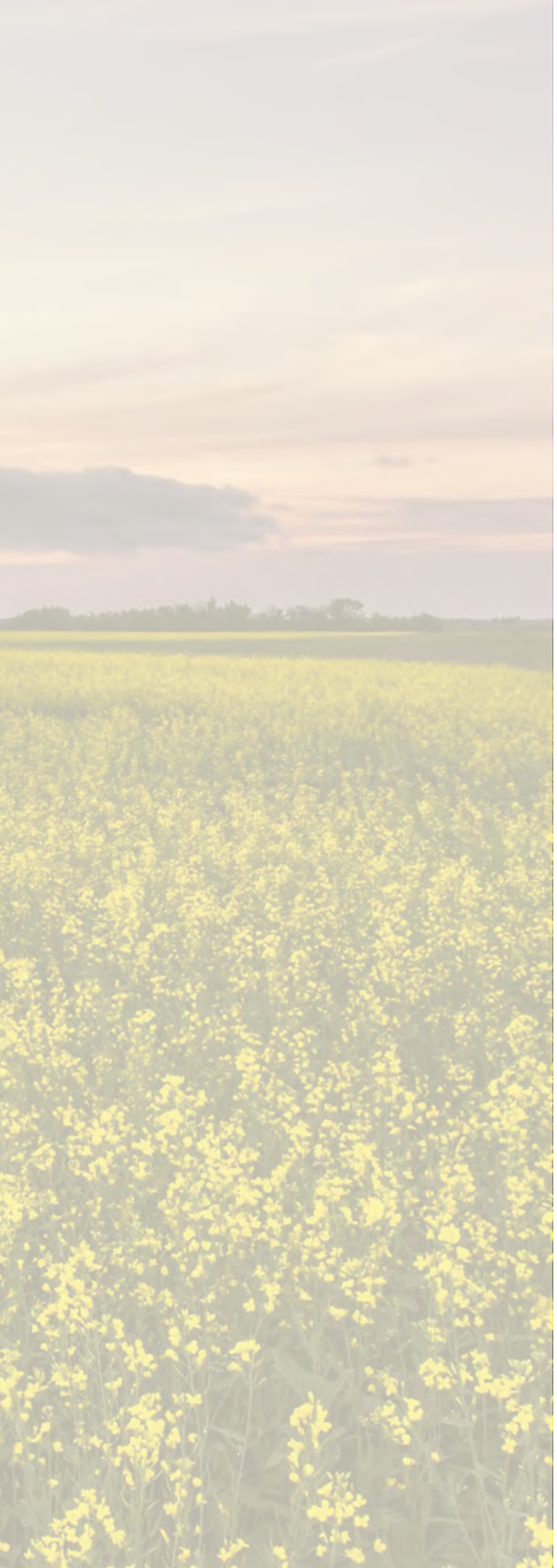
Additional information related to the drivers of anticipated economic growth in the Canadian economy can be found in the following chart from the Bank of Canada.

Table 2: Contributions to average annual real GDP growth
Percentage points*†

	2019	2020	2021	2022	2023
Consumption	1.0 (1.0)	-3.7 (-3.9)	1.7 (2.4)	3.1 (2.3)	1.9
Housing	0.0 (0.0)	0.3 (0.1)	0.7 (0.6)	0.0 (0.0)	0.0
Government	0.4 (0.4)	0.0 (0.0)	1.3 (1.3)	0.6 (0.2)	0.4
Business fixed investment	0.1 (0.0)	-1.2 (-1.2)	0.3 (0.1)	0.8 (0.7)	0.5
Subtotal: final domestic demand	1.5 (1.3)	-4.6 (-5.0)	4.0 (4.4)	4.5 (3.2)	2.8
Exports	0.5 (0.4)	-3.0 (-3.0)	1.7 (1.3)	1.9 (1.5)	1.0
Imports	-0.2 (-0.2)	3.9 (3.5)	-2.8 (-2.4)	-1.9 (-1.4)	-1.3
Subtotal: net exports	0.3 (0.2)	0.9 (0.5)	-1.1 (-1.1)	0.0 (0.1)	-0.3
Inventories	0.2 (0.1)	-1.8 (-1.2)	1.1 (0.9)	0.3 (0.4)	0.0
GDP	1.9 (1.7)	-5.5 (-5.7)	4.0 (4.2)	4.8 (3.7)	2.5
Memo items (percentage change)					
Range for potential output	1.5–2.1 (1.5–2.1)	0.1–1.3 (0.1–1.3)	0.2–1.6 (0.2–1.6)	0.3–1.9 (0.3–1.9)	0.2–2.2 (0.2–2.2)
Real gross domestic income (GDI)	1.9 (1.6)	-6.5 (-6.3)	5.2 (4.6)	4.9 (3.6)	2.3
CPI inflation	1.9 (1.9)	0.7 (0.6)	1.6 (1.0)	1.7 (1.7)	2.1

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

† Numbers may not add to total because of rounding.



Provincial

In 2020 the province of Saskatchewan's population grew by 0.9 percent. The province's Consumer Price Index (CPI) increased by 0.9 percent from December 2019 to December 2020, ahead of the national results of 0.07 percent. The unemployment rate for the province of Saskatchewan increased from 5.7 percent as of December 31, 2019 to end 2020 at 7.5 percent, a result ahead of the national unemployment rate of 8.6 percent. (Government of Saskatchewan website, Saskatchewan's Dashboard, Business and Economy)

Provincial real GDP is projected to decline by 4.7 percent in 2020. Forecasted growth of 4.7 percent in 2021 and 4.2 percent in 2022 is anticipated. Growth in 2021 is expected to return to very close to pre-pandemic levels driven by strength in the agri-food sector which witnessed a surge in the value of grains, oilseeds and other major food exports in 2020. Higher crop prices are anticipated to bolster potash demand, driving higher volumes and prices in 2021. (RBC, Provincial Outlook, December 2020)

Saskatchewan forecast at a glance

% change unless otherwise specified

	2018	2019	2020F	2021F	2022F
Real GDP	1.2	-0.7	-4.7	4.7	4.2
Nominal GDP	3.2	0.1	-9.0	8.4	6.8
Employment	0.4	1.8	-4.8	3.7	1.8
Unemployment Rate (%)	6.1	5.4	8.2	6.6	5.9
Retail Sales	-0.5	0.3	-1.1	5.3	3.3
Housing Starts (Thousands of Units)	3.6	2.4	3.0	3.1	3.4
Consumer Price Index	2.3	1.7	0.6	1.6	2.0

Source: RBC, Provincial Outlook, December 2020

FINANCIAL HIGHLIGHTS

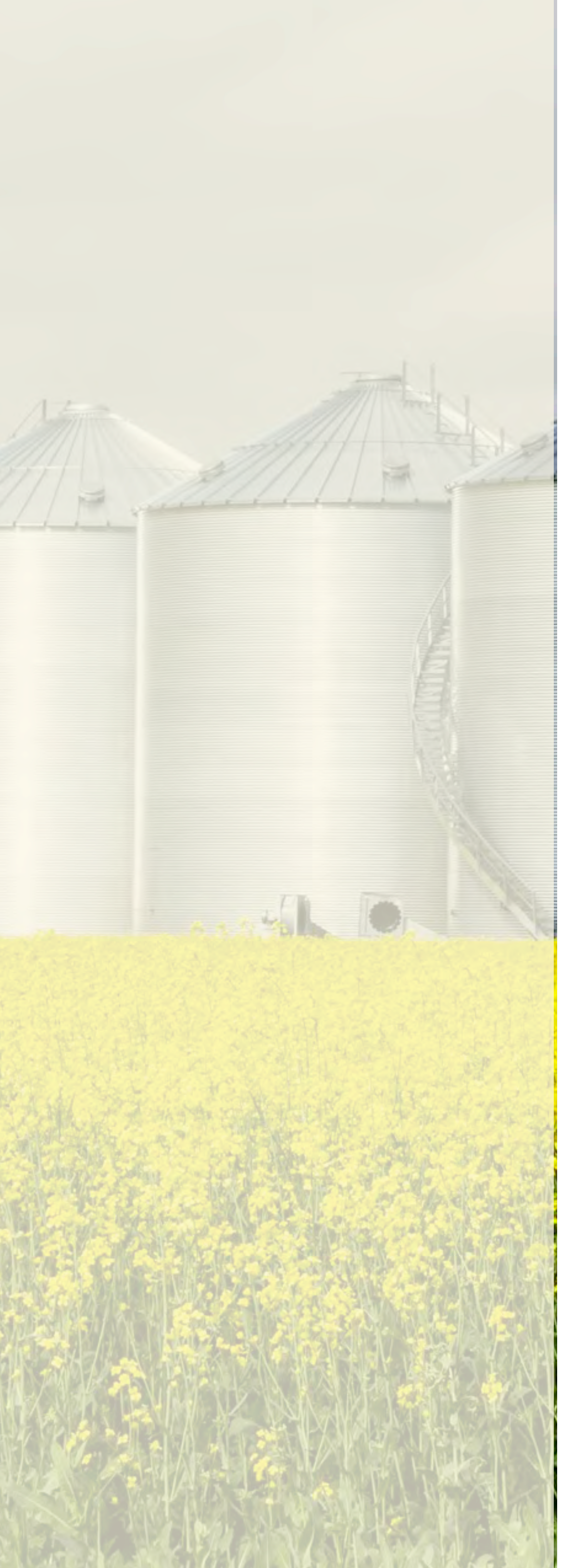
Each year Innovation develops a corporate plan through a comprehensive budget and planning process. The following table provides an overview of key financial measures compared to targets for 2020. Actual results for 2019 have also been included for comparative purposes.

Table 1: Select Financial Information

	2020 Actual	2020 Plan	2019 Actual
Growth			
Total Assets	3,008,850,940	2,885,700,785	2,794,584,737
Annual Asset Growth	7.67%	3.26%	4.26%
Total Deposits	2,561,929,232	2,432,123,532	2,379,432,944
Annual Deposit Growth	7.67%	2.21%	4.04%
Total Loans	2,025,845,727	2,331,361,201	2,124,690,743
Annual Loan Growth	(4.65%)	9.73%	0.01%
Credit quality			
Delinquency greater than 90 days	2.28%	<= 1.25%	1.90%
Gross impaired loans	35,094,800	22,135,654	29,129,050
Allowance for credit losses	24,896,213	14,776,081	15,759,262
Provision for credit losses	11,810,841	3,499,992	7,498,184
Liquidity management			
Liquidity Coverage Ratio (CUDGC)	808.53%	776.98%	869.69%
Liquidity Coverage Ratio (OSFI)	450.29%	196.98%	275.93%
Loan to asset ratio	67.33%	80.79%	76.03%
Capital			
Common Equity Tier 1 Capital / Risk Weighted Assets (CUDGC)	14.42%	12.87%	13.33%
Total Tier 1 Capital / Risk Weighted Assets (CUDGC)	14.42%	12.87%	13.33%
Total Eligible Capital / Risk Weighted Assets (CUDGC)	15.70%	14.20%	14.64%
Leverage Ratio (CUDGC)	9.04%	9.29%	9.20%
Profitability and member return			
Net income	17,754,503	10,998,998	14,482,650
Operating income before member distributions and income tax *†	10,021,087	19,240,517	24,349,648
Return on assets (ROA) before member distributions and income tax *†	0.33%	0.67%	0.87%
Return on equity (ROE) before member distributions and income tax * †	4.11%	7.90%	10.63%
Efficiency ratio *†	75.28%	75.71%	66.89%
Member distributions	1,647,082	2,791,815	3,480,737

** excludes unrealized gains (losses) and member distributions*
† excludes gain on sale of insurance subsidiaries



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

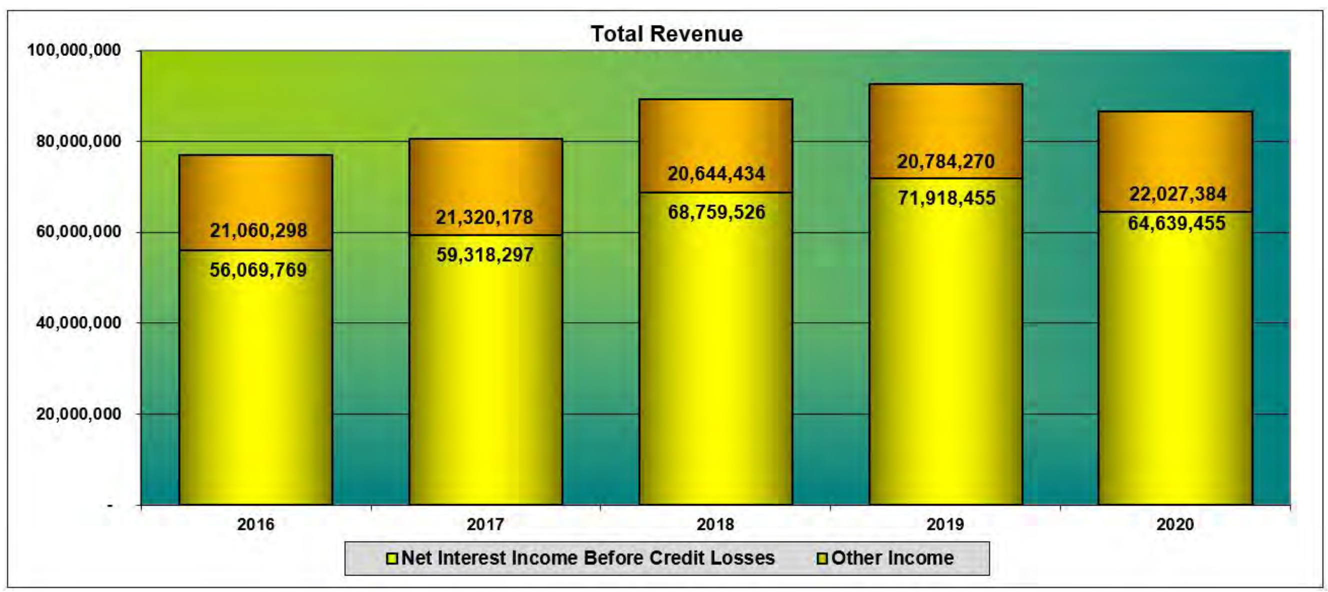
Total revenue earned by Innovation consists of net revenue generated by interest bearing assets and liabilities held on the balance sheet as well as revenue generated from non-interest sources.

Table 2: Total Revenue

	2020		2019	
	Actual ($)	**% of Total**	**Actual ($)**	**% of Total**
Net Interest Income Before Credit Losses	64,639,455	74.6%	71,918,455	77.6%
Other Income*	22,027,384	25.4%	20,784,270	22.4%
Total Revenue	**86,666,839**		**92,702,725**	

**Other Income includes revenue from the insurance agencies recognized in the respective fiscal periods indicated. The gain on the sale of the insurance agencies has been excluded from these figures.*

Total revenue decreased -$6.0 million or -6.5% to $86.7 million in 2020, driven by negative growth in net interest income before credit losses. As a result, the proportion of total revenue attributed to net interest income before credit losses decreased in 2020. Following positive growth over the prior four years, total revenues declined in 2020.



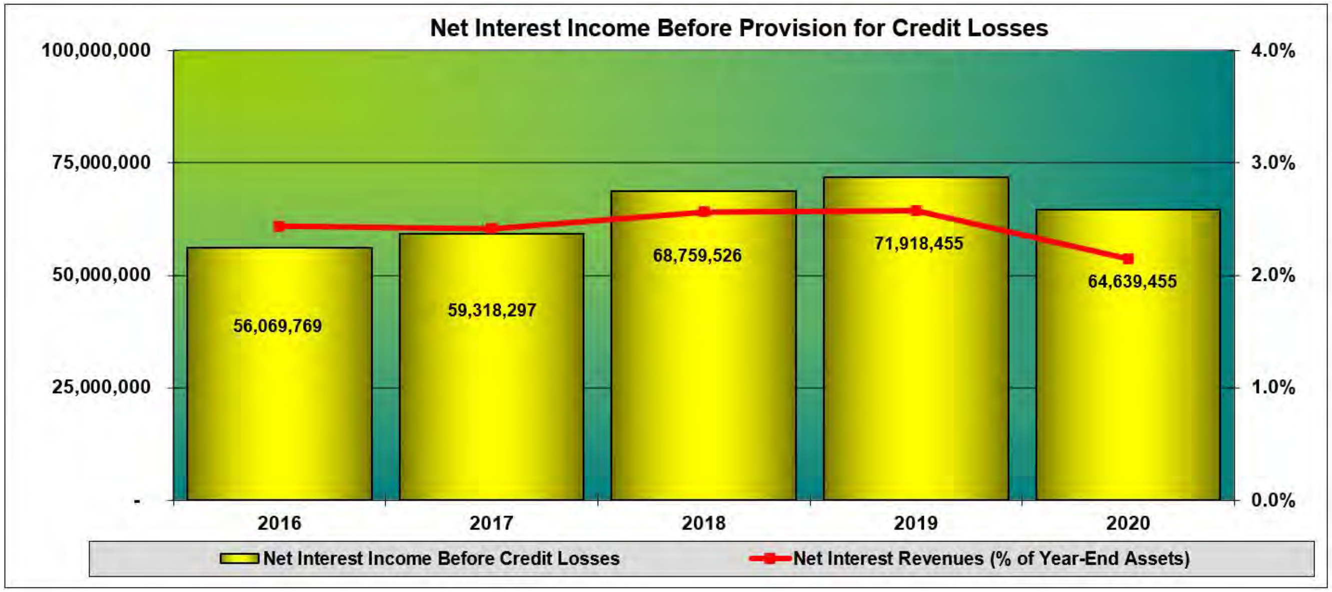
Net Interest Income Before Credit Losses

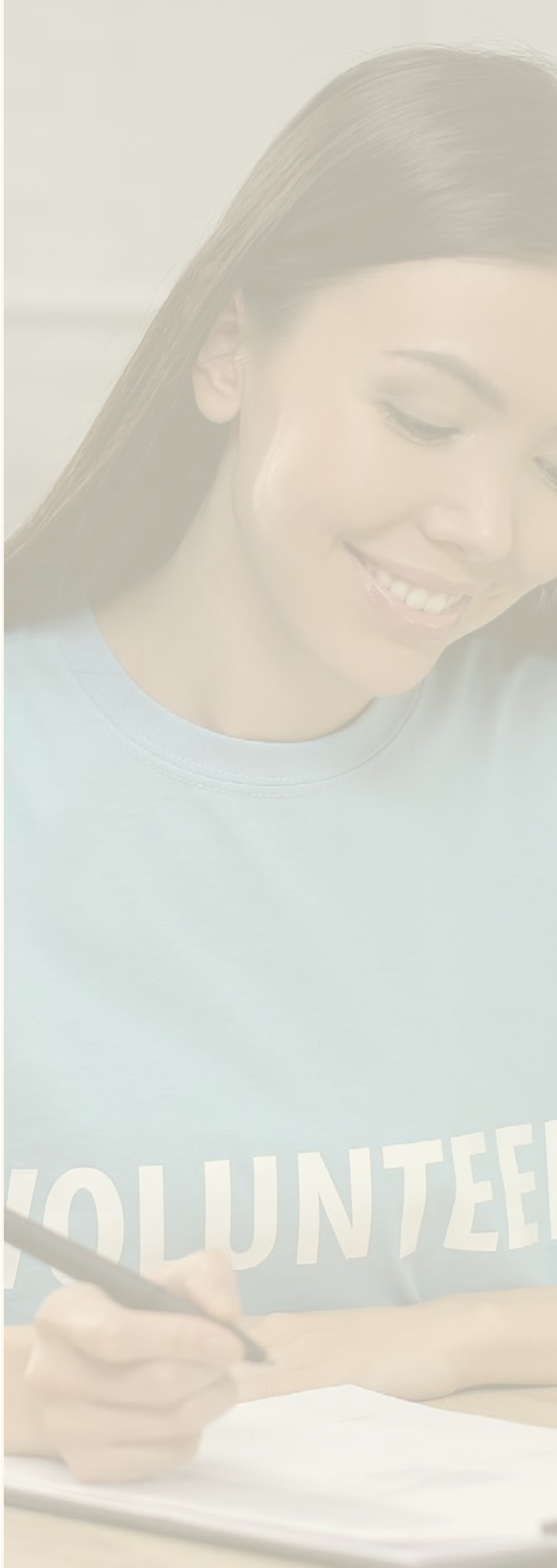
Net interest income before credit losses represents the difference between the interest earned on assets and interest paid on deposits and other funding liabilities. Also included in this amount is the realized gain (loss) on investments classified as Fair Value Through Profit or Loss (FVTPL). Net interest 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. Negative growth in net interest income before credit losses realized in 2020 was influenced by each of these factors.

Table 3: Net Interest Income Before Credit Losses

	2020	2019	Change $	Change %
Interest Income	93,201,126	111,521,362	(18,320,236)	(16.4%)
Interest Expense	28,854,740	41,665,846	(12,811,106)	(30.7%)
Realized Gain (Loss) on FVTPL Investments	293,069	2,062,939	(1,769,870)	(85.8%)
Net Interest Income Before Credit Losses	**64,639,455**	**71,918,455**	**(7,279,000)**	**(10.1%)**

Net interest income before credit losses decreased by $7.3 million or -10.1% to $64.6 million in 2020. Following positive annual growth over the previous four years, total net interest income before credit losses generated in 2020 declined year-over-year. In relation to the overall size of the organization's balance sheet, 2020 also declined from prior year results.





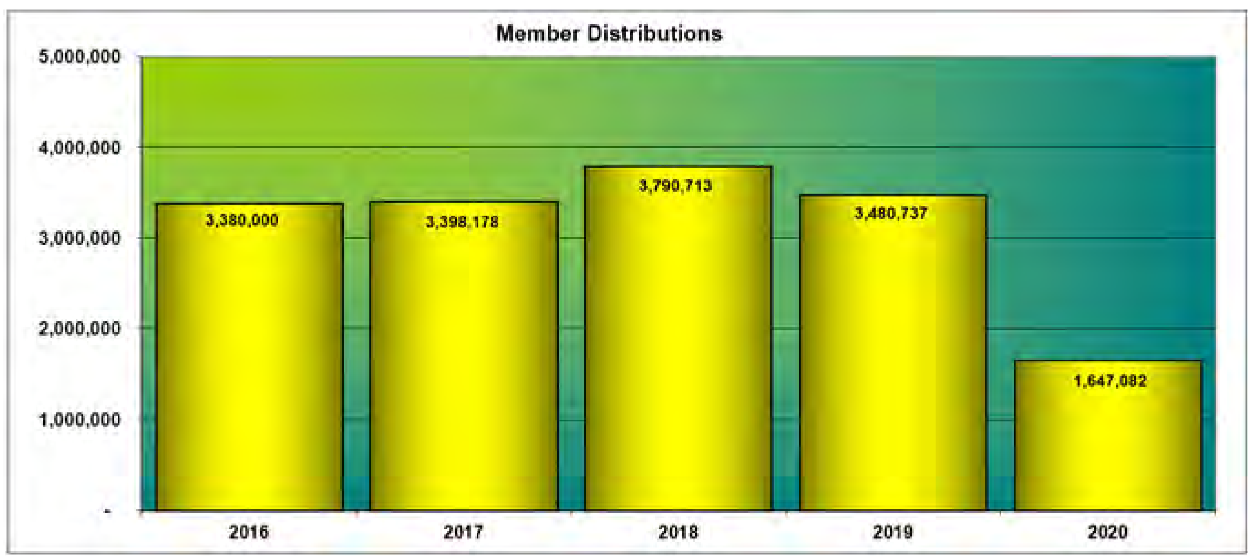
Member Distributions

Member distributions are included in net interest income before provision for credit losses. In 2020, the board of directors declared total member distributions of $1.6 million, a decrease of 52.7% over the prior year, which were distributed on a quarterly basis. Total annual member distributions are targeted at a level of 15% of pre-tax income however are at the full discretion of the board of directors.

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

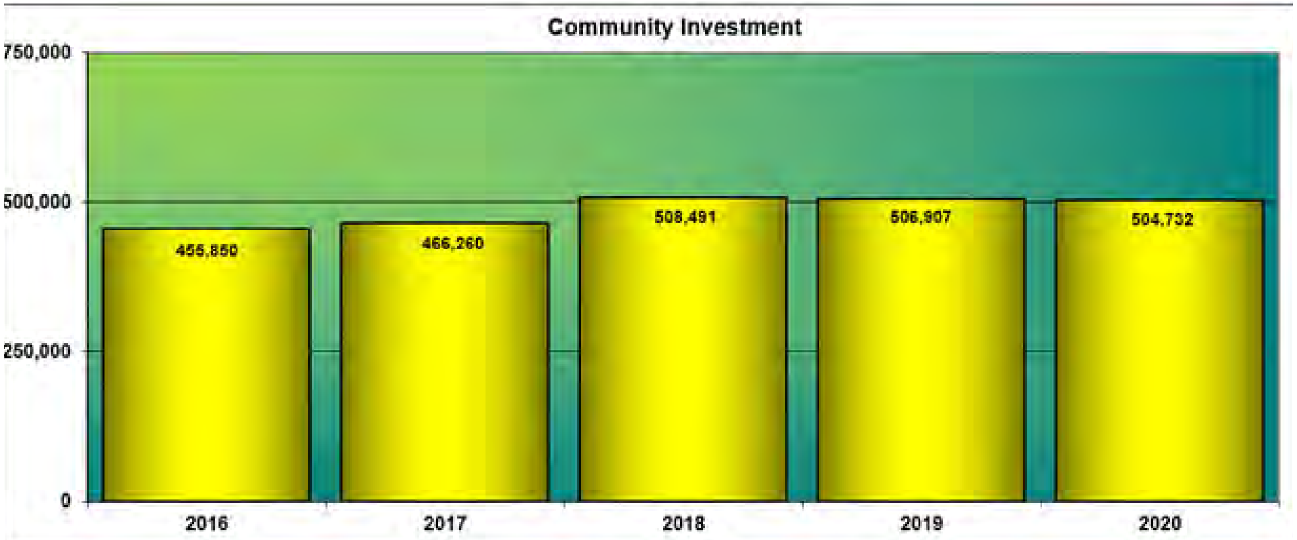
- Allocations: patronage allocations, based on total interest paid on qualifying loans as well as total interest earned on qualifying deposits, which is utilized to increase the value of member shares held by each member of Innovation. Of the $1.6 million total 2020 authorized member distributions, $0.8 million was returned to members in the form of allocations.
- Dividends: fully accessible dividends paid to members based on outstanding Member Rewards Account balances and approved dividend rates authorized by the board of directors. In 2020 the board of directors authorized quarterly dividends at an annualized rate of 4.71% (Q1), 4.41% (Q2), 3.72% (Q3) and 3.50% (Q4). Of the $1.6 million total 2020 authorized member distributions, $0.8 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 2020 the board of directors authorized quarterly youth dividends of $5.00 (Q1), $5.00 (Q2), $5.00 (Q3) and $5.00 (Q4). Of the $1.6 million total 2020 authorized member distributions, $0.06 million was returned to members in the form of youth dividends.

The Member Rewards Program is an important differentiator for Innovation and demonstrates the organization's commitment to the cooperative principles. Total member distributions are influenced by the profitability level of the credit union. As profitability levels declined in 2020 the corresponding amounts distributed to members through the Member Rewards Program also declined in correlation to this reduction in earnings. Innovation Credit Union continues to however show consistency in ensuring the member-owners contribute in the success of the organization.



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

Continued strong community support is an important cooperative principle to Innovation. In 2020, $0.50 million ($0.51 million in 2019) representing an annual decrease of -0.4% 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.

