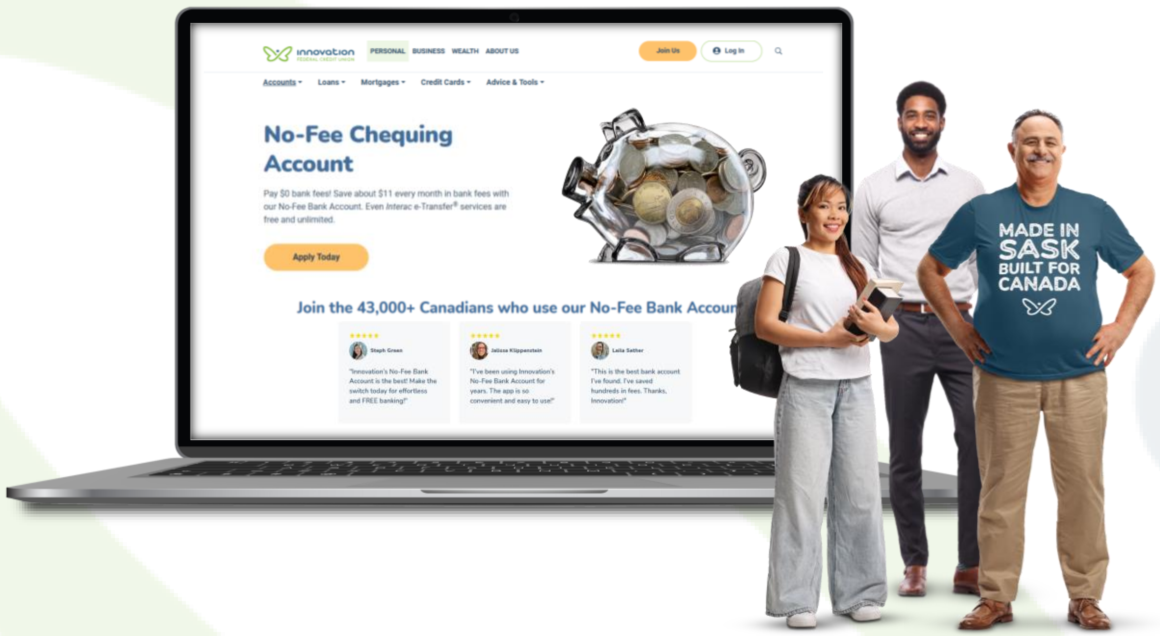
Simplifying Banking for Canadians



2024 Annual Report

Innovation Federal Credit Union

About Innovation Federal Credit Union

Innovation Federal Credit Union is a financial co-operative governed by a Board of Directors, **accountable** to our member owners. We are committed to continually meeting the standards of legal and regulatory requirements to maintain **member confidence** and demonstrate financial success.

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

Our achievements in 2024 were driven by our members and their ongoing financial needs. We continue to strive to **simplify banking for Canadians**, helping them to reach and maintain their financial goals.

By **reinvesting profits** into our members, communities, and staff, we aim to provide more than just everyday banking – we are proud to provide **Responsible Banking™**.

innovation FEDERAL CREDIT UNION

innovation WEALTH

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Board Chair's Message

One of my favourite tasks as Innovation's Board Chair is to look back on the previous year and take in everything your credit union has accomplished. I'm always astounded by the leadership team's ground-breaking strategy and the vast contributions of our 500-plus staff members. The list of achievements for 2024 is long, so I'll keep to a few highlights you can truly be proud of.

Our purpose is to simplify banking for Canadians, so we looked to make banking easier and more accessible for both our northern communities and university students who are just starting to learn the importance of financial wellbeing. Following our Responsible Banking™ philosophy, we were thrilled to open an advice centre in La Loche, SK, in October 2024 and a Saskatoon advice centre right across from the University of Saskatchewan in April 2024. While the La Loche advice centre is a traditional full-service branch, the Saskatoon advice centre is designed with students in mind, providing more digital and virtual ways of banking, combined with on-site staff to help answer any financial questions they have.

Responsible Banking™ also recognizes that everyone deserves to have their basic needs met. This belief drives our efforts to reduce poverty, enhance health, and promote education. This year, we proudly awarded over $340,000 to 28 Saskatchewan organizations for major community projects. We were honored to help open the Regina Food Bank Asahtowikamik Food Hub, the first of its kind in Canada. In response to inflation challenges, our Food Security Campaign donated 20,000 meals across 12 communities. It's because of you, we're able to make a difference in people's lives. Thank you for your membership!

In January 2024, we announced our plans to explore the first-ever inter-provincial merger between Innovation and ABCU Credit Union, located in Edmonton and Beaumont, AB. ABCU is a like-minded co-operative that shares our passion for innovation and excellence. As I write this report, we are planning to engage with you to share how a merger would leverage our strengths while maintaining our local roots and community focus.

Last but certainly not least, Innovation members earned $5.3 million through our profit-sharing Member Rewards program in 2024. This included our new monthly transaction rewards where you could earn cash by doing simple online transactions like paying a bill.

In closing, I'd like to thank your Innovation Board members for their significant contributions. Every Board member has a development plan, attends a minimum of two training and development days each year, along with additional courses that build our governance skill set. They are truly devoted to you and this credit union's success.

Thanks again for choosing us as your credit union. We truly appreciate your membership!

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

CEO’s Message

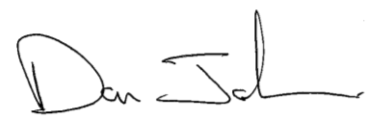
2024 marked our first full year operating as a federal credit union and the culmination of a significant growth phase. These significant milestones have allowed us to embrace disruption in our industry, providing the ultimate flexibility to conduct business across Canada while being headquartered here in Saskatchewan.

Having national banking powers combined with an innovative growth mindset has enabled unprecedented managed diversified growth, allowing us to reinvest in our credit union, our communities, and our people. We have been able to grow jobs, open locations, invest in digital, and continue our moratorium on advice centre closures - protecting jobs in Saskatchewan. Over the last three years, we have experienced unprecedented growth due to our federal business powers and our ability to deploy excess capital from the sale of downstream entities. This growth was well managed by ensuring Innovation hired the appropriate talent to effectively thrive.

Our journey includes building relationships with Indigenous Peoples, communities, and organizations to establish partnerships that lead to meaningful economic participation. Our financial success has allowed us to authentically align our entire organization with meaningful truth and economic reconciliation. Specifically, we opened two new locations in Île-à-la-Crosse and La Loche. In the age of digital banking, you might wonder why we are opening new locations. It's a valid point, as most people do not require a physical location. However, these new locations are important tangible commitments to being present in communities that may have never had consistent financial services before.

In 2024, in addition to exceeding profit and growth targets, we experienced record capital levels, ensuring the stability of your credit union. We also set a record by opening an advice centre in La Loche in under 90 days.

I want to thank our members and staff for your continued support.



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

2024 Company Highlights

Innovation Federal Credit Union is one of the largest credit unions in Canada with over 500 employees and more than $5.506 billion in managed assets. In 2023, with the support of our membership, we became the first credit union on the prairies to achieve national reach as a federal credit union under *The Bank Act*. We serve over 67,000 members across eight provinces through digital banking services and 28 advice centre locations (now including locations in both Regina and Saskatoon). As a member-owned co-operative, we provide quarterly Member Rewards to our members and reinvest 2% - 4% of our pre-tax profits back into the communities we serve.

67,562
members
across eight Canadian provinces

28

advice centre locations

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

Assets Under Administration
+$576.2 million (+11.7%) to end the year at **$5.506 billion.**

520 employees

Strong, Stable Growth and Earnings

12.0%

on-balance sheet asset growth

Innovation Federal Credit Union

$1.1B

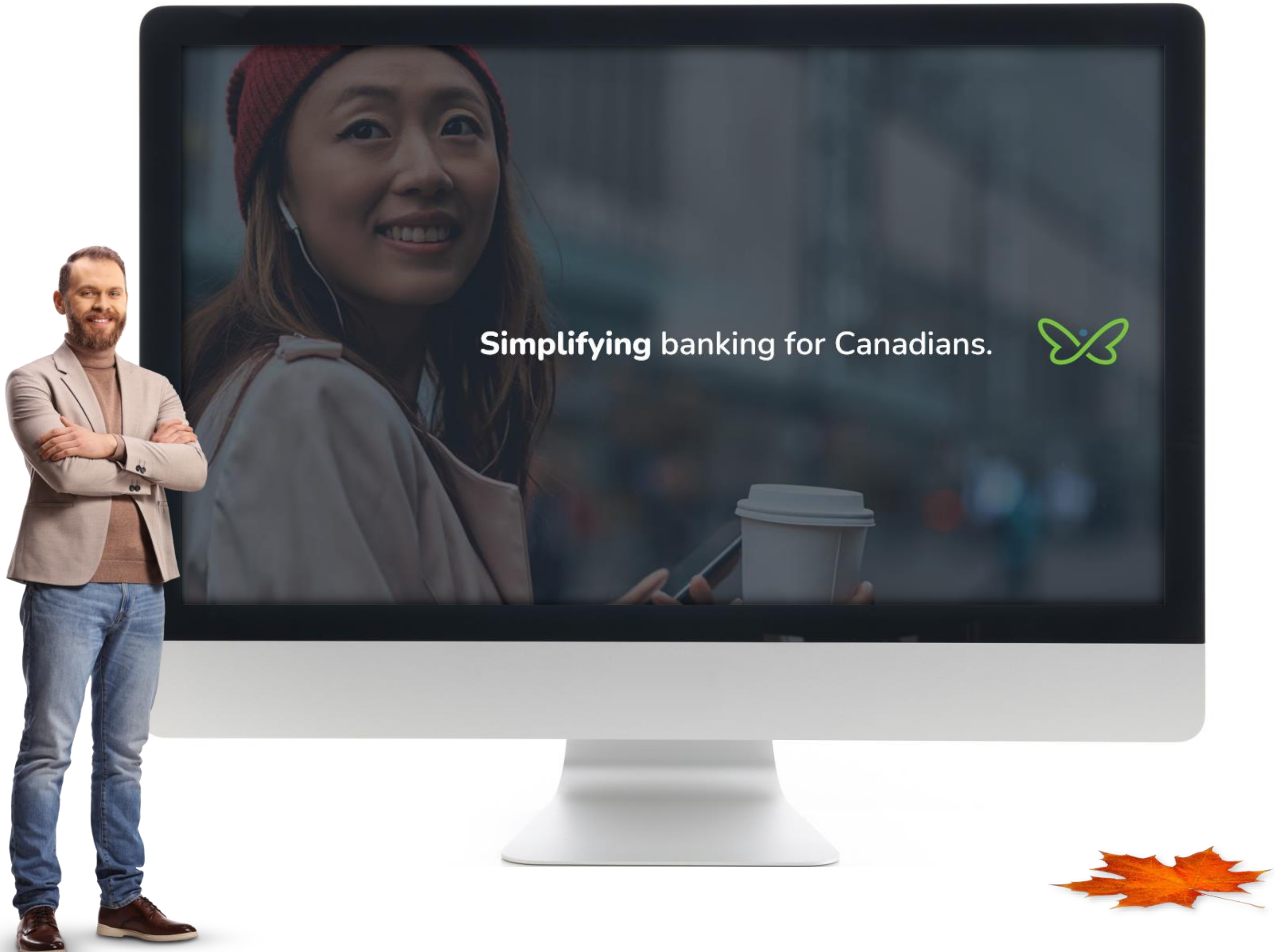
assets under administration

Innovation Wealth

7.31% return on equity

$5.3M in record earnings back to members

Our Purpose



Accountability

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

Integrity

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

Respect

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

Member First

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

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

Co-operative Principles

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

Voluntary and Open Membership

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

Democratic Member Control

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

Member Economic Participation

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

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

Autonomy and Independence

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

Education, Training, and Information

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

Board of Directors

Russ Siemens
Board Chair

Michele Wilde
Vice Chair

Lisa Arora
Board Member

Joan Baer
Board Member

Peter Brown
Board Member

Liam Choo-Foo
Board Member

Mike Davis
Board Member

Brian Guillemin
Board Member

Daniel Johnson
Board Member

Marty Meloche
Board Member

Karen McBride
Board Member

Bruce Sack
Board Member

Meagan Cockrill
Retired Board Member

Ian Hamilton
Retired Board Member

Dayna Whitney
Retired Board Member

Executive Team

Daniel Johnson
Chief Executive Officer

Sheldon Hess
Chief Financial Officer

Brad Appel
Chief Business Banking Officer

Dean Gagne
Chief Disruption Officer

Sandra Meinig
Chief Risk Officer

Gwen Renwick
Chief Wealth Officer

Jason Cinq-Mars
Chief Information Officer

Ian McArthur
Chief People & Governance Officer

Shahani Perera
Chief Transformation Officer

2024 Corporate Scorecard Results

Pillar	Key Result	Key Performance Indicator	Performance Measures Actual	 Target
Member Obsessed	Improve Member Satisfaction	Member Satisfaction NPS Survey	8.41	8.50
	Grow Business with Members	Index of Total Book of Business & Memberships to Target	4.25	3.00
	Improve % of Member SLA's Met	% Cases Resolved within SLA	94.60%	90.00%
	NPS Community & Social Contributions	NPS Community Score	7.11	7.5
Thriving Teams	Employee Engagement	% Engaged from Staff Engagement Survey	70.00%	70.00%
	Coaching/1-on-1 Time	Improve 1-on-1 Coaching Time (Model Coach Care)	88.00%	80.00%
	Process Time and Waste Elimination	Improve Process Efficiency to Save Time for Staff	50.03%	45.00%
Financial Strength	Efficiency Ratio	% Revenue/Expenses	68.45%	70.13%
	Member Generated Revenue	Gross Revenue Generated by Members	61.12%	58.69%
Digitalization	Increase Digital Memberships	% of Digital Memberships	61.13%	55.00%
	Digital Transformation Index	8 Metrics Covering 5 Core Tenants	3.10	3.00
National Reach	Grow Fintech Revenue	Revenue from Fintech Partners	$2,382,868	$2,515,694
	Grow Member Business Outside SK	Indexed Total Book Outside SK	4.25	3.00
Risk	Delinquency	Delinquency > 90 Days	1.213%	0.75-1.25%
	Quality-Assurance Credit	Quality Assurance Score	90.00%	87.00%

SLA – Service Level Agreement

NPS – Net Promoter Score


innovation
PERSONAL BUSINESS WEALTH ABOUT US
Join Us
Log In
Accounts Loans Mortgages Credit Cards Advice & Tools
Responsible Banking™

Save

More than 42,041 members have a No-Fee Bank Account

Earn

$5.3 million paid to members in 2024 (and $48.6 million since 2007)

Give

$10.4 million given back to our communities since 2007

“Rewarding members who help drive our success is simply the right thing to do!” - Darwin Gooding, Residential Mortgage Underwriting Specialist

$5,270,892

Being an Innovation member means sharing in our success. For simply doing business with us, we approved $5,270,892 in member distributions in 2024 – an increase of **24.3%** over 2023.

Member Rewards

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

Save
Members save on fees - as much as $11/month – with our No-Fee Bank Account.

Earn
Members earn quarterly profit-sharing dollars paid to their Member Rewards Accounts based on the business they do with us. In 2024, we returned over $3.4 million to members in the form of allocations.

Over $1.4 million was also paid to members in the form of dividends, based on the amount of equity members have.

Our Monthly Transaction Rewards - based on digital transaction activity - returned $0.4 million to members, while our youth dividend (for members 18 years old and under) totaled $0.1 million.

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

$1.4 million

given in 2024 to local organizations who are making a difference!

In 2024, we invested $1.4 million into our communities in the form of sponsorship, naming rights, community development, legacy funds, grants, and scholarships. This is a contribution of 4.53% of our pre-tax profits.

Innovation is proud to be the only Saskatchewan credit union recognized with earning the designation as an Imagine Canada certified company of the PRISM Network. This designation represents being a symbol of excellence in community impact within Canada.

Our credit union continues to contribute between 2% to 4% of our pre-tax profits annually to activities that support our communities.

Matching Program with Partners

innovationplex MEADOW LAKE

Southwest Facility Foundation

Innovation's dollar-for-dollar community match program contributed to the new Meadow Lake Field House, officially named 'InnovationPlex' as well as the Southwest Facility Foundation multipurpose facility in Swift Current – which helped raise over $910,000 from our $250,000 contribution.

Legacy Community & Development Grant Fund

In 2024, just over

$343,000

was given to **28** deserving organizations and community projects

2024 Recipients

North Battleford: Territorial Youth Services TYS Building Phase 2 - $25,000
Buffalo Narrows: Buffalo Narrows Friendship Centre Soup and Sandwich Bannock Lunch - $20,000
Meadow Lake: Meadow Lake Food Bank and Door of Hope Soup Kitchen Roof Repairs - $20,000
Medstead: RM of Medstead No. 497 Community Hall Flooring Project - $15,000
Gull Lake: Gull Lake Special Care Centre Ceiling Track Lifts - $10,000
Cabri: Prairie Health Care Centre Seacan and Lawn Mower - $10,000
Mankota: Saskatchewan Health Authority Cypress Ceiling Track Lifts - $10,000
Leoville: Leoville Curling Club Building Siding - $10,000
Leoville: Leoville Central School Van - $10,000
Swift Current: Southwest Cultural Development Group Inc Give a Sheet for the Lyric Theatre - $10,000
Eastend: Eastend Light Horse Improvement Society Inc Tractor and Tiller - $5,000
Goodsoil: Beaver River AG 4-H Club Beaver River Ag 4-H Club Trailer - $5,000
Meadow Lake: Meadow Lake Minor Ball Batting Cage Upgrades - $5,000
Hafford: Hafford Central School Hafford School Score Clock - $4,000
North Battleford: Connaught School Mixer and Slicer - $2,500
Cochin: Resort Village of Cochin Breakwater Project - $25,000
La Loche: Ducharme Elementary School Playground - $25,000
Stewart Valley: Stinger Strong Community Fire Rebuild Fund Sports Grounds Rebuild - $20,000
Wilkie: Town of Wilkie Swimming Pool - $20,000
Meadow Lake: Sask Nurses Primary Clinic Step Exercise Bike - $15,000
Eastend: Eastend Memorial Hall Coop Heating & Cooling Units - $14,000
Swift Current: Ecole Centennial School Grounds Enhancement - $10,000
Frontier: Claydon Ladies Social Community Hall Upgrades - $6,000
Rabbit Hill/Battlefords: RM of Round Hill Community Playground - $5,000

Goodsoil Legacy Fund

Goodsoil Recreation Community Hall Board - Hall Upgrades - $9,000
Goodsoil Historical Museum - Replace RO Water System & Furnace - $4,950
Goodsoil Curling Club - Heating Upgrade - $8,000

Pierceland Legacy Fund

Pierceland Volunteer Fire Dept - MSA Air Tank Replacement - $20,000

Innovation continues to demonstrate our commitment to Truth and Reconciliation – and the Truth and Reconciliation Commission's Call to Action #94 - through the work we do.

5.38%

of Innovation staff has self-declared as Indigenous, with representation at all levels of the company – from Board of Directors to front line roles.

innovation

INDIGENOUS CONNECTIONS

In collaboration with Jade Roberts, a Saskatchewan-based First Nations artist, Innovation created a logo representing the Indigenous Connection Strategy and Connector Group. The logo honours and respects existing and new relationships with Indigenous peoples, communities, businesses and organizations.

26

Twenty-six Indigenous communities and organizations were supported in 2024 through the Indigenous Community Development Fund. A primary focus of the fund is to support important cultural celebrations such as Pow Wows.

Lunch and Learns

In 2024, Innovation partnered with the Saskatchewan Indian Institute of Technologies (SIIT) and the Gabriel Dumont Institute (GDI) to offer lunch and learns for students. This initiative aims to reduce barriers to education, such as food security, by providing lunch and gift cards for groceries. Sessions have had high attendance, active participation and cover topics such as banking basics, types of financial products and services, differences between saving and investing and strategies to grow their wealth.

934

hours of Innovation staff time was spent learning about Indigenous culture and history in 2024.

4 Seasons of Reconciliation

$64 million

Through our Diversified Banking team, Innovation committed to the facilitation of $64 million for First Nations specific claims that have been created from historical grievances where the government failed to fulfill its obligation under the Treaties, the Indian Act, or other agreements. The goal of resolving these claims is to address past wrongs, renew relationships, and advance the reconciliation between Indigenous peoples and the Canadian government.

“Northern and Indigenous peoples truly appreciate the efforts Innovation has made to bring banking to their communities.”

- Margaret Favel, Manager Member Advisors

Second Northern Advice Centre Officially Opens

In October 2024, Innovation opened a new advice centre location in La Loche, SK. "For well over a decade, our community has been advocating to have a bank and now it's finally becoming a reality," noted La Loche Friendship Centre President, Keith Shewchuk at the opening ceremony. The advice centre offers standard banking services, including cheque deposits, cash services, loans, mortgages, lines of credit, ATM services and both onsite and virtual access to helpful advisors.

Door-Step Banking Days

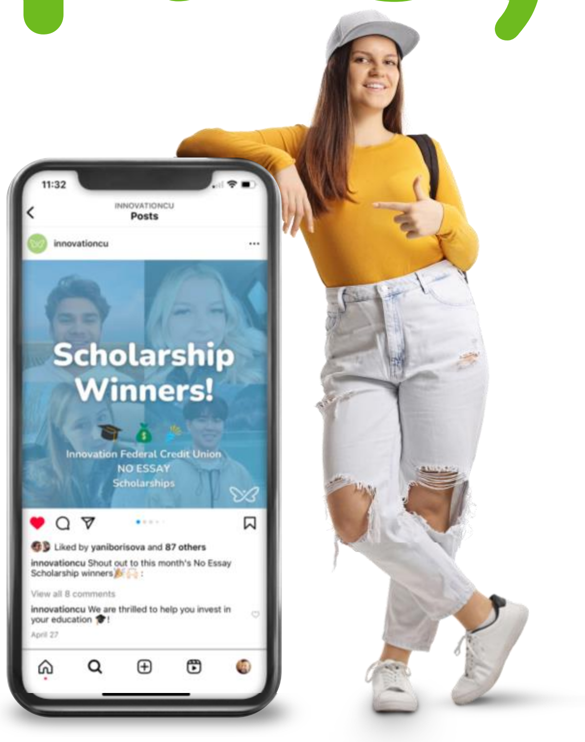
helped make banking accessible for over

11,000

Northern residents

As part of a new and innovative Door-Step Banking Days initiative, six Innovation #PopUpBanks were created and opened for business in various communities – bringing banking services to over 11,000 Northern residents. Up to eight Innovation staff (37 overall) from multiple departments were on-hand at each location to help provide banking information, advice and services to all those in attendance. Some locations were also able to utilize our Mobile Advice Centre (MAC).

$76,000



awarded in scholarships that helped 60 students with their education costs.

Picnic in the Park

Over **5,000 people** attended our 43rd Annual Picnic in the Park on June 2nd - enjoying an afternoon filled with free games, entertainment, sunshine, and a concession with old-fashion prices.

"Innovation's commitment to community makes me very proud to work here." - Ramya Vadasseril - Senior Director, Platform Development

20,000 meals donated

With inflation still significantly impacting Saskatchewan residents and local charitable organizations, our **2024 Food Security Campaign** focused on ensuring that the underserved continued to receive food during this difficult time. The donation resulted in approximately **20,000 meals*** being made available in 2024 and over **50,000 meals** since 2021.

*One meal equals a $5 donation, based on the average meal cost across organizations.

iButterfly Effect

Innovation Employee Matching Program

In support of health, education and poverty, our new employee matching program, the iButterfly Effect, gave back $50,500 in 2024 – supporting the Canadian Mental Health Association, Saskatchewan Intercultural Association and Food Banks of Canada.

$50,500

Co-operative Week and Credit Union Day

We celebrated Co-operative Week and Credit Union Day in the third week of October 2024 with our members and co-operative partners. Innovation committed financial support to other co-operatives such as the Cooperative Development Foundation, Saskatchewan Cooperatives Association, and the Centre for Co-operatives, while staff surprised people in their communities with Random Acts of Kindness (RAK) to brighten their day.

Innovation Opens Modern Advice Centre and Cowork Space in Saskatoon

In April 2024, Innovation opened the first phase of a "self-serve" advice centre (in Saskatoon, SK, adjacent to the University of Saskatchewan) to better meet members' evolving banking needs and digital capabilities. In phase two, the location will offer cowork space as a collaboration hub, providing students and community groups with meeting rooms and comfortable study areas.

$945,308

2024 learning & development spend

24 summer students

hired in 2024

Investing in Our Employees

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

Development Index

85.45%

employee participation in professional development

"Innovation not only invests in learning and development for staff as employees but also invests in them as people."

- James Grosskopf, VP FinTech Partnership Development

Female Leadership Representation

61.7%

Leadership Team Representation

81 Total Leadership Team Members
50 Female / 31 Male

33.3%

Female Board Representation

12 Total Board Members
4 Female / 8 Male

Employee Resource Groups

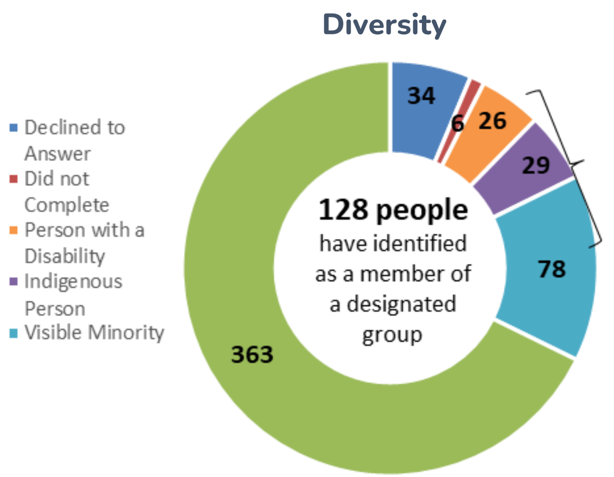
Innovation's Employee Resource Groups (ERGs) are voluntary, employee-led groups that serve to foster a diverse, inclusive workplace aligned with our purpose, values, and goals. By encouraging open dialogue, ERGs play a crucial role in driving cultural transformation, enhancing employee engagement, and helping to create an environment where everyone feels valued and empowered to bring their whole selves to work. We created two Employee Resource Groups in 2024 – Women in Leadership (EmpowHER) and The Indigenous Group (TIG).

CCDI

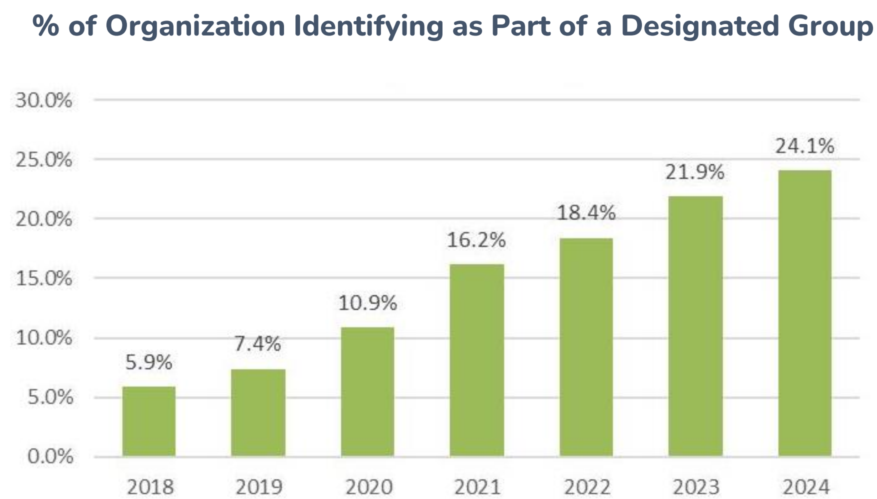
Innovation continues its prosperous partnership with the Canadian Centre for Diversity and Inclusion (CCDI). We also provide and support diversity learning opportunities for staff and have created a company-wide diversity celebration calendar.

24.11%

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



includes employees, management and directors



We established a Pay Equity Committee and published a draft Pay Equity Report for review late in 2024. The Pay Equity Report concluded that we have no pay equity gaps. We will publish our final Pay Equity Plan 60 days after posting the draft plan. Innovation remains committed to Pay Equity and the concepts of pay fairness as part of our Responsible Banking™ approach.

Digitally Expanding and Simplifying Banking for Members

In 2024, we expanded key strategic federal fintech partnerships to help further drive growth, financial stability, and the simplification of our members' banking needs.

Parachute
offers members debt consolidation loans with cash-back incentives.

Willful
makes it easy for members to create a legal will online, that includes an exclusive 20%-member discount.

Nesto
is Canada's trusted lender for online mortgages.

ClearEstate
is a one-stop-shop for members' estate planning and settlement needs.

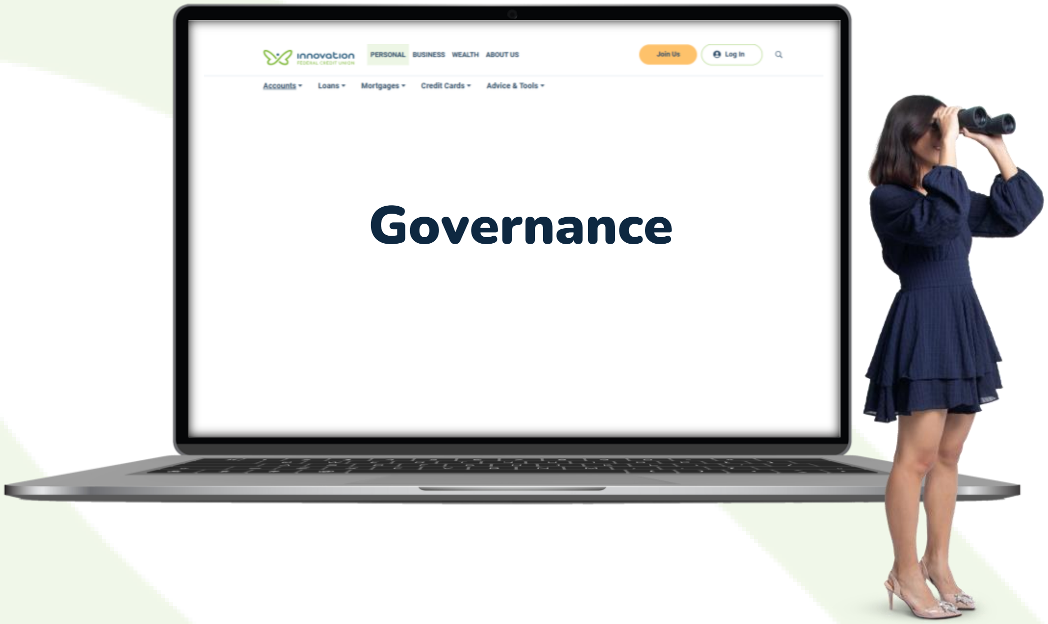
Sustainability

As a federally regulated institution, Innovation Federal Credit Union is committed to responsible banking and long-term sustainability. In light of the OSFI B-15 guidelines, which require all federally regulated financial institutions to establish climate risk management practices and disclose their emissions, we have taken proactive steps to prepare for the future.