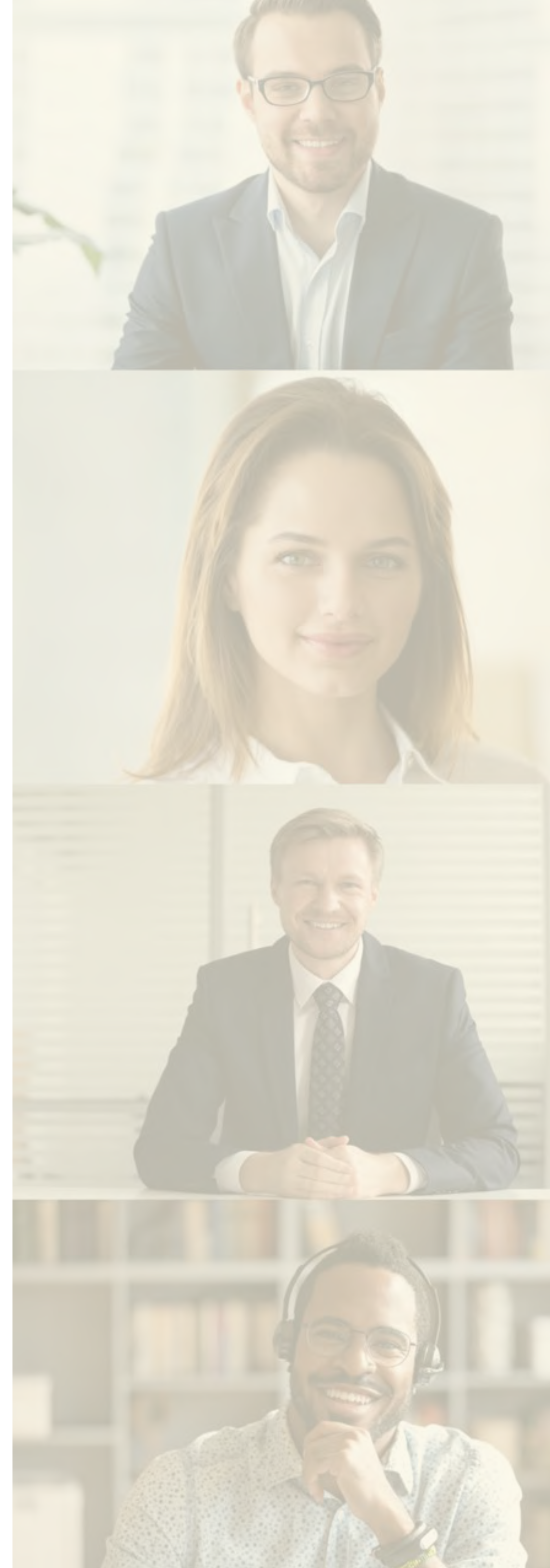


Provision for Credit Losses

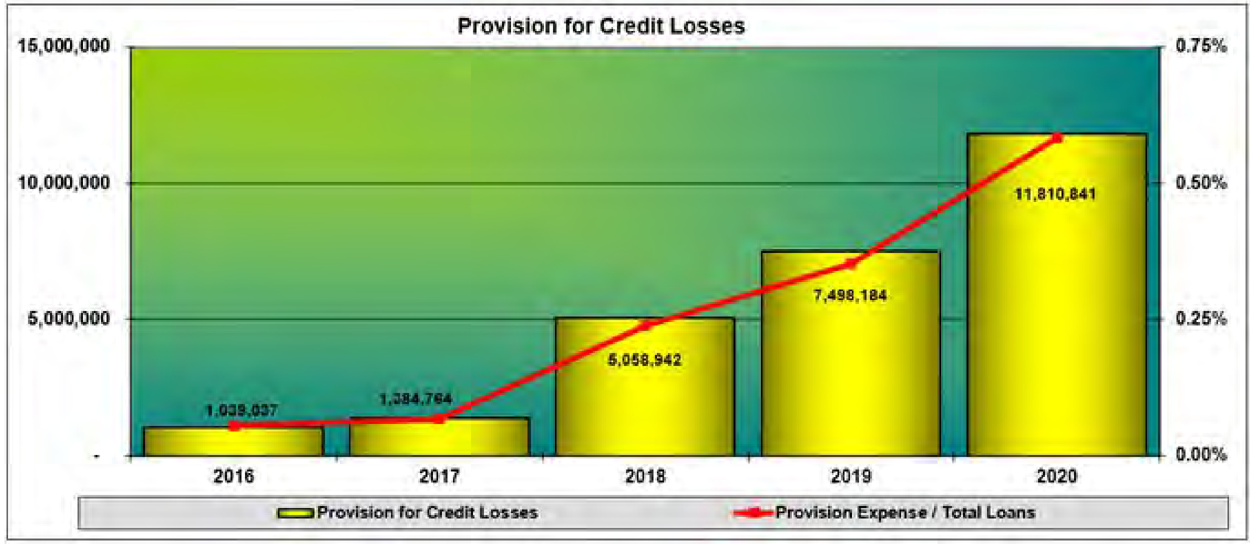
The provision for credit losses includes both the realized losses / recoveries on loans which are no longer considered collectible (net write-offs) and the expected shortfall in cash flows on individual loans and portfolio of loans where there is evidence of credit impairment (change in allowance). The 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	
	2020	2019	$	%
Agriculture Loans	718,136	378,639	339,497	89.7%
Commercial Loans	10,045,829	6,291,123	3,754,706	59.7%
Consumer Loans	980,548	800,930	179,618	22.4%
Investments	66,328	27,492	38,836	141.3%
Provision for Credit Losses	11,810,841	7,498,184	4,312,657	57.5%
Provision for Credit Losses (% of Year-End Total Loan Portfolio)	0.58%	0.35%		



Provision for credit losses increased by $4.3 million or 57.5% to $11.8 million in 2020. In relation to the size of the total year-end loan portfolio, the 2020 provision for credit losses figure increased to 58 basis points.



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

Other Income

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

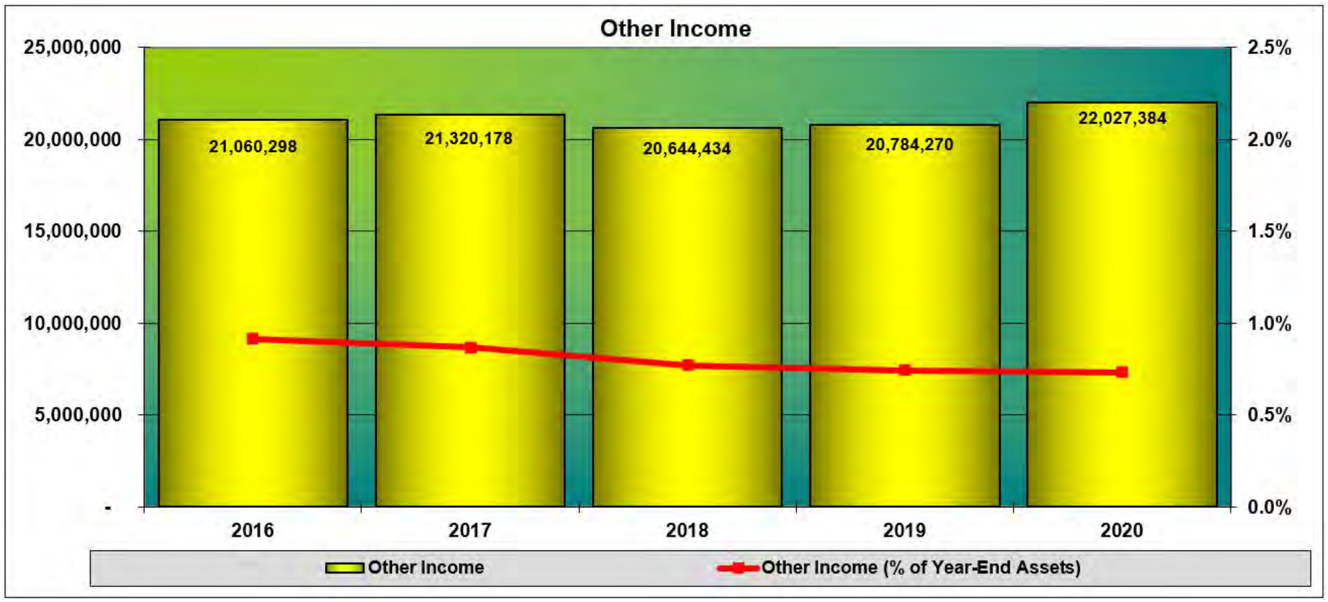
- Service charges on products: fees charged to members on the various operating and savings account products offered by the organization.
- Loan fees, commissions, and insurance: fees collected from members related to lending products along with commission revenue earned on the sale of various loan insurance products.
- Other fees and commissions: include ATM revenue, foreign exchange revenue, credit card portfolio revenue as well as fees charged to members on NSF and overdraft occurrences.
- 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 prior to the sale of the agencies on October 1, 2020.
- Other: includes revenue generated through rental of physical properties owned by the organization, contracted services provided to other organizations as well as revenue earned through Innovation's ownership interest in CU Dealer Finance Corp.
- Canada Emergency Subsidy Programs: companies meeting specified eligibility criteria based on declines in revenue experienced during the pandemic are eligible to receive a subsidy to cover a portion of their employee wages, commercial rent, and property taxes through federal government assistance programs offered in 2020.

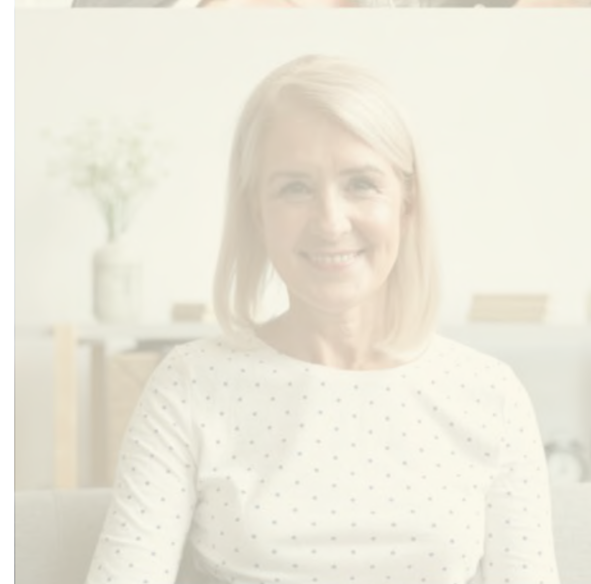
Table 5: Other Income

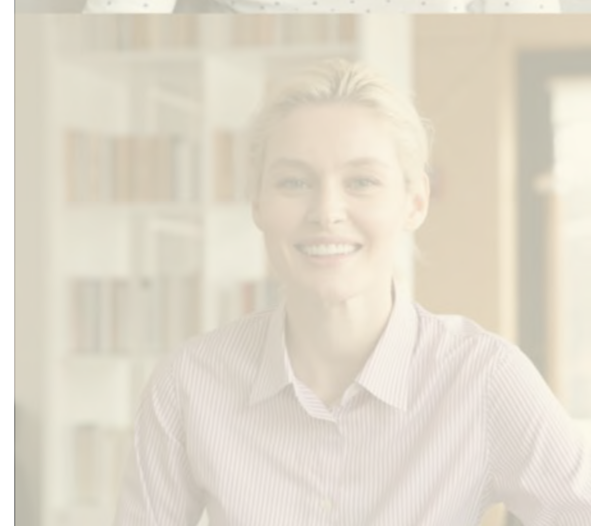
	2020	2019	Change $	Change %
Service charges on products	1,202,814	1,304,856	(102,042)	(7.8%)
Loan fees, commissions and insurance	3,383,314	4,360,805	(977,491)	(22.4%)
Other fees and commissions	2,408,269	4,669,592	(2,261,323)	(48.4%)
Wealth management	4,674,668	3,930,363	744,305	18.9%
Insurance agencies*	4,858,876	5,430,480	(571,604)	(10.5%)
Other	959,183	1,088,174	(128,991)	(11.9%)
Canada Emergency Subsidy Programs	4,540,260	-	4,540,260	n/a
Other Income	**22,027,384**	**20,784,270**	**1,243,114**	**6.0%**

**Other income includes revenue from the insurance agencies recognized in the respective fiscal periods indicated. The gain on the sale of the insurance agencies has been excluded from these figures.*

Other income increased by $1.2 million or 6.0% to $22.0 million in 2020. In relation to the size of the organization's balance sheet, other income fell by 1 basis points in 2020 to 0.73% 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 2.1%. 2020 growth of 6.0% exceeded this five-year average and exceeded the prior year annual growth rate of 0.7%.







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.

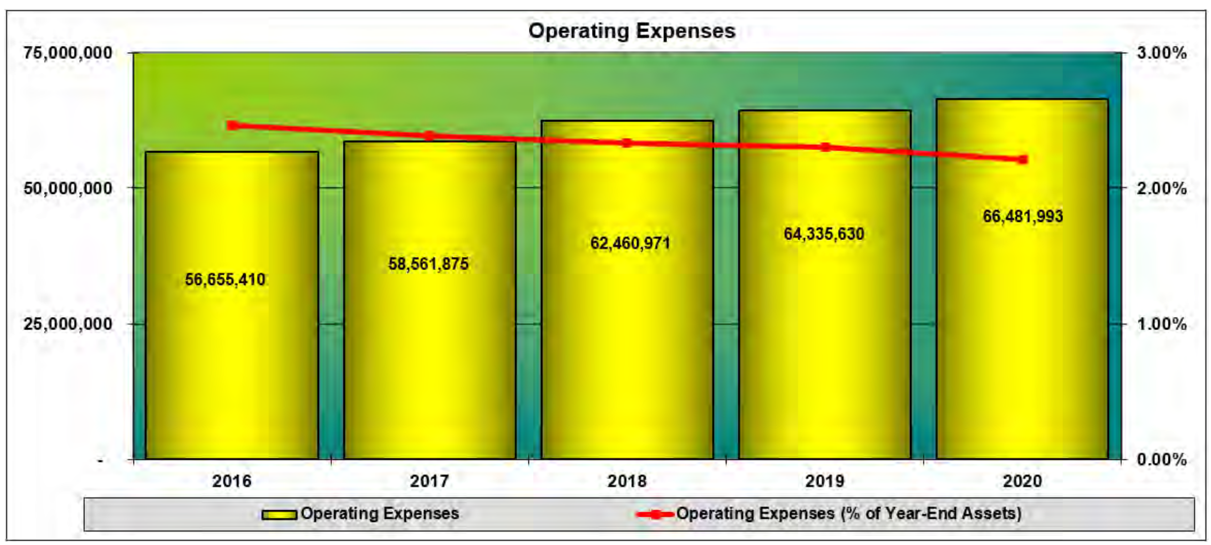
- **Security:** costs associated with regulatory oversight and deposit insurance along with fidelity and burglary insurance.
- **Organizational**: various costs associated with the governance of the credit union including board of director's remuneration and training, annual meeting costs along with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

Table 6: Operating Expenses

	2020	2019	Change $	Change %
Personnel†	35,512,508	33,995,875	1,516,633	4.5%
Security†	2,305,596	2,269,943	35,653	1.6%
Organizational†	738,164	951,892	(213,728)	(22.5%)
Occupancy†	3,993,989	4,140,824	(146,835)	(3.5%)
General business†	21,493,048	20,118,636	1,374,412	6.8%
Insurance agencies*	2,438,688	2,858,460	(419,772)	(14.7%)
Operating Expenses	**66,481,993**	**64,335,630**	**2,146,363**	**3.3%**

**All operating expenses from the insurance agencies recognized in the respective fiscal periods indicated*
†Individual operating expense categories include continuing operations only

Operating expenses increased by $2.1 million or 3.3% to $66.5 million in 2020. In relation to the size of the organization's balance sheet, operating expenses decreased by 9 basis points in 2020 to 2.21% of total assets. The average annual growth rate over the past five years equates to 4.3%. 2020 growth of 3.3% fell short of this five-year average however slightly exceeded the prior year annual growth rate of 3.0%.



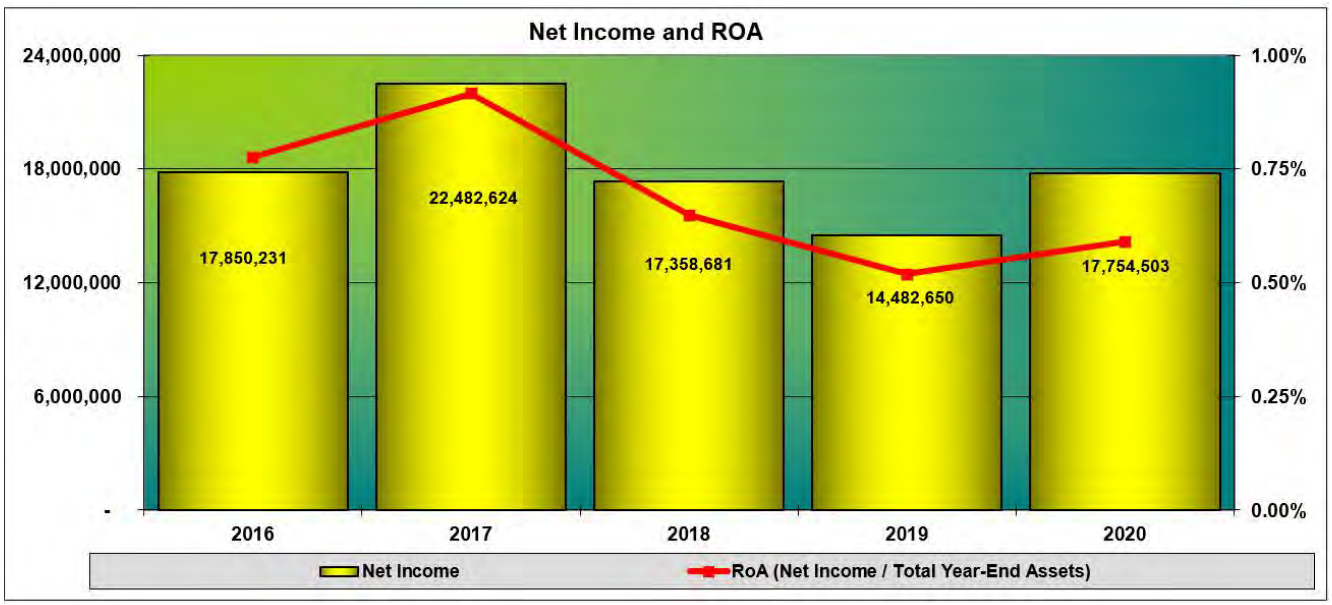
Net Income

Net income results are shown after provision of income taxes. This figure is also inclusive of all unrealized gains or losses as required as per current accounting guidelines. The gain on the sale of the insurances agencies has also been included in the 2020 results.

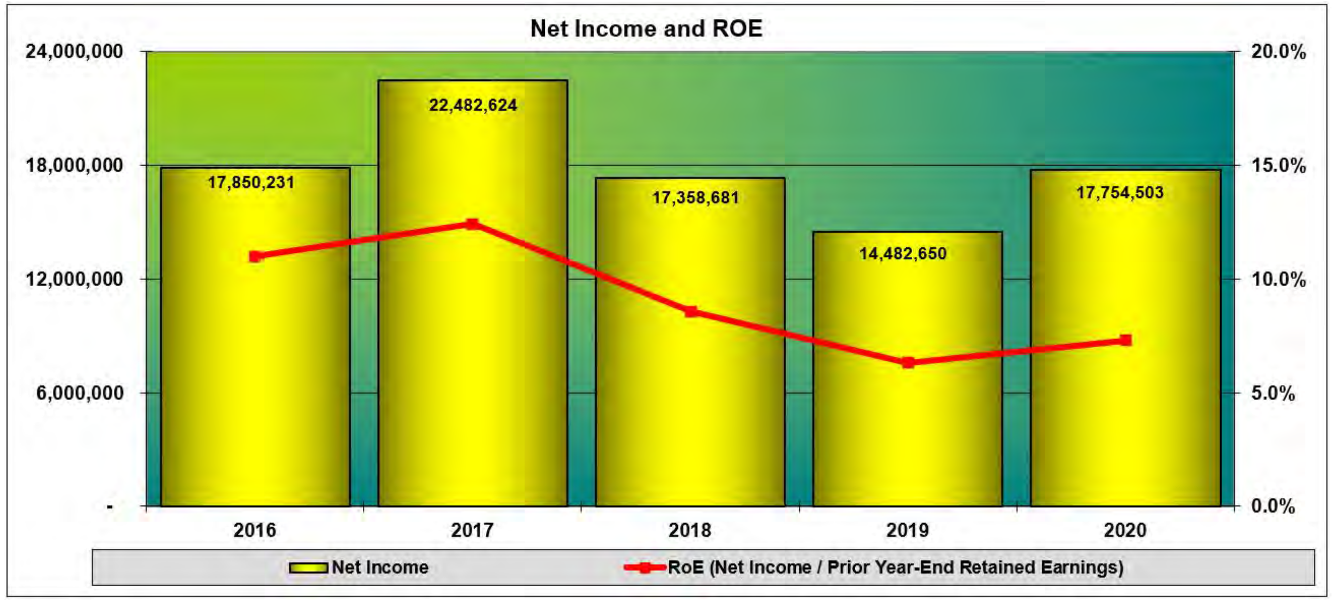
Table 7: Net Income

	2020	2019	Change $	Change %
Net Income	17,754,503	14,482,650	3,271,853	22.6%
Return on Assets (Net Income / Year-End Assets)	0.59%	0.52%		
Return on Equity (Net Income / Prior Year-End Retained Earnings)	7.29%	6.32%		

Net income after tax increased by $3.3 million or 22.6% to $17.8 million in 2020. In relation to the size of the organization's balance sheet, net income increased by 7 basis points in 2020 to 0.59% of total assets.

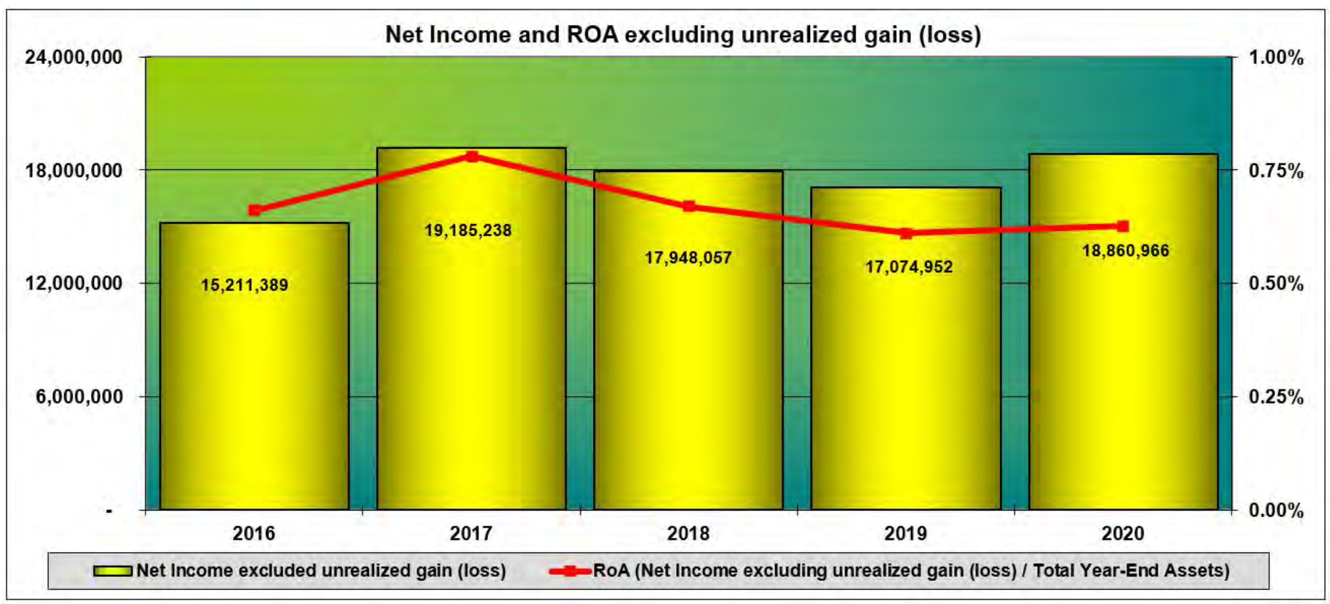


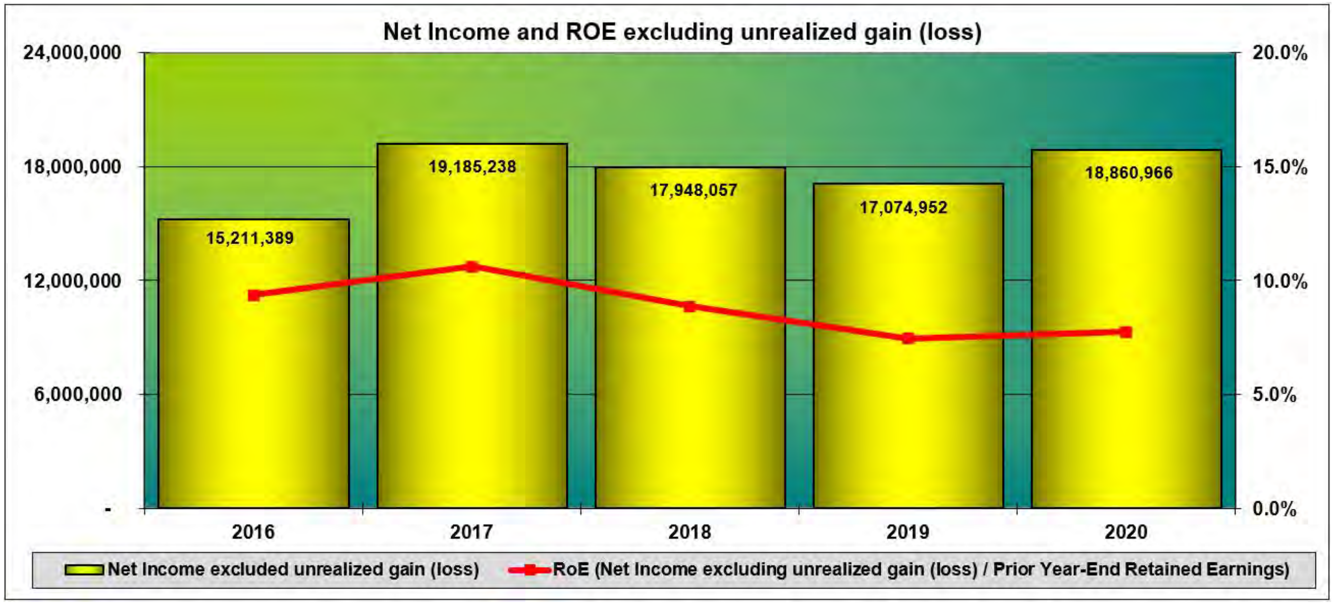
Return on equity increased to 7.29% in 2020, an improvement from 6.32% in 2019.



Net income is impacted by any unrealized gain (loss) recognized in the fiscal period. In 2020 the combined unrealized gain (loss) on the derivative portfolio as well as FVTPL investments equated to ($1.1 million) which was lower than the 2019 result of ($2.6 million). The combined 2020 unrealized loss equates to (4 basis points) in relation to 2020 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:



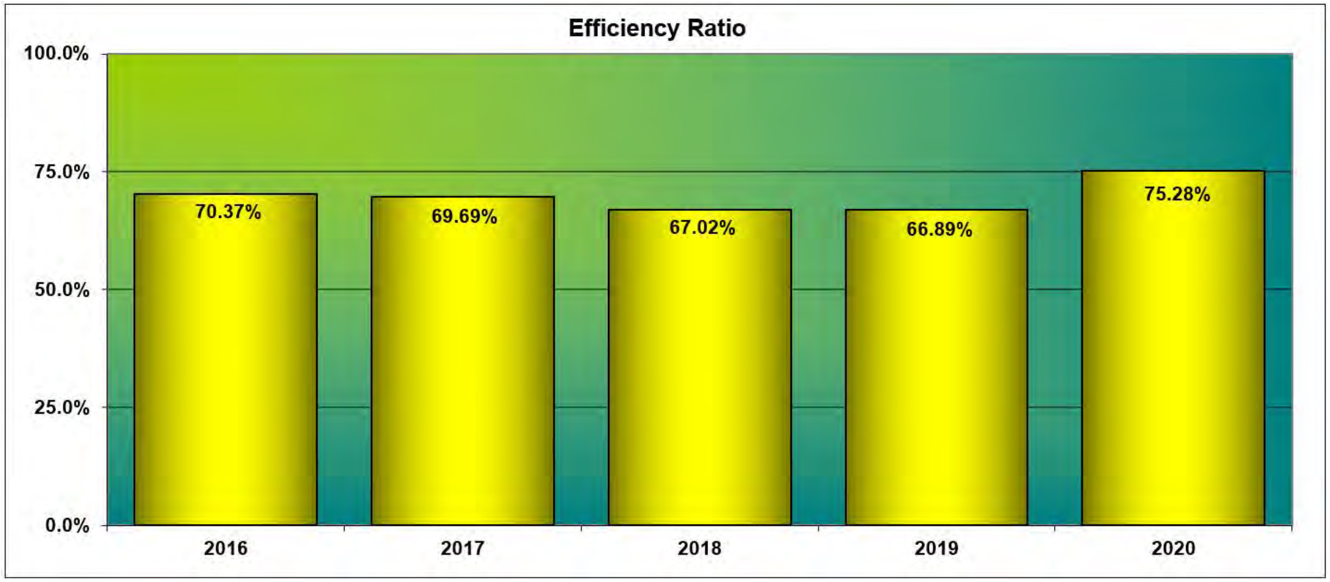


Efficiency

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.

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

The efficiency ratio degraded in 2020 to 75.28%, compared to a stronger result of 66.89% in 2019. The weaker result in 2020 was driven by the fact that total revenue (prior to member distributions) decreased in 2020 by $7.9 million or -8.18% while total operating expenses increased by $2.1 million or 3.3%. As expense growth outpaced revenue growth, the efficiency ratio worsened in 2020.



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

			Change	
	2020	**2019**	**$**	**%**
On-Balance Sheet Assets	3,008,850,940	2,794,584,737	214,266,203	7.7%
Off-Balance Sheet Assets Under Administration				
Innovation Wealth	739,308,327	666,008,505	73,299,822	11.0%
Sold/Syndicated Loans	47,089,037	31,412,178	15,676,859	49.9%
CEBA Loans under Administration	53,564,685	-	53,564,685	100.0%
Total Assets Under Administration	**3,848,812,989**	**3,492,005,420**	**356,807,569**	**10.2%**

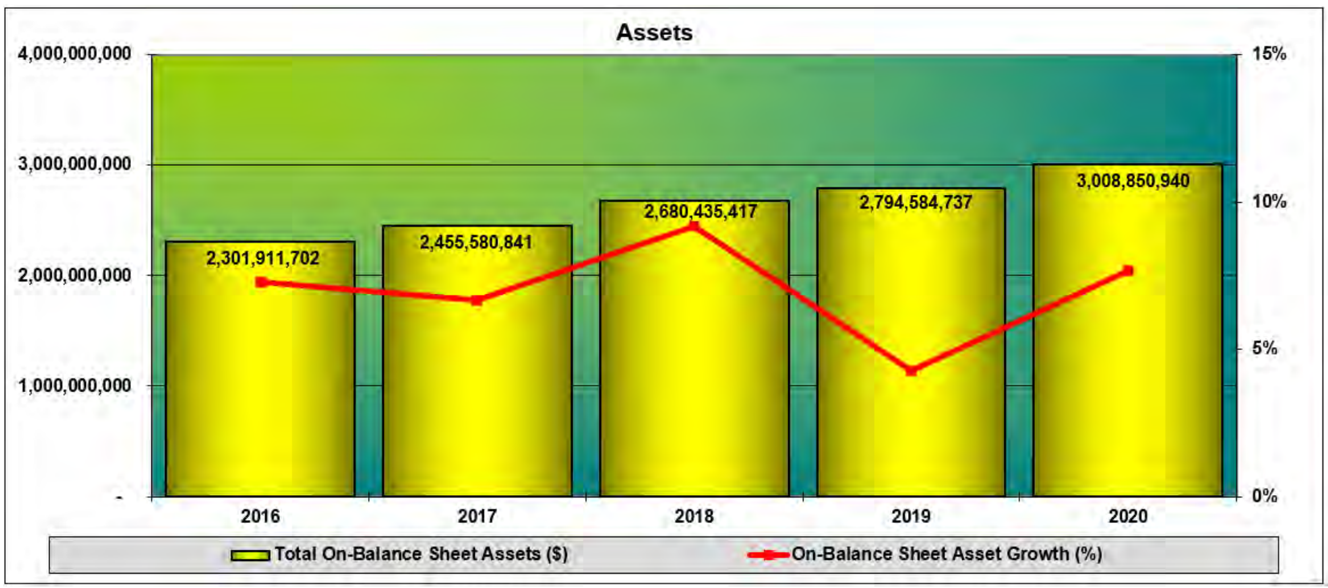
Total Assets (On-Balance Sheet)

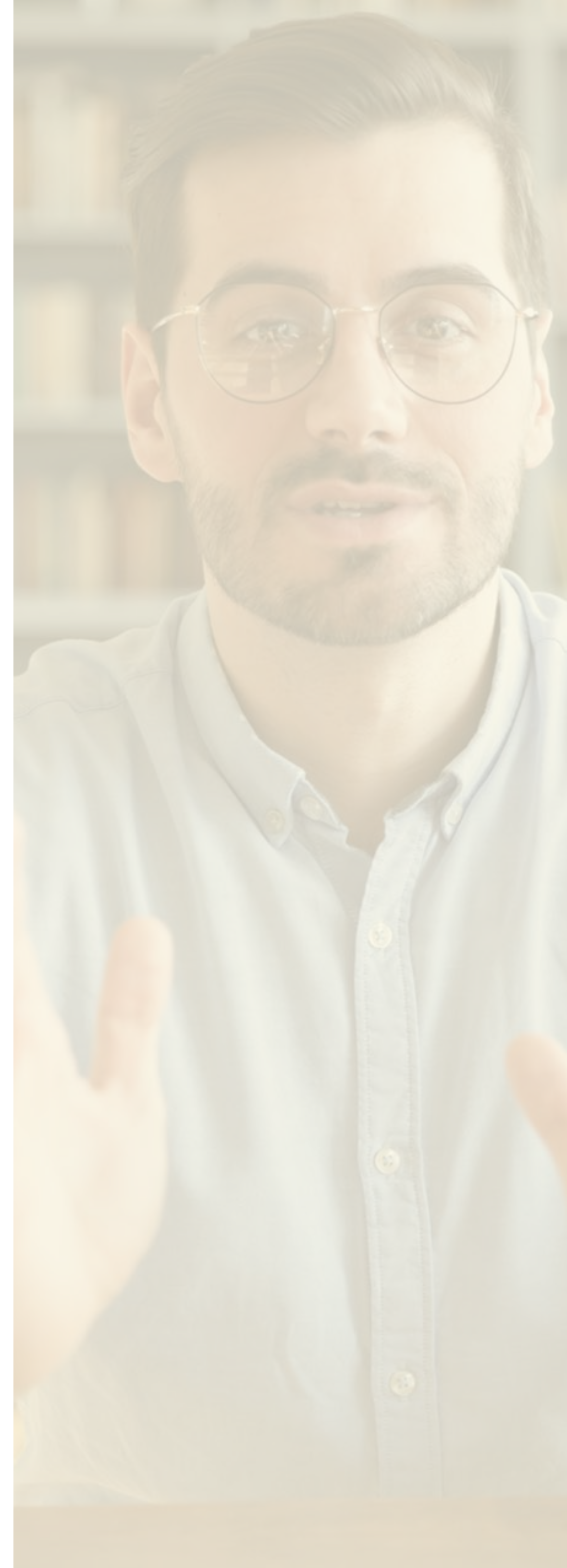
Innovation strives to build and manage a well-diversified balance sheet comprised of high-quality assets providing an appropriate return to the credit union. Funding of the balance sheet is achieved through a variety of sources. Capital is held at levels required based on the size of the balance sheet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

Table 9: Total Assets

	2020	2019	Change $	Change %
Cash and cash equivalents	161,051,027	244,334,229	(83,283,202)	(34.1%)
Investments	766,952,912	372,399,726	394,553,186	105.9%
Loans	2,025,845,727	2,124,690,743	(98,845,016)	-4.7%
Property and equipment	16,223,936	17,989,108	(1,765,172)	(9.8%)
Goodwill & intangibles	4,653,429	7,651,687	(2,998,258)	(39.2%)
Other assets	34,123,909	27,519,244	6,604,665	24.0%
Total Assets	**3,008,850,940**	**2,794,584,737**	**214,266,203**	**7.7%**

Total assets increased by $214.3 million or 7.7% to $3.009 billion in 2020. The average annual growth rate over the past five years equates to 7.0%. 2020 growth of 7.7% exceeded this five-year average and exceeded the prior year annual growth rate of 4.3%.





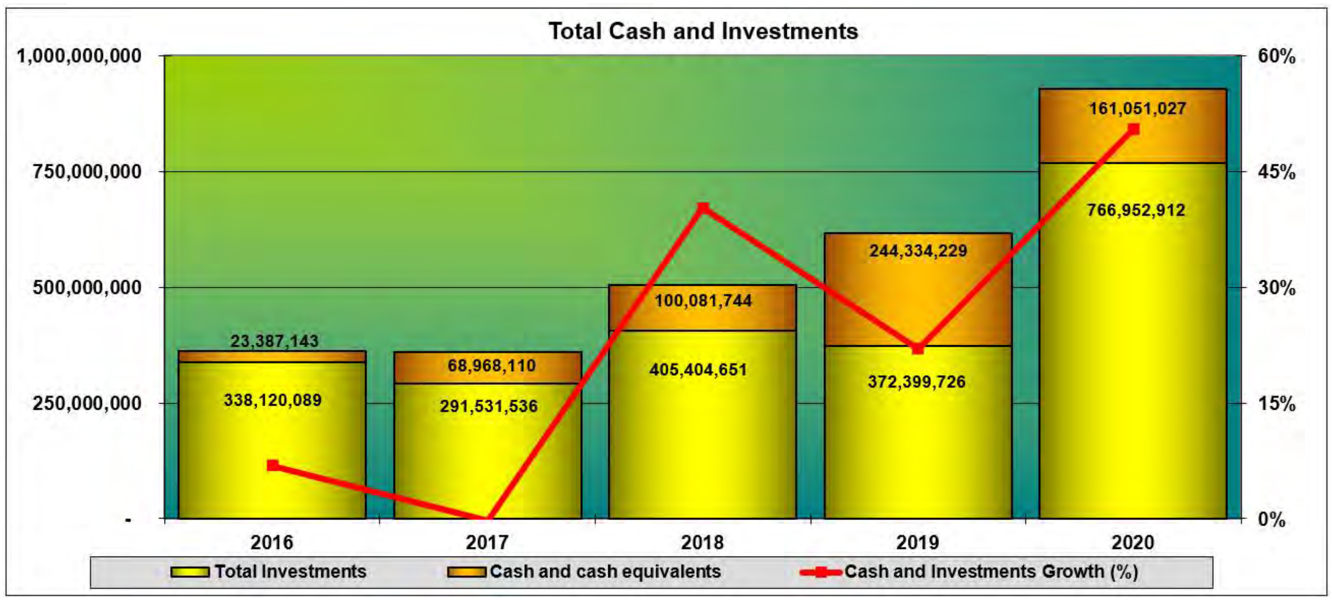
Cash and Investments

Innovation manages a portfolio of investments along with cash holdings based on the liquidity needs of the organization in a manner which provides appropriate returns to the organization. Under the current provincial regulatory environment, Saskatchewan credit unions are required to maintain 10% of liabilities using a prescribed formula in specified statutory liquidity deposits administered by SaskCentral. As of December 31, 2020 Innovation Credit Union met the statutory liquidity requirement.

Table 10: Cash and Investments

	2020	2019	Change $	Change %
Cash and cash equivalents	161,051,027	244,334,229	(83,283,202)	(34.1%)
Investments				
Debt Investments (FVTPL)	290,851,959	162,696,611	128,155,348	78.8%
Debt Investments (Amortized Cost)	445,479,341	179,913,093	265,566,248	147.6%
Equity Securities (FVTPL)	30,621,612	29,790,022	831,590	2.8%
Total Investments	766,952,912	372,399,726	394,553,186	105.9%
Total Cash and Investments	**928,003,939**	**616,733,955**	**311,269,984**	**50.5%**

Total cash and investments increased by $311.3 million or 50.5% to $928.0 million in 2020. Holding cash and investments on the balance sheet assist in the management of liquidity risk to the organization.



Performing Loans

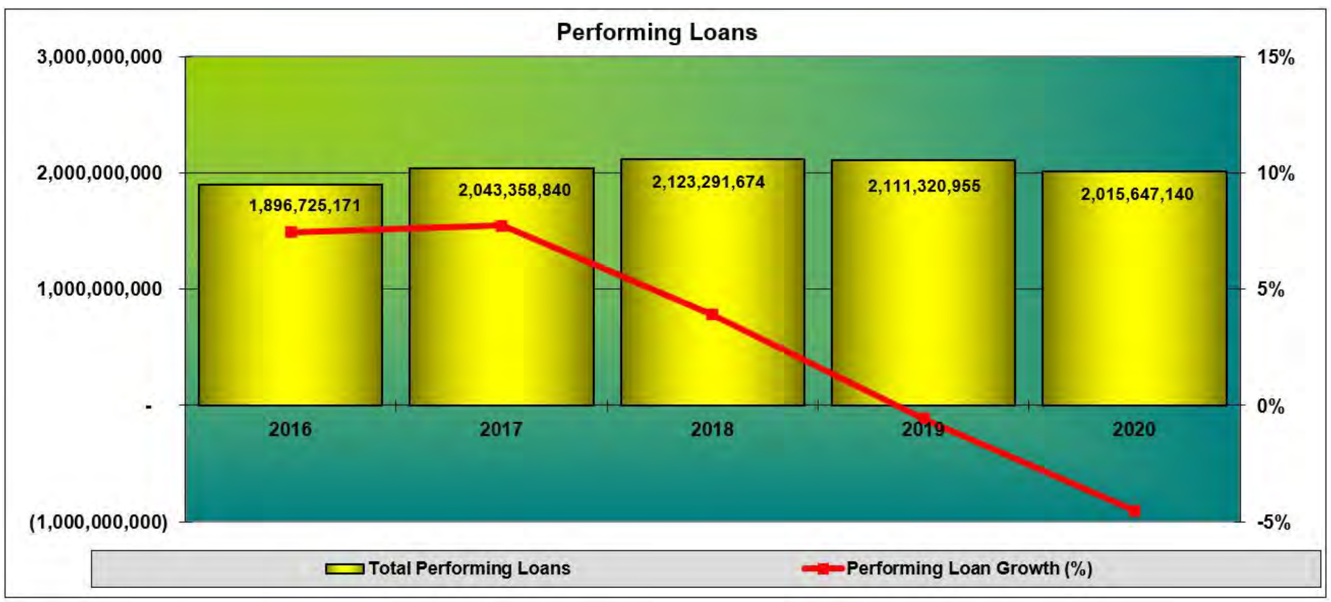
Innovation manages a portfolio of loans generated through relationships with both members and non-members of the credit union. The total loan portfolio held by the organization consists of performing loans, impaired loans less allowances established.

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

Table 11: Performing Loan Portfolio

			Change	
	2020	**2019**	**$**	**%**
Agriculture	470,325,101	516,047,245	(45,722,144)	(8.9%)
Commercial	571,176,409	582,598,579	(11,422,170)	(2.0%)
Consumer	948,292,441	981,645,590	(33,353,149)	(3.4%)
Finance Leases	16,534,031	20,541,330	(4,007,299)	(19.5%)
Accrued Interest	9,319,158	10,488,211	(1,169,053)	(11.1%)
Total Performing Loans	**2,015,647,140**	**2,111,320,955**	**(95,673,815)**	**(4.5%)**

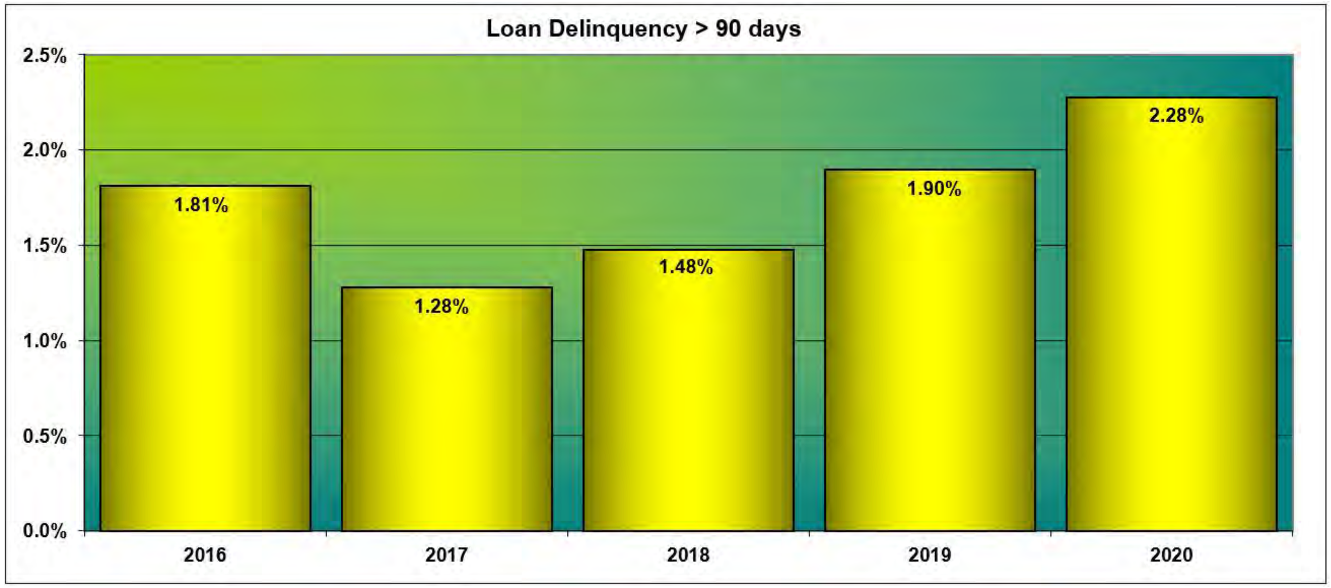
The total performing loan portfolio decreased by $95.7 million or (4.5%) to $2.016 billion in 2020. Negative growth occurred across all portfolios. New loan disbursement volumes fell short of principal payments received during the year. Reduced usage of revolving credit products also contributed to the year-over-year decline in the total loan portfolio. The 2020 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 2.28% in 2020, an increase from 1.90% in the prior year.

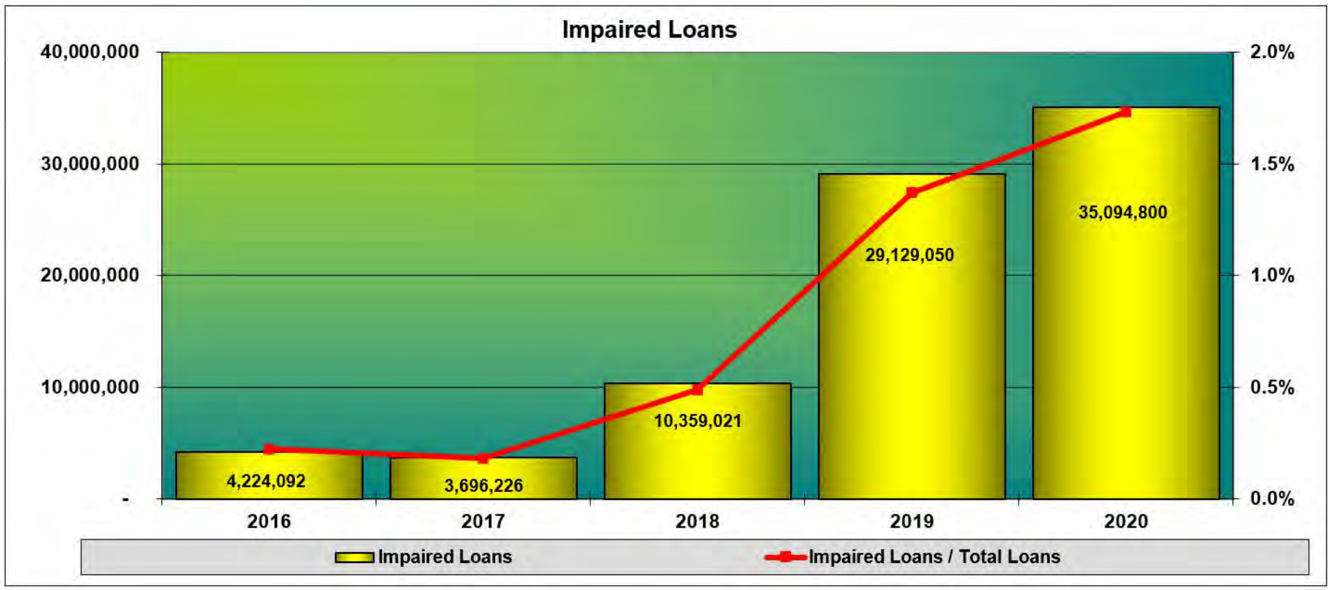


In situations where the organization may be unable to collect all principal and interest due according to the contractual terms of the loan agreement, the specific loan will be moved into the impaired category.

Table 12: Impaired Loan Portfolio

	2020	2019	Change $	Change %
Agriculture	527,772	427,751	100,021	23.4%
Commercial	28,325,161	24,215,338	4,109,823	17.0%
Consumer	1,616,033	1,681,652	(65,619)	(3.9%)
Finance Leases	381,178	-	381,178	n/a
Foreclosed Property	370,721	264,500	106,221	40.2%
Accrued Interest	3,873,935	2,539,809	1,334,126	52.5%
Total Impaired Loans	**35,094,800**	**29,129,050**	**5,965,750**	**20.5%**

The total impaired loan portfolio increased by $6.0 million or 20.5% to $35.1 million in 2020. In relation to the size of the total loan portfolio, total impaired loan balances increased to a level of 1.73% of total loans in 2020 which is an increase from 1.37% in 2019. 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.

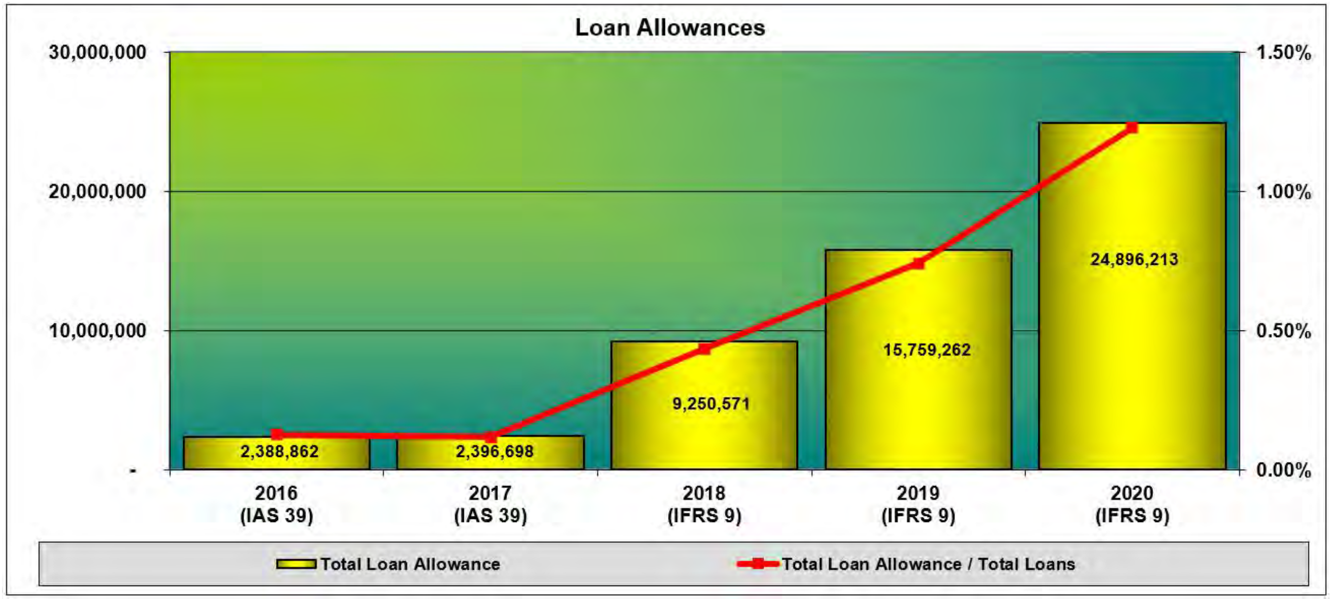
Table 13 (a): Total ECL Allowance by Portfolio

			Change	
	2020	**2019**	**$**	**%**
Agriculture	1,422,227	772,790	649,437	84.0%
Commercial	20,434,477	11,581,637	8,852,840	76.4%
Consumer	3,039,509	3,404,835	(365,326)	(10.7%)
Total ECL	**24,896,213**	**15,759,262**	**9,136,951**	**58.0%**

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

			Change	
	2020	**2019**	**$**	**%**
Stage 1 – 12-month ECL	1,480,800	2,167,665	(686,865)	(31.7%)
Stage 2 – Lifetime ECL not credit impaired	2,478,489	1,578,162	900,327	57.0%
Stage 3 – Lifetime ECL credit impaired	20,936,924	12,013,435	8,923,489	74.3%
Total ECL	**24,896,213**	**15,759,262**	**9,136,951**	**58.0%**

In relation to the size of the total loan portfolio, total loan allowances ended 2020 at a level of 1.23% of the total loan portfolio, which is an increase from the prior year-end results of 0.74%. Comparative trends over the past five years will be skewed resulting from changes in accounting standards followed. As mentioned, IAS 39 was followed in 2016 – 2017 while IFRS 9 was followed in 2018 – 2020.



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.

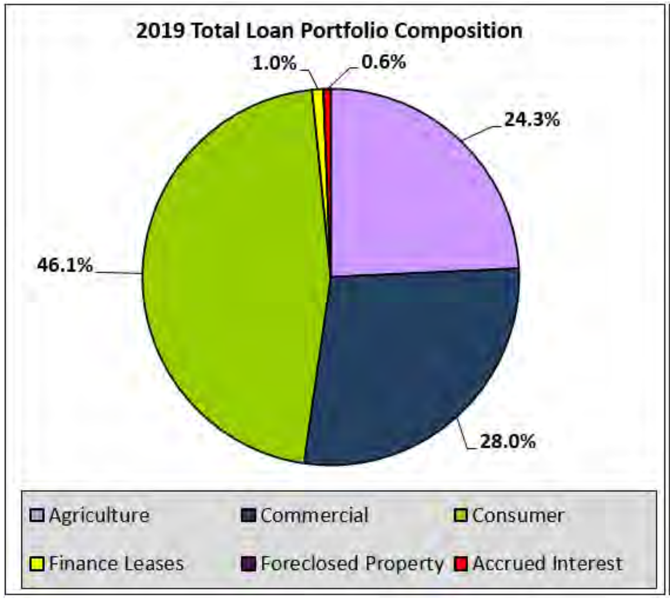
Total Loans

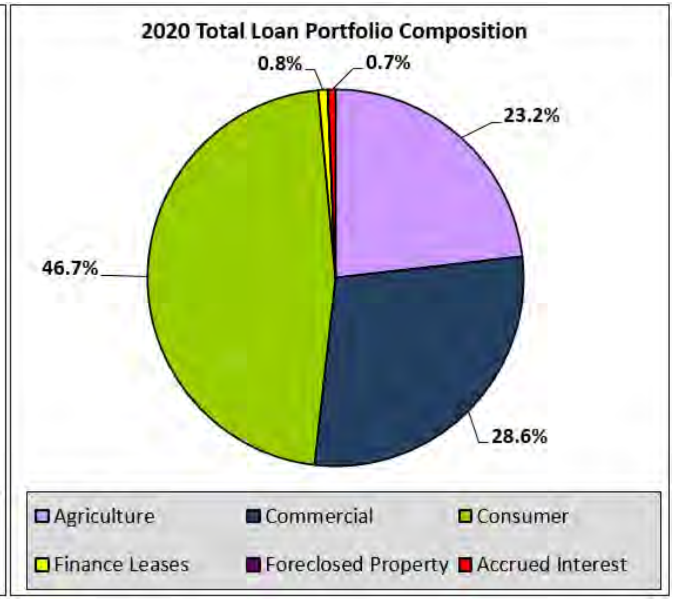
The total loan portfolio aggregates the performing loan portfolio with the impaired loan portfolio less loan allowances.

Table 14: Total Loan Portfolio

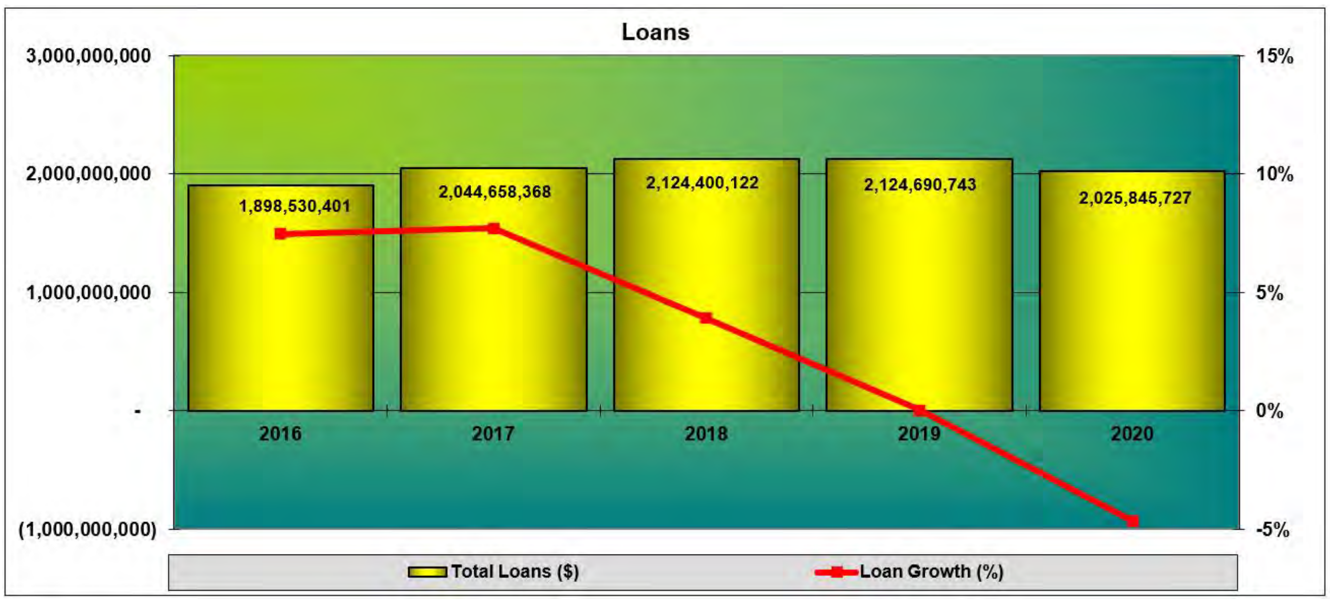
			Change	
	2020	**2019**	**$**	**%**
Agriculture	469,973,652	515,702,206	(45,728,554)	(8.9%)
Commercial	579,234,052	595,232,280	(15,998,228)	(2.7%)
Consumer	946,868,965	979,922,407	(33,053,442)	(3.4%)
Finance Leases	16,205,244	20,541,330	(4,336,086)	(21.1%)
Foreclosed Property	370,721	264,500	106,221	40.2%
Accrued Interest	13,193,093	13,028,020	165,073	1.3%
Total Loans	**2,025,845,727**	**2,124,690,743**	**(98,845,016)**	**(4.7%)**

The total loan portfolio decreased by $98.8 million or -4.7% to $2.026 billion in 2020. Decreases across all portfolios were witnessed as new volumes fell short of principal repayments received on loan commitments in 2020. Revolving credit product usage also declined year-over-year driven by stronger membership liquidity positions. As a result of this growth pattern, the proportion of the total loan portfolio held in consumer loans increased slightly when compared to the prior year.





The average annual growth rate over the past five years equates to 2.9%. 2020 growth of -4.7% fell short of this five-year average while also falling short of the prior year annual growth rate of 0.0%.



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 Sagen to provide mortgage default insurance.