Innovation has always been ahead of the curve when it comes to thinking about sustainability. OSFI B-15 requires financial institutions to integrate climate-related risk considerations within governance, strategy, and risk management function of the organization and to increase transparency through disclosure (including climate-related metrics and targets).

To position ourselves to help members and meet regulatory requirements, Innovation has undertaken several initiatives:

- collaboration with industry experts to conduct a current state assessment and initial calculation of our greenhouse gas emissions in accordance with OSFI guidelines.
- integration of climate risk requirements into strategy, risk management, and governance discussions.
- formation of a team to establish our capabilities today, understand what lies ahead and guide a successful build towards a sustainable future.


innovation
PERSONAL
BUSINESS
WEALTH
ABOUT US
Join Us
Log In
Accounts
Loans
Mortgages
Credit Cards
Advice & Tools
Governance

Corporate Structure and Governance

Innovation Federal Credit Union ("Innovation") is a co-operative financial institution headquartered in Saskatchewan. Innovation is regulated by the Office of the Superintendent of Financial Institutions ('OSFI') and must comply with *The Bank Act* (SC 1991), Financial and Consumer Affairs Canada (FCAC), Canadian Deposit Insurance Corporation (CDIC), the Bank of Canada (BoC), Innovation's bylaws and policy, and other applicable laws.

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

Nomination Process

The Board of Directors of Innovation is elected by its members. Innovation follows the Co-operative Principles of Open and Voluntary Membership and of Democratic Member Control. All members have equal voting rights: one member, one vote.

Board terms at Innovation are renewable every three years and there are no term limits. The bylaws of the Credit Union set that least half of the Board must reside in Saskatchewan. Nominees can put their names forward by submitting a nomination package through the process identified in Innovation's bylaws. The voting period is a minimum of seven days with voting performed either electronically or by paper, and election results being announced at the Annual Meeting. In 2024, Innovation members elected five Directors to the Board. This included incumbent directors, new directors and Innovation's CEO. The elected directors fulfilled the diversity and competencies Innovation was seeking.

Board Composition

The Board is composed of 13 individuals (including the CEO), elected by Innovation's membership. Committee composition is determined by the Board through analysis of individual Director's experience, education, and competencies so that Directors can be effective on the committees they serve. The CEO is not a member of any of the standing committees.

Diversity

Innovation seeks to maintain a Board comprised of talented and dedicated Directors with a diverse mix of expertise, co-operative philosophy, experience, skills and backgrounds. Ideally, the Board will reflect the diverse nature of the business and the members. Within Innovation's Board Diversity Policy, Innovation seeks to maintain a Board in which no one gender represents more than 70% of Directors, which was met in 2024. The Board strives to have a diversity ratio of one gender representing no more than eight seats of the Board by 2027.

Competencies

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

Corporate Structure and Governance

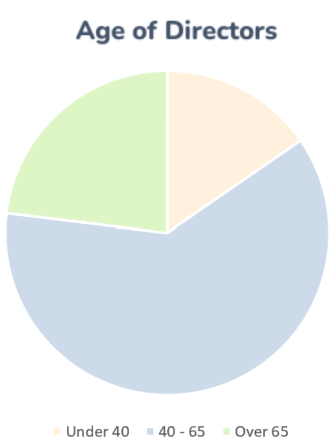
Directors' Financial Institution
As per the Bylaws of Innovation Federal Credit Union, all Directors are required to use Innovation as their financial institution. This ensures that Directors sufficiently understand the services of Innovation and can represent the membership. The Governance, People and Conduct Review Committee determined that all Directors met this requirement in 2024.

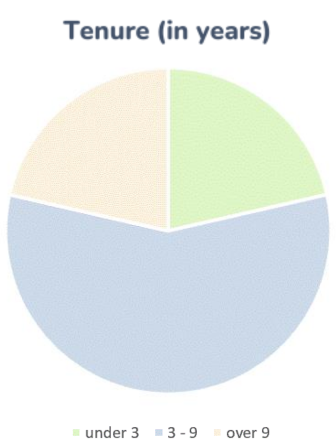
Board Independence/Affiliation
At all times, the majority of Innovation's Board will be independent to ensure that Directors are able to preserve independent, objective and prudent business judgement, and provide unbiased leadership for Innovation.

No more than two thirds of the Board can be affiliated with Innovation, as per definition of affiliated in *The Bank Act*. In 2024, 3/13 Directors were affiliated. With the exception of the CEO, the Board was completely independent in 2024. The Board and its Committees met in camera, without management and non-independent directors present, at minimum once every meeting.

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

In 2024, the Board approved, on the recommendation of the Governance, People and Conduct Review Committee, a roster of potential successors for each leadership role and their readiness to fill the position. The Board continues to monitor and identify potential areas that could be bolstered to avoid possible gaps in future years. The Board continues to grow its evergreen list of potential director candidates to minimize this risk and ensure that Innovation has a Board capable of overseeing a federally regulated financial institution.





Corporate Structure and Governance

Director Remuneration

Remuneration for Board members is in accordance with Innovation's Director Remuneration Policy. Directors received an honorarium payment, in recognition of their service, event attendance, preparation for meetings etc. Per diems were also paid for attendance at meetings, travel and formal training and development.

Innovation bylaws limit remuneration paid to Directors to $1,000,000 in a fiscal year. In 2024, the total Board compensation was $442,746.

Director Expenses

Innovation reimburses Directors for accommodation, travel, and food expenses. In 2024 the total cost of Director expenses was $95,573.

Director Attendance

Directors are required to attend a minimum of two thirds of all Board and Committee meetings. Board meetings were held at least quarterly (following fiscal quarter-end), and December. Strategic Planning was conducted in June and September. Standing Committees met prior to the Board meeting to discuss, review and recommend resolutions to the full Board. Ad hoc meetings may be called from time to time at the call of the Chair. All Directors met attendance requirements in 2024.

Director Education/Development

Innovation requires Directors to engage in ongoing learning and development. During 2024, Directors continued to demonstrate their commitment to education and personal development through individual development plans and as a collective.

The Board and Executive received the following training and development in 2024:

- Capital Markets
- Environmental, Social, Governance (ESG) – with a focus on Environment
- Cyber Risk Governance
- OSFI E-13 Guideline

Individual Director training and development in 2024, included but are not limited to:

- Credit Union Director Achievement Program – CUDA (two Directors achieved graduate status)
- Professional Director Designation (Pro. Dir)
- Chartered Directors Designation (C. Dir)
- Canadian Credit Union Association Conference Attendance
- Governance Best Practices
- Digital Transformation

As set out in the Director Development Policy, all Directors are required to meet a minimum educational requirement prior to completion of the first three-year term. As of December 31, 2024, all Directors met this requirement.

Board of Directors

Attendance and Remuneration

	Attendance		Committee Structure				Remuneration
	Committee Meeting	Board Meeting	Audit and Conduct Review Committee	Risk Committee	Community & Member Relations Committee	Corporate Governance & People Committee	Per Diem and Honorarium not inc. Taxable Benefit (in dollars)
Brian Guillemin	14/14	8/8		✓		✓C	39,904
Bruce Sack	14/14	8/8		✓		✓	33,184
Dayna Whitney*	2/2	1/1			✓	✓	10,194
Ian Hamilton⁺	7/7	5/6	✓		✓		23,961
Joan Baer	11/12	7/8	✓	✓ C			35,879
Karen McBride	12/12	8/8	✓ C	✓			38,904
Liam Choo-Foo	11/11	8/8	✓			✓	34,359
Lisa Arora**	6/7	6/7			✓	✓	23,565
Marty Meloche**	8/8	5/7	✓		✓		21,490
Meagan Cockrill*	2/2	1/1	✓		✓		14,614
Michele Wilde **VC**	12/12	8/8			✓ C	✓	40,874
Mike Davis	11/12	8/8	✓	✓			29,914
Peter Brown	10/10	6/8		✓	✓		28,759
Russ Siemens **BC**	21/21	8/8	ex officio				67,145
						TOTAL	442,746

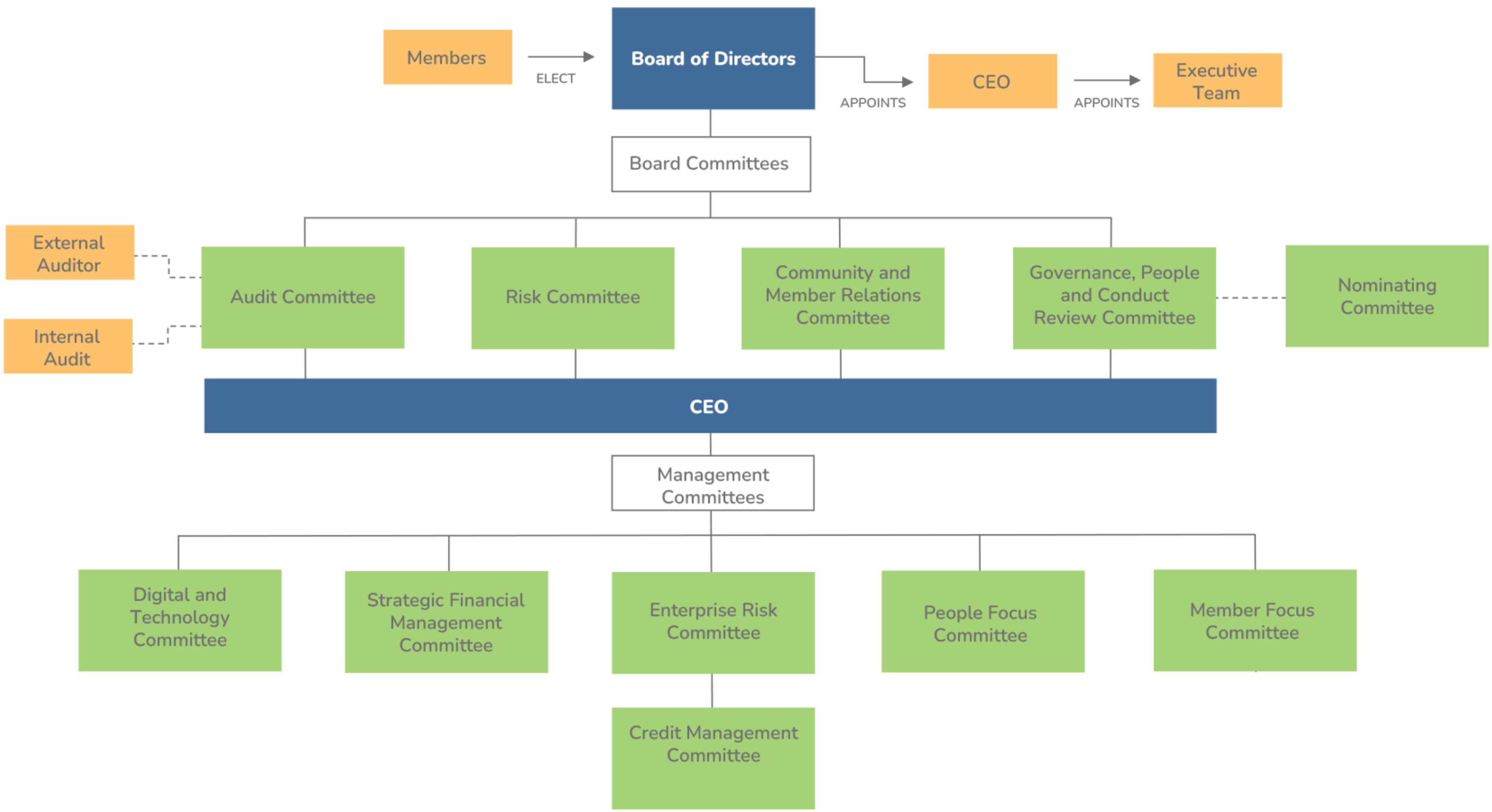
*Until April 2024 **Since April 2024 ⁺ Until October 2024

C - Committee Chair **VC** - Vice Chair **BC** - Board Chair

Ad hoc and informational meetings were held, as needed, in addition to the meetings calculated above.

Payments have been rounded to the nearest dollar.

Governance Structure



Corporate Structure and Governance

Board Highlights

The Board was successful in moving forward several important initiatives in 2024. Notable initiatives include:

- Proposed merger with ABCU Credit Union
- Alignment of Executive Compensation to the Financial Stability Board Guidelines.
- Approved the inaugural issuance of Bearer deposit notes
- Cyber Risk Oversight
- Matured Operational Risk program (National Inherent Risk Assessment ('NIRA'), Resolver, Risk and Control Self-Assessment ('RCSAs'))
- Streamlined the ICAAP Report and reviewed Pillar II Capital
- CEO Performance Management
- Conducted a full Board Assessment
- Quarterly strategic discussions

Committee Highlights

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

Audit Committee

(formerly Audit and Conduct Review Committee)

Six Directors and Board Chair

The Audit Committee ('AC') oversees the financial reporting process, reviews financial statements, liaises with internal and external auditors and regulators, and reviews internal control procedures.

2024 Committee Accomplishments

- Recommended to the Board the issuance of Bearer deposit notes
- Reviewed the value add of the Member Rewards program
- Provided prudent oversight of the financial plan, reviewed budget variances, and financial forecasts
- Fulfilled its fiduciary duty to oversee the capital and liquidity of the Credit Union
- Satisfied all duties as set forth in the Terms of Reference

Governance, People, and Conduct Review Committee

(formerly Corporate Governance and People Committee)
Five Directors and Board Chair

The Governance, People and Conduct Review Committee (GPCRC) establish and maintain effective governance guidelines, monitor the performance and succession of senior leadership, oversee people practices, and ensure compliance with governance policies and Innovation bylaws. In 2024, the GPCRC also acquired oversight of Conduct Review which encompasses Conflict of Interest, Code of Conduct (business and ethics) for all staff and directors, and Related Party transactions.

2024 Committee Accomplishments

- Acquired oversight of Conduct Review matters
- Simplified Director Remuneration
- Scenario planned for the CEO appointment to the Board
- Assessed and determined Board structure post ABCU merger
- Approved Indemnity Agreements
- Actioned a robust director development plan (full board and individually)
- Reviewed compensation frameworks for the organization
- Ensured that the organization has an effective process in place for executive and critical position succession and recommended to the Board the succession plan for the CEO
- Utilized new software for the employee engagement survey that provides more insightful commentary from employees
- Fulfilled all duties as set forth in the Terms of Reference, including review of metrics and strategies pertaining to Human Resources

Risk Committee

Six Directors and Board Chair

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

2024 Committee Accomplishments

- Revamped the Third-Party Risk Management Framework
- Updated and approved new Board Policy Framework
- Oversaw the Model Risk Governance Policy and Information and Data Governance Framework enhancements
- Received an excellent FINTRAC audit report
- Received quarterly reports on IT and Cyber Risk
- Strengthened Second Line of Defence through reorganization of Risk Management Group and new hire of VP Market, Liquidity and Model Risk
- Monitored risks, the Risk Appetite Framework and emerging regulatory requirements
- Fulfilled all duties as set forth in the Terms of Reference

Corporate Structure and Governance

Community and Member Relations Committee

Five Directors and Board Chair

The Community and Member Relations Committee ensures effective frameworks for sustainability and community involvement. They establish efficient and effective service delivery channels to serve current and future members and to oversee the implementation of member education programs. The Committee also maintains an effective mechanism to understand member needs and ensure the membership's voice is integrated in governance and operations.