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

Table 15: Residential Mortgage Loan Portfolio

	2020	% of Portfolio	2019	% of Portfolio	Change $	Change %
Insured	354,267,020	47.4%	358,990,254	47.9%	(4,723,234)	(1.3%)
Uninsured	386,026,045	51.7%	376,719,686	50.2%	9,306,359	2.5%
HELOC (Home Equity Line of Credit)	6,577,002	0.9%	14,252,170	1.9%	(7,676,168)	(53.9%)
Total Loans	**746,870,067**	**100%**	**749,962,110**	**100%**	**(3,092,043)**	**(0.4%)**

Table 16: Residential Mortgage Portfolio by Amortization

Amortization Range	Number	Mortgage Balance	% of Portfolio	Average Balance
Less than 10 years	828	35,618,099	4.8%	43,017
10 – 15 years	1,005	97,691,527	13.1%	97,205
15 – 20 years	1,578	254,416,455	34.1%	161,227
20 – 25 years	1,686	356,273,228	47.7%	211,313
Greater than 25 years	23	2,870,758	0.3%	124,816
Total	**5,120**	**746,870,067**	**100%**	**145,873**

Table 17: Residential Mortgage Portfolio by Province

Amortization Range	Number	Mortgage Balance	% of Portfolio	Average Balance
Saskatchewan	4,972	711,760,323	95.3%	143,154
Alberta	110	24,300,940	3.3%	220,918
British Columbia	23	5,720,932	0.8%	248,736
Ontario	8	3,675,526	0.5%	459,441
Prince Edward Island	5	1,180,744	0.2%	236,149
Newfoundland	2	231,602	0.0%	115,801
Total	**5,120**	**746,870,067**	**100%**	**145,873**

Table 18: Residential Mortgage Loan Term Portfolio by Loan to Value (LTV)

Loan to Value (LTV)	Number	Mortgage Balance	% of Portfolio	Average Balance
Less than 25%	624	20,427,108	2.7%	32,736
25% – 50%	991	98,859,329	13.2%	99,757
50% – 60%	587	82,152,198	11.0%	139,953
60% – 70%	813	136,804,590	18.3%	168,271
70% – 80%	989	193,251,571	25.9%	195,401
80% – 90%	725	136,528,272	18.3%	188,315
Greater than 90%	391	78,846,999	10.6%	201,655
Total	**5,120**	**746,870,067**	**100%**	**145,873**

Table 19: Residential Mortgage Loan Term Portfolio by Beacon Score

Category	Beacon Score	Number of Members	Mortgage Balance	% of Portfolio
Super Prime	741+	2,527	412,394,488	55.2%
Prime	681 – 740	1,217	202,009,065	27.0%
Near Prime	621 – 680	529	81,175,070	10.9%
Sub Prime	541 – 620	261	38,615,507	5.2%
Deep Sub Prime	< 540	72	9,304,480	1.2%
No score		23	3,371,457	0.5%
Total		**4,629**	**746,870,067**	**100%**

Table 20: Residential Mortgage Loan Portfolio by Age

Age	Number of Members	Mortgage Balance	% of Portfolio
19 to 24	87	10,456,181	1.4%
25 to 34	1,000	179,995,686	24.1%
35 to 44	1,211	230,782,851	30.9%
45 to 54	940	163,564,545	21.9%
55 to 64	880	112,030,510	15.0%
65+	511	50,040,294	6.7%
Total	**4,629**	**746,870,067**	**100%**

Table 21: Residential Mortgage Loan Portfolio by Delinquency category

Delinquency	Number	Mortgage Balance	% of Portfolio
Not Delinquent	5,027	734,586,239	98.4%
1 – 29 days	43	6,058,572	0.8%
30 – 59 days	15	1,763,614	0.2%
60 – 90 days	2	110,401	0.0%
Greater than 90 days	33	4,351,241	0.6%
Total	**5,120**	**746,870,067**	**100%**

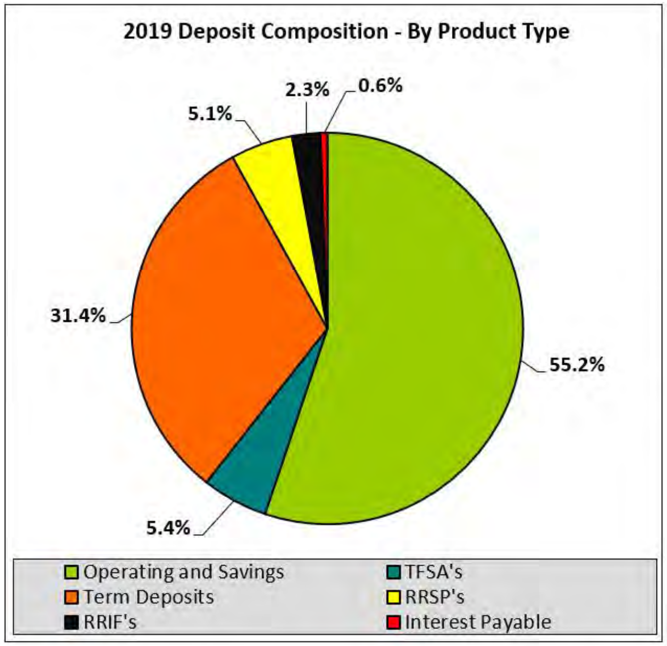
Deposits

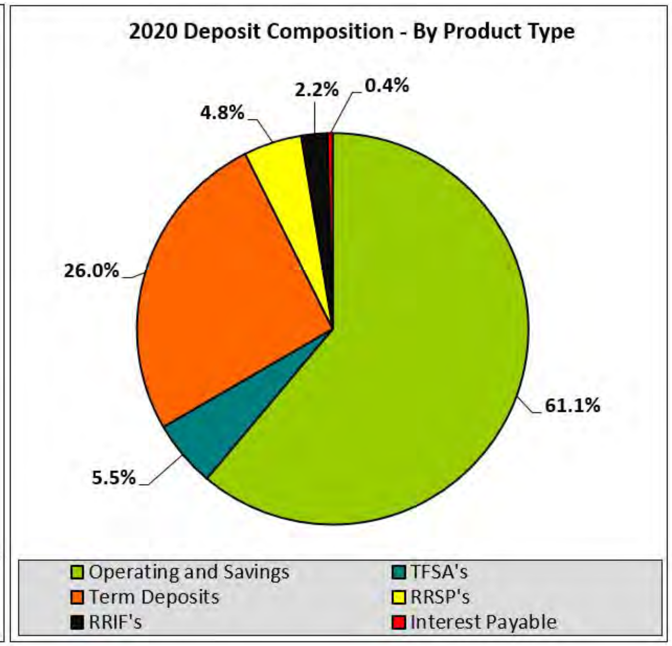
Innovation offers a variety of competitive deposit products to members including registered and non-registered investments

Table 22: Deposit Concentration - By Product Type

			Change	
	2020	2019	$	%
Operating and Savings	1,565,952,014	1,312,532,798	253,419,216	19.3%
TFSA's	141,390,210	129,577,230	11,812,980	9.1%
Term Deposits	665,366,935	746,072,307	(80,705,372)	(10.8%)
RRSP's	123,084,188	122,196,410	887,778	0.7%
RRIF's	55,287,695	55,618,861	(331,166)	(0.6%)
Interest Payable	10,848,190	13,435,338	(2,587,148)	(19.3%)
Total Deposits	**2,561,929,232**	**2,379,432,944**	**182,496,288**	**7.7%**

Total deposits grew by $182.5 million or 7.7% to $2.562 billion in 2020. The primary source of deposit growth was from within the operating and savings products while the term deposit category declined year-over-year.



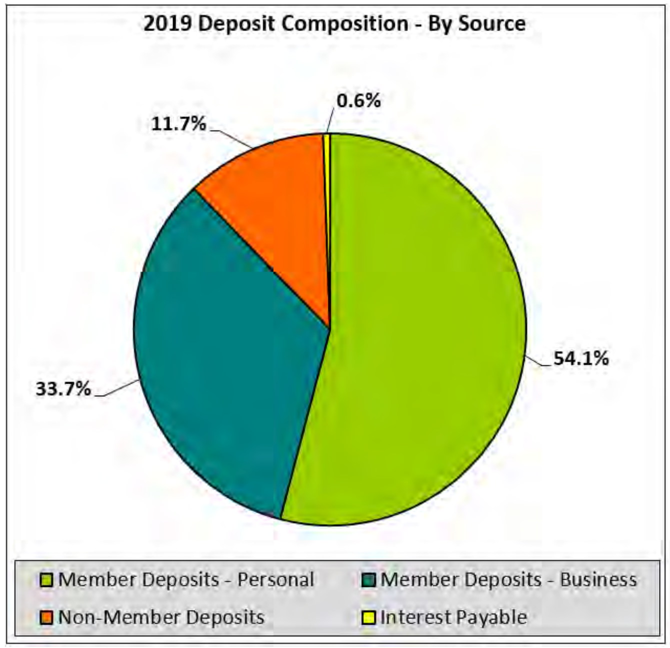


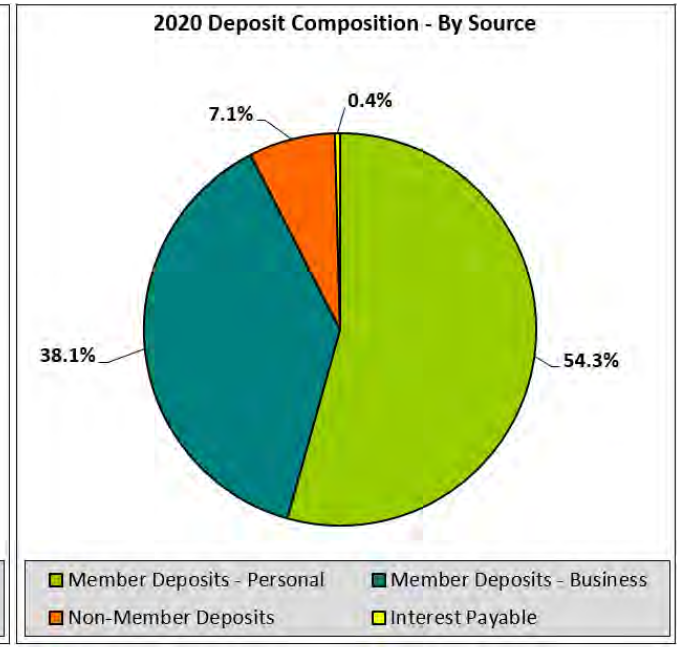
The organization strives to continue to grow the deposit portfolio through enhancing relationships with current personal and business members as well as through expanding the membership base. In addition to provide greater funding assurance, Innovation has established multiple diversified deposit funding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

Table 23: Deposit Concentration - By Source

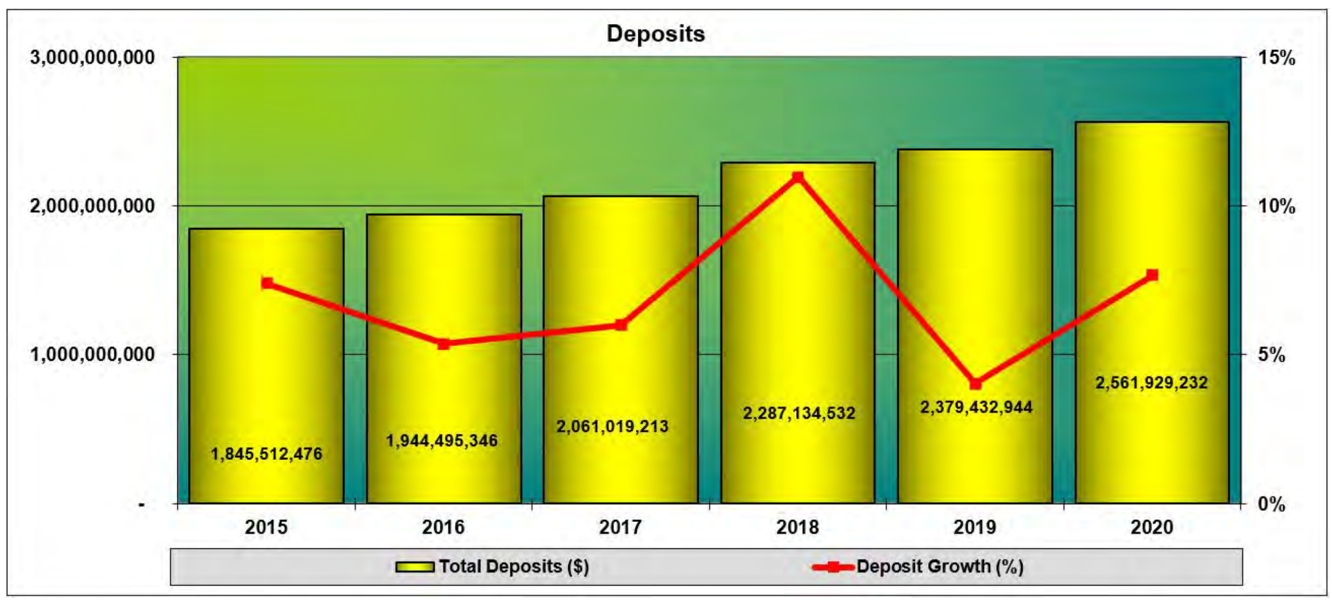
			Change	
	2020	**2019**	**$**	**%**
Member Deposits				
Personal Members	1,392,096,744	1,287,390,044	104,706,700	8.1%
Business Members	976,477,639	800,989,986	175,487,653	21.9%
Total Member Deposits	2,368,574,383	2,088,380,030	280,194,353	13.4%
Total Non-Member Deposits	182,506,659	277,617,576	(95,110,917)	(34.3%)
Accrued Interest	10,848,190	13,435,338	(2,587,148)	(19.3%)
Total Deposits	**2,561,929,232**	**2,379,432,944**	**182,496,288**	**7.7%**

Innovation continues to leverage its wide range of funding sources based on the cash flow needs of the credit union. Growth patterns witnessed during 2020 provided an opportunity to continue to shift the mix of the total deposit portfolio. The proportionate share of the total deposit portfolio sourced from non-members decreased in 2020.





The average annual growth rate over the past five years equates to 6.8%. 2020 growth of 7.7% exceeded this five-year average while also exceeding the prior year annual growth rate of 4.0%. 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 $2.562 billion as at 2020 year-end.

In addition to deposits, Innovation maintains external borrowing facilities from various sources with a combined credit limit of $145.8 million. These credit sources are well diversified and are comprised of the following individual credit arrangements:

- $36.5 million (CDN) line of credit with SaskCentral
- $0.5 million (USD) line of credit with SaskCentral
- $18.8 million (CDN) demand loan with SaskCentral
- $40.0 million (CDN) demand loan with Concentra Bank
- $50.0 million (CDN) demand loan with Desjardins

During 2020 Innovation used external borrowing facilities minimally with no outstanding amount on any credit facility as at 2020 year-end.

Innovation leverages the securitization market for funding purposes as well as to assist in building an effective liquidity management framework. Innovation periodically securitizes assets to generate funding through the capital markets, resulting in on-balance sheet securitization liabilities or high-quality liquid assets. 2020 securitization transactions totaled $63.9 million, of which $63.9 million was received in new funding. Total securitization liabilities increased by $18.2 million (14.6%) to $142.5 million in 2020 driven by new volumes less repayments made on the underlying assets contained within this portfolio.

Loans are also potentially syndicated/sold to numerous credit unions and other organizations for funding purposes. In 2020, Innovation was able to fund three loan opportunities by partnering with three different syndication partners. This activity demonstrates the effectiveness of this additional funding sources.

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.

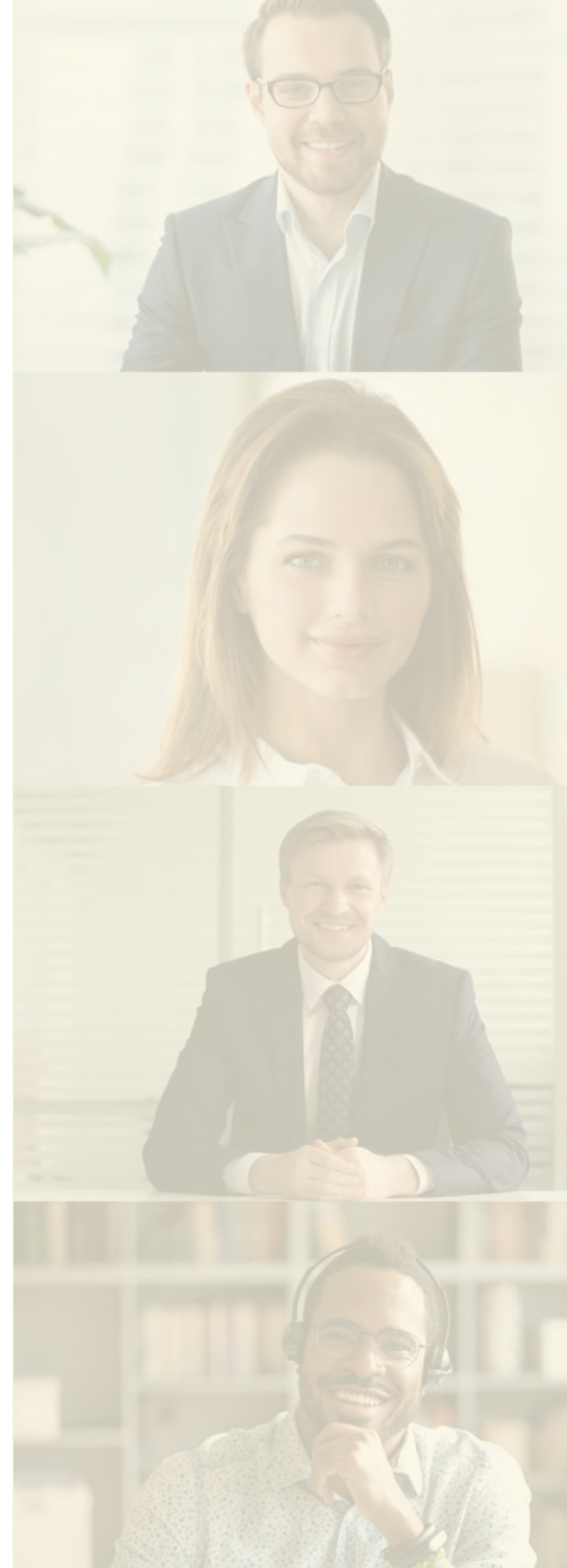
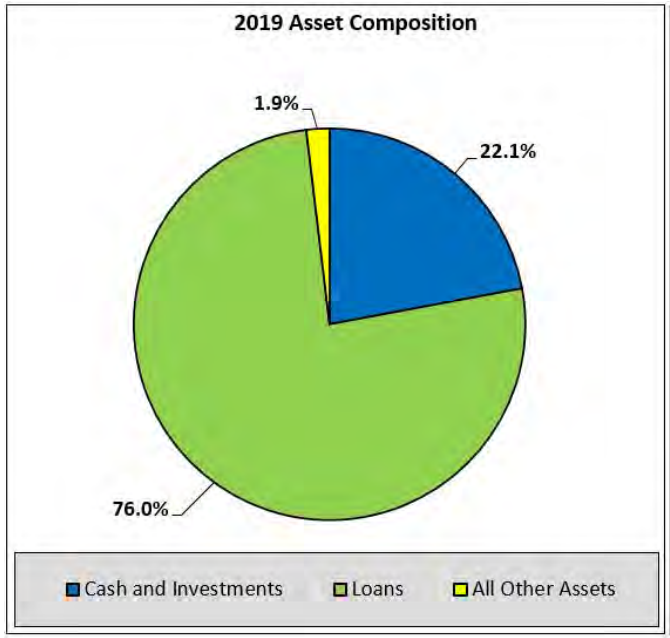
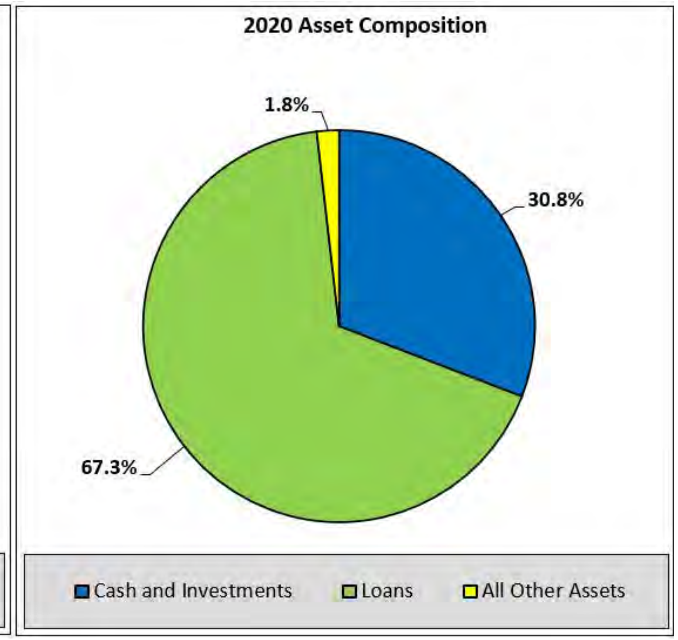


Table 24: Asset Composition

	2020	2019	Change $	Change %
Cash and Investments	928,003,939	616,733,955	311,269,984	50.5%
Loans	2,025,845,727	2,124,690,743	(98,845,016)	(4.7%)
All other assets	55,001,274	53,160,039	1,841,235	3.5%
Total Assets	**3,008,850,940**	**2,794,584,737**	**214,266,203**	**7.7%**

In 2020 the structure of the balance sheet shifted driven by the asset growth patterns outlined previously. As a result, a greater proportion of total assets were 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.

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

Table 25 (a): Liquidity Coverage Ratio (LCR) – provincial regulatory environment

	2020	2019	Change $	Change %
Level 1 Weighted Assets	304,757,180	263,107,899	41,649,281	15.8%
Level 2A Weighted Assets	2,916,442	2,802,965	113,477	4.0%
Level 2B Weighted Assets	23,663,782	30,263,481	(6,599,699)	(21.8%)
High Quality Liquid Assets (HQLA)	**331,337,404**	**296,174,345**	**35,163,059**	**11.9%**
Retail and Small Business Deposit Run-Off	51,666,337	47,839,358	3,826,979	8.0%
Unsecured Wholesale Funding Run-Off	92,109,153	72,526,487	19,582,666	27.0%
Secured Funding Run-Off	-	-	-	-
Additional Requirements	20,145,249	15,854,467	4,290,782	27.1%
Total Prescribed Outflows	163,920,739	136,220,312	27,700,427	20.3%
Total Prescribed Cash Inflows *	122,940,554	102,165,234	20,775,320	20.3%
Net Prescribed Cash Outflows	**40,980,185**	**34,055,078**	**6,925,107**	**20.3%**
Liquidity Coverage Ratio (LCR) - provincial	**808.53%**	**869.69%**		

** prescribed cash inflows are capped at 75% of total prescribed outflows (2020 calculated prescribed inflows = $293,807,308)*

Table 25 (b): Liquidity Coverage Ratio (LCR) – federal regulatory environment

	2020	2019	Change $	Change %
Level 1 Weighted Assets	332,269,008	297,882,409	34,386,599	11.5%
Level 2A Weighted Assets	2,916,442	2,802,965	113,477	4.0%
Level 2B Weighted Assets	2,661,479	3,806,842	(1,145,363)	(30.1%)
High Quality Liquid Assets (HQLA)	**337,846,929**	**304,492,216**	**33,354,713**	**11.0%**
Eligible Non-Operational Demand Deposits	40,765,006	178,342,861	(137,577,855)	(77.1%)
HQLA & Eligible Non-Op Demand Deposits	**378,611,935**	**482,835,077**	**(104,223,142)**	**(21.6%)**
Retail and Small Business Deposit Run-Off	71,639,802	56,996,031	14,643,771	25.7%
Unsecured Wholesale Funding Run-Off	181,728,311	130,773,805	50,954,506	39.0%
Secured Funding Run-Off	-	-	-	-
Additional Requirements	82,958,852	33,803,815	49,155,037	145.4%
Total Prescribed Outflows	336,326,965	221,573,651	114,753,314	51.8%
Total Prescribed Cash Inflows	252,245,223	46,589,682	205,655,541	441.4%
Net Prescribed Cash Outflows	**84,081,742**	**174,983,969**	**(90,902,227)**	**(51.9%)**
Liquidity Coverage Ratio (LCR) – federal	**450.29%**	**275.93%**		

** prescribed cash inflows are capped at 75% of total prescribed outflows (2020 calculated prescribed inflows = $262,917,755)*

The organization's risk appetite statement (RAS) contains a board of director approved LCR range of 120%-200% under the federal environment. 2020 LCR results are above the range defined within the risk appetite statement. Negative 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 addition, an investment strategy shift from fixed rate investments to redeemable investments also contributed to the higher LCR position.

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

In addition, Innovation continues to monitor liquidity risk utilizing a stress testing program which models the impacts of 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.

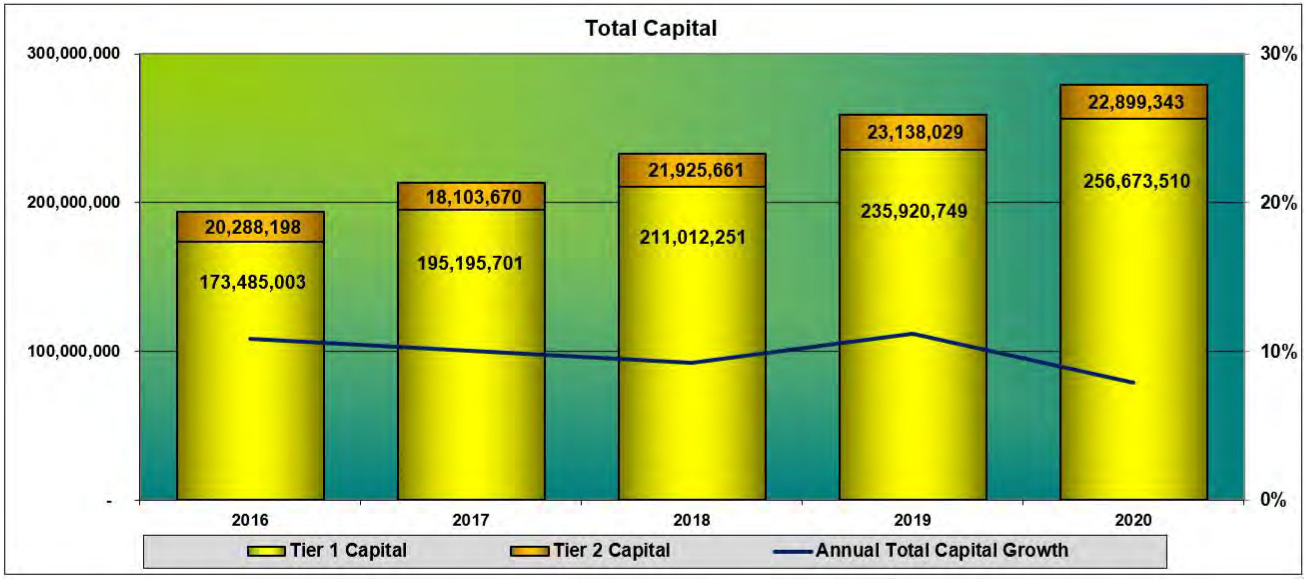
Capital Management

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 26: Regulatory Capital

			Change	
	2020	**2019**	**$**	**%**
Retained Earnings	261,326,939	243,572,436	17,754,503	7.3%
Deduct: Goodwill	-	(5,091,190)	5,091,190	100%
Deduct: Intangible Assets	(4,653,429)	(2,560,497)	(2,092,932)	(81.7%)
Common Equity Tier 1 (CET1) Capital	**256,673,510**	**235,920,749**	**20,752,761**	**8.8%**
Additional Tier 1 Capital	**-**	**-**	**-**	**-**
Membership Shares – Par Value	288,970	279,695	9,275	3.3%
Membership Shares – Patronage Allocations	18,651,084	19,112,507	(461,423)	(2.4%)
ECL (stage 1 + stage 2)	3,959,289	3,745,827	213,462	5.7%
Tier 2 Capital	**22,899,343**	**23,138,029**	**(238,868)**	**(1.0%)**
Total Capital	**279,572,853**	**259,058,778**	**20,514,075**	**7.9%**

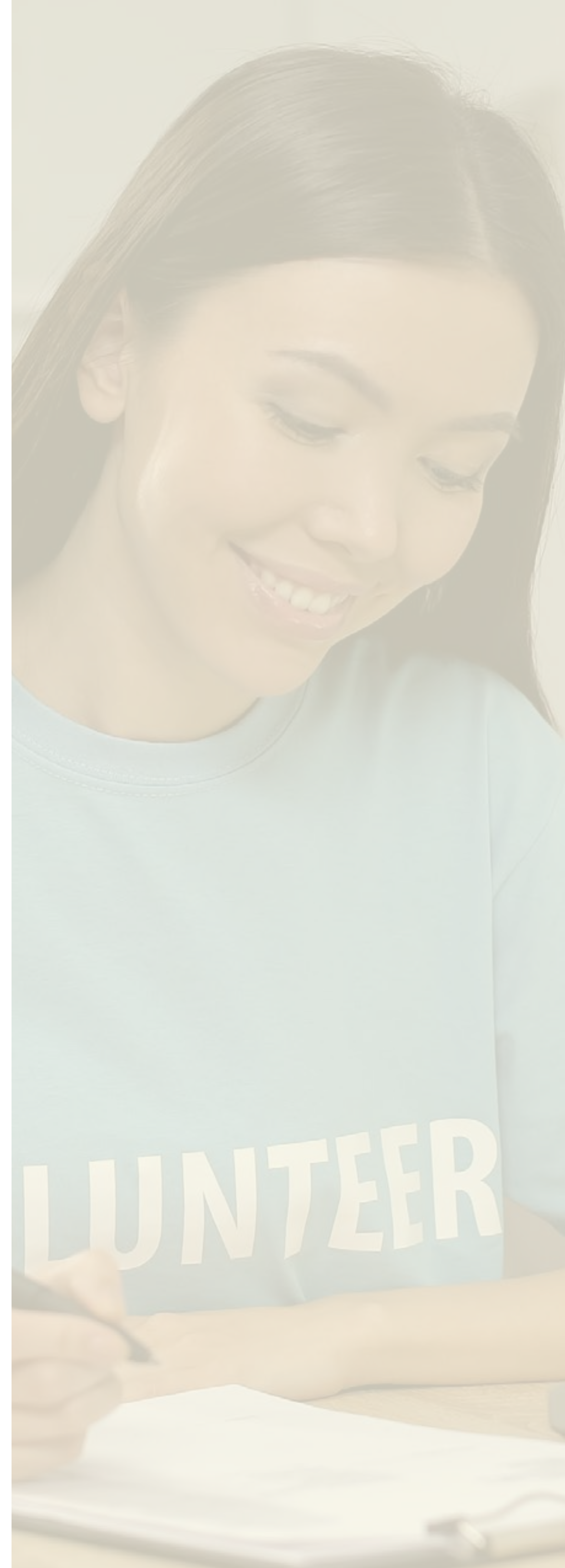
Total capital grew by $20.5 million or 7.9% to $279.6 million in 2020. Innovation continues to build and maintain a very solid capital base.