2024 Committee Accomplishments

- Oversaw progress on climate change and related compliance
- Received reporting on Indigenous relations
- Received reporting on member service levels and satisfaction
- Reviewed member perceptions on Responsible Banking™
- Fulfilled all duties as set forth in the Terms of Reference

Compensation

The Board of Directors of Innovation is accountable for the oversight of compensation and governs the compensation program through a Board approved Compensation Policy. The Policy is designed to support the attraction and retention of highly qualified workforce while ensuring the appropriate management of regulatory, financial, reputational, operational and cultural risk. Programs are aligned with performance goals that motivate employees to achieve strategic goals prudently and within acceptable risk tolerances while driving superior appropriate financial performance and generating long term sustainability. Innovation's approach to compensation is to be market based. Practices are designed around five key principles:

1. Performance Based: Compensation rewards performance. Our pay for performance approach provides a direct link to both corporate and individual performance through our Short-Term Incentive plan. We reward the performance of individuals, business segments and organizational results relative to objectives that support our business strategies for sustainable growth.
2. Risk Aligned: Compensation aligns with sound risk management principles. Compensation programs and practices align with the enterprise-wide risk management framework to ensure there is an appropriate balance between risk and rewards. Performance of individuals, business segments and Innovation overall is assessed on a number of measures, including adherence to risk management policies, OSFI Corporate Governance Guidelines, and the FSB Principles for Sound Governance. Compensation will not incentivize taking excessive risks.
3. Competitive: Compensation enables Innovation to attract, engage and retain talent. Target total compensation is benchmarked to ensure it is competitive in the markets where we operate and compete for talent. Our compensation programs reward employees for high performance and their potential for future contribution.
4. Member-Driven: Compensation rewards behaviours that align with our values and drive exceptional member experiences. Innovation values form the foundation of our culture and underpin our Member First commitment to put the needs of our members first and deliver exceptional value.

5. Equitable: That all compensation is equitable, and that equal pay is provided for equal work. Innovation Federal Credit Union takes factors of skill, effort, responsibility, and working conditions into consideration when determining whether work is equal or of equal value. Innovation will be transparent in its compensation processes and documentation will be maintained throughout the process to ensure the appropriate implementation and enforcement. Exceptions may be made for positions where - based on geography, supply or market pressures - the position may be determined as critical or hard to attract and/or retain. These positions may have a premium added versus similarly evaluated roles.

The Board delegates oversight of compensation philosophy, design and administration to the Governance, People & Conduct Review Committee ('GPCRC'). The Board delegates the following accountabilities to the GPCRC, through the GPCRC Terms of Reference:

a. annually review the Credit Union's compensation philosophy, policy, structure, and programs, and will recommend any material changes for Board approval, ensuring that it is fair and transparent, and has alignment with the Credit Union's:
   i. corporate strategy,
   ii. corporate budget and business plans,
   iii. People Strategy,
   iv. regulatory requirements and compliance, including OSFI's Corporate Governance Guideline, Pay Equity and Employment Equity Regulations, and the Financial Stability Board Principles for Sound Compensation Practices,
   v. risk management framework, and
   vi. competitive environment.

b. review and recommend to the Board any new compensation, incentive, or pension plans, or any material changes to such plans.
c. monitor and assess actual corporate performance against short and long-term incentive plan targets, and review and recommend to the Board the result and payout factor and aggregate payments under the Credit Union's incentive plans, engaging in any consultations that may be required, such as:
   i. with the Audit Committee on the quality of earnings used to determine such awards and the affordability of the program;
   ii. with the Risk Committee and Chief Risk Officer on performance against any risk metrics;
d. regularly review and recommend to the Board Innovation's approach to annual reporting and disclosure in relation to executive compensation; and
e. Review and confirm alignment with the Financial Stabilization Board (FSB) Principles for Sound Compensation.

Innovation may engage independent advisors to provide an external perspective of marketplace changes and best practices related to compensation design and governance, and objective advice regarding the appropriate level of compensation. When engaged, these advisors should provide a report of their findings and recommendations directly to the GPCRC.

Base Salary

Innovation Federal Credit Union is committed to providing market competitive wages and to be compliant to the *Canada Pay Equity Act*. Innovation targets the median for base salary ranges and uses recognized, national compensation surveys to evaluate and determine the salary ranges. A formal review of the market occurs every two years. Innovation uses a modern job evaluation system to ensure compensation equity across all roles.

Variable Compensation

Variable or "at risk" compensation is a component of the total compensation program. Each year, a portion of the compensation for employees is determined by both corporate scorecard metrics and individual performance objectives. Innovation must meet a minimum threshold of financial performance for employees to be eligible for variable compensation.

All employes are eligible to participate in a Short-Term Incentive Plan ('STIP'). The STIP is designed to link corporate objectives to individual staff performance plans, thereby ensuring clear accountability and line of sight throughout the organization. Payouts of this variable incentive program are designed to be triggered based on achievement of corporate targets as well as individual targets.

The aggregate STIP amount paid annually by Innovation is influenced by four factors:

- Organizational year-end financial performance which produces the corporate tier at which a STIP may be available.
- Individual results in relation to annual performance management goals.
- The composition of the staff complement as each position has a market relevant variable compensation target as a percentage of salary amount as indicated in Table 1.
- The number of staff eligible for the STIP.

At the individual level, the STIP consists of two components:

- The corporate portion constitutes 50% of the program.
- The individual component makes up the remaining 50% of the program.

The Compensation Policy ensures that, for target STIP to be paid, financial performance is appropriate. To enact the program, the corporate trigger ROE[1] must meet a minimum of 8%. The target, or 100% of the corporate portion of the STIP, is paid when the organization achieves the annual budgeted corporate trigger ROE or a minimum of 10%, whichever is greater.

The CEO and eligible members of the Executive Team also participate in a Long-Term Incentive Plan ('LTIP'). The purpose of the LTIP is to align compensation to the Financial Stability Board Principles for Sound Compensation as well as ensuring a competitive, market based total compensation package. It is designed to drive the achievement of the Credit Union's strategic plans by focusing on longer-term success. The LTIP incents participants to achieve long term goals that result in Innovation's sustainable growth and the creation of long-term member value.

[1]Corporate trigger ROE = (operating income before taxes, before member distributions, before variable compensation (STIP and LTIP) and excluding unrealized gains/losses) / prior year-end retained earnings

Corporate Structure and Governance

The LTIP program is a long-term cash plan with an annual grant frequency based on a performance period of three fiscal years. The amount granted is based on pre-established performance metrics related to profitability and member centric growth. The LTIP includes hurdles that must be met to trigger any payment. The target payment is 25% for the CEO and 15% for eligible Executive.

Table 1

Employment Group	Weighting of Corporate vs. Individual	Target of STIP as a % of Base Salary	Maximum STIP	Target of LITP as a % of Base Salary	Maximum LITP
CEO	50/50	40%	60%	25%	37.5%
Executive Management	50/50	25%	37.5%	15%	22.5%
Senior Management	50/50	15-17.5%	22.5-36.25%	Not Eligible	
Sales Role Management	50/50	12.5%	18.75%		
Front Line Retail BackOffice/Support Professional/Technical	50/50	10.0%	15%		

Managing Risk in Compensation

Compensation is linked to performance against the corporate scorecard and adherence to risk appetite. Innovation manages compensation programs to ensure that these programs do not cause regulatory, financial, reputational, operational, and talent retention risks. Oversight and controls include, but are not limited to:

- Innovation's Risk Management Team and Internal Audit functions provide independent oversight and reporting to the Board. These risks are managed within Innovation's approved risk appetite.
- The Audit Committee is responsible for reviewing any proposed variable compensation payments. They ensure these payments meet the requirements of Policy and that they are within the financial capacity of the organization.
- Any employee falling under the Definition of Responsible Persons and/or within an Oversight Function may be subject to a compensation claw back. Claw backs are restricted to Short-Term Incentive and Long Terms Incentive paid within the previous 36 months. The Risk Committee is responsible to review any variable compensation payments and determine whether there was any inappropriate risks or violations of the Policy that occurred that would justify a reduction or elimination of future, or claw back, of past incentive payments. Recommendations of such would be made to the Board.
- If a significant revenue or expense item does in fact occur because of normal course of business, the potential frequency or occurrence must be considered. Those items which are deemed to be one-time only or cannot be repeated in the future will be excluded from the determination of the corporate results portion of the STIP program.

Ultimately the Board of Directors has full authority to approve, in all or in part, or to not approve payment of any variable compensation.

Corporate Structure and Governance

Employee Benefits

Innovation provides a robust suite of benefits to all its eligible employees. This includes:

- Pension plan
- Health and dental benefits
- Life insurance
- Wellness days
- Sick days
- Vacation
- Employee Family Assistance Plan (EFAP)
- Medical appointment coverage
- Employee loan pricing
- Wealth planning
- Education and development

Executive Compensation

The Board of Directors has the exclusive responsibility of overseeing and approving the remuneration and performance of the CEO and Executive. The Board, on the recommendation of the Governance, People & Conduct Review Committee, approves the salary and specific components of the CEO's compensation package. They also approve the position level, pay range and available components of the total compensation of the Executive Leadership Team. The Board also has the accountability to approve all variable compensation distributions to the CEO and Executive.

The CEO and Executive Team participate in the Short-Term Incentive Program under the same parameters as the rest of employees in the organization. Certain members of the Executive Team are also eligible for the Long-Term Incentive Program.

The table below provides transparency of the compensation structure for Innovation's Executive Team. Details include base salary, variable compensation, and other benefits to ensure clarity and accountability in our compensation practices.

Executive Compensation

	Base Salary	Short Term Incentive (STIP)	Long Term Incentive (LTIP)	Employee Benefits & Perquisites	Total Compensation
CEO	437,580	114,865	54,698	76,955	684,097
Executive	1,629,883	312,402	111,228	243,026	2,296,539

*all values are rounded to the nearest dollar

CEO Evaluations

The Governance, People and Conduct Review Committee ensures that the Board completes the annual mid- and year-end performance assessment of the CEO. In 2024, these processes were facilitated by a third party. The CEO's remuneration is aligned with both business and individual performance objectives and is structured to incentivize the achievement of strategic business goals, consistent with our Board-approved risk appetite statement and corporate scorecard.

Transparency and Ethics

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

Corporate Structure and Governance

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

- **Protecting consumers.** Innovation follows *The Bank Act* and Financial Consumer Protection Framework Regulations overseen by the Financial Consumer Agency of Canada as well as co-operative principles endorsed by the International Co-operative Alliance and the international credit union operating principles as endorsed by the World Council of Credit Unions. Innovation's Board is required to approve, oversee and periodically review and assess the effectiveness of policies and procedures respecting market practice that ensures good business practices and fairness to consumers. The Market Code can be found in Appendix B.
- **Respecting the privacy of its members and customers, through the Board's adopted Credit Union Code for the Protection of Personal Information.** Innovation has policies and procedures in place to protect your privacy and the right to protect the collection, use and disclosure of personal information. Further information can be found on our website at https://www.innovationcu.ca/legal/privacy-and-security.html
- **Outlining the expectation for business conduct and decision making through its Code of Conduct and related procedures and practices**. Annually, the Code of Conduct is acknowledged by all employees, officers and Directors indicating that they have read, understood and complied to the Code. In addition, Innovation has an Integrity in Action Program (whistleblower) which is reviewed biennially by the Board and shared with all employees on an annual basis as well as part of their onboarding. Management investigates all incidents of non-compliance with the Code of Conduct and determines appropriate responses to non-compliance.

Co-operative Industry Directorships

Ian McArthur, Chief People & Governance Officer, was elected to the Board of SaskCentral from April 2021 – April 2024. In 2022, he was elected to the Cooperative Development Foundation of Canada Board for a three-year term. He was elected Chair of CDF in October 2024.

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

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

Board of Directors

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

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

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

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 the IFCU Board in providing a clear vision, providing oversight of exceptional value to members, focusing on the cooperative principles, and ensuring a sustainable Credit Union for future members.

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

Michele Wilde, Pro. Dir
Vice Chair
Chair of Member and Community Relations Committee

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

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

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

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

Board of Directors

Lisa Arora, B. Ed, CDI.D,

Board Member

Director Since: 2024
Term Expiry: 2027
Victoria, BC

Lisa Arora is the Founder and President of Get the Picture, a boutique consultancy which provides management consulting and visual facilitation services to organizations looking to drive change. She has helped companies navigate system reform, develop strategic enterprise and transformation plans, drive culture change, improve processes and harness group genius to solve a range of other organizational and team development issues. She has well developed strategic acumen, having both advised businesses, public sector and trade associations on their strategies and built her own successful company.

Arora is highly respected for her exceptional ability to read people, work with disparate groups in complex settings, listen and play a leading role in bringing about consensus and solutions. She is motivated by challenge and capable of generating and critiquing creative and innovative ideas.

Lisa is a certified director through Corporate Directors International and a certified mediator. Past service on boards includes United Way of Southern Vancouver Island (Past Chair), Camosun College Foundation, Strategic Advisory Panel to the Auditor General of British Columbia (2012) and International Forum of Visual Practitioners.

Joan Baer, ICD.D, MBA, ACUIC

Board Member
Chair, Risk Committee

Director Since: 2019
Term Expiry: 2025
Goodsoil, SK

Joan is the owner of Baer Values which provides consulting services in the areas of strategic planning, risk management, CEO performance evaluations, capital and liquidity management, business cases and project management. During her career, Joan managed a credit union for over 20 years, as well as implemented and manages internal audit functions for Saskatchewan credit unions.

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

She holds an MBA in Executive Management, an ICD.D, and ACUIC Designation.

Board of Directors

Peter Brown

Board Member

Director Since: 2023
Term Expiry: 2026
Lloydminster, SK

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

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

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

Peter provides strong leadership and guidance to his team, driving purpose and vision throughout the organization. In 2024 he completed the Executive Masters of Business Administration (MBA) program through the University of Fredericton.

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

Admin; Pro.Dir
Board Member

Director Since: 2021
Term Expiry: 2027
Swift Current, SK

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

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

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

Board of Directors

Mike Davis

Board Member

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

Brian Guillemin, MBA, Pro. Dir

Board Member
Chair, Corporate Governance and People Committee

Director Since: 2022
Term Expiry: 2025
Saskatoon, SK

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

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

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

Brian worked for almost 30 years within the credit union system. During that time, he was actively involved in the financial/payment card industry and participated in major technology changes and organizational transformations. Throughout Brian's career, both within the credit union sector and SaskTel, he gained significant experience in technology implementations, project management, strategy development, change management, risk management, vendor management and succession/talent management.

Brian has received his certificates in Digital Transformation: Leading People, Data & Technology, Platform Strategies for Success, and recently Cyber Risk Governance. In 2011 he received his International Executive M.B.A. and in 2024 he completed his Professional Director Designation through Governance Solutions. In addition to his experience and education, Brian has contributed to his community through directorships on the following boards: Cedar Villa Estates Community Association (current Chair), Saskatchewan Science Centre Saskatchewan Fencing Association, and Child Find Saskatchewan. He also has served on multiple advisory committee's surrounding the finance and technology sectors.

Board of Directors

Daniel Johnson, B.Comm, C. Dir
Board Member

Non-Independent Director Since: 2023
Term Expiry: 2027
Swift Current, SK

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

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

Dan believes in community and volunteerism which reflects his personal values and priorities. Dan and his wife Laureen live in Swift Current. Their kids, Hunter and Kamryn, are attending university and stay active with sports. They all love camping and travelling.

Marty Meloche, B.Comm, C. Dir
Board Member

Director Since: 2024
Term Expiry: 2027
Regina, SK

With his career focused on the credit union and co-operative sector, Marty worked in leadership positions at SaskCentral, CUCORP and Concentra Financial. He focused in areas of risk, revenue sourcing, commercial banking, restructures, and strategy.

Highlights of Marty's career include leading corporate and commercial banking units, as well as being responsible for overall risk portfolio and annual credit reviews with the federal regulator. Marty was also on the project team at SaskCentral that created and subsequently led the first multi province corporate banking entity for the Canadian credit union system.