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 27: Risk Weighted Assets – provincial regulatory environment

	2020			2019		
	Net Exposure	Effective Risk %	Risk-Weighted Amount	Net Exposure	Effective Risk %	Risk-Weighted Amount
On-Balance Sheet						
Cash and cash equivalents	161,051,027	0%	-	244,334,229	0%	-
Investments	766,952,912	19.6%	149,986,022	372,399,726	24.5%	91,298,614
Loans	2,025,845,727	63.5%	1,287,263,797	2,124,690,743	63.9%	1,358,095,654
Property and equipment	16,767,446	100.0%	16,767,446	17,989,108	100.0%	17,989,108
Goodwill & intangible	4,653,429	0%	-	7,651,687	0%	-
All other assets	33,580,399	219.8%	73,838,963	27,519,244	259.8%	71,499,326
Total Assets	**3,008,850,940**	**50.8%**	**1,527,856,228**	**2,794,584,737**	**55.1%**	**1,538,882,702**
Off-Balance Sheet Items						
Derivatives	68,027,537	0.2%	113,441	100,000,000	0.1%	100,000
Credit Commitments	419,778,406	19.6%	82,146,172	374,478,236	15.8%	59,297,678
Total Credit Risk	**487,805,943**	**16.9%**	**82,259,613**	**474,478,236**	**12.5%**	**59,397,678**
Operational Risk			**170,259,530**			**171,187,420**
Total Risk-Weighted Assets	**3,496,656,883**	**50.9%**	**1,780,375,371**	**3,269,062,973**	**54.1%**	**1,769,467,800**



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 28: Leverage Exposure

	2020	2019	Change $	Change %
On-Balance Sheet Assets	3,008,850,940	2,794,584,737	214,266,203	7.7%
Less: Deductions from Capital	(4,653,429)	(7,651,687)	2,998,258	(39.2%)
Add: Off-Balance Sheet Exposures	87,216,542	29,068,251	58,148,291	200.0%
Total Leverage Exposure	**3,091,414,053**	**2,816,001,301**	**275,412,752**	**9.8%**

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:

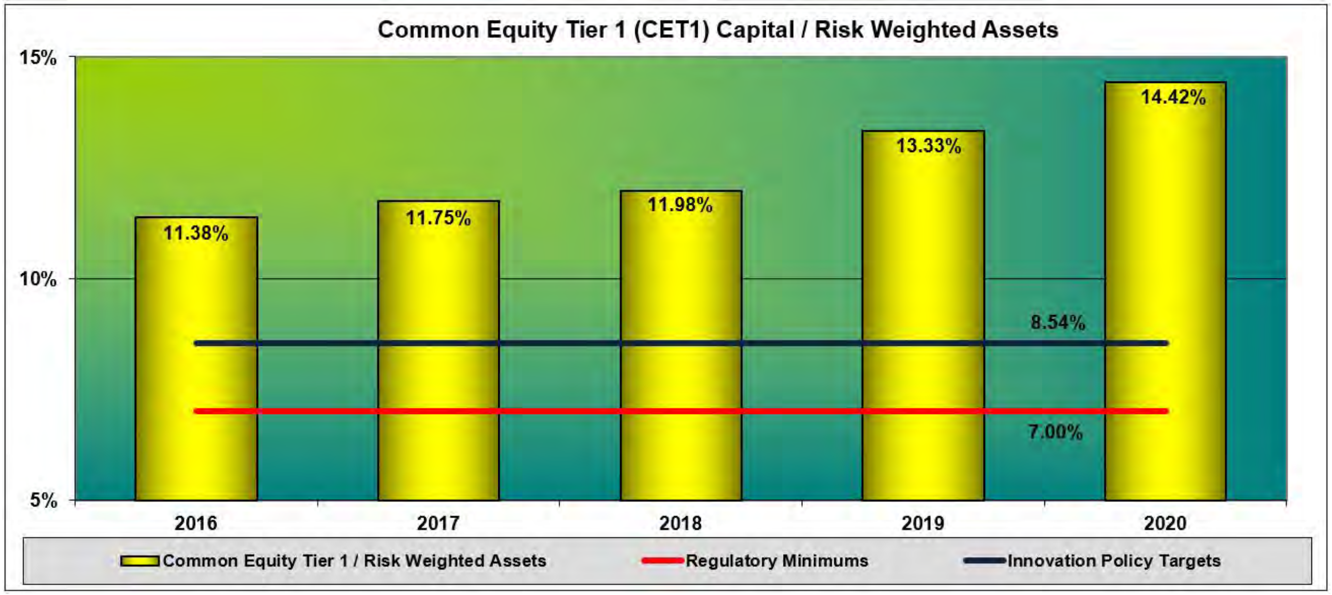
Capital Measure	Regulatory Minimum	Policy Target
Common Equity Net Tier 1 / Risk Weighted Assets	7.00%	8.54%
Total Tier 1 Capital / Risk Weighted Assets	8.50%	10.37%
Total Eligible Capital / Risk Weighted Assets	10.50%	12.81%
Total Eligible Capital / Leveraged Assets	5.00%	6.10%

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

Table 29: CET1 Capital Ratio

	2020	2019	Change $	Change %
Common Equity Tier 1 Capital	256,673,510	235,920,749	20,752,761	8.8%
Risk Weighted Assets	1,780,375,371	1,769,467,800	10,907,571	0.6%
CET1 Capital Ratio	**14.42%**	**13.33%**		

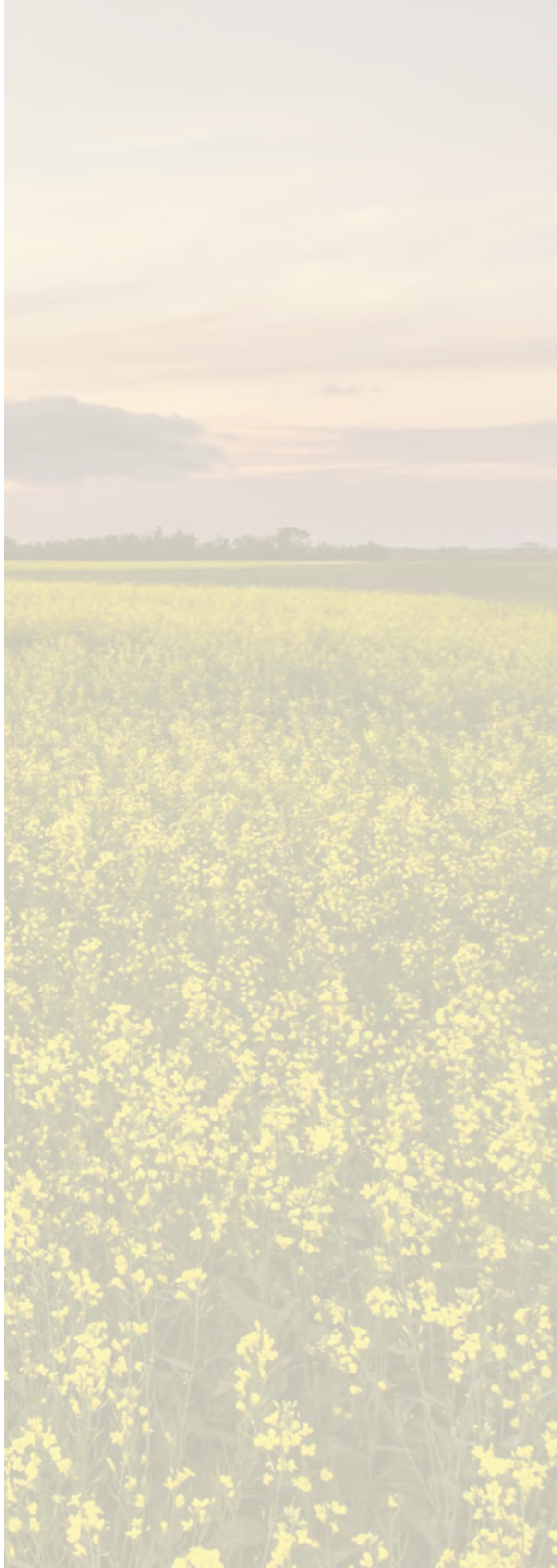
Common equity tier 1 (CET1) capital ratio improved in 2020 by 109 basis points to 14.42%. This positive result was driven by total CET1 capital growth outpacing the growth of the total risk weighted assets held by the organization. From a historic perspective, the 2020 results continue the positive trend experienced over the past five years.



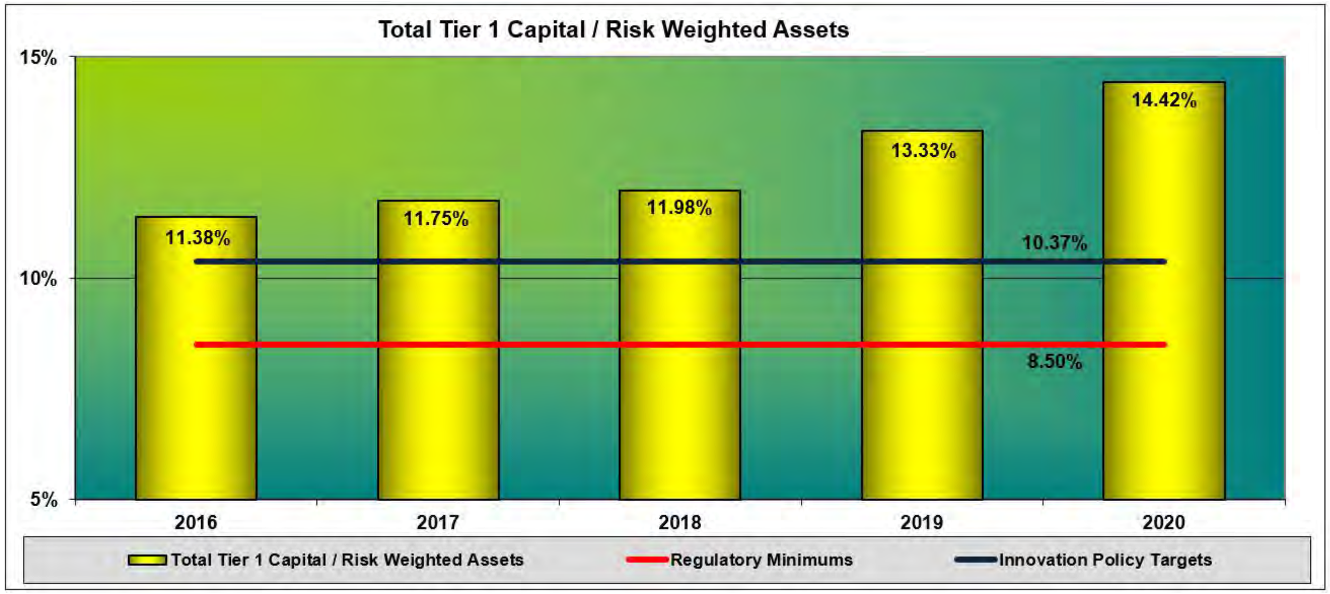
The second capital adequacy ratio focuses on total tier 1 capital as a percentage of total risk weighted assets. Innovation currently has no additional forms of tier 1 capital aside from the common equity tier 1 (CET1) capital.

Table 30: Total Tier 1 Capital Ratio

	2020	2019	Change $	Change %
Common Equity Tier 1 Capital	256,673,510	235,920,749	20,752,761	8.8%
Additional Tier 1 Capital	-	-	-	-
Total Tier 1 Capital	256,673,510	235,920,749	20,752,761	8.8%
Total Risk Weighted Assets	1,780,375,371	1,769,467,800	10,907,571	0.6%
Total Tier 1 Capital Ratio	**14.42%**	**13.33%**		



The total tier 1 capital ratio improved in 2020 by 109 basis points to 14.42%. 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 2020 results continue the positive trend experienced over the past five years.

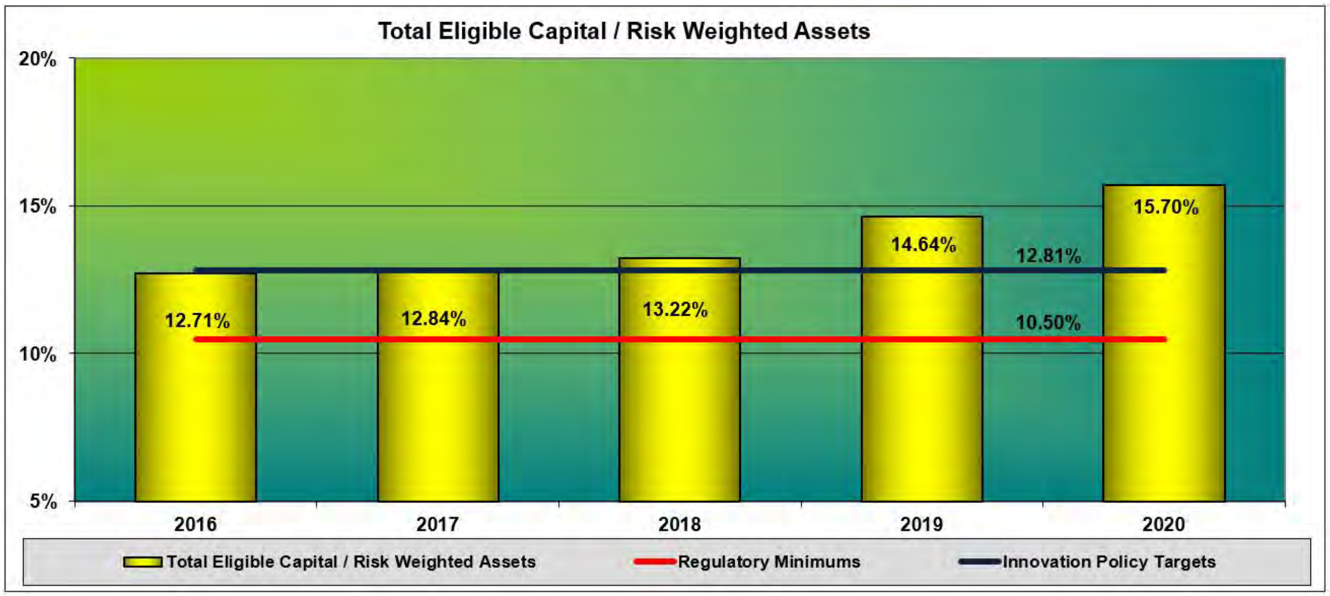


The third capital adequacy ratio focuses on total eligible capital as a percentage of total risk weighted assets.

Table 31: Total Capital Ratio

			Change	
	2020	**2019**	**$**	**%**
Total Capital	279,572,853	259,058,778	20,514,075	7.9%
Risk Weighted Assets	1,780,375,371	1,769,467,800	10,907,571	0.6%
CET1 Capital Ratio	**15.70%**	**14.64%**		

The total capital ratio improved in 2020 by 106 basis points to 15.70%. 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 2020 results continue the positive trend experienced over the past five years.

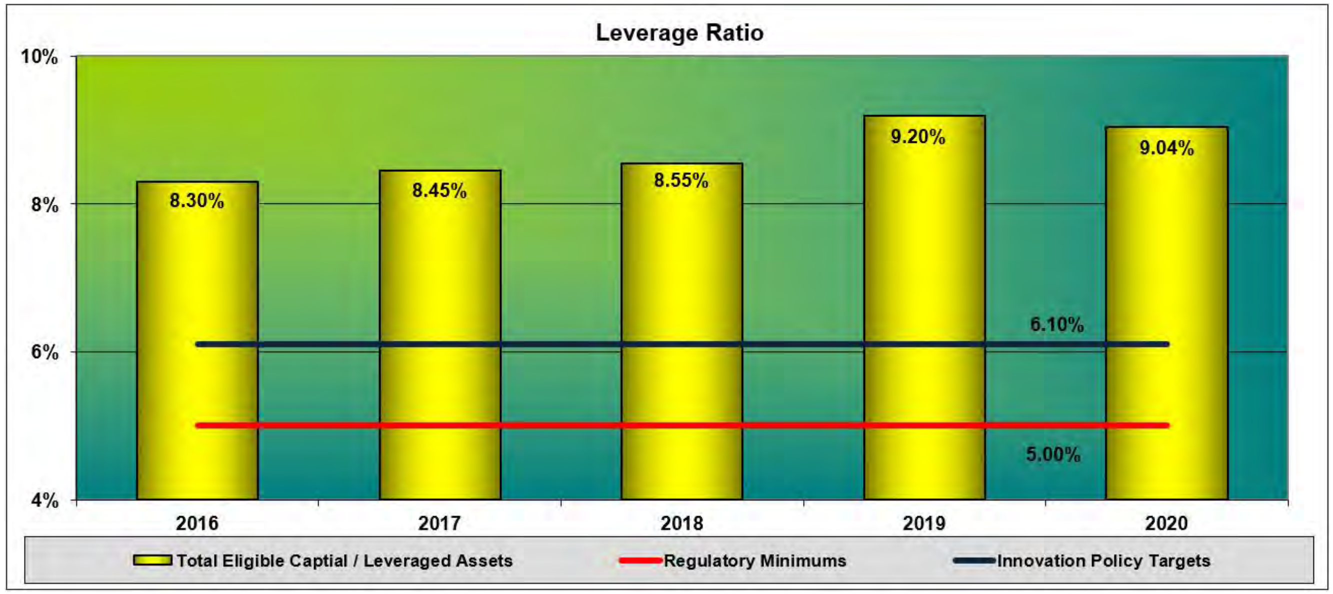


The final capital adequacy ratio focuses on total eligible capital in relation to total leverage exposures. This ratio is commonly referred to as the leverage ratio. Total leverage assets include on-balance sheet assets less deductions from capital along with specified off-balance sheet items such as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

Table 32: Leverage Ratio

			Change	
	2020	**2019**	**$**	**%**
Total Capital	279,572,853	259,058,778	20,752,761	7.9%
Leverage Exposure	3,091,414,053	2,816,001,301	275,412,752	9.8%
Leverage Ratio	**9.04%**	**9.20%**		

The total leverage ratio declined in 2020 by 16 basis points to 9.04%. This result was driven by the pace of growth in the leverage exposure exceeding the pace of growth in total capital. From a historic perspective, the 2020 results continue to trend far above internal policy targets.



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

Risk Governance

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

Board of Directors:

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

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

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

Executive Management:

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

Enterprise Risk Committee (ERC)

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

Credit Management Committee (CMC)

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

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

Seven categories of risk were identified as significant to Innovation Credit Union 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.

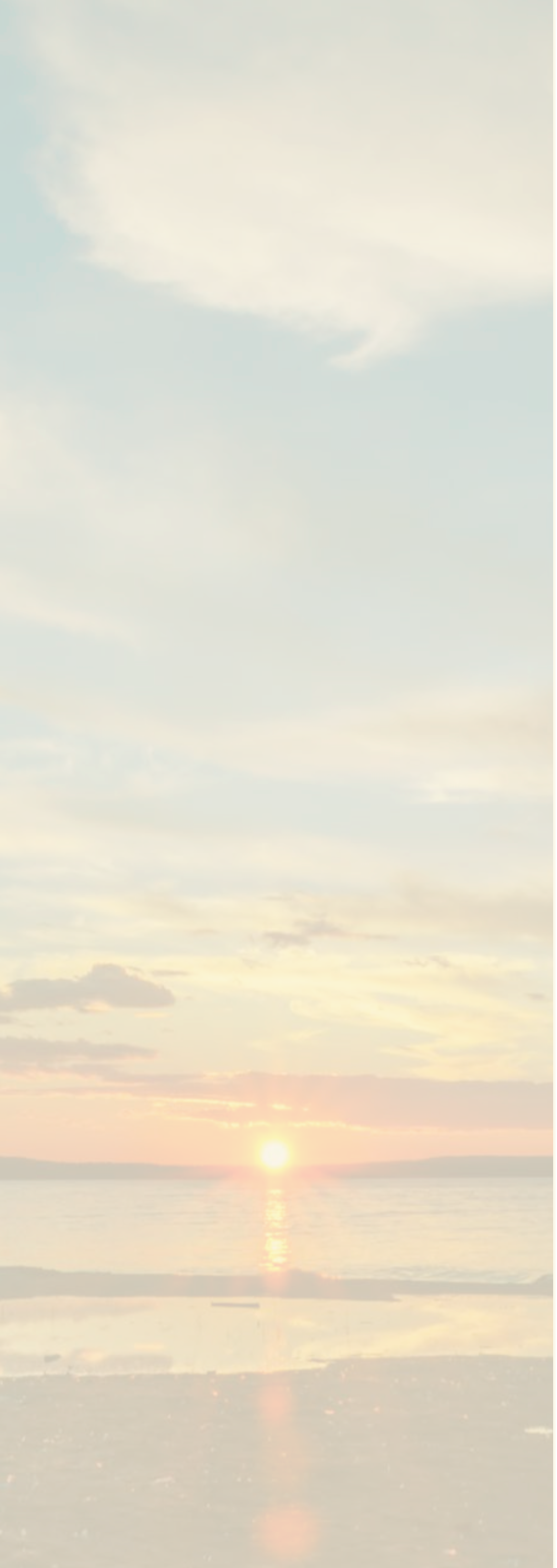
The elements of liquidity risk management are similar to the other risk categories already discussed. Effective management of liquidity involves policies, limits, reporting and proactive management. Liquidity policies and limits are well documented at Innovation. The liquidity risk management plan is 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 Credit Union 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. Reputation Risk

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

Reputation Risk Management

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

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

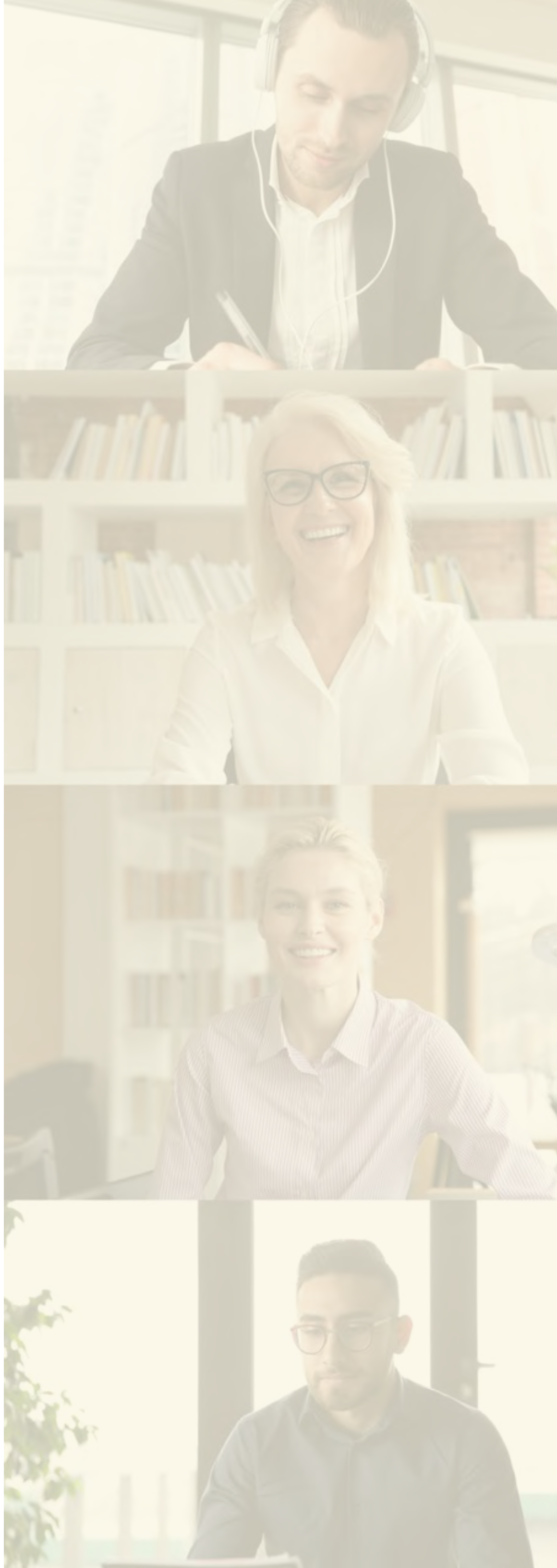
G. Operational Risk

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

Key Operational Risks (Taxonomy)

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

- People: Human resource management risks include 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.

Consolidated Financial Statements

December 31, 2020

2020 ANNUAL REPORT

Innovation
CREDIT UNION

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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, 2020, 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, 2020, 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 24, 2021

INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2020

	Note	2020	2019
ASSETS			
Cash and cash equivalents	4	**$ 161,051,027**	$ 244,334,229
Investments	5	**766,952,912**	372,399,726
Loans	6	**2,025,845,727**	2,124,690,743
Accounts receivable		**8,672,204**	4,213,597
Prepaid expenses		**1,766,508**	1,258,141
Derivative assets	8	**305,656**	1,433,207
Property and equipment	9	**16,223,936**	17,989,108
Right of use assets	10	**543,510**	632,041
Goodwill	11	**-**	5,091,190
Intangible assets	11	**4,653,429**	2,560,497
Income taxes receivable		**6,577,890**	-
Deferred income tax asset	22	**16,258,141**	19,982,258
		$ 3,008,850,940	$ 2,794,584,737
LIABILITIES			
Deposits	12	**$ 2,561,929,232**	$ 2,379,432,944
Securitized borrowings	14	**142,477,440**	124,324,597
Accounts payable		**14,470,466**	18,759,724
Derivative liabilities	8	**569,008**	303,114
Lease liabilities	10	**563,306**	643,047
Income taxes payable		**-**	273,937
Deferred income tax liabilities	22	**289,260**	32,577
Deferred revenue		**449,292**	462,549
Membership shares and distributions	16	**26,775,997**	26,779,812
		2,747,524,001	2,551,012,301
Commitments	21		
EQUITY			
Retained earnings including contributed surplus		**261,326,939**	243,572,436
		261,326,939	243,572,436
		$ 3,008,850,940	$ 2,794,584,737

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

APPROVED BY THE BOARD

Bruce Sack .... **Director**

Michael Davis .... **Director**

INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended December 31, 2020

	Note	2020	2019
INTEREST INCOME			
Loans		$ **82,567,104**	$ 97,737,206
Investments		**10,528,679**	12,768,631
Derivative instruments		**105,343**	1,015,525
		93,201,126	111,521,362
INTEREST EXPENSE			
Deposits		**24,653,881**	35,733,225
Borrowings		**2,553,777**	2,451,884
Member distributions	16	**1,647,082**	3,480,737
		28,854,740	41,665,846
REALIZED GAIN ON FVTPL INVESTMENTS		**293,069**	2,062,939
NET INTEREST INCOME BEFORE CREDIT LOSSES		**64,639,455**	71,918,455
PROVISION FOR CREDIT LOSSES	7	**11,810,841**	7,498,184
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES		**52,828,614**	64,420,271
UNREALIZED LOSS ON FVTPL INVESTMENTS		**(166,589)**	(1,245,834)
UNREALIZED LOSS ON DERIVATIVES		**(939,874)**	(1,346,468)
OTHER INCOME	15	**17,168,508**	15,353,790
NET INTEREST AND OTHER INCOME		**68,890,659**	77,181,759
OPERATING EXPENSES			
Personnel		**35,512,508**	33,995,875
Security		**2,305,596**	2,269,943
Organizational		**738,164**	951,892
Occupancy		**3,993,989**	4,140,824
General business		**21,493,048**	20,118,636
		64,043,305	61,477,170
INCOME BEFORE PROVISION FOR INCOME TAXES		**4,847,354**	15,704,589
PROVISION FOR (RECOVERY OF) INCOME TAXES			
Current	22	**158,658**	6,634,777
Deferred	22	**1,981,366**	(3,465,897)
		2,140,024	3,168,880
NET INCOME FROM CONTINUING OPERATIONS		**2,707,330**	12,535,709
DISCONTINUED OPERATIONS	23		
Revenue from Insurance Subsidiaries		**4,858,876**	5,430,480
Expenses from Insurance Subsidiaries		**2,438,688**	2,858,460
Income from Insurance Subsidiaries before taxes		**2,420,188**	2,572,020
Gain on sale of Insurance Subsidiaries		**15,291,056**	-
Income taxes attributable to:			
Income from Insurance Subsidiaries		**634,027**	625,079
Gain on sale of Insurance Subsidiaries	22 & 23	**2,030,044**	-
		2,664,071	625,079
NET INCOME FROM DISCONTINUED OPERATIONS		**15,047,173**	1,946,941
NET INCOME AND COMPREHENSIVE INCOME		$ **17,754,503**	$ 14,482,650

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, 2020

	Note		2020		2019
RETAINED EARNINGS INCLUDING CONTRIBUTED SURPLUS					
Balance, beginning of year		$	**243,572,436**	$	217,637,678
Addition to contributed surplus from business combinations	24		**-**		11,452,108
Net income			**17,754,503**		14,482,650
Balance, end of year		**$**	**261,326,939**	**$**	**243,572,436**

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

INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended December 31, 2020

	Note	2020	2019
OPERATING ACTIVITIES			
Net income		**$ 17,754,503**	$ 14,482,650
Adjustments for non-cash items:			
Net interest income before credit losses		**(64,639,455)**	(71,918,455)
Provision for credit losses	7	**11,810,841**	7,498,184
Unrealized loss on financial instruments		**1,106,463**	2,592,302
Gain on sale of insurance subsidiaries		**(15,291,056)**	-
Gain on disposal of property and equipment		**(64,995)**	(21,802)
Depreciation - property and equipment	9	**2,546,593**	2,625,580
Depreciation - right of use assets	10	**144,196**	134,712
Amortization - intangible assets	11	**372,547**	544,079
Current income tax expense	22	**158,658**	7,259,856
Deferred income tax expense (recovery)	22	**4,011,410**	(3,465,897)
Changes in non-cash working capital			
Loans		**87,221,802**	72,166,864
Accounts receivable		**(5,641,674)**	127,010
Prepaid expenses		**(536,474)**	540,754
Deposits		**185,862,114**	3,027,788
Accounts payable		**(2,674,736)**	(3,659,737)
Deferred revenue		**(13,257)**	(102,478)
Dividends received		**1,910,750**	2,157,598
Interest received		**90,270,675**	108,392,625
Interest paid		**(29,659,797)**	(35,921,197)
Income taxes paid		**(6,815,793)**	(7,613,243)
		277,833,315	98,847,193
INVESTING ACTIVITIES			
Investments		**(393,141,061)**	50,130,000
Purchase of property and equipment	9	**(781,421)**	(1,642,383)
Proceeds from disposal of property and equipment		**51,152**	21,802
Proceeds from disposal of subsidiary		**18,854,826**	-
Purchase of intangible assets	11	**(2,465,479)**	(669,194)
Net cash and cash equivalents acquired through business combinations	24	**-**	2,271,769
		(377,481,983)	50,111,994
FINANCING ACTIVITIES			
Net change in securitized borrowing		**18,152,843**	(3,122,212)
Repayment of lease liabilities	10	**(135,406)**	(123,706)
Membership distributions paid		**(1,656,947)**	(1,477,214)
Increase in membership shares		**4,976**	16,430
		16,365,466	(4,706,702)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(83,283,202)**	144,252,485
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**244,334,229**	100,081,744
CASH AND CASH EQUIVALENTS, END OF YEAR		**$ 161,051,027**	$ 244,334,229

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 24 (2019 – 26) Credit Union 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, 2020 were authorized for issue by the Board of Directors (the “Board”) on March 18, 2021.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Use of Estimates, Key Judgments and Assumptions

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates, Key Judgments and Assumptions (continued)

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

a) Valuation of Financial Instruments

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

b) Determination of Allowance for Credit Losses

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

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

c) Securitized Borrowings

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

d) Property and Equipment

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

e) 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. During the year, the Credit Union resolved to dispose of its insurance subsidiaries, which included $5,091,190 of goodwill. No impairment loss was recognized as part of this disposal.

f) Intangible Assets

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

g) 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	Head office	Book value of shares 2020	Book value of shares 2019	Voting rights
Innovative Holdings Inc.	Swift Current	$ 102	$ 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% *

*North Battleford Agencies (1980) Ltd., Meadow North Agencies Ltd. and Dickson Agencies (1975) Ltd. were disposed of effective October 1, 2020. Refer to Note 23.