Over the years, he has volunteered and chaired many community events and served on the following boards and committees: Regina Exhibition Association Limited (REAL), Financial Executives Institute - Saskatchewan, Canadian Credit Union Association - National Lenders Committee, and is currently on the board of Simpson Seeds Inc.

Marty holds a Bachelor of Commerce and a Chartered Director designation (C.Dir Honours) and has taken development courses in the areas of executive leadership, mergers and acquisitions, and Canadian Securities.

Board of Directors

Karen McBride, MBA, ORMP, QRD, C. Dir

Board Member
Chair of Audit and Conduct Review Committee

Director Since: 2022
Term Expiry: 2025
Regina, SK

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

Karen has held mid and senior management level positions in accounting, technology, and corporate services. She obtained her MBA at Queen's University, Masters Certificate in Operational Risk from York University, and Operational Risk Management Professional Designation from the International Institute for Operational Risk Management. She was key in the design and launch of Concentra Financial, serving as its first Chief Risk Officer. In 2012, Karen retired from Concentra as Executive Vice President, Chief Risk Officer & Chief Compliance Officer, and now operates Risk Lens Consulting.

Karen has completed multiple volunteer missions in Africa, including one year in Malawi with her husband Blair. Here, Karen assisted the financial co-operative system to comply with new regulatory requirements and legislation, develop risk management systems and policies, and strengthen leadership competencies. Together, they launched a new credit union for the Malawi national police service.

Bruce Sack, ACCUD

Board Member

Director Since: 2010
Term Expiry: 2026
North Battleford, SK

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

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

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

Bruce has a strong foundation in co-operative values serving as an employee for 32 years in retail and credit union co-operatives and 14 years as a Board Member. He focuses on ensuring the employees and members are at the forefront of Board decisions.

Board of Directors

Meagan Cockrill CPA, CA, BBAH

Retired Board Member

Director Since: 2021
Term Expiry: 2024
Battleford, SK

Ian Hamilton

Retired Board Member

Director Since: 2017
Term Expiry: 2024
North Battleford, SK

Meagan is a CPA, CA and obtained her Chartered Accountant designation with KPMG LLP in Vancouver. She has worked in both public practice and industry, gaining experience in large and small organizations and in industries like mining, manufacturing, insurance, and secondary education. She has experience in internal and external audit, budgeting and forecasting, financial modelling and data analysis, and driving operational efficiency through process optimization and technology implementation.

Meagan values accountability, integrity, and is motivated to ensure that Innovation is successful and sustainable long-term. She strives to continually deepen her understanding of the business and its drivers, to challenge thoughtfully and respectfully, and to understand others' perspectives and motivations. She is passionate about strengthening communities and believes that improving the financial lives of Canadians is critical to this goal. She believes in reducing complexity in banking, in increasing nation-wide financial literacy, and in the importance of great customer service.

Meagan lives in Battleford, SK with her husband Jeremy and son Bennett. She enjoys playing tennis and piano as well as reading non-fiction and biographies. She has volunteered with Meals on Wheels, the Boys & Girls Club, and Safe Families Canada in the Battlefords.

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

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

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

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

Board of Directors

Dayna Whitney

Retired Board Member

Director Since: 2021
Term Expiry: 2024
Eastend, SK

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

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

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

Board of Directors

2024 Board Competency Matrix

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

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

* = until April 2024

+ = until October 2024

Corporate Structure and Governance – Executive Team

Daniel Johnson
Chief Executive Officer

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

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

Dan believes in community and volunteerism which reflects his personal values and priorities. Dan and his wife Laureen live in Swift Current. Their kids, Hunter and Kamryn, are attending university and stay active with sports. They all love camping and travelling.

Sheldon Hess
Chief Financial Officer

Upon graduation from the University of Saskatchewan in the spring of 1995 with a Bachelor of Commerce degree, Sheldon began his credit union career with Moosomin Credit Union in the fall of 1995. Early in 1997, Sheldon joined Innovation working in various capacities with the credit union since that time.

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

- Executive MBA
- Chartered Director (C. Dir) from The Director's College
- 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 reading, spending time with his family along with various outdoor activities.

Corporate Structure and Governance – Executive Team

Brad Appel
Chief Business Banking Officer

Brad began his career in the credit union system in 1993 and has spent the past 17 years at the executive level.

With a passion for credit management, Brad has strategically expanded Innovation's quality assurance and portfolio management programs.

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

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

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

Dean Gagne
Chief Disruption Officer

Dean Gagne is the Chief Disruption Officer of Innovation Credit Union. Dean has been with Innovation Credit Union since December of 2013 and has over 25 years of experience in the financial services industry.

Prior to joining Innovation Credit Union, Dean's work experience covered research, consulting, strategy, technology management, digital marketing, marketing, and advertising. Dean has previously held high-level research/consulting positions, as well as line management positions, for leading edge corporations and consulting firms. He has also taught marketing strategy, consumer behavior and marketing research for several universities throughout the world.

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

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

Corporate Structure and Governance – Executive Team

Ian McArthur
Chief People and Governance Officer

Ian's credit union career began in 1994. He has a deep and intimate knowledge of credit unions and an undeniable commitment to the credit union community. Ian joined Innovation in April of 2015 and currently holds the role of Chief People & Governance Officer. He has a passion for leadership and take strives to influence continuous improvement in governance practices within all companies he works for or with.

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

Ian lives in Regina with his wife Donna and two daughters, Hayley and Sara. He is active volunteer with particular emphasis on pediatric healthcare. His family has actively supported numerous fundraising activities for the Pattison Children's Hospital Foundation and the Hospitals of Regina Foundation.

Sandra Meinig
Chief Risk Officer

Sandra Meinig is the Chief Risk Officer of Innovation and has over 25 years of experience in the financial industry. Sandra is known as a business-oriented risk executive and has built a successful track record developing strategies and executing major shifts in how risk management supports the business objectives.

Her proven leadership of collaborative and cross-functional teams provides strategic direction, oversight and stewardship across the organization ensuring effective risk management practices in protection of member value and the fulfillment of regulatory requirements.

Sandra lives in Toronto with her husband Dave and enjoys gardening, cooking, golf, kayaking and travel.

Corporate Structure and Governance – Executive Team

Jason Cinq-Mars

Chief Information Officer

Jason joined #InnovationNation in January 2023 as the Senior Vice President (SVP) of Next Generation Banking, where he defined and implemented a strategic vision to position the credit union as a leader in Consumer Driven Banking (Open Banking) and Banking as a Service. Under his leadership, Innovation became the first credit union in Canada to launch a cloud-based core banking system with Fiserv, leveraging the Azure platform to deliver a seamless and secure digital banking experience to its members.

As CIO, Jason oversees the information, technology, and security functions of the credit union, ensuring alignment with the business objectives and the member needs. Jason has over 25 years of experience in the business technology industry, spanning strategy, execution, and operations. He has held senior leadership roles in various organizations, including 15 years within the Credit Union System.

Throughout his career, he has been passionate about life-long learning, co-operatives, member experience and continuous improvement in the services provided and the adaptive practices through which strategy is executed.

Jason was born in Winnipeg, Manitoba and now lives in Edmonton, Alberta, with his wife Terri and their two sons.

Gwen Renwick

Chief Wealth Officer

Gwen began her credit union career in 1989 with Battlefords Credit Union. Since that time, she has held roles with Vancouver City Savings Credit Union, BCU Financial, RBC and now with Innovation Wealth – rising to her current role as Chief Wealth Officer.

Gwen's expertise has been in creating plans that enabled members to invest successfully to reach their goals. This expertise and passion has helped her attain Personal Financial Planner and Qualified Associate Financial Planner designations. She also has achieved the Canadian Securities, Branch Compliance and Canadian Investment Fund courses.

A credit union member since 1968, Gwen believes in the cooperative values and the focus on giving back to the communities that Innovation serves. She spends time giving back in her community by supporting various charities through volunteering and fundraising – most notably for breast cancer research and cancer survivors.

Gwen and her husband Bryan are proud parents of two children and now live in Saskatoon, Saskatchewan.

Corporate Structure and Governance – Executive Team

Shahani Perera
Chief Transformation Officer

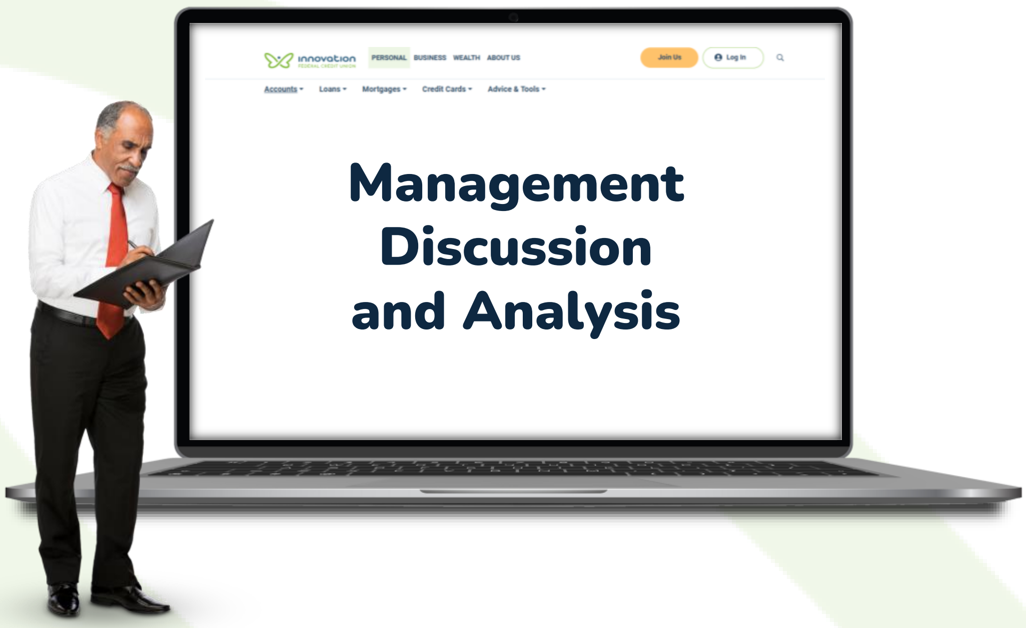
Shahani has been with Innovation since January of 2022, bringing over 15 years of experience in various industries and consulting to the team. Before joining Innovation, Shahani's work experience covered retail, wealth, business banking, human resources, marketing, strategy, change and transformation including process and business intelligence.

Shahani truly believes in transforming organizations to improve the member and employee experience and leads her teams with heart and backbone. Her passion and empathy for those she leads and influences are two of her key strengths.

Shahani strives to lead with humility, a "stop, drop and collaborate" attitude and a desire to support others at any level through their change journey.

Shahani recently completed Executive Masters in Business Administration in Innovation Leadership in 2023, as well as her Post Graduate Certificate in Digital Transformation. She also has achieved PROSCI certification, Lean Six Sigma Black Belt, SaFe Implementation Certification and Certified Scrum Master training.

Shahani was born in Colombo, Sri Lanka. She and her husband Guy and their three children live in Brandon, Manitoba.


innovation
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Management Discussion and Analysis

Management Discussion and Analysis

This Management's Discussion and Analysis (MD&A) is presented to enable readers to assess material changes in the financial condition of the operating results of Innovation Federal Credit Union ("Innovation", "the credit union", "the organization") for the year ended December 31, 2024, 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, 2024 and should be read together. The MD&A includes information up to March 3, 2025. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from Innovation's annual Consolidated Financial Statements.

Caution Regarding Forward-Looking Statements

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

Factors That May Affect Future Results

The economic and business conditions in Canada and abroad can impact domestic and local economies, affecting business, consumer prices, and personal incomes. The prevailing conditions nationally influence financial markets and the Bank of Canada's monetary policy, causing changes in interest rates and the value of the Canadian dollar. Fluctuations in the capital markets, environmental conditions and competition can impact the market share and price of Innovation's products and services, affecting performance.

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

2024 Economic Conditions and Future Outlook

This section contains forecasts and predictions based on information and assumptions from sources considered reliable. Actual outcomes may be materially different from the outlook. This is particularly true considering the rapidly changing economic climate influenced by U.S. tariffs and the resulting heightened level of future uncertainty.

Global

According to the International Monetary Fund global economic growth is projected at 3.3 percent in both 2025 and 2026, which trails historic averages. Global headline inflation is expected to decline to 4.2 percent in 2025 and to 3.5 percent in 2026. *(IMF, World Economic Outlook, January 2025)*

Medium-term risks to the baseline are tilted to the downside, while the near-term outlook is characterized by divergent risks. Upside risks could lift already-robust growth in the United States in the short run, whereas risks in other countries are on the downside amid elevated policy uncertainty. Policy-generated disruptions to the ongoing disinflation process could interrupt the pivot to easing monetary policy, with implications for fiscal sustainability and financial stability. Managing these risks requires a keen policy focus on balancing trade-offs between inflation and real activity, rebuilding buffers, and lifting medium-term growth prospects through stepped-up structural reforms as well as strong multilateral rules and cooperation. *(IMF, World Economic Outlook, January 2025)*

This global outlook is further supported by the January 2025 Monetary Policy Report published by the Bank of Canada. Global growth expectations contained within this report are found below. *(Bank of Canada, Monetary Policy Report, January 2025)*

2024 Economic Conditions and Future Outlook

Table 3: Projection for global economic growth

		Projected growth* (%)			
	Share of real global GDP† (%)	**2023**	**2024**	**2025**	**2026**
United States	15	2.9 (2.9)	2.8 (2.8)	2.6 (2.4)	2.3 (2.2)
Euro area	12	0.5 (0.5)	0.7 (0.7)	0.8 (1.2)	1.3 (1.6)
Japan	3	1.5 (1.7)	-0.2 (-0.1)	1.2 (1.3)	1.1 (1.0)
China	19	5.2 (5.2)	5.0 (4.6)	4.9 (4.3)	4.1 (4.1)
Oil-importing EMEs‡	34	4.0 (3.9)	3.7 (3.7)	3.8 (4.0)	4.1 (4.0)
Rest of the world§	17	1.6 (1.4)	2.1 (2.0)	2.1 (2.2)	2.5 (2.2)
World	100	3.2 (3.2)	3.1 (3.0)	3.1 (3.1)	3.1 (3.0)

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

† Shares of gross domestic product (GDP) are based on International Monetary Fund (IMF) estimates of the purchasing-power-parity valuation of country GDPs for 2023 from the IMF's October 2024 *World Economic Outlook*. The individual shares may not add up to 100 due to rounding.

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

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

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

National

As per the Bank of Canada:

Inflation in Canada has been around 2% since August 2024. Inflation rates for most major components of the consumer price index are below their historical averages, but inflation in shelter prices is elevated and is easing slowly. Inflations expectations have largely normalized and are projected to remain near the 2% target over the projection horizon.

Growth in the Canadian economy was softer than expected in the third quarter of 2024, but there are signs activity has since gained momentum despite a slowdown in population growth. Past interest rate cuts are contributing to an increase in household spending and housing activity. The labour market is still soft, and there are some signs that wage growth has slowed. The economy remains in modest excess supply.

Canadian economic growth is forecast to average 1.8% in 2025 and 2026. Household spending strengthens and is anticipated to remain robust, supported by past cuts to interest rates. Excess supply is expected to gradually dissipate over the projection.

2024 Economic Conditions and Future Outlook

Both upside and downside risks surround the outlook, and the Bank of Canada is equally concerned with inflation rising above the 2% target or falling below it. Excluding new wide-ranging US tariffs, the risks to the outlook for inflation are roughly balanced. However, US trade policy has emerged as a major source of uncertainty. (Bank of Canada, Monetary Policy Report, January 2025)

Table 1: Contributions to average annual real GDP growth Percentage points*†

	2023	2024	2025	2026
Consumption	1.0 (0.9)	1.1 (1.2)	1.3 (0.7)	0.9 (1.1)
Housing	-0.7 (-0.9)	-0.1 (0.0)	0.5 (0.5)	0.2 (0.5)
Government	0.6 (0.5)	0.7 (0.7)	0.5 (0.6)	0.4 (0.4)
Business fixed investment	0.2 (-0.1)	-0.1 (-0.1)	0.1 (0.4)	0.2 (0.5)
Subtotal: final domestic demand	1.1 (0.5)	1.6 (1.8)	2.4 (2.2)	1.7 (2.5)
Exports	1.6 (1.8)	0.3 (0.4)	0.6 (1.5)	0.8 (1.0)
Imports	-0.1 (-0.3)	-0.2 (-0.2)	-0.7 (-1.1)	-0.8 (-1.2)
Inventories	-1.1 (-0.8)	-0.4 (-0.8)	-0.5 (-0.5)	0.1 (0.0)
GDP	1.5 (1.2)	1.3 (1.2)	1.8 (2.1)	1.8 (2.3)
Memo items (percentage change):				
Range for potential output	1.4–3.2 (1.4–3.2)	2.1–2.8 (2.1–2.8)	1.1–2.4 (1.1–2.4)	0.9–2.2 (0.9–2.2)
CPI inflation	3.9 (3.9)	2.4 (2.5)	2.3 (2.2)	2.1 (2.0)

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

† Numbers may not add to total due to rounding.

Sources: Statistics Canada and Bank of Canada calculations and projections

Financial Highlights

Each year, Innovation develops a corporate plan through a comprehensive budget and planning process. The following table provides an overview of key financial measures compared to targets for 2024. Actual results for 2023 have also been included for comparative purposes.

Table 1: Select Financial Information

	2024 Actual	2024 Plan	2023 Actual
Growth			
Total Assets *	4,239,955	4,229,107	3,785,183
Annual Asset Growth	12.01%	11.73%	14.74%
Total Deposits *	3,601,175	3,668,037	3,305,029
Annual Deposit Growth	8.96%	10.98%	15.95%
Total Loans *	3,733,405	3,590,629	3,193,839
Annual Loan Growth	16.89%	12.42%	19.90%
Credit quality			
Delinquency greater than 90 days	1.21%	<= 1.25%	0.58%
Gross Impaired loans *	35,763	7,256	8,972
Allowance for credit losses *	19,186	12,694	12,786
Provision for credit losses *	9,553	6,560	4,166
Liquidity management			
Liquidity Coverage Ratio	157.51%	183.59%	238.56%
Loan to asset ratio	88.05%	84.90%	84.38%
Capital			
Common Equity Tier 1 Capital / Risk Weighted Assets	14.78%	15.20%	16.43%
Total Tier 1 Capital / Risk Weighted Assets	14.78%	15.20%	16.43%
Total Eligible Capital / Risk Weighted Assets	15.21%	15.55%	16.79%
Leverage Ratio	8.53%	8.60%	8.87%
Profitability and member return			
Operating income before member distributions and tax *†	36,138	35,346	29,401
Member distributions *	5,271	5,302	4,241
Net income *	24,674	23,915	20,228
Return on assets (ROA)	0.58%	0.57%	0.53%
Return on equity (ROE)	7.31%	7.09%	6.38%
Efficiency ratio †	68.45%	70.13%	73.32%

**In thousands of Canadian $*

†Excludes unrealized gains (losses) and member distributions

Financial Review – Results Of Operations

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

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

Total Net Revenue

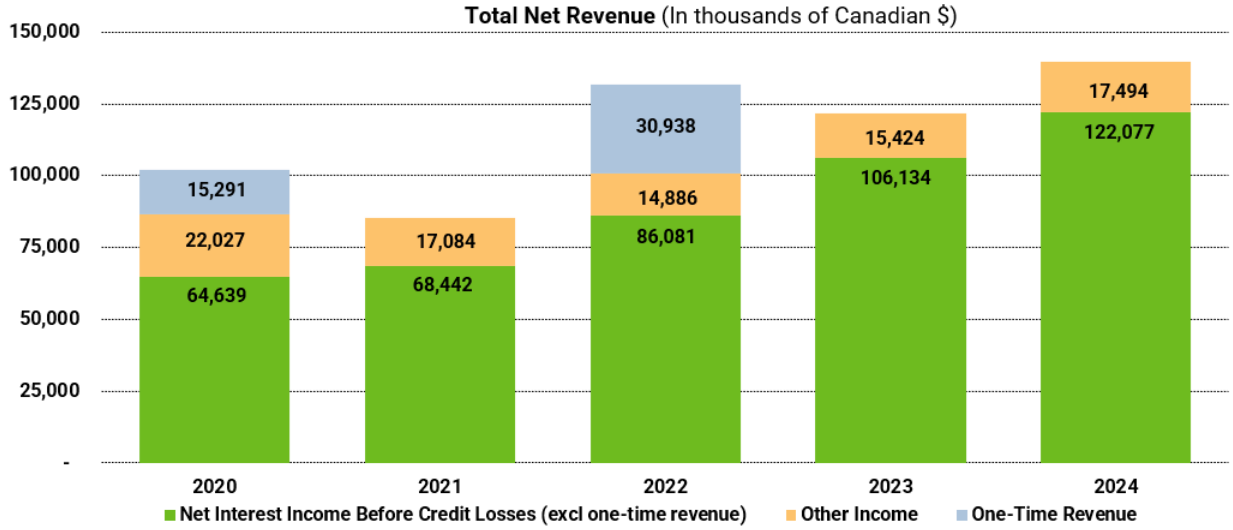
Total net revenue earned by Innovation consists of income and expense generated by interest bearing assets and liabilities held on the Consolidated Statement of Financial Position (balance sheet) as well as revenue generated from non-interest sources.

Table 2: Total Net Revenue

	2024		2023	
(In thousands of Canadian $)	**Actual ($)**	**% Of Total**	**Actual ($)**	**% Of Total**
Net Interest Income Before Credit Losses	122,077	87.5%	106,134	87.3%
Other Income	17,494	12.5%	15,424	12.7%
Total Net Revenue	**139,571**		**121,558**	

Total net revenue increased $18.0 million or 14.8% to $139.6 million in 2024. Historic results are inclusive of the recognition of a $30.9 million one-time dividend included in 2022 as well as revenues generated by the previously owned insurance subsidiaries which were sold in 2020 with the gain on sale representing a one-time revenue source in the 2020 fiscal period.

Financial Review – Results Of Operations



Net Interest Income Before Credit Losses

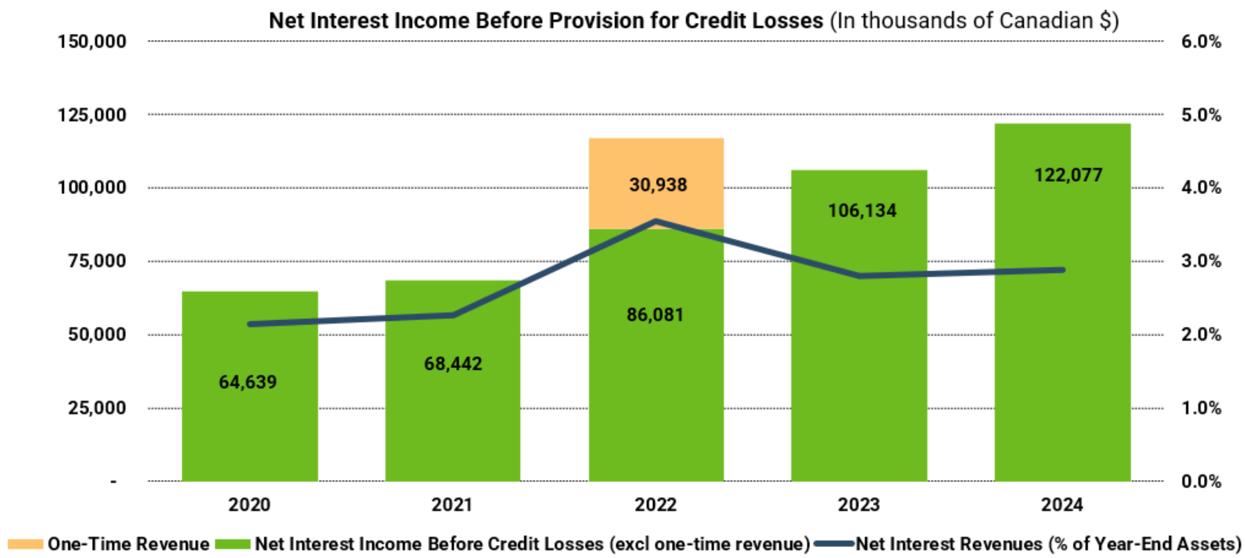
Net interest income before credit losses represents the difference between the interest earned on assets and interest paid on deposits and other funding liabilities. Also included in this amount is the realized gain (loss) on investments classified as Fair Value Through Profit or Loss (FVTPL). Net interest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

Table 3: Net Interest Income Before Credit Losses

			Change	
(In thousands of Canadian $)	**2024**	**2023**	**$**	**%**
Interest Income	236,687	185,646	51,041	27.5%
Interest Expense	114,850	79,956	34,894	43.6%
Realized Gain on FVTPL Investments	240	444	(204)	(45.9%)
Net Interest Income Before Credit Losses	**122,077**	**106,134**	**15,943**	**15.0%**

Net interest income before credit losses increased by $15.9 million or 15.0% to $122.1 million in 2024. The annual pace of growth in net interest income before credit losses surpassed the annual pace of growth in total assets held on the balance sheet in 2024 of 12.0%.

Financial Review – Results Of Operations



Member Distributions

Member distributions are included in net interest income before provision for credit losses. In 2024, the Board of Directors declared total member distributions of $5.3 million, an increase of 24.3% over the prior year, which were distributed on a quarterly basis. Total annual member distributions are targeted at a level of 15% of pre-tax income excluding one-time revenue sources, however, are at the full discretion of the Board of Directors.

Distributions to members through the Member Rewards Program contain four 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 $5.3 million total authorized member distributions in 2024, $3.4 million was returned to members in the form of allocations.

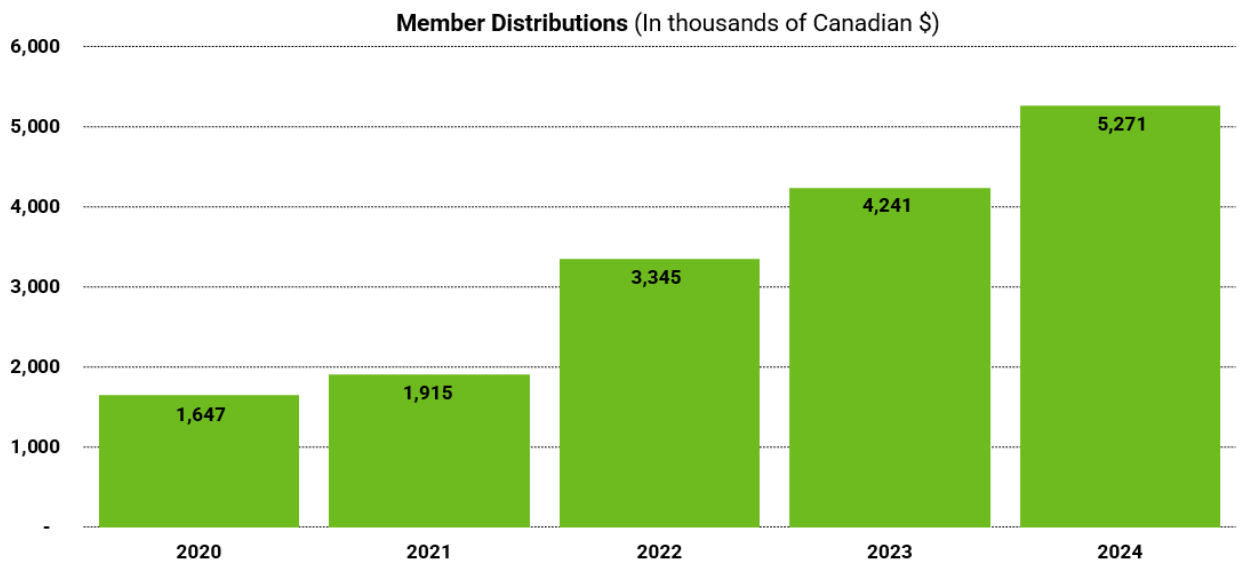
- **Dividends**: fully accessible dividends paid to members based on outstanding Member Rewards Account balances and approved dividend rates authorized by the Board of Directors. In 2024 the Board of Directors authorized quarterly dividends at an annualized rate of 7.15% (Q1), 6.91% (Q2), 6.48% (Q3) and 5.92% (Q4). Of the $5.3 million total 2024 authorized member distributions, $1.4 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 2024 and listed in Canadian $, the Board of Directors authorized quarterly youth dividends of $10.00 (Q1), $10.00 (Q2), $10.00 (Q3) and $10.00 (Q4) per member. Of the $5.3 million total 2024 authorized member distributions, $0.1 million was returned to members in the form of youth dividends.

Financial Review – Results Of Operations

- **Monthly Transaction Rewards:** cash dividend program based on digital transaction activity. Of the $5.3 million total 2024 authorized member distributions, $0.4 million was returned to members in the form of monthly transaction rewards.

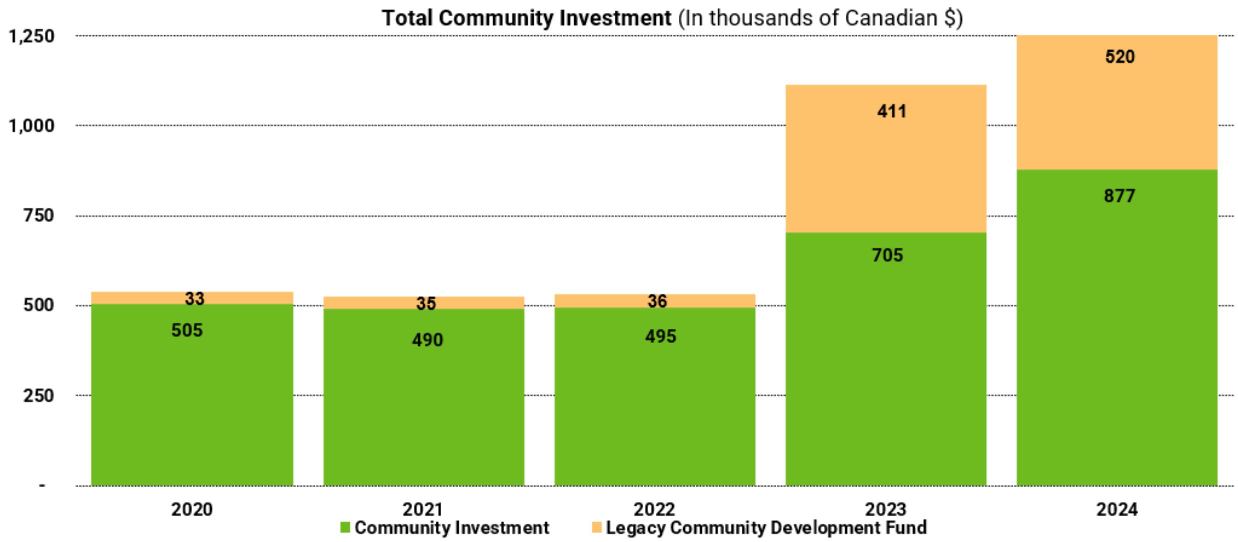
The Member Rewards Program is an important differentiator for Innovation and demonstrates the organization's commitment to cooperative principles. Total member distributions are influenced by the profitability level of the credit union. As profitability levels improved in 2024 the corresponding amounts distributed to members through the Member Rewards Program also increased. Total member distributions increased $1.0 million or 24.3% in 2024. Innovation continues to show consistency in ensuring the member-owners benefit from the success of the organization.