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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Recognition and initial measurement (continued)

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

Classification and Subsequent Measurement

a) Financial assets: debt instruments

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

- Amortized cost; or
- FVOCI; or
- FVTPL

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

aii) Debt instruments measured at FVTPL

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

b) Financial assets: equity instruments

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

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

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

c) Financial liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

c) Financial liabilities (continued)

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.

d) Derecognition

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

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

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

e) Derivative Financial Instruments

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

Derivative financial instruments are classified as FVTPL and measured at fair value in the consolidated statement of financial position. Changes in fair value are included in the consolidated statement of comprehensive income within unrealized (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 in its index-linked deposit products.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

g) Fair value of financial instruments

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

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

over a specified period of time. The Credit Union's allowance for credit losses are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The allowances reflect an unbiased, probability-weighted outcome which considers multiple scenarios, based on reasonable and supportable forecasts.

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

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

- Lifetime ECL credit-impaired (Stage 3) – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime ECLs.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

hii) Model parameters (continued)

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

hiii) Significant increase in credit risk

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

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

For corporate lending there is a particular focus on assets that are included on a 'watch list', given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending the Credit Union considers the credit score changes of its members and events such as bankruptcy.

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

hiv) Forward-looking information

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

hiv) Forward-looking information (continued)

forecasted scenarios which are then assessed and probability-weighted by the Credit Union using judgment.

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

The economic scenarios used in the determination of ECLs at December 31, 2020 include the following ranges of macroeconomic factors:

	12 Month Average Forecast			5 Year Average Forecast		
% Change [1]	Base Case	Best Case	Worst Case	Base Case	Best Case	Worst Case
3 Month GOC Bond Rate	-59.54%	9.83%	-71.68%	45.75%	54.96%	19.90%
3 Month BA Rate	-52.99%	21.81%	-4.32%	37.24%	43.32%	9.79%
Unemployment Rate	-17.47%	-25.62%	-4.94%	-9.12%	-12.11%	-6.55%
Housing Price Index (HPI)	5.05%	7.40%	2.40%	2.92%	3.87%	2.23%

[1] The % change represents the change in the macro economic factor as a % difference from the most recent publicly available results as of December 31, 2020

The sensitivity of ECLs to future economic conditions is measured by assuming each forward-looking scenario (i.e. baseline, upside and downside) were weighted 100% instead of applying scenario probability weights across the three scenarios. The resulting increase (decrease) in the allowance for credit losses arising under these range of scenarios for the year ended December 31, 2020 would be $116,625 to ($48,081).

hv) Modified financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

hv) Modified financial assets (continued)

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

hvi) Definition of default

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

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

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

hvii) Write-off policy

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans

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

Property and Equipment

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

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

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

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

Intangible Assets

Intangible assets 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

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

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

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Any effect of 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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

b) As lessee (continued)

consideration. With the exception of certain short-term and low-value leases, the Credit Union recognizes a right-of-use asset and lease liability for all leases at commencement.

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

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

Revenue Recognition

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

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

Membership Equity

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

Foreign Currency Translation

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation (continued)

value are translated to Canadian dollars at the exchange rate at the date that the fair value was determined.

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

Employee Future Benefits

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

Credit Union contributions to the defined contribution plan are expensed as incurred. Pension benefits of $1,694,460 (2019 - $1,601,124) were paid to defined contribution retirement plans during the year.

COVID-19

The global pandemic declared by the World Health Organization on March 11, 2020 due to the outbreak of COVID-19 has cast uncertainty on the estimates, assumptions, and critical judgments exercised by management. Although the development of successful vaccine candidates towards the end of 2020 signals a turning point in the pandemic, ongoing delays in the deployment of these vaccines and continuing public health restrictions indicate that the pandemic will continue to negatively impact the Canadian and Saskatchewan economy for the foreseeable future.

The main effects of the COVID-19 pandemic on the Credit Union's consolidated financial statements for the year ended December 31, 2020 are as follows:

- During the early stages of the pandemic, the Credit Union offered certain relief measures to its members, including a loan deferral program. As at year end, the Credit Union has discontinued these widespread programs and the majority of members who took advantage of the program have reverted to their normal payment terms.

- The Credit Union experienced a significant increase in liquidity as public health restrictions and financial uncertainty caused many members to change their spending habits and increase their savings.

- Lower interest rates resulting in compressed interest margin combined with increased allowances for credit losses, particularly for commercial loans in heavily impacted sectors, significantly reduced the Credit Union's profit and loss as compared to the previous year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

COVID-19 (*continued*)

In response to the COVID-19 pandemic, the Government of Canada introduced a number of assistance programs to help individuals and businesses through the pandemic. The Credit Union participated in the following assistance programs of the Government of Canada:

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

- Canadian Emergency Wage Subsidy ("CEWS"): the Credit Union has applied for government assistance under the CEWS program, whereby companies meeting specified eligibility criteria based on declines in revenue experienced during the pandemic are eligible to receive a subsidy to cover a portion of their employee wages. The Credit Union has determined that there is reasonable assurance that it will comply with all conditions attached to the program and that payment will be received and therefore has recognized the estimated CEWS funding as revenue within other income on a systemic basis over the periods in which the associated personnel expenses were incurred.

- Canadian Emergency Rent Subsidy ("CERS"): the Credit Union has applied for government assistance under the CERS program, whereby companies meeting specified eligibility criteria based on declines in revenue experienced during the pandemic are eligible to receive a subsidy to cover a portion of their commercial rent and property expenses. The Credit Union has determined that there is reasonable assurance that it will comply with all conditions attached to the program and that payment will be received and therefore has recognized the estimated CERS funding as revenue within other income on a systemic basis over the periods in which the associated occupancy expenses were incurred.

4. CASH AND CASH EQUIVALENTS

		2020		2019
Cash on hand	**$**	**10,939,007**	$	13,066,162
Cash held with SaskCentral		**37,581,268**		36,311,316
Cash held with Concentra Bank		**21,617,052**		16,613,890
Cash held with National Bank		**90,913,700**		178,342,861
Total Cash	**$**	**161,051,027**	**$**	244,334,229

5. INVESTMENTS

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

	2020	2019
Debt Investments (FVTPL)		
SaskCentral - Statutory Liquidity Variable Deposit	$ 205,345,479	$ 162,696,611
Concentra Bank	25,073,528	-
Central 1	60,007,696	-
Accrued Interest	425,256	-
Debt Investments (Amortized Cost)		
SaskCentral - Statutory Liquidity Term Pool	48,064,130	82,239,130
Concentra Bank	187,078,150	26,602,100
CIBC Bank	160,000,000	10,000,000
Mortgage-Backed Securities	23,071,833	6,768,143
Central 1	636,950	3,788,830
Bank of Nova Scotia	25,000,000	-
National Bank	-	50,000,000
Accrued Interest	1,744,652	564,936
Allowances for credit losses	(116,374)	(50,046)
Equity Securities (FVTPL)		
SaskCentral Membership Shares	16,755,105	16,659,518
Concentra Bank Class A Series 1 Preferred Shares	1,750,000	1,750,000
APEX (I,II and III)	3,988,237	4,720,757
WestCap	5,195,208	4,025,338
WaterCredit	1,505,362	1,179,213
Other	1,045,542	776,265
Accrued Interest	382,158	678,931
Total investments	**$ 766,952,912**	**$ 372,399,726**

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, 2020, the Credit Union met this requirement.

At December 31, 2020, $175,514,796 (2019 - $67,232,273) of debt investments mature more than 12 months after the reporting date.

5. INVESTMENTS (continued)

SaskCentral Membership Shares

Currently the Credit Union holds $16,755,105 (2019 - $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.

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

												2020
							ECL Allowance					
		Performing		Impaired		12 month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Net
Agriculture	$	470,325,101	$	527,772	$	117,137	$	373,403	$	388,681	$	469,973,652
Commercial		571,176,409		28,325,161		354,984		953,332		18,959,202		579,234,052
Consumer		948,292,441		1,616,033		946,651		1,129,749		963,109		946,868,965
Finance Leases		16,534,031		381,178		62,028		22,005		625,932		16,205,244
Foreclosed Property		-		370,721		-		-		-		370,721
Accrued Interest		9,319,158		3,873,935		-		-		-		13,193,093
Total Loans	$	2,015,647,140	$	35,094,800	$	1,480,800	$	2,478,489	$	20,936,924	$	2,025,845,727

6. LOANS (continued)

				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

The aging of loans, including those that were past due but not impaired and those that were individually impaired, as at December 31, 2020 was:

	2020		2019	
	Performing	Impaired	Performing	Impaired
Current	**$ 1,992,440,461**	**$ 91,510**	$ 2,081,857,899	$ 1,500,618
31-60 days	**3,547,442**	**2,995**	4,859,321	45,155
61-90 days	**247,183**	**47,155**	811,523	115,848
91 -120 days	**487,776**	**39,175**	2,199,683	103,477
120+ days	**9,605,119**	**31,040,031**	11,104,317	24,824,143
Accrued interest	**9,319,159**	**3,873,934**	10,488,212	2,539,809
Total	**$ 2,015,647,140**	**$ 35,094,800**	$ 2,111,320,955	$ 29,129,050

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

During the year, the Credit Union obtained residential property with a carrying value of $370,721 (2019 - $264,500) by taking possession of collateral held as security. Repossessed property is sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

7. ALLOWANCE AND NET PROVISION FOR CREDIT LOSSES

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

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

2020

	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Total ECL
Beginning Balance, January 1, 2020	$ 2,167,666	$ 1,578,162	$ 12,013,435	$ 15,759,263
Transfer to 12-month ECL	624,382	(601,201)	(23,181)	-
Transfer to lifetime ECL not credit-impaired	(520,373)	582,536	(62,163)	-
Transfer to lifetime ECL credit-impaired	(22,213)	(85,675)	107,888	-
Net remeasurement of loss allowance	(401,889)	1,189,788	12,055,205	12,843,104
New financial assets originated	233,959	109,565	-	343,524
Financial assets that have been derecognized	(600,732)	(294,686)	(546,700)	(1,442,118)
Write-offs	-	-	(2,607,560)	(2,607,560)
Balance at December 31, 2020	$ 1,480,800	$ 2,478,489	$ 20,936,924	$ 24,896,213

Agricultural	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)
Beginning Balance, January 1, 2020	$ 84,713	$ 235,539	$ 452,538
Transfer to 12-month ECL	64,430	(64,430)	-
Transfer to lifetime ECL not credit-impaired	(27,846)	27,846	-
Transfer to lifetime ECL credit-impaired	-	-	-
Net remeasurement of loss allowance[1]	(9,256)	165,404	522,695
New financial assets originated	44,505	12,479	-
Financial assets that have been derecognized	(2,777)	(3,436)	(11,479)
Write-offs	-	-	(68,698)
Balance at December 31, 2020	$ 153,769	$ 373,402	$ 895,056

[1]Includes finance leases from our agricultural borrowers with a total allowance of $543,005.

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, 2020	$ 205,556	$ 797,686	$ 10,578,395	$ 11,581,637
Transfer to 12-month ECL	354,368	(354,368)	-	-
Transfer to lifetime ECL not credit-impaired	(60,505)	61,055	(550)	-
Transfer to lifetime ECL credit-impaired	(4,644)	(69,259)	73,903	-
Net remeasurement of loss allowance[2]	(47,138)	739,417	9,705,085	10,397,364
New financial assets originated	43,672	30,422	-	74,094
Financial assets that have been derecognized	(110,928)	(229,616)	(85,085)	(425,629)
Write-offs	-	-	(1,192,989)	(1,192,989)
Balance at December 31, 2020	$ 380,381	$ 975,337	$ 19,078,759	$ 20,434,477

[2]Includes finance leases from our commercial borrowers with a total allowance of $166,960.

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

Consumer		**12-month ECL (Stage 1)**		**Lifetime ECL not credit-impaired (Stage 2)**		**Lifetime ECL credit-impaired (Stage 3)**		**Total ECL**
Beginning Balance, January 1, 2020	**$**	**1,877,396**	**$**	**544,937**	**$**	**982,502**	**$**	**3,404,835**
Transfer to 12-month ECL		**205,584**		**(182,403)**		**(23,181)**		**-**
Transfer to lifetime ECL not credit-impaired		**(432,022)**		**493,635**		**(61,613)**		**-**
Transfer to lifetime ECL credit-impaired		**(17,569)**		**(16,416)**		**33,985**		**-**
Net remeasurement of loss allowance		**(345,492)**		**284,962**		**1,827,426**		**1,766,896**
New financial assets originated		**145,781**		**66,668**		**-**		**212,449**
Financial assets that have been derecognized		**(487,027)**		**(61,634)**		**(450,137)**		**(998,798)**
Write-offs		**-**		**-**		**(1,345,873)**		**(1,345,873)**
Balance at December 31, 2020	**$**	**946,651**	**$**	**1,129,749**	**$**	**963,109**	**$**	**3,039,509**

2019

		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	$	1,363,925	$	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		(150,869)		(237,579)		(493,225)		(881,673)
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

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

Commercial		12-month ECL (Stage 1)		Lifetime ECL not credit-impaired (Stage 2)		Lifetime ECL credit-impaired (Stage 3)		Total ECL
Beginning Balance, January 1, 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

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

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

		2020		2019
Debt instruments at Amortized Cost				
Agriculture loans	**$**	**718,136**	$	378,639
Commercial loans		**10,045,829**		6,291,123
Consumer loans		**980,548**		800,930
Investments		**66,328**		27,492
Total Provision for Credit Losses	**$**	**11,810,841**	$	7,498,184

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, 2020 and are not indicative of either the market risk or the credit risk.

	Maturities of derivatives (notional amount)					Fair value			
				2020	2019	**2020**		2019	
	Under 1 year	**1 to 5 years**	**Over 5 years**	**Total**	Total	**Assets**	**Liabilities**	Assets	Liabilities
Derivatives at FVPL									
Interest rate swaps	**$ 45,000,000**	**$ 20,000,000**	**-**	**$ 65,000,000**	$ 100,000,000	**$ -**	**$ 263,352**	$ 1,130,093	$ -
Index-linked options	**1,260,349**	**1,767,188**	**-**	**3,027,537**	3,757,489	**305,656**	**305,656**	303,114	303,114
Balance	**$ 46,260,349**	**$ 21,767,188**	**-**	**$ 68,027,537**	$ 103,757,489	**$ 305,656**	**$ 569,008**	$ 1,433,207	$ 303,114

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

2020

	Land	Facilities	Computer Hardware	Furniture & Equipment	Automotive	Total
Cost						
Balance at December 31, 2019	$ 1,717,525	$ 34,564,563	$ 11,084,192	$ 3,995,096	$ 1,319,017	$ 52,680,393
Additions	-	94,244	641,708	45,469	-	781,421
Disposals	-	(267,890)	(597,055)	(284,969)	(47,588)	(1,197,502)
Balance at December 31, 2020	**$ 1,717,525**	**$ 34,390,917**	**$ 11,128,845**	**$ 3,755,596**	**$ 1,271,429**	**$ 52,264,312**
Depreciation and impairment losses						
Balance at December 31, 2019	$ -	$ 21,146,074	$ $ 9,180,831	$ $ 3,594,854	$ 769,526	$ 34,691,285
Depreciation	-	1,322,180	870,984	136,457	216,972	2,546,593
Disposals	-	(267,890)	(597,055)	(284,969)	(47,588)	(1,197,502)
Balance at December 31, 2020	**$ -**	**$ 22,200,364**	**$ 9,454,760**	**$ 3,446,342**	**$ 938,910**	**$ 36,040,376**
Net Book Value						
Balance at December 31, 2020	**$ 1,717,525**	**$ 12,190,553**	**$ 1,674,085**	**$ 309,254**	**$ 332,519**	**$ 16,223,936**

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 combinatior	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	-	1,508,228	764,291	134,338	218,723	2,625,580
Acquisitions through business combinations		-	-	-	-	-
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**

10. LEASES - Right of use (ROU) asset

2020

	Facilities	Other	Total
Cost			
Balance at December 31, 2019	$ 737,310	$ 29,443	$ 766,753
Additions	55,665	-	$ 55,665
Balance at December 31, 2020	**$ 792,975**	**$ 29,443**	**$ 822,418**
Depreciation			
Balance at December 31, 2019	$ 126,495	$ 8,217	$ 134,712
Depreciation	135,979	8,217	$ 144,196
Balance at December 31, 2020	**$ 262,474**	**$ 16,434**	**$ 278,908**
Net Book Value			
Balance at December 31, 2020	**$ 530,501**	**$ 13,009**	**$ 543,510**
Interest expense on lease liabilities	27,178	-	27,178
Expenses relating to variable lease payments	102,340	-	102,340
Total amounts recognized in profit or loss	**$ 129,518**	$ -	**$ 129,518**
Repayment of lease liabilities	127,340	8,066	135,406
Total cash outflows for leases	**$ 256,858**	**$ 8,066**	**$ 264,924**

10. LEASES - Right of use (ROU) asset (continued)

						2019
		Facilities		Other		Total
Cost						
Balance at January 1, 2019	$	737,310	$	29,443	$	766,753
Balance at December 31, 2019	$	737,310	$	29,443	$	766,753
Depreciation						
Balance at January 1, 2019	$	-	$	-	$	-
Depreciation		126,495		8,217		134,712
Balance at December 31, 2019	$	126,495	$	8,217	$	134,712
Net Book Value						
Balance at December 31, 2019	$	610,815	$	21,226	$	632,041

The variable lease payments that are not included in the calculation of the lease liability include operating costs associated with the lease that are not based on index or rate. The lease liability carrying value as at December 31, 2020 is $563,306 (2019 - $643,047).

11. GOODWILL AND INTANGIBLE ASSETS

										2020
				Intangible Assets						
		Goodwill		**Software**		**Naming Rights**		**Core Deposits**		**Total**
Cost										
Balance at December 31, 2019	**$**	**5,091,190**	**$**	**6,296,495**	**$**	**1,500,000**	**$**	**901,145**	**$**	**13,788,830**
Additions		**-**		**2,465,479**		**-**		**-**		**2,465,479**
Disposals		**(5,091,190)**		**(59,819)**		**-**		**-**		**(5,151,009)**
Balance at December 31, 2020	**$**	**-**	**$**	**8,702,155**	**$**	**1,500,000**	**$**	**901,145**	**$**	**11,103,300**
Amortization and impairment losses										
Balance at December 31, 2019	**$**	**-**	**$**	**5,674,517**	**$**	**362,500**	**$**	**100,126**	**$**	**6,137,143**
Amortization		**-**		**234,921**		**37,500**		**100,126**		**372,547**
Disposals		**-**		**(59,819)**		**-**		**-**		**(59,819)**
Balance at December 31, 2020	**$**	**-**	**$**	**5,849,619**	**$**	**400,000**	**$**	**200,252**	**$**	**6,449,871**
Carrying Value										
Balance at December 31, 2020	**$**	**-**	**$**	**2,852,536**	**$**	**1,100,000**	**$**	**700,893**	**$**	**4,653,429**

11. GOODWILL AND INTANGIBLE ASSETS (continued)

				Intangible Assets						2019
		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		-		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

12. DEPOSITS

		2020		2019
Operating and Savings	**$**	**1,565,952,014**	$	1,312,532,798
TFSA's		**141,390,210**		129,577,230
Term Deposits		**665,366,935**		746,072,307
RRSP's		**123,084,188**		122,196,410
RRIF's		**55,287,695**		55,618,861
Interest Payable		**10,848,190**		13,435,338
Balance, end of year	**$**	**2,561,929,232**	$	2,379,432,944

At December 31, 2020, $332,926,699 (2019 - $427,645,000) of deposits are expected to be settled more than 12 months after the reporting date.

13. LOANS PAYABLE

The Credit Union has an authorized line of credit bearing interest at prime less 0.50% (2019 – prime less 0.50%) in the amount of $36,500,000 (CDN) (2019 - $34,200,000) with SaskCentral. The Credit Union also has an authorized line of credit bearing interest at prime plus 0.50% (2019 – prime plus 0.50%) in the amount of $500,000 (USD) with SaskCentral. At December 31, 2020, the Credit Union had $Nil (2019 - $Nil) drawn on these lines of credit.

The Credit Union has an authorized demand loan with Concentra Financial of $40,000,000 with a balance outstanding of $Nil (2019 - $Nil) bearing interest at 3 month CDOR rate plus 2.50% (2019 – 3 month CDOR rate plus 2.50%) and an annual standby fee of 0.22% (2019 – 0.15%).

The Credit Union is authorized to borrow up to $18,800,000 (2019 - $18,000,000) under a commercial paper program with SaskCentral with a balance outstanding of $Nil (2019 - $Nil) bearing interest at 1 month Banker's Acceptance rate plus 0.375% (2019 – 0.375%).

13. LOANS PAYABLE (continued)

The Credit Union has an authorized demand loan with Desjardin of $50,000,000 with a balance outstanding of $Nil (2019 - $Nil) bearing interest Desjardin's internal cost of funds plus 0.70% (2019 – 0.85%) and an annual standby fee of 0.20% (<33%), 0.175% (34-66%), 0.15% (>67%) (2019 – 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.

14. SECURITIZED BORROWINGS

The Credit Union participates in the Canada Mortgage and Housing Corporation ("CMHC") sponsored National Housing Act Mortgage-Backed Securities ("NHA MBS") program where the Credit Union assigns all legal rights, interest and title in certain insured residential mortgages to CMHC in exchange for NHA MBS certificates. As the Credit Union continues to be exposed to substantially all 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, 2020, the carrying value of the residential mortgage loans, including accrued interest is $143,410,641 (2019 - $125,089,387). Due to retention of substantially all the risks and rewards of ownership of these assets, the Credit Union continues to recognize them within loans on the consolidated statement of financial position, and the transfers are accounted for as secured financing transactions. The associated liability of $142,477,440 (2019 - $124,324,597), 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, 2020 residential mortgages of $28,003,069 (2019 - $35,275,521) with a fair value of $29,124,491 (2019 - $35,597,890) were assigned to NHA MBS certificates and retained by the Credit Union. These unsold NHA MBS certificates are reported in consumer loans on the consolidated statement of financial position.

15. OTHER INCOME

	2020	2019
Service Charges on Products	**$ 1,202,814**	$ 1,304,856
Loan Fees, Commissions and Insurance	**3,383,314**	4,360,805
Other Fees and Commissions	**2,408,269**	4,669,592
Wealth Management	**4,674,668**	3,930,363
Other	**959,183**	1,088,174
Canada Emergency Subsidy Programs	**4,540,260**	-
	$ 17,168,508	$ 15,353,790

16. MEMBERSHIP SHARES AND DISTRIBUTIONS

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

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

Membership shares and distributions is comprised of the following:

		2020		2019
Membership shares - par value	$	**288,970**	$	279,695
Memberhip shares - patronage allocations		**18,651,084**		19,112,507
Membership rewards - unrestricted		**7,835,943**		7,387,610
Total Membership Shares and Distribution	**$**	**26,775,997**	**$**	26,779,812

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 $1,647,082 (2019 - $3,480,737) based on 2020 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 $1,647,082 (2019 - $3,480,737) are reported on the consolidated financial statements as follows: $753,641 (2019 - $1,315,000) cash dividends, $57,735 (2019 - $56,000) youth cash dividends, $835,706 (2019 - $2,109,737) patronage allocations to Membership Shares.

17. CAPITAL MANAGEMENT

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

17. CAPITAL MANAGEMENT (continued)

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

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

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

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 2020:

17. CAPITAL MANAGEMENT (continued)

	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.

The following table summarizes key capital information:

Capital Summary	2020	2019
Eligible Capital		
Common Equity Tier 1 Capital	$ 256,673,510	$ 235,920,749
Additional Tier 1 Capital	-	-
Total Tier 1 Capital	256,673,510	235,920,749
Total Tier 2 Capital	22,899,343	23,138,029
Total eligible capital	$ 279,572,853	$ 259,058,778
Risk-weighted assets	$ 1,780,375,371	$ 1,769,467,800
Leveraged assets	3,091,414,053	2,816,001,301
Common equity tier 1 to risk weighted assets	14.42%	13.33%
Total Tier 1 to risk weighted assets	14.42%	13.33%
Total eligible capital to risk weighted assets	15.70%	14.64%
Total eligible capital to leveraged assets	9.04%	9.20%

18. RELATED PARTY TRANSACTIONS

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

18. RELATED PARTY TRANSACTIONS (continued)

Loans

At December 31, 2020, certain directors, senior management and their spouses, children and dependents were indebted to the Credit Union for an amount totaling $8,096,384 (2019 - $8,720,932). 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.

Deposits

As of December 31, 2020, 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 $3,402,365 (2019 - $3,128,670).

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:

		2020		2019
Salaries and other short-term employee benefits	**$**	**2,689,561**	$	2,679,590
Other long-term benefits		**111,320**		109,442
Total compensation	**$**	**2,800,881**	$	2,789,032

19. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2020			2019		
	FVTPL	**Amortized Cost**	**Total Carrying Value**	FVTPL	Amortized Cost	Total Carrying Value
FINANCIAL ASSETS						
Cash and cash equivalents	$ -	$ 161,051,027	$ 161,051,027	$ -	$ 244,334,229	$ 244,334,229
Investments	321,473,571	445,479,341	766,952,912	192,222,412	180,177,314	372,399,726
Loans	-	2,025,845,727	2,025,845,727	-	2,124,690,743	2,124,690,743
Accounts Receivable	-	8,672,204	8,672,204	-	4,213,597	4,213,597
Derivative Assets	305,656	-	305,656	1,433,207	-	1,433,207
						-
FINANCIAL LIABILITIES						
Deposits	-	2,561,929,232	2,561,929,232	-	2,379,432,944	2,379,432,944
Securitized Borrowings	-	142,477,440	142,477,440	-	124,324,597	124,324,597
Accounts Payable	-	14,470,466	14,470,466	-	18,759,724	18,759,724
Derivative liabilities	569,008	-	569,008	303,114	-	303,114
Membership shares and distributions	-	26,775,997	26,775,997	-	26,779,812	26,779,812

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

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

- The carrying values for cash and cash equivalents, accounts receivable, accounts payable and membership shares and distributions approximated their fair values.