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

Continued strong community support is an important cooperative principle to Innovation. In 2024, a total of $1.4 million ($1.1 million in 2023), representing an annual increase of 25.2%, was returned to communities serviced by Innovation in the form of contributions to various community projects and sponsorships. This amount is included in operating expenses under the general business category. Additional information can be found within the Corporate Social Responsibility (CSR) section of the 2024 Annual Report.

Financial Review – Results Of Operations



Net Provision for Credit Losses

The net 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 net provision for credit losses represents management's best estimate of loss formations during the year after carefully assessing the overall portfolio and reviewing individual impaired loans.

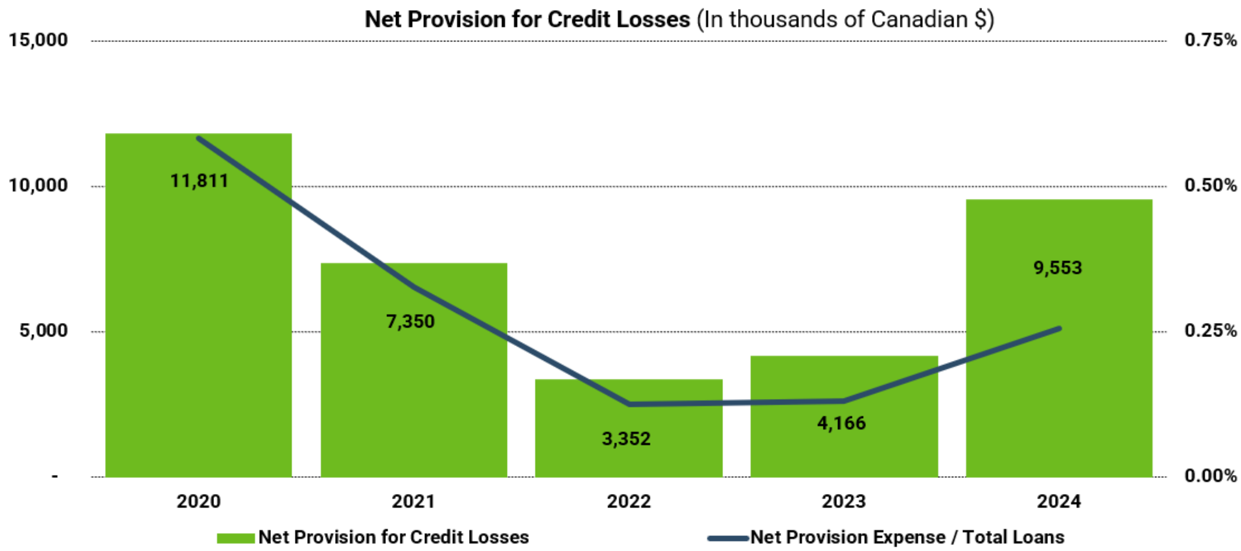
The amount of provision may vary year-to-year based on impaired loan balances, estimates of the credit losses on those loans, and economic conditions.

Table 4: Net Provision (Recoveries) for Credit Losses by Asset Category

			Change	
(In thousands of Canadian $)	**2024**	**2023**	**$**	**%**
Agriculture Loans	363	(256)	619	241.8%
Commercial Loans	5,747	1,508	4,239	281.1%
Consumer Loans	3,373	2,901	472	16.3%
Investments	70	13	57	438.5%
Net Provision for Credit Losses	9,553	4,166	5,387	129.3%
Net Provision for Credit Losses (% of Year-End Total Loan Portfolio)	0.26%	0.13%		

Net provision for credit losses increased by $5.4 million or 129.3% to $9.6 million in 2024. In relation to the size of the total year-end loan portfolio, the 2024 net provision for credit losses increased by 13 basis points.

Financial Review – Results Of Operations



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

IFRS 9 uses an expected credit loss (ECL) model to determine impairment in financial instruments. The ECL model is forward-looking, in that an actual event that signifies a credit loss is not required to record the loss. Under IFRS 9, stage 1 refers to 12-month ECL estimates calculated for the assets that have not had a significant increase in credit risk. Stage 2 refers to lifetime ECL estimates calculated on those assets that have had an increase in credit risk since initial recognition. Stage 3 refers to estimates calculated on assets which have experienced an increase in risk to the point where it is considered credit impaired.

Table 5: Net Provision (Recoveries) for Credit Losses by ECL Recognition Category

			Change	
(In thousands of Canadian $)	**2024**	**2023**	**$**	**%**
12-month ECL (Stage 1)	1,505	(498)	2,003	402.2%
Lifetime ECL not credit-impaired (Stage 2)	3,822	910	2,912	320.0%
Lifetime credit-impaired (Stage 3)	4,226	3,754	472	12.6%
Net Provision for Credit Losses	9,553	4,166	5,387	129.3%

Financial Review – Results Of Operations

Other Income

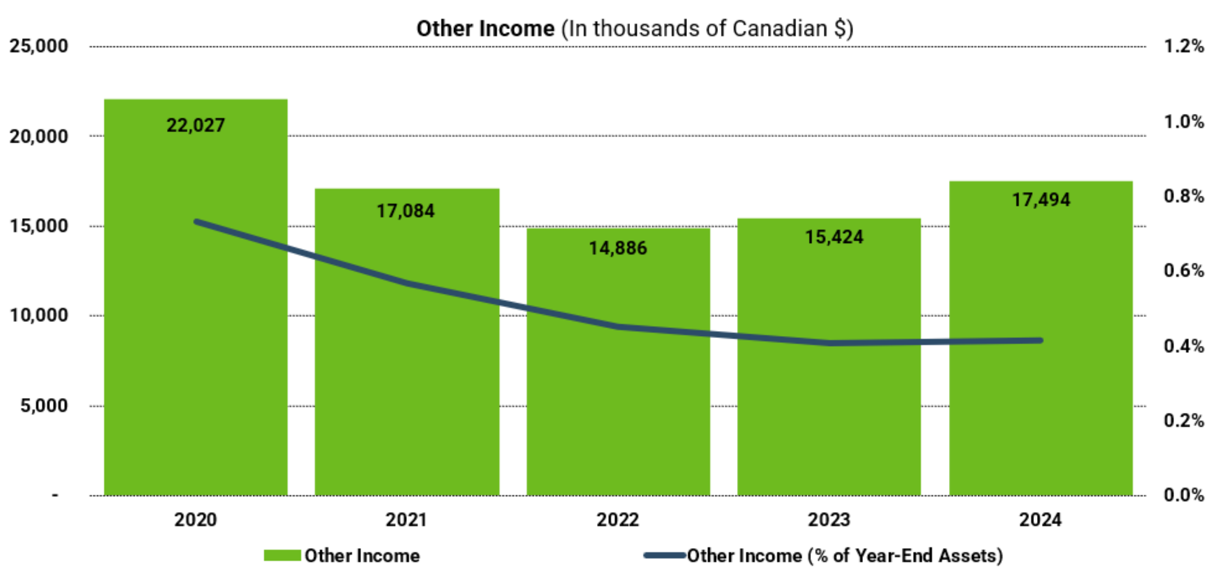
Innovation's non-interest revenue consists of the following major components:

- **Service charges on products:** fees charged to members on the various operating and savings account products offered by the organization.
- **Loan fees, commissions, and insurance:** fees collected from members related to lending products along with commission revenue earned on the sale of various loan insurance products.
- **Other fees and commissions:** include ATM revenue, foreign exchange revenue, credit card portfolio revenue, as well as fees charged to members on NSF and overdraft occurrences.
- **Innovation Wealth:** revenue generated through wealth management services offered by Innovation Wealth, a wholly-owned subsidiary.
- **Other Revenue:** includes revenue generated through rental of physical properties owned by the organization, contracted services provided to other organizations as well as revenue earned through Innovation's ownership interest in CU Dealer Finance Corp.

Table 6: Other Income

			Change	
(In thousands of Canadian $)	**2024**	**2023**	**$**	**%**
Service charges on products	1,183	1,207	(24)	(2.0%)
Loan fees, commissions, and insurance	4,927	4,469	458	10.2%
Other fees and commissions	4,138	3,278	860	26.2%
Innovation Wealth	6,200	5,601	599	10.7%
Other revenue	1,046	869	177	20.4%
Other Income	**17,494**	**15,424**	**2,070**	**13.4%**

Other income increased by $2.1 million or 13.4% to $17.5 million in 2024. In relation to the size of the organization's balance sheet, other income remained unchanged in 2024 at 0.41% of total assets.



Financial Review – Results Of Operations

Operating Expenses

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

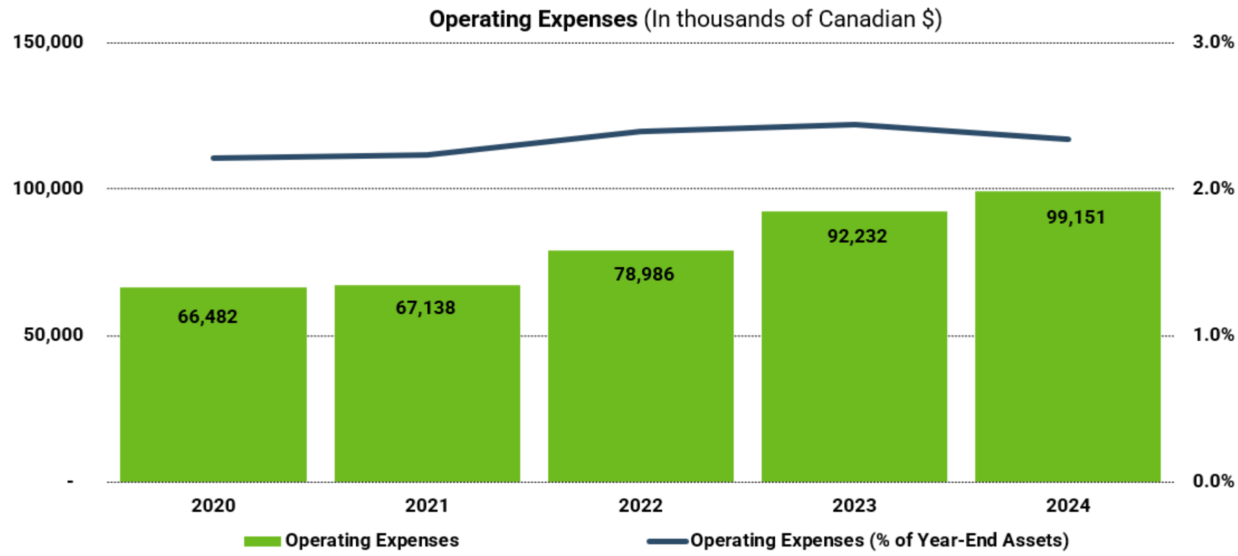
- **Personnel:** costs directly associated with staff in the employment of the credit union and subsidiary organizations including fixed and variable compensation along with costs of recruiting, benefits, and training.
- **Security:** costs associated with regulatory oversight and deposit insurance along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

Table 7: Operating Expenses

			Change	
(In thousands of Canadian $)	**2024**	**2023**	**$**	**%**
Personnel	57,822	50,739	7,083	14.0%
Security	2,420	2,824	(404)	(14.3%)
Organizational	1,301	964	337	35.0%
Occupancy	4,257	3,959	298	7.5%
General business	33,351	33,746	(395)	(1.2%)
Operating Expenses	**99,151**	**92,232**	**6,919**	**7.5%**

Operating expenses increased by $6.9 million or 7.5% to $99.2 million in 2024. In relation to the size of the organization's balance sheet, operating expenses decreased by 10 basis points in 2024 to 2.34% of total assets. The average annual growth rate over the past five years equates to 9.2%. 2024 growth of 7.5% trailed this five-year average while also falling short of the prior year annual growth rate of 16.8%.

Financial Review – Results Of Operations



Net Income

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

Table 8: Net Income

			Change	
(In thousands of Canadian $)	**2024**	**2023**	**$**	**%**
Net Income	24,674	20,228	4,446	22.0%
Return on Assets*	0.58%	0.53%		
Return on Equity†	7.31%	6.38%		

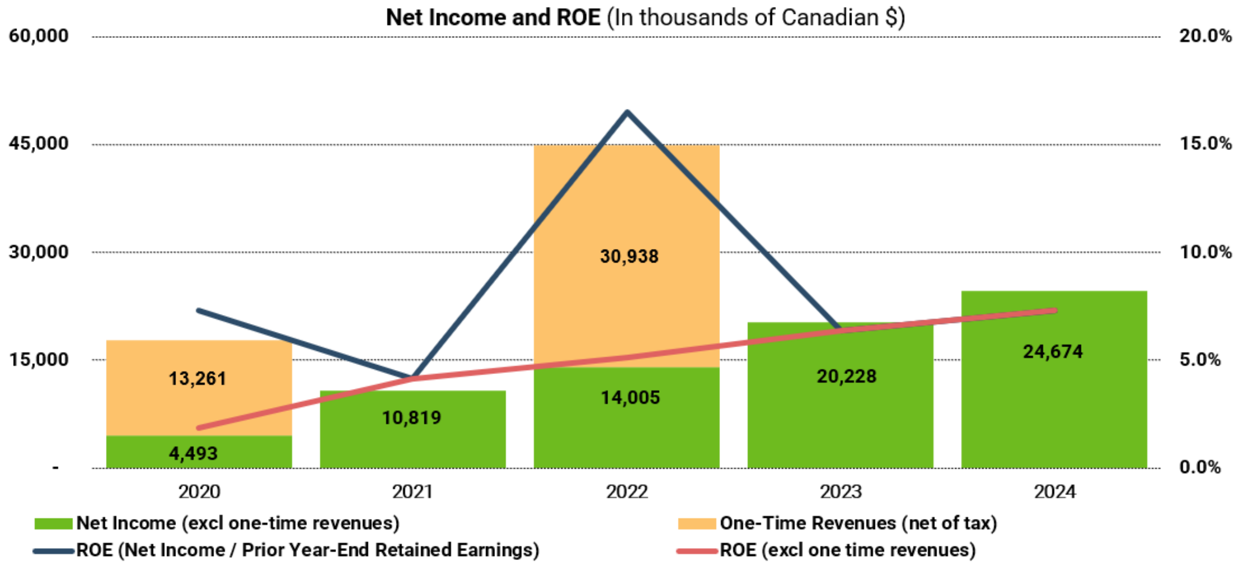
**Return on Assets = Net Income / Year-End Assets*

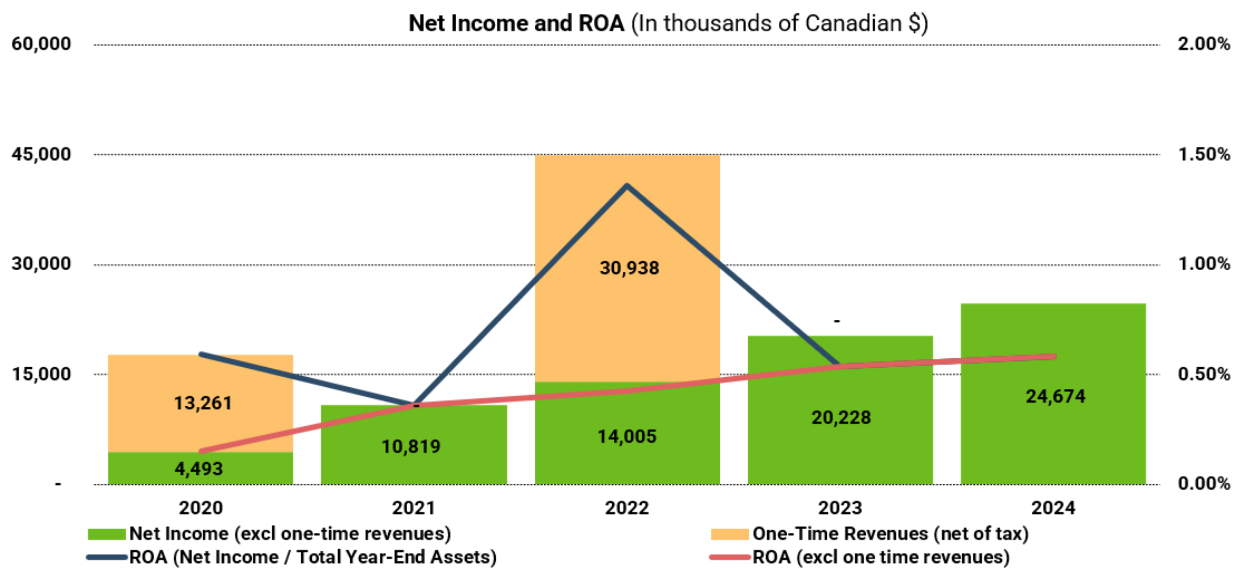
†Return on Equity = Net Income / Prior Year-End Retained Earnings

Net income after tax increased by $4.4 million or 22.0% to $24.7 million in 2024.