- Estimated fair values of investments are based on quoted market prices of similar investments (level 2). Venture capital funds are carried at the last disclosed net asset value (Level 3).

- For variable interest rate loans that re-price frequently, carrying values are assumed to be fair values. Fair values of other loans are estimated using discounted cash flow calculations with market interest rates for similar groups of loans to expected maturity amounts.

- Fair value of deposits without a specified maturity term is the stated value. Fair value for other deposits is estimated using discounted cash flow calculations at market rates for similar deposits.

- Fair values of securitized borrowings are estimated using discounted cash flow calculations with market interest rates for similar groups of loans to expected maturity amounts.

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

- The fair value of derivative financial instruments is estimated by referring to the appropriate current market yields with matching terms to maturity. These instruments have been valued assuming they will not be sold, using present value or other techniques, and are not necessarily representative of the amounts realizable in an immediate settlement of the instrument.

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

	2020	2019
Investments	**0.07% - 0.41%**	1.65% - 2.05%
Loans	**2.49% - 4.89%**	3.44% - 5.29%
Deposits	**0.00% - 0.95%**	0.00% - 2.25%

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

					2020
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
FINANCIAL ASSETS					
Measured at FVTPL					
Investments	**$ 321,473,571**	**$ 321,473,571**	**$ -**	**$ 309,766,179**	**$ 11,707,392**
Derivative assets	**305,656**	**305,656**	**-**	**305,656**	**-**
Measured at Amortized Cost					
Investments	**445,479,341**	**447,543,311**	**-**	**447,543,311**	**-**
Loans	**2,025,845,727**	**2,054,271,049**	**-**	**2,054,271,049**	**-**
	$ 2,793,104,295	**$ 2,823,593,587**	**$ -**	**$ 2,811,886,195**	**$ 11,707,392**
FINANCIAL LIABILITIES					
Measured at FVTPL					
Derivative Liabilities	**$ 569,008**	**$ 569,008**	**$ -**	**$ 569,008**	**$ -**
Measured at Amortized Cost					
Deposits	**2,561,929,232**	**2,561,909,660**	**-**	**2,561,909,660**	**-**
Securitized Borrowings	**142,477,440**	**147,101,779**	**-**	**147,101,779**	**-**
	$ 2,704,975,680	**$ 2,709,580,447**	**$ -**	**$ 2,709,580,447**	**$ $ -**

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

										2019
		Carrying Value		Fair Value		Level 1		Level 2		Level 3
FINANCIAL ASSETS										
Measured at FVTPL										
Investments	$	192,222,412	$	192,222,412	$	-	$	181,963,834	$	10,258,578
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	$	2,446,997,116	$	-	$	2,436,738,538	$	10,258,578
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	$	-

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

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

		FVTPL Unlisted Shares
Opening Balance, December 31, 2019	**$**	**10,258,578**
Total gains or losses		
Unrealized loss in Consolidated Statement of Comprehensive Income		(484,498)
Purchases		2,116,721
Disposals		(550,141)
Change in accrued interest		366,732
Closing Balance, December 31, 2020	**$**	**11,707,392**

20. FINANCIAL INSTRUMENT RISK MANAGEMENT

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

Credit Risk

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

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

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

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

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

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

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

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

	2020	2019
AAA rating	**$ 23,071,833**	$ 6,768,143
Short Term Issuer Rating R-1 (high) (CIBC)	**160,000,000**	10,000,000
Short Term Issuer Rating R-1 (middle) (Central 1)	**60,644,646**	53,788,830
Short Term Issuer Rating R-1 (low) (Concentra, SaskCentral)	**482,316,392**	289,947,359
Unrated	**38,484,349**	10,701,572
	$ 764,517,220	$ 371,205,904

At December 31, 2020, the Credit Union does not hold any credit derivative financial instruments (2019 - $Nil). The Credit Union is exposed to credit risk in the event of non-performance by counterparties to its derivative financial instruments but does not anticipate non-performance by any of the counterparties. Management monitors the credit risk and credit standing of counterparties on a regular basis.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

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

Guarantees and standby letters of credit represent irrevocable commitments that the Credit Union will make payments in the event a 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 \$413,058,604 (2019 - \$367,557,628). 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 13.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Liquidity Risk (continued)

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

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

Regulatory standards require credit unions to maintain a minimum liquidity coverage ratio of 100% in 2020. During the year the Credit Union maintained internal liquidity adequacy targets that exceed regulatory requirements.

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

	< 1 year	**1-2 years**	**2-3 years**	**3 + Years**	**2020 Total**
Non-derivative financial liabilities					
Deposits	$ 2,229,002,532	$ 147,593,541	80,036,887	$ 105,296,272	**$ 2,561,929,232**
Securitized borrowings	25,005,356	24,547,438	17,312,019	75,612,627	**142,477,440**
Accounts payable	14,470,466	-	-	-	**14,470,466**
Membership shares and distributions	-	-	-	26,775,997	**26,775,997**
Total	**$ 2,268,478,354**	**$ 172,140,979**	**$ 97,348,906**	**$ 207,684,896**	**$ 2,745,653,135**

	< 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 shares and distributions	-	-	-	26,779,812	26,779,812
Total	$ 1,991,935,836	$ 252,791,620	$ 109,613,933	$ 194,955,688	$ 2,549,297,077

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.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Market Risk (continued)

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

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

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

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

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.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Interest Rate Risk (continued)

	On Demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest sensitive	2020 Total
ASSETS							
Cash and cash equivalents	$ 62,382,060	$ 50,148,693	$ -	$ -	$ -	$ 48,520,274	**$ 161,051,027**
Effective interest rate	0.37%	0.60%	-	-	-	-	**0.47%**
Investments	247,226,681	42,124,597	322,460,096	152,705,846	-	2,435,692	**766,952,912**
Effective interest rate	1.21%	1.26%	1.01%	1.87%	-	-	**1.23%**
Loans	733,441,305	84,223,279	251,587,321	904,909,541	62,828,507	(11,144,226)	**2,025,845,727**
Effective interest rate	3.78%	4.29%	4.14%	3.67%	4.59%	-	**3.82%**
Accounts receivable	-	-	-	-	-	8,672,204	**8,672,204**
	$ 1,043,050,046	**$ 176,496,569**	**$ 574,047,417**	**$ 1,057,615,387**	**$ 62,828,507**	**$ 48,483,944**	**$ 2,962,521,870**
LIABILITIES							
Deposits	$ 1,421,113,991	$ 185,451,215	$ 402,878,775	$ 332,248,638	$ 678,061	$ 219,558,552	**$ 2,561,929,232**
Effective interest rate	0.16%	1.93%	1.10%	1.86%	1.91%	-	**0.70%**
Securitized borrowings	-	6,500,620	27,018,950	108,957,870	-	-	**142,477,440**
Effective interest rate	-	1.52%	1.81%	1.45%	-	-	**1.52%**
Accounts payable	-	-	-	-	-	14,470,466	**14,470,466**
Membership shares and distributions	-	-	-	-	-	26,775,997	**26,775,997**
	$ 1,421,113,991	**$ 191,951,835**	**$ 429,897,725**	**$ 441,206,508**	**$ 678,061**	**$ 260,805,015**	**$ 2,745,653,135**
2020 Statement of Financial Position Gap	**$ (378,063,945)**	**$ (15,455,266)**	**$ 144,149,692**	**$ 616,408,879**	**$ 62,150,446**	**$ (212,321,071)**	**$ 216,868,735**

	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%	0.00%	0.00%	0.00%	0.00%	0.00%	**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%	0.00%	0.00%	**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%	0.00%	**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%	0.00%	**1.51%**
Securitized borrowings	-	4,594,000	34,631,000	85,099,597	-	-	**124,324,597**
Effective interest rate	0.00%	1.58%	1.55%	1.99%	0.00%	0.00%	**2.08%**
Accounts payable	-	-	-	150,000	-	18,609,724	**18,759,724**
Membership shares and distributions	-	-	-	-	-	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**

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, 2020 of $2,534,760 (2019 - $5,294,019). 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, 2020 of $4,699,960 (2019 - $6,138,266). These changes are primarily due to changes in cash flows from variable rate assets and liabilities.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Interest Rate 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 $208 million (2019 - $130 million) of deposits have little or no sensitivity to changes in general market rates and $659 million (2019- $592 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.

21. COMMITMENTS

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

- Invest up to $6,719,800 of additional capital in certain venture capital funds.
- Invest $1,096,606 in community development initiatives.

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

2021	$	3,767,820
2022		3,730,362
2023		4,656,779
2024		5,439,329
2025		5,897,204
Thereafter		7,271,598
Total Other Commitments	**$**	**30,763,092**

22. INCOME TAXES

Income tax expense is comprised of:

		2020		2019
Current income tax expense				
Current period	**$**	**158,658**	$	7,049,766
Adjustments for prior periods		**-**		210,090
		158,658		7,259,856
Deferred income tax recovery				
Origination and reversal of temporary differences		**1,981,366**		(3,465,897)
Origination and reversal of temporary differences associated with discontinued operations		**2,030,044**		-
Provision for income taxes	**$**	**4,170,068**	$	3,793,959

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

		2020		2019
Income before provision for income taxes	**$**	**6,877,398**	$	18,276,609
Combined federal and provincial tax rate		**27.00%**		27.00%
Income tax expense at statutory rate		**1,856,897**		4,934,684
Adjusted for effect of:				
Non-deductible expenses		**8,512**		26,509
Credit Union rate reduction		**-**		(424,477)
Deferred income tax expense resulting from rate changes		**1,932**		(282,182)
Other		**(1,274,234)**		(460,575)
	$	**593,107**	**$**	3,793,959
Effective rate of tax		**20.72%**		20.76%

22. INCOME TAXES (continued)

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

		2020		2019
Deferred income tax assets are comprised of the following:				
Loans and leases	**$**	**1,916,010**	$	1,580,810
Other		**-**		205,556
Premises and equipment		**14,181,667**		17,831,448
Loss carryforwards		**160,464**		364,444
	$	**16,258,141**	$	19,982,258
Deferred income tax liabilities are comprised of the following:				
Other	**$**	**9,482**	$	-
Property and equipment		**279,778**		32,577
	$	**289,260**	$	32,577

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 $160,465 (2019 - $364,444) in respect of losses amounting to $594,315 (2019 - $1,349,792) that can be carried forward against future taxable income. Losses expire as follow:

Non-capital loss carry forward		
2028	**$**	**139,936**
2029		**389,278**
2030		**65,101**
	$	**594,315**

23. SALE OF INSURANCE SUBSIDIARIES

On September 30, 2020 the Credit Union sold 100% of its interest in North Battleford Agencies (1980) Ltd., Meadow North Agencies Ltd. and Dickson Agencies (1975) Ltd. to a third party through a share purchase agreement. This transaction resulted in a gain of $13,261,012, net of taxes of $2,030,044. Profit earned from the three subsidiaries prior to September 30, 2020 was $1,786,161 (2019 - $1,946,941), net of taxes of $634,027 (2019 – $625,079). Both have been recorded in the consolidated statement of comprehensive income.

23. SALE OF INSURANCE SUBSIDIARIES (continued)

STATEMENT OF CASH FLOWS	2020	2019
Net Increase (decrease) in Cash	**$ (14,096,652)**	$ 1,574,952
Cash, Beginning of the year	**14,740,325**	13,165,373
Cash, End of the year	**643,673**	14,740,325

24. 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, plant and equipment	42,417	281,791	**324,208**
Intangible assets - core deposits	417,207	483,938	**901,145**
Other	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**
Membership shares and distributions	6,310	5,940	**12,250**
Other	188,527	196,956	**385,483**
	$ 39,657,063	$ 47,747,383	**$ 87,404,446**
Net addition to equity	$ 4,785,918	$ 6,666,190	**$ 11,452,108**

24. 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.

25. CHANGES IN SIGNIFICANT ACCOUNTING STANDARDS

Changes in Accounting Standards

The following new standards, and their resulting consequential amendments were applied for the first time in the current year.

IFRS 3 Business Combinations

Effective January 1, 2020, the Credit Union adopted amendments to IFRS 3 Business Combinations. The amendments to IFRS 3 provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. It is applied prospectively for annual periods beginning on or after January 1, 2020. The implementation of the amendments to IFRS 3 had no impact on the Credit Union in the current year.

IAS 1 Presentation of Financial Statements

Effective January 1, 2020, the Credit Union adopted amendments to IAS 1 Presentation of Financial Statements. The amendments to IAS 1 provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS standards and other publications. It is applied prospectively for annual periods beginning on, or after January 1, 2020. The implementation of the amendments to IAS 1 did not have a significant impact on the Credit Union.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Effective January 1, 2020, the Credit Union adopted amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments to IAS 8 provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS standards and other publications. It is applied prospectively for annual periods beginning on or after January 1, 2020. The implementation of the amendments to IAS 8 did not have a significant impact on the Credit Union.

innovation
CREDIT UNION

Consolidated Financial Statements

December 31, 2020

2020 ANNUAL REPORT

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CREDIT UNION

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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, 2020, 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, 2020, 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 24, 2021

INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2020

	Note		2020		2019
ASSETS					
Cash and cash equivalents	4	$	**161,051,027**	$	244,334,229
Investments	5		**766,952,912**		372,399,726
Loans	6		**2,025,845,727**		2,124,690,743
Accounts receivable			**8,672,204**		4,213,597
Prepaid expenses			**1,766,508**		1,258,141
Derivative assets	8		**305,656**		1,433,207
Property and equipment	9		**16,223,936**		17,989,108
Right of use assets	10		**543,510**		632,041
Goodwill	11		**-**		5,091,190
Intangible assets	11		**4,653,429**		2,560,497
Income taxes receivable			**6,577,890**		-
Deferred income tax asset	22		**16,258,141**		19,982,258
		$	**3,008,850,940**	$	2,794,584,737
LIABILITIES					
Deposits	12	$	**2,561,929,232**	$	2,379,432,944
Securitized borrowings	14		**142,477,440**		124,324,597
Accounts payable			**14,470,466**		18,759,724
Derivative liabilities	8		**569,008**		303,114
Lease liabilities	10		**563,306**		643,047
Income taxes payable			**-**		273,937
Deferred income tax liabilities	22		**289,260**		32,577
Deferred revenue			**449,292**		462,549
Membership shares and distributions	16		**26,775,997**		26,779,812
			2,747,524,001		2,551,012,301
Commitments	21				
EQUITY					
Retained earnings including contributed surplus			**261,326,939**		243,572,436
			261,326,939		243,572,436
		$	**3,008,850,940**	$	2,794,584,737

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

APPROVED BY THE BOARD

Bruce Sack .... **Director**

Michael Davis .... **Director**

INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended December 31, 2020

	Note	2020	2019
INTEREST INCOME			
Loans		$ 82,567,104	$ 97,737,206
Investments		10,528,679	12,768,631
Derivative instruments		105,343	1,015,525
		93,201,126	111,521,362
INTEREST EXPENSE			
Deposits		24,653,881	35,733,225
Borrowings		2,553,777	2,451,884
Member distributions	16	1,647,082	3,480,737
		28,854,740	41,665,846
REALIZED GAIN ON FVTPL INVESTMENTS		293,069	2,062,939
NET INTEREST INCOME BEFORE CREDIT LOSSES		64,639,455	71,918,455
PROVISION FOR CREDIT LOSSES	7	11,810,841	7,498,184
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES		52,828,614	64,420,271
UNREALIZED LOSS ON FVTPL INVESTMENTS		(166,589)	(1,245,834)
UNREALIZED LOSS ON DERIVATIVES		(939,874)	(1,346,468)
OTHER INCOME	15	17,168,508	15,353,790
NET INTEREST AND OTHER INCOME		68,890,659	77,181,759
OPERATING EXPENSES			
Personnel		35,512,508	33,995,875
Security		2,305,596	2,269,943
Organizational		738,164	951,892
Occupancy		3,993,989	4,140,824
General business		21,493,048	20,118,636
		64,043,305	61,477,170
INCOME BEFORE PROVISION FOR INCOME TAXES		4,847,354	15,704,589
PROVISION FOR (RECOVERY OF) INCOME TAXES			
Current	22	158,658	6,634,777
Deferred	22	1,981,366	(3,465,897)
		2,140,024	3,168,880
NET INCOME FROM CONTINUING OPERATIONS		2,707,330	12,535,709
DISCONTINUED OPERATIONS	23		
Revenue from Insurance Subsidiaries		4,858,876	5,430,480
Expenses from Insurance Subsidiaries		2,438,688	2,858,460
Income from Insurance Subsidiaries before taxes		2,420,188	2,572,020
Gain on sale of Insurance Subsidiaries		15,291,056	-
Income taxes attributable to:			
Income from Insurance Subsidiaries		634,027	625,079
Gain on sale of Insurance Subsidiaries	22 & 23	2,030,044	-
		2,664,071	625,079
NET INCOME FROM DISCONTINUED OPERATIONS		15,047,173	1,946,941
NET INCOME AND COMPREHENSIVE INCOME		$ 17,754,503	$ 14,482,650

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, 2020

	Note		2020		2019
RETAINED EARNINGS INCLUDING CONTRIBUTED SURPLUS					
Balance, beginning of year		$	**243,572,436**	$	217,637,678
Addition to contributed surplus from business combinations	24		**-**		11,452,108
Net income			**17,754,503**		14,482,650
Balance, end of year		**$**	**261,326,939**	**$**	**243,572,436**

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

INNOVATION CREDIT UNION
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended December 31, 2020

	Note	2020	2019
OPERATING ACTIVITIES			
Net income		$ **17,754,503**	$ 14,482,650
Adjustments for non-cash items:			
Net interest income before credit losses		**(64,639,455)**	(71,918,455)
Provision for credit losses	7	**11,810,841**	7,498,184
Unrealized loss on financial instruments		**1,106,463**	2,592,302
Gain on sale of insurance subsidiaries		**(15,291,056)**	-
Gain on disposal of property and equipment		**(64,995)**	(21,802)
Depreciation - property and equipment	9	**2,546,593**	2,625,580
Depreciation - right of use assets	10	**144,196**	134,712
Amortization - intangible assets	11	**372,547**	544,079
Current income tax expense	22	**158,658**	7,259,856
Deferred income tax expense (recovery)	22	**4,011,410**	(3,465,897)
Changes in non-cash working capital			
Loans		**87,221,802**	72,166,864
Accounts receivable		**(5,641,674)**	127,010
Prepaid expenses		**(536,474)**	540,754
Deposits		**185,862,114**	3,027,788
Accounts payable		**(2,674,736)**	(3,659,737)
Deferred revenue		**(13,257)**	(102,478)
Dividends received		**1,910,750**	2,157,598
Interest received		**90,270,675**	108,392,625
Interest paid		**(29,659,797)**	(35,921,197)
Income taxes paid		**(6,815,793)**	(7,613,243)
		277,833,315	98,847,193
INVESTING ACTIVITIES			
Investments		**(393,141,061)**	50,130,000
Purchase of property and equipment	9	**(781,421)**	(1,642,383)
Proceeds from disposal of property and equipment		**51,152**	21,802
Proceeds from disposal of subsidiary		**18,854,826**	-
Purchase of intangible assets	11	**(2,465,479)**	(669,194)
Net cash and cash equivalents acquired through business combinations	24	**-**	2,271,769
		(377,481,983)	50,111,994
FINANCING ACTIVITIES			
Net change in securitized borrowing		**18,152,843**	(3,122,212)
Repayment of lease liabilities	10	**(135,406)**	(123,706)
Membership distributions paid		**(1,656,947)**	(1,477,214)
Increase in membership shares		**4,976**	16,430
		16,365,466	(4,706,702)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(83,283,202)**	144,252,485
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**244,334,229**	100,081,744
CASH AND CASH EQUIVALENTS, END OF YEAR		$ **161,051,027**	$ 244,334,229

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 24 (2019 – 26) Credit Union 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, 2020 were authorized for issue by the Board of Directors (the "Board") on March 18, 2021.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Use of Estimates, Key Judgments and Assumptions

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates, Key Judgments and Assumptions (continued)

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

a) Valuation of Financial Instruments

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

b) Determination of Allowance for Credit Losses

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

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

c) Securitized Borrowings

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

d) Property and Equipment

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

e) 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. During the year, the Credit Union resolved to dispose of its insurance subsidiaries, which included $5,091,190 of goodwill. No impairment loss was recognized as part of this disposal.

f) Intangible Assets

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

g) 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	Head office	Book value of shares 2020	Book value of shares 2019	Voting rights
Innovative Holdings Inc.	Swift Current	$ 102	$ 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% *

*North Battleford Agencies (1980) Ltd., Meadow North Agencies Ltd. and Dickson Agencies (1975) Ltd. were disposed of effective October 1, 2020. Refer to Note 23.

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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Recognition and initial measurement (continued)

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

Classification and Subsequent Measurement

a) <u>Financial assets: debt instruments</u>

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

- Amortized cost; or
- FVOCI; or
- FVTPL

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

aii) Debt instruments measured at FVTPL

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

b) Financial assets: equity instruments

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

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

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

c) Financial liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

c) Financial liabilities (continued)

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.

d) Derecognition

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

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

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

e) Derivative Financial Instruments

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

Derivative financial instruments are classified as FVTPL and measured at fair value in the consolidated statement of financial position. Changes in fair value are included in the consolidated statement of comprehensive income within unrealized (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 in its index-linked deposit products.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

g) Fair value of financial instruments

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

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

over a specified period of time. The Credit Union's allowance for credit losses are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The allowances reflect an unbiased, probability-weighted outcome which considers multiple scenarios, based on reasonable and supportable forecasts.

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

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

- Lifetime ECL credit-impaired (Stage 3) – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime ECLs.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

hii) Model parameters (continued)

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

hiii) Significant increase in credit risk

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

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

For corporate lending there is a particular focus on assets that are included on a 'watch list', given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending the Credit Union considers the credit score changes of its members and events such as bankruptcy.

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

hiv) Forward-looking information

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

hiv) Forward-looking information (continued)

forecasted scenarios which are then assessed and probability-weighted by the Credit Union using judgment.

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

The economic scenarios used in the determination of ECLs at December 31, 2020 include the following ranges of macroeconomic factors:

	12 Month Average Forecast			5 Year Average Forecast		
% Change [1]	Base Case	Best Case	Worst Case	Base Case	Best Case	Worst Case
3 Month GOC Bond Rate	-59.54%	9.83%	-71.68%	45.75%	54.96%	19.90%
3 Month BA Rate	-52.99%	21.81%	-4.32%	37.24%	43.32%	9.79%
Unemployment Rate	-17.47%	-25.62%	-4.94%	-9.12%	-12.11%	-6.55%
Housing Price Index (HPI)	5.05%	7.40%	2.40%	2.92%	3.87%	2.23%

[1] The % change represents the change in the macro economic factor as a % difference from the most recent publicly available results as of December 31, 2020

The sensitivity of ECLs to future economic conditions is measured by assuming each forward-looking scenario (i.e. baseline, upside and downside) were weighted 100% instead of applying scenario probability weights across the three scenarios. The resulting increase (decrease) in the allowance for credit losses arising under these range of scenarios for the year ended December 31, 2020 would be $116,625 to ($48,081).

hv) Modified financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

hv) Modified financial assets (continued)

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

hvi) Definition of default

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

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

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

hvii) Write-off policy

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans

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

Property and Equipment

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

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

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

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

Intangible Assets

Intangible assets 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

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

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

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Any effect of 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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

b) As lessee (continued)

consideration. With the exception of certain short-term and low-value leases, the Credit Union recognizes a right-of-use asset and lease liability for all leases at commencement.

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

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

Revenue Recognition

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

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

Membership Equity

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

Foreign Currency Translation

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation (continued)

value are translated to Canadian dollars at the exchange rate at the date that the fair value was determined.

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

Employee Future Benefits

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

Credit Union contributions to the defined contribution plan are expensed as incurred. Pension benefits of $1,694,460 (2019 - $1,601,124) were paid to defined contribution retirement plans during the year.

COVID-19

The global pandemic declared by the World Health Organization on March 11, 2020 due to the outbreak of COVID-19 has cast uncertainty on the estimates, assumptions, and critical judgments exercised by management. Although the development of successful vaccine candidates towards the end of 2020 signals a turning point in the pandemic, ongoing delays in the deployment of these vaccines and continuing public health restrictions indicate that the pandemic will continue to negatively impact the Canadian and Saskatchewan economy for the foreseeable future.

The main effects of the COVID-19 pandemic on the Credit Union's consolidated financial statements for the year ended December 31, 2020 are as follows:

- During the early stages of the pandemic, the Credit Union offered certain relief measures to its members, including a loan deferral program. As at year end, the Credit Union has discontinued these widespread programs and the majority of members who took advantage of the program have reverted to their normal payment terms.

- The Credit Union experienced a significant increase in liquidity as public health restrictions and financial uncertainty caused many members to change their spending habits and increase their savings.

- Lower interest rates resulting in compressed interest margin combined with increased allowances for credit losses, particularly for commercial loans in heavily impacted sectors, significantly reduced the Credit Union's profit and loss as compared to the previous year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

COVID-19 (*continued*)

In response to the COVID-19 pandemic, the Government of Canada introduced a number of assistance programs to help individuals and businesses through the pandemic. The Credit Union participated in the following assistance programs of the Government of Canada:

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

- Canadian Emergency Wage Subsidy (“CEWS”): the Credit Union has applied for government assistance under the CEWS program, whereby companies meeting specified eligibility criteria based on declines in revenue experienced during the pandemic are eligible to receive a subsidy to cover a portion of their employee wages. The Credit Union has determined that there is reasonable assurance that it will comply with all conditions attached to the program and that payment will be received and therefore has recognized the estimated CEWS funding as revenue within other income on a systemic basis over the periods in which the associated personnel expenses were incurred.

- Canadian Emergency Rent Subsidy (“CERS”): the Credit Union has applied for government assistance under the CERS program, whereby companies meeting specified eligibility criteria based on declines in revenue experienced during the pandemic are eligible to receive a subsidy to cover a portion of their commercial rent and property expenses. The Credit Union has determined that there is reasonable assurance that it will comply with all conditions attached to the program and that payment will be received and therefore has recognized the estimated CERS funding as revenue within other income on a systemic basis over the periods in which the associated occupancy expenses were incurred.

4. CASH AND CASH EQUIVALENTS

		2020		2019
Cash on hand	**$**	**10,939,007**	$	13,066,162
Cash held with SaskCentral		**37,581,268**		36,311,316
Cash held with Concentra Bank		**21,617,052**		16,613,890
Cash held with National Bank		**90,913,700**		178,342,861
Total Cash	**$**	**161,051,027**	**$**	244,334,229

5. INVESTMENTS

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

	2020	2019
Debt Investments (FVTPL)		
SaskCentral - Statutory Liquidity Variable Deposit	$ 205,345,479	$ 162,696,611
Concentra Bank	25,073,528	-
Central 1	60,007,696	-
Accrued Interest	425,256	-
Debt Investments (Amortized Cost)		
SaskCentral - Statutory Liquidity Term Pool	48,064,130	82,239,130
Concentra Bank	187,078,150	26,602,100
CIBC Bank	160,000,000	10,000,000
Mortgage-Backed Securities	23,071,833	6,768,143
Central 1	636,950	3,788,830
Bank of Nova Scotia	25,000,000	-
National Bank	-	50,000,000
Accrued Interest	1,744,652	564,936
Allowances for credit losses	(116,374)	(50,046)
Equity Securities (FVTPL)		
SaskCentral Membership Shares	16,755,105	16,659,518
Concentra Bank Class A Series 1 Preferred Shares	1,750,000	1,750,000
APEX (I,II and III)	3,988,237	4,720,757
WestCap	5,195,208	4,025,338
WaterCredit	1,505,362	1,179,213
Other	1,045,542	776,265
Accrued Interest	382,158	678,931
Total investments	**$ 766,952,912**	**$ 372,399,726**

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, 2020, the Credit Union met this requirement.

At December 31, 2020, $175,514,796 (2019 - $67,232,273) of debt investments mature more than 12 months after the reporting date.

5. INVESTMENTS (continued)

SaskCentral Membership Shares

Currently the Credit Union holds $16,755,105 (2019 - $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.

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			2020
	Performing	Impaired	12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Net
Agriculture	$ 470,325,101	$ 527,772	$ 117,137	$ 373,403	$ 388,681	$ 469,973,652
Commercial	571,176,409	28,325,161	354,984	953,332	18,959,202	579,234,052
Consumer	948,292,441	1,616,033	946,651	1,129,749	963,109	946,868,965
Finance Leases	16,534,031	381,178	62,028	22,005	625,932	16,205,244
Foreclosed Property	-	370,721	-	-	-	370,721
Accrued Interest	9,319,158	3,873,935	-	-	-	13,193,093
Total Loans	$ 2,015,647,140	$ 35,094,800	$ 1,480,800	$ 2,478,489	$ 20,936,924	$ 2,025,845,727

6. LOANS (continued)

2019

	Performing	Impaired	ECL Allowance: 12 month ECL	ECL Allowance: Lifetime ECL not credit-impaired	ECL Allowance: 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

The aging of loans, including those that were past due but not impaired and those that were individually impaired, as at December 31, 2020 was:

	2020 Performing	**2020** Impaired	2019 Performing	2019 Impaired
Current	**$ 1,992,440,461**	**$ 91,510**	$ 2,081,857,899	$ 1,500,618
31-60 days	**3,547,442**	**2,995**	4,859,321	45,155
61-90 days	**247,183**	**47,155**	811,523	115,848
91 -120 days	**487,776**	**39,175**	2,199,683	103,477
120+ days	**9,605,119**	**31,040,031**	11,104,317	24,824,143
Accrued interest	**9,319,159**	**3,873,934**	10,488,212	2,539,809
Total	**$ 2,015,647,140**	**$ 35,094,800**	$ 2,111,320,955	$ 29,129,050

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

During the year, the Credit Union obtained residential property with a carrying value of $370,721 (2019 - $264,500) by taking possession of collateral held as security. Repossessed property is sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

7. ALLOWANCE AND NET PROVISION FOR CREDIT LOSSES

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

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

2020

	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Total ECL
Beginning Balance, January 1, 2020	$ 2,167,666	$ 1,578,162	$ 12,013,435	$ 15,759,263
Transfer to 12-month ECL	624,382	(601,201)	(23,181)	-
Transfer to lifetime ECL not credit-impaired	(520,373)	582,536	(62,163)	-
Transfer to lifetime ECL credit-impaired	(22,213)	(85,675)	107,888	-
Net remeasurement of loss allowance	(401,889)	1,189,788	12,055,205	12,843,104
New financial assets originated	233,959	109,565	-	343,524
Financial assets that have been derecognized	(600,732)	(294,686)	(546,700)	(1,442,118)
Write-offs	-	-	(2,607,560)	(2,607,560)
Balance at December 31, 2020	$ 1,480,800	$ 2,478,489	$ 20,936,924	$ 24,896,213

Agricultural	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)
Beginning Balance, January 1, 2020	$ 84,713	$ 235,539	$ 452,538
Transfer to 12-month ECL	64,430	(64,430)	-
Transfer to lifetime ECL not credit-impaired	(27,846)	27,846	-
Transfer to lifetime ECL credit-impaired	-	-	-
Net remeasurement of loss allowance[1]	(9,256)	165,404	522,695
New financial assets originated	44,505	12,479	-
Financial assets that have been derecognized	(2,777)	(3,436)	(11,479)
Write-offs	-	-	(68,698)
Balance at December 31, 2020	$ 153,769	$ 373,402	$ 895,056

[1]Includes finance leases from our agricultural borrowers with a total allowance of $543,005.

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, 2020	$ 205,556	$ 797,686	$ 10,578,395	$ 11,581,637
Transfer to 12-month ECL	354,368	(354,368)	-	-
Transfer to lifetime ECL not credit-impaired	(60,505)	61,055	(550)	-
Transfer to lifetime ECL credit-impaired	(4,644)	(69,259)	73,903	-
Net remeasurement of loss allowance[2]	(47,138)	739,417	9,705,085	10,397,364
New financial assets originated	43,672	30,422	-	74,094
Financial assets that have been derecognized	(110,928)	(229,616)	(85,085)	(425,629)
Write-offs	-	-	(1,192,989)	(1,192,989)
Balance at December 31, 2020	$ 380,381	$ 975,337	$ 19,078,759	$ 20,434,477

[2]Includes finance leases from our commercial borrowers with a total allowance of $166,960.

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

Consumer	**12-month ECL (Stage 1)**	**Lifetime ECL not credit-impaired (Stage 2)**	**Lifetime ECL credit-impaired (Stage 3)**	**Total ECL**
Beginning Balance, January 1, 2020	**$ 1,877,396**	**$ 544,937**	**$ 982,502**	**$ 3,404,835**
Transfer to 12-month ECL	**205,584**	**(182,403)**	**(23,181)**	**-**
Transfer to lifetime ECL not credit-impaired	**(432,022)**	**493,635**	**(61,613)**	**-**
Transfer to lifetime ECL credit-impaired	**(17,569)**	**(16,416)**	**33,985**	**-**
Net remeasurement of loss allowance	**(345,492)**	**284,962**	**1,827,426**	**1,766,896**
New financial assets originated	**145,781**	**66,668**	**-**	**212,449**
Financial assets that have been derecognized	**(487,027)**	**(61,634)**	**(450,137)**	**(998,798)**
Write-offs	**-**	**-**	**(1,345,873)**	**(1,345,873)**
Balance at December 31, 2020	**$ 946,651**	**$ 1,129,749**	**$ 963,109**	**$ 3,039,509**

2019

	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	$ 1,363,925	$ 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	(150,869)	(237,579)	(493,225)	(881,673)
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

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

Commercial		12-month ECL (Stage 1)		Lifetime ECL not credit-impaired (Stage 2)		Lifetime ECL credit-impaired (Stage 3)		Total ECL
Beginning Balance, January 1, 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

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

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

		2020		2019
Debt instruments at Amortized Cost				
Agriculture loans	**$**	**718,136**	$	378,639
Commercial loans		**10,045,829**		6,291,123
Consumer loans		**980,548**		800,930
Investments		**66,328**		27,492
Total Provision for Credit Losses	**$**	**11,810,841**	$	7,498,184

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, 2020 and are not indicative of either the market risk or the credit risk.

	Maturities of derivatives (notional amount)					Fair value			
				2020	2019	**2020**		2019	
	Under 1 year	**1 to 5 years**	**Over 5 years**	**Total**	Total	**Assets**	**Liabilities**	Assets	Liabilities
Derivatives at FVPL									
Interest rate swaps	**$ 45,000,000**	**$ 20,000,000**	**-**	**$ 65,000,000**	$ 100,000,000	**$ -**	**$ 263,352**	$ 1,130,093	$ -
Index-linked options	**1,260,349**	**1,767,188**	**-**	**3,027,537**	3,757,489	**305,656**	**305,656**	303,114	303,114
Balance	**$ 46,260,349**	**$ 21,767,188**	**-**	**$ 68,027,537**	$ 103,757,489	**$ 305,656**	**$ 569,008**	$ 1,433,207	$ 303,114

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

2020

	Land	Facilities	Computer Hardware	Furniture & Equipment	Automotive	Total
Cost						
Balance at December 31, 2019	$ 1,717,525	$ 34,564,563	$ 11,084,192	$ 3,995,096	$ 1,319,017	$ 52,680,393
Additions	-	94,244	641,708	45,469	-	781,421
Disposals	-	(267,890)	(597,055)	(284,969)	(47,588)	(1,197,502)
Balance at December 31, 2020	**$ 1,717,525**	**$ 34,390,917**	**$ 11,128,845**	**$ 3,755,596**	**$ 1,271,429**	**$ 52,264,312**
Depreciation and impairment losses						
Balance at December 31, 2019	$ -	$ 21,146,074	$ $ 9,180,831	$ $ 3,594,854	$ 769,526	$ 34,691,285
Depreciation	-	1,322,180	870,984	136,457	216,972	2,546,593
Disposals	-	(267,890)	(597,055)	(284,969)	(47,588)	(1,197,502)
Balance at December 31, 2020	**$ -**	**$ 22,200,364**	**$ 9,454,760**	**$ 3,446,342**	**$ 938,910**	**$ 36,040,376**
Net Book Value						
Balance at December 31, 2020	**$ 1,717,525**	**$ 12,190,553**	**$ 1,674,085**	**$ 309,254**	**$ 332,519**	**$ 16,223,936**

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 combinatior	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	-	1,508,228	764,291	134,338	218,723	2,625,580
Acquisitions through business combinations		-	-	-	-	-
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**

10. LEASES - Right of use (ROU) asset

2020

	Facilities	Other	Total
Cost			
Balance at December 31, 2019	$ 737,310	$ 29,443	$ 766,753
Additions	55,665	-	$ 55,665
Balance at December 31, 2020	**$ 792,975**	**$ 29,443**	**$ 822,418**
Depreciation			
Balance at December 31, 2019	$ 126,495	$ 8,217	$ 134,712
Depreciation	135,979	8,217	$ 144,196
Balance at December 31, 2020	**$ 262,474**	**$ 16,434**	**$ 278,908**
Net Book Value			
Balance at December 31, 2020	**$ 530,501**	**$ 13,009**	**$ 543,510**
Interest expense on lease liabilities	27,178	-	27,178
Expenses relating to variable lease payments	102,340	-	102,340
Total amounts recognized in profit or loss	**$ 129,518**	$ -	**$ 129,518**
Repayment of lease liabilities	127,340	8,066	135,406
Total cash outflows for leases	**$ 256,858**	**$ 8,066**	**$ 264,924**

10. LEASES - Right of use (ROU) asset (continued)

						2019
		Facilities		Other		Total
Cost						
Balance at January 1, 2019	$	737,310	$	29,443	$	766,753
Balance at December 31, 2019	$	737,310	$	29,443	$	766,753
Depreciation						
Balance at January 1, 2019	$	-	$	-	$	-
Depreciation		126,495		8,217		134,712
Balance at December 31, 2019	$	126,495	$	8,217	$	134,712
Net Book Value						
Balance at December 31, 2019	$	610,815	$	21,226	$	632,041

The variable lease payments that are not included in the calculation of the lease liability include operating costs associated with the lease that are not based on index or rate. The lease liability carrying value as at December 31, 2020 is $563,306 (2019 - $643,047).

11. GOODWILL AND INTANGIBLE ASSETS

										2020
			Intangible Assets							
		Goodwill		**Software**		**Naming Rights**		**Core Deposits**		**Total**
Cost										
Balance at December 31, 2019	**$**	**5,091,190**	**$**	**6,296,495**	**$**	**1,500,000**	**$**	**901,145**	**$**	**13,788,830**
Additions		**-**		**2,465,479**		**-**		**-**		**2,465,479**
Disposals		**(5,091,190)**		**(59,819)**		**-**		**-**		**(5,151,009)**
Balance at December 31, 2020	**$**	**-**	**$**	**8,702,155**	**$**	**1,500,000**	**$**	**901,145**	**$**	**11,103,300**
Amortization and impairment losses										
Balance at December 31, 2019	**$**	**-**	**$**	**5,674,517**	**$**	**362,500**	**$**	**100,126**	**$**	**6,137,143**
Amortization		**-**		**234,921**		**37,500**		**100,126**		**372,547**
Disposals		**-**		**(59,819)**		**-**		**-**		**(59,819)**
Balance at December 31, 2020	**$**	**-**	**$**	**5,849,619**	**$**	**400,000**	**$**	**200,252**	**$**	**6,449,871**
Carrying Value										
Balance at December 31, 2020	**$**	**-**	**$**	**2,852,536**	**$**	**1,100,000**	**$**	**700,893**	**$**	**4,653,429**

11. GOODWILL AND INTANGIBLE ASSETS (continued)

2019

	Goodwill	Intangible Assets: Software	Intangible Assets: Naming Rights	Intangible Assets: 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	-	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

12. DEPOSITS

	2020	2019
Operating and Savings	**$ 1,565,952,014**	$ 1,312,532,798
TFSA's	**141,390,210**	129,577,230
Term Deposits	**665,366,935**	746,072,307
RRSP's	**123,084,188**	122,196,410
RRIF's	**55,287,695**	55,618,861
Interest Payable	**10,848,190**	13,435,338
Balance, end of year	**$ 2,561,929,232**	$ 2,379,432,944

At December 31, 2020, $332,926,699 (2019 - $427,645,000) of deposits are expected to be settled more than 12 months after the reporting date.

13. LOANS PAYABLE

The Credit Union has an authorized line of credit bearing interest at prime less 0.50% (2019 – prime less 0.50%) in the amount of $36,500,000 (CDN) (2019 - $34,200,000) with SaskCentral. The Credit Union also has an authorized line of credit bearing interest at prime plus 0.50% (2019 – prime plus 0.50%) in the amount of $500,000 (USD) with SaskCentral. At December 31, 2020, the Credit Union had $Nil (2019 - $Nil) drawn on these lines of credit.

The Credit Union has an authorized demand loan with Concentra Financial of $40,000,000 with a balance outstanding of $Nil (2019 - $Nil) bearing interest at 3 month CDOR rate plus 2.50% (2019 – 3 month CDOR rate plus 2.50%) and an annual standby fee of 0.22% (2019 – 0.15%).

The Credit Union is authorized to borrow up to $18,800,000 (2019 - $18,000,000) under a commercial paper program with SaskCentral with a balance outstanding of $Nil (2019 - $Nil) bearing interest at 1 month Banker's Acceptance rate plus 0.375% (2019 – 0.375%).

13. LOANS PAYABLE (continued)

The Credit Union has an authorized demand loan with Desjardin of $50,000,000 with a balance outstanding of $Nil (2019 - $Nil) bearing interest Desjardin's internal cost of funds plus 0.70% (2019 – 0.85%) and an annual standby fee of 0.20% (<33%), 0.175% (34-66%), 0.15% (>67%) (2019 – 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.

14. SECURITIZED BORROWINGS

The Credit Union participates in the Canada Mortgage and Housing Corporation ("CMHC") sponsored National Housing Act Mortgage-Backed Securities ("NHA MBS") program where the Credit Union assigns all legal rights, interest and title in certain insured residential mortgages to CMHC in exchange for NHA MBS certificates. As the Credit Union continues to be exposed to substantially all 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, 2020, the carrying value of the residential mortgage loans, including accrued interest is $143,410,641 (2019 - $125,089,387). Due to retention of substantially all the risks and rewards of ownership of these assets, the Credit Union continues to recognize them within loans on the consolidated statement of financial position, and the transfers are accounted for as secured financing transactions. The associated liability of $142,477,440 (2019 - $124,324,597), 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, 2020 residential mortgages of $28,003,069 (2019 - $35,275,521) with a fair value of $29,124,491 (2019 - $35,597,890) were assigned to NHA MBS certificates and retained by the Credit Union. These unsold NHA MBS certificates are reported in consumer loans on the consolidated statement of financial position.

15. OTHER INCOME

		2020		2019
Service Charges on Products	**$**	**1,202,814**	$	1,304,856
Loan Fees, Commissions and Insurance		**3,383,314**		4,360,805
Other Fees and Commissions		**2,408,269**		4,669,592
Wealth Management		**4,674,668**		3,930,363
Other		**959,183**		1,088,174
Canada Emergency Subsidy Programs		**4,540,260**		-
	$	**17,168,508**	$	15,353,790

16. MEMBERSHIP SHARES AND DISTRIBUTIONS

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

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

Membership shares and distributions is comprised of the following:

		2020		2019
Membership shares - par value	$	**288,970**	$	279,695
Memberhip shares - patronage allocations		**18,651,084**		19,112,507
Membership rewards - unrestricted		**7,835,943**		7,387,610
Total Membership Shares and Distribution	**$**	**26,775,997**	**$**	26,779,812

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 $1,647,082 (2019 - $3,480,737) based on 2020 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 $1,647,082 (2019 - $3,480,737) are reported on the consolidated financial statements as follows: $753,641 (2019 - $1,315,000) cash dividends, $57,735 (2019 - $56,000) youth cash dividends, $835,706 (2019 - $2,109,737) patronage allocations to Membership Shares.

17. CAPITAL MANAGEMENT

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

17. CAPITAL MANAGEMENT (continued)

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

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

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

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 2020:

17. CAPITAL MANAGEMENT (continued)

	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.

The following table summarizes key capital information:

Capital Summary	**2020**	2019
Eligible Capital		
Common Equity Tier 1 Capital	**$ 256,673,510**	$ 235,920,749
Additional Tier 1 Capital	**-**	-
Total Tier 1 Capital	**256,673,510**	235,920,749
Total Tier 2 Capital	**22,899,343**	23,138,029
Total eligible capital	**$ 279,572,853**	$ 259,058,778
Risk-weighted assets	**$ 1,780,375,371**	$ 1,769,467,800
Leveraged assets	**3,091,414,053**	2,816,001,301
Common equity tier 1 to risk weighted assets	**14.42%**	13.33%
Total Tier 1 to risk weighted assets	**14.42%**	13.33%
Total eligible capital to risk weighted assets	**15.70%**	14.64%
Total eligible capital to leveraged assets	**9.04%**	9.20%

18. RELATED PARTY TRANSACTIONS

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

18. RELATED PARTY TRANSACTIONS (continued)

Loans

At December 31, 2020, certain directors, senior management and their spouses, children and dependents were indebted to the Credit Union for an amount totaling $8,096,384 (2019 - $8,720,932). 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.

Deposits

As of December 31, 2020, 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 $3,402,365 (2019 - $3,128,670).

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:

		2020		2019
Salaries and other short-term employee benefits	**$**	**2,689,561**	$	2,679,590
Other long-term benefits		**111,320**		109,442
Total compensation	**$**	**2,800,881**	$	2,789,032

19. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2020			2019		
	FVTPL	Amortized Cost	Total Carrying Value	FVTPL	Amortized Cost	Total Carrying Value
FINANCIAL ASSETS						
Cash and cash equivalents	$ -	$ 161,051,027	$ 161,051,027	$ -	$ 244,334,229	$ 244,334,229
Investments	321,473,571	445,479,341	766,952,912	192,222,412	180,177,314	372,399,726
Loans	-	2,025,845,727	2,025,845,727	-	2,124,690,743	2,124,690,743
Accounts Receivable	-	8,672,204	8,672,204	-	4,213,597	4,213,597
Derivative Assets	305,656	-	305,656	1,433,207	-	1,433,207
						-
FINANCIAL LIABILITIES						
Deposits	-	2,561,929,232	2,561,929,232	-	2,379,432,944	2,379,432,944
Securitized Borrowings	-	142,477,440	142,477,440	-	124,324,597	124,324,597
Accounts Payable	-	14,470,466	14,470,466	-	18,759,724	18,759,724
Derivative liabilities	569,008	-	569,008	303,114	-	303,114
Membership shares and distributions	-	26,775,997	26,775,997	-	26,779,812	26,779,812

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

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

- The carrying values for cash and cash equivalents, accounts receivable, accounts payable and membership shares and distributions approximated their fair values.

- Estimated fair values of investments are based on quoted market prices of similar investments (level 2). Venture capital funds are carried at the last disclosed net asset value (Level 3).

- For variable interest rate loans that re-price frequently, carrying values are assumed to be fair values. Fair values of other loans are estimated using discounted cash flow calculations with market interest rates for similar groups of loans to expected maturity amounts.

- Fair value of deposits without a specified maturity term is the stated value. Fair value for other deposits is estimated using discounted cash flow calculations at market rates for similar deposits.

- Fair values of securitized borrowings are estimated using discounted cash flow calculations with market interest rates for similar groups of loans to expected maturity amounts.

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

- The fair value of derivative financial instruments is estimated by referring to the appropriate current market yields with matching terms to maturity. These instruments have been valued assuming they will not be sold, using present value or other techniques, and are not necessarily representative of the amounts realizable in an immediate settlement of the instrument.

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

	2020	2019
Investments	**0.07% - 0.41%**	1.65% - 2.05%
Loans	**2.49% - 4.89%**	3.44% - 5.29%
Deposits	**0.00% - 0.95%**	0.00% - 2.25%

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

2020

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Measured at FVTPL					
Investments	$ 321,473,571	$ 321,473,571	$ -	$ 309,766,179	$ 11,707,392
Derivative assets	305,656	305,656	-	305,656	-
Measured at Amortized Cost					
Investments	445,479,341	447,543,311	-	447,543,311	-
Loans	2,025,845,727	2,054,271,049	-	2,054,271,049	-
	$ 2,793,104,295	$ 2,823,593,587	$ -	$ 2,811,886,195	$ 11,707,392
FINANCIAL LIABILITIES					
Measured at FVTPL					
Derivative Liabilities	$ 569,008	$ 569,008	$ -	$ 569,008	$ -
Measured at Amortized Cost					
Deposits	2,561,929,232	2,561,909,660	-	2,561,909,660	-
Securitized Borrowings	142,477,440	147,101,779	-	147,101,779	-
	$ 2,704,975,680	$ 2,709,580,447	$ -	$ 2,709,580,447 $	$ -

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

					2019
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Measured at FVTPL					
Investments	$ 192,222,412	$ 192,222,412	$ -	$ 181,963,834	$ 10,258,578
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	$ 2,446,997,116	$ -	$ 2,436,738,538	$ 10,258,578
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	$ -

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

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

	FVTPL Unlisted Shares
Opening Balance, December 31, 2019	**$ 10,258,578**
Total gains or losses	
Unrealized loss in Consolidated Statement of Comprehensive Income	(484,498)
Purchases	2,116,721
Disposals	(550,141)
Change in accrued interest	366,732
Closing Balance, December 31, 2020	**$ 11,707,392**

20. FINANCIAL INSTRUMENT RISK MANAGEMENT

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

Credit Risk

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

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

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

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

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

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

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

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

	2020	2019
AAA rating	**$ 23,071,833**	$ 6,768,143
Short Term Issuer Rating R-1 (high) (CIBC)	**160,000,000**	10,000,000
Short Term Issuer Rating R-1 (middle) (Central 1)	**60,644,646**	53,788,830
Short Term Issuer Rating R-1 (low) (Concentra, SaskCentral)	**482,316,392**	289,947,359
Unrated	**38,484,349**	10,701,572
	$ 764,517,220	$ 371,205,904

At December 31, 2020, the Credit Union does not hold any credit derivative financial instruments (2019 - $Nil). The Credit Union is exposed to credit risk in the event of non-performance by counterparties to its derivative financial instruments but does not anticipate non-performance by any of the counterparties. Management monitors the credit risk and credit standing of counterparties on a regular basis.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

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

Guarantees and standby letters of credit represent irrevocable commitments that the Credit Union will make payments in the event a 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 $413,058,604 (2019 - $367,557,628). 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 13.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Liquidity Risk (continued)

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

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

Regulatory standards require credit unions to maintain a minimum liquidity coverage ratio of 100% in 2020. During the year the Credit Union maintained internal liquidity adequacy targets that exceed regulatory requirements.

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

	< 1 year	1-2 years	2-3 years	3 + Years	2020 Total
Non-derivative financial liabilities					
Deposits	$ 2,229,002,532	$ 147,593,541	80,036,887	$ 105,296,272	**$ 2,561,929,232**
Securitized borrowings	25,005,356	24,547,438	17,312,019	75,612,627	**142,477,440**
Accounts payable	14,470,466	-	-	-	**14,470,466**
Membership shares and distributions	-	-	-	26,775,997	**26,775,997**
Total	**$ 2,268,478,354**	**$ 172,140,979**	**$ 97,348,906**	**$ 207,684,896**	**$ 2,745,653,135**

	< 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 shares and distributions	-	-	-	26,779,812	26,779,812
Total	$ 1,991,935,836	$ 252,791,620	$ 109,613,933	$ 194,955,688	$ 2,549,297,077

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.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Market Risk (continued)

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

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

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

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

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.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Interest Rate Risk (continued)

	On Demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest sensitive	2020 Total
ASSETS							
Cash and cash equivalents	$ 62,382,060	$ 50,148,693	$ -	$ -	$ -	$ 48,520,274	**$ 161,051,027**
Effective interest rate	0.37%	0.60%	-	-	-	-	**0.47%**
Investments	247,226,681	42,124,597	322,460,096	152,705,846	-	2,435,692	**766,952,912**
Effective interest rate	1.21%	1.26%	1.01%	1.87%	-	-	**1.23%**
Loans	733,441,305	84,223,279	251,587,321	904,909,541	62,828,507	(11,144,226)	**2,025,845,727**
Effective interest rate	3.78%	4.29%	4.14%	3.67%	4.59%	-	**3.82%**
Accounts receivable	-	-	-	-	-	8,672,204	**8,672,204**
	$ 1,043,050,046	**$ 176,496,569**	**$ 574,047,417**	**$ 1,057,615,387**	**$ 62,828,507**	**$ 48,483,944**	**$ 2,962,521,870**
LIABILITIES							
Deposits	$ 1,421,113,991	$ 185,451,215	$ 402,878,775	$ 332,248,638	$ 678,061	$ 219,558,552	**$ 2,561,929,232**
Effective interest rate	0.16%	1.93%	1.10%	1.86%	1.91%	-	**0.70%**
Securitized borrowings	-	6,500,620	27,018,950	108,957,870	-	-	**142,477,440**
Effective interest rate	-	1.52%	1.81%	1.45%	-	-	**1.52%**
Accounts payable	-	-	-	-	-	14,470,466	**14,470,466**
Membership shares and distributions	-	-	-	-	-	26,775,997	**26,775,997**
	$ 1,421,113,991	**$ 191,951,835**	**$ 429,897,725**	**$ 441,206,508**	**$ 678,061**	**$ 260,805,015**	**$ 2,745,653,135**
2020 Statement of Financial Position Gap	**$ (378,063,945)**	**$ (15,455,266)**	**$ 144,149,692**	**$ 616,408,879**	**$ 62,150,446**	**$ (212,321,071)**	**$ 216,868,735**

	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%	0.00%	0.00%	0.00%	0.00%	0.00%	**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%	0.00%	0.00%	**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%	0.00%	**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%	0.00%	**1.51%**
Securitized borrowings	-	4,594,000	34,631,000	85,099,597	-	-	**124,324,597**
Effective interest rate	0.00%	1.58%	1.55%	1.99%	0.00%	0.00%	**2.08%**
Accounts payable	-	-	-	150,000	-	18,609,724	**18,759,724**
Membership shares and distributions	-	-	-	-	-	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**

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, 2020 of $2,534,760 (2019 - $5,294,019). 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, 2020 of $4,699,960 (2019 - $6,138,266). These changes are primarily due to changes in cash flows from variable rate assets and liabilities.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Interest Rate 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 $208 million (2019 - $130 million) of deposits have little or no sensitivity to changes in general market rates and $659 million (2019- $592 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.

21. COMMITMENTS

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

- Invest up to $6,719,800 of additional capital in certain venture capital funds.
- Invest $1,096,606 in community development initiatives.

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

2021	$	3,767,820
2022		3,730,362
2023		4,656,779
2024		5,439,329
2025		5,897,204
Thereafter		7,271,598
Total Other Commitments	**$**	**30,763,092**

22. INCOME TAXES

Income tax expense is comprised of:

		2020		2019
Current income tax expense				
Current period	**$**	**158,658**	$	7,049,766
Adjustments for prior periods		**-**		210,090
		158,658		7,259,856
Deferred income tax recovery				
Origination and reversal of temporary differences		**1,981,366**		(3,465,897)
Origination and reversal of temporary differences associated with discontinued operations		**2,030,044**		-
Provision for income taxes	**$**	**4,170,068**	$	3,793,959

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

		2020		2019
Income before provision for income taxes	**$**	**6,877,398**	$	18,276,609
Combined federal and provincial tax rate		**27.00%**		27.00%
Income tax expense at statutory rate		**1,856,897**		4,934,684
Adjusted for effect of:				
Non-deductible expenses		**8,512**		26,509
Credit Union rate reduction		**-**		(424,477)
Deferred income tax expense resulting from rate changes		**1,932**		(282,182)
Other		**(1,274,234)**		(460,575)
	$	**593,107**	**$**	3,793,959
Effective rate of tax		**20.72%**		20.76%

22. INCOME TAXES (continued)

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

		2020		2019
Deferred income tax assets are comprised of the following:				
Loans and leases	$	**1,916,010**	$	1,580,810
Other		**-**		205,556
Premises and equipment		**14,181,667**		17,831,448
Loss carryforwards		**160,464**		364,444
	$	**16,258,141**	$	19,982,258
Deferred income tax liabilities are comprised of the following:				
Other	$	**9,482**	$	-
Property and equipment		**279,778**		32,577
	$	**289,260**	$	32,577

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 $160,465 (2019 - $364,444) in respect of losses amounting to $594,315 (2019 - $1,349,792) that can be carried forward against future taxable income. Losses expire as follow:

Non-capital loss carry forward		
2028	$	**139,936**
2029		**389,278**
2030		**65,101**
	$	**594,315**

23. SALE OF INSURANCE SUBSIDIARIES

On September 30, 2020 the Credit Union sold 100% of its interest in North Battleford Agencies (1980) Ltd., Meadow North Agencies Ltd. and Dickson Agencies (1975) Ltd. to a third party through a share purchase agreement. This transaction resulted in a gain of $13,261,012, net of taxes of $2,030,044. Profit earned from the three subsidiaries prior to September 30, 2020 was $1,786,161 (2019 - $1,946,941), net of taxes of $634,027 (2019 – $625,079). Both have been recorded in the consolidated statement of comprehensive income.

23. SALE OF INSURANCE SUBSIDIARIES (continued)

STATEMENT OF CASH FLOWS

	2020	2019
Net Increase (decrease) in Cash	**$ (14,096,652)**	$ 1,574,952
Cash, Beginning of the year	**14,740,325**	13,165,373
Cash, End of the year	**643,673**	14,740,325

24. 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, plant and equipment	42,417	281,791	**324,208**
Intangible assets - core deposits	417,207	483,938	**901,145**
Other	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**
Membership shares and distributions	6,310	5,940	**12,250**
Other	188,527	196,956	**385,483**
	$ 39,657,063	$ 47,747,383	**$ 87,404,446**
Net addition to equity	$ 4,785,918	$ 6,666,190	**$ 11,452,108**

24. 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.

25. CHANGES IN SIGNIFICANT ACCOUNTING STANDARDS

Changes in Accounting Standards

The following new standards, and their resulting consequential amendments were applied for the first time in the current year.

IFRS 3 Business Combinations

Effective January 1, 2020, the Credit Union adopted amendments to IFRS 3 Business Combinations. The amendments to IFRS 3 provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. It is applied prospectively for annual periods beginning on or after January 1, 2020. The implementation of the amendments to IFRS 3 had no impact on the Credit Union in the current year.

IAS 1 Presentation of Financial Statements

Effective January 1, 2020, the Credit Union adopted amendments to IAS 1 Presentation of Financial Statements. The amendments to IAS 1 provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS standards and other publications. It is applied prospectively for annual periods beginning on, or after January 1, 2020. The implementation of the amendments to IAS 1 did not have a significant impact on the Credit Union.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Effective January 1, 2020, the Credit Union adopted amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments to IAS 8 provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS standards and other publications. It is applied prospectively for annual periods beginning on or after January 1, 2020. The implementation of the amendments to IAS 8 did not have a significant impact on the Credit Union.

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