2024 profitability levels measured by return on assets (ROA) and return on equity (ROE) improved when compared to the previous year's results. Historic trends illustrated below articulate the impact of significant one-time items including the gain on sale of the insurance agencies (2020) along with the special SaskCentral dividend (2022). Strong positive trending in profitability continued again in 2024.

Financial Review – Results Of Operations





Efficiency

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

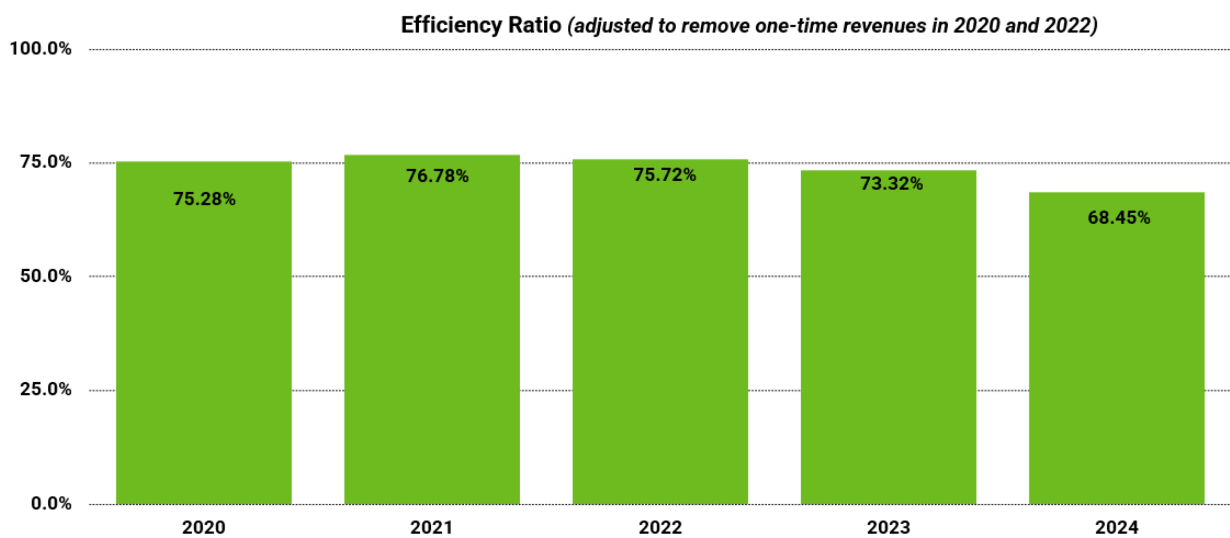
Financial Review – Results Of Operations

Table 9: Efficiency Ratio

(In thousands of Canadian $)	2024	2023	Change $	Change %
Operating Expenses	99,151	92,232	6,919	7.5%
Net Interest Income Before Credit Losses	122,077	106,134	15,943	15.0%
Exclude: Member Distributions	5,271	4,241	1,030	24.3%
Other Income	17,494	15,424	2,070	13.4%
Total Net Revenue (excl Member Distributions)	144,842	125,799	19,043	15.1%
Efficiency Ratio	**68.45%**	**73.32%**		

The efficiency ratio improved significantly in 2024 to 68.45%, compared to a weaker result of 73.32% in 2023. The improved result in 2024 was driven by the fact that total net revenue (prior to member distributions) increased year-over-year by $19.0 million or 15.1% while total operating expenses increased by $6.9 million or 7.5%. As net revenue growth outpaced expense growth, the efficiency ratio improved in 2024.

Historic results shown below exclude the 2022 one-time revenue related to the SaskCentral. 2020 results include income generated and expenses incurred from the insurance subsidiaries, however the revenue related to the gain on the sale of the insurance agencies has been excluded.



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 10: Assets Under Administration

(In thousands of Canadian $)	2024	2023	Change $	Change %
On-Balance Sheet Assets	4,239,955	3,785,183	454,772	12.0%
Off-Balance Sheet Assets Under Administration				
Innovation Wealth	1,113,195	956,311	156,884	16.4%
Sold/Syndicated Loans	148,732	138,109	10,623	7.7%
CEBA Loans under Administration	4,445	50,510	(46,065)	(91.2%)
Total Assets Under Administration	**5,506,327**	**4,930,113**	**576,214**	**11.7%**

Total Assets (On-Balance Sheet)

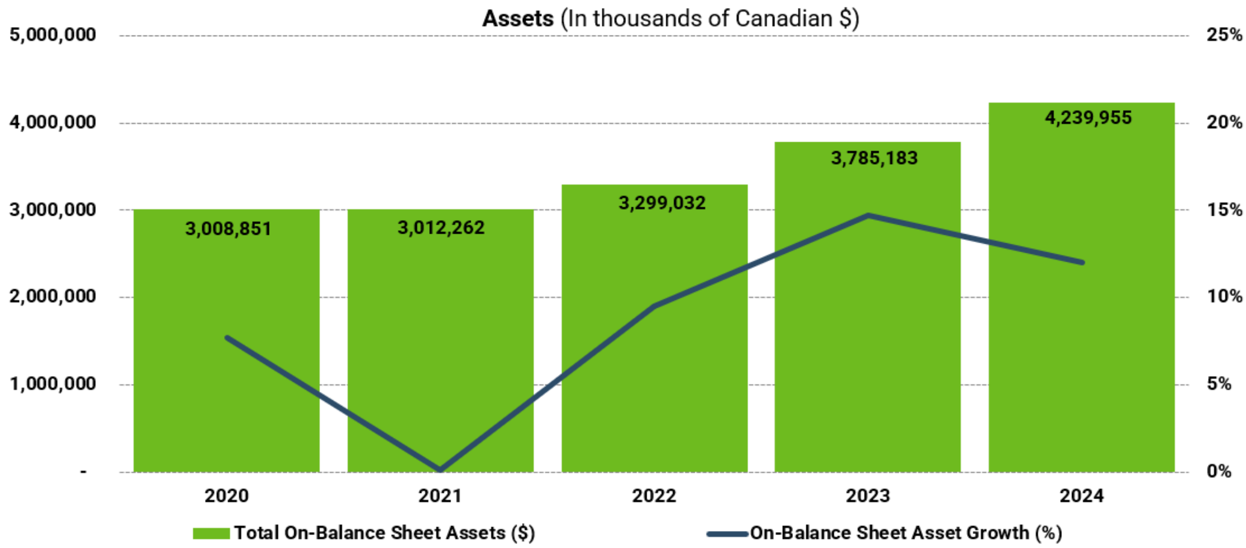
Innovation strives to build and manage a well-diversified balance sheet comprised of high-quality assets providing an appropriate return to the credit union. Funding of the balance sheet is achieved through a variety of sources. Capital is held at levels required based on the size of the balance sheet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

Table 11: Total Assets

(In thousands of Canadian $)	2024	2023	Change $	Change %
Cash and cash equivalents	220,178	356,779	(136,601)	(38.3%)
Investments	233,066	181,396	51,670	28.5%
Loans	3,733,405	3,193,839	539,566	16.9%
Accounts receivable	6,687	6,231	456	7.3%
Prepaid expenses	16,209	16,274	(65)	(0.4%)
Derivative assets	748	1,617	(869)	(53.7%)
Property and equipment	13,940	13,768	172	1.2%
Investment property	1,100	1,086	14	1.3%
Right of use assets	817	749	68	9.1%
Intangible assets	1,237	1,384	(147)	(10.6%)
Deferred income tax assets	12,568	12,060	508	4.2%
Total Assets	**4,239,955**	**3,785,183**	**454,772**	**12.0%**

Financial Review – Balance Sheet

Total assets increased by $454.8 million or 12.0% to $4.240 billion in 2024. The average annual growth rate over the past five years equates to 8.8%. 2024 growth of 12.0% exceeded this five-year average and however fell short of the prior year annual growth rate of 14.7%.



Cash and Investments

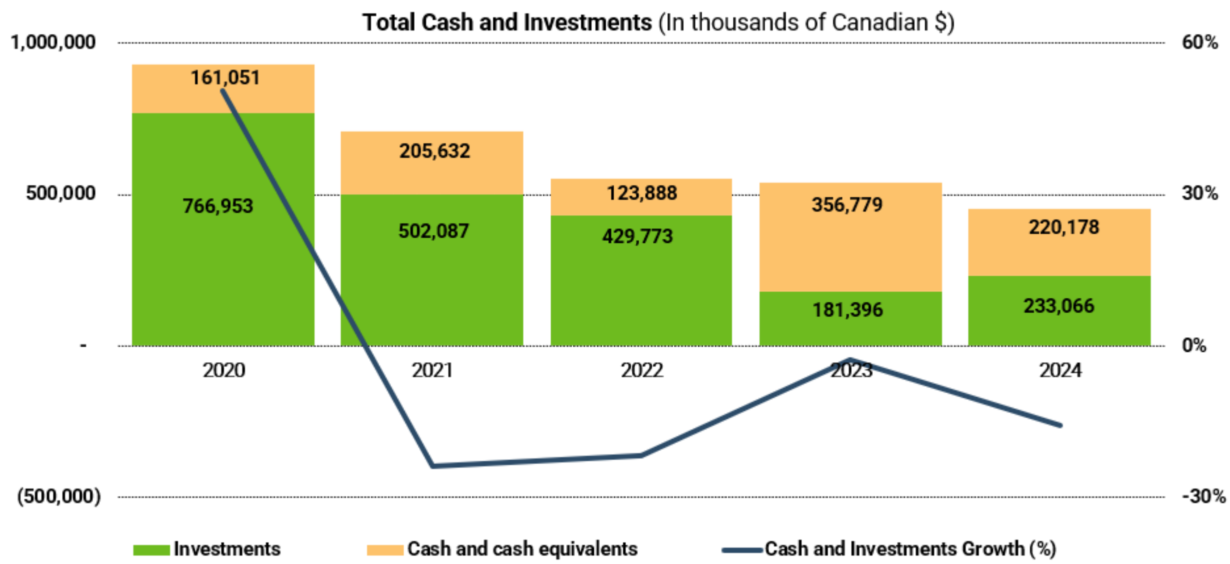
The portfolio of investments, cash and cash equivalents as reported on the balance sheet are managed based on the liquidity needs of the organization in a manner which provides appropriate returns to the organization. The Board of Directors reviews and approves an investment policy which governs this portfolio of assets managed by the organization.

Table 12: Cash and Investments

			Change	
(In thousands of Canadian $)	**2024**	**2023**	**$**	**%**
Cash and cash equivalents	220,178	356,779	(136,601)	(38.3%)
Investments				
Debt Investments (Amortized Cost)	169,893	107,541	62,352	58.0%
Debt Investments (FVTPL)	28,166	38,308	(10,142)	(26.5%)
Equity Securities (FVTPL)	35,007	35,547	(540)	(1.5%)
Total Investments	233,066	181,396	51,670	28.5%
Total Cash and Investments	**453,244**	**538,175**	**(84,931)**	**(15.8%)**

Total cash and investments decreased by ($84.9) million or (15.8%) to $453.2 million in 2024 as the organization was successful in placing excess liquidity into higher yielding assets. Holding an appropriate amount of cash and investments on the balance sheet assists in the management of liquidity risk to the organization. Too high a liquidity level can have a detrimental impact on profitability as cash and investments tend to be held in products that carry a lower yield to the credit union.

Financial Review – Balance Sheet



Performing Loans

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

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

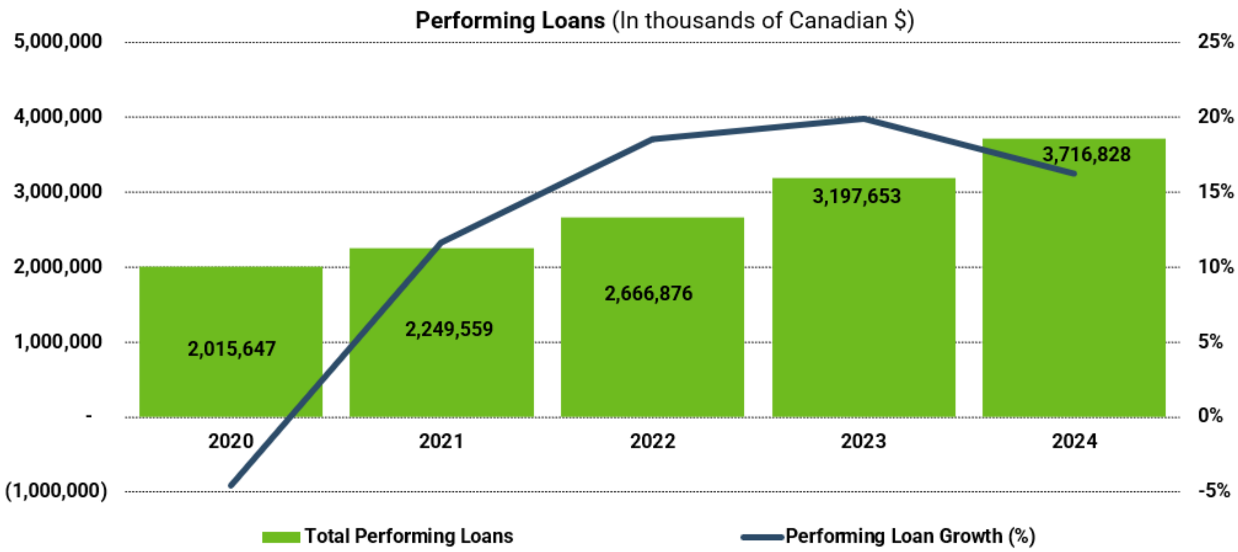
Table 13: Performing Loan Portfolio

			Change	
(In thousands of Canadian $)	**2024**	**2023**	**$**	**%**
Agriculture	483,653	422,231	61,422	14.5%
Commercial	1,318,013	1,108,586	209,427	18.9%
Consumer	1,883,252	1,640,116	243,136	14.8%
Finance Leases	6,402	8,488	(2,086)	(24.6%)
Accrued Interest	25,508	18,232	7,276	39.9%
Total Performing Loans	**3,716,828**	**3,197,653**	**519,175**	**16.2%**

The total performing loan portfolio increased by $519.2 million or 16.2% to $3.717 billion in 2024. Robust growth continues to be driven from the commercial and consumer loan categories.

The credit union was successful in redeploying excess liquidity during the year into higher yielding loan assets. 2024 annual loan growth of 16.2% exceeded the previous five-year average annual growth rate of 12.4%, however, trailed the prior year growth rate of 19.9%.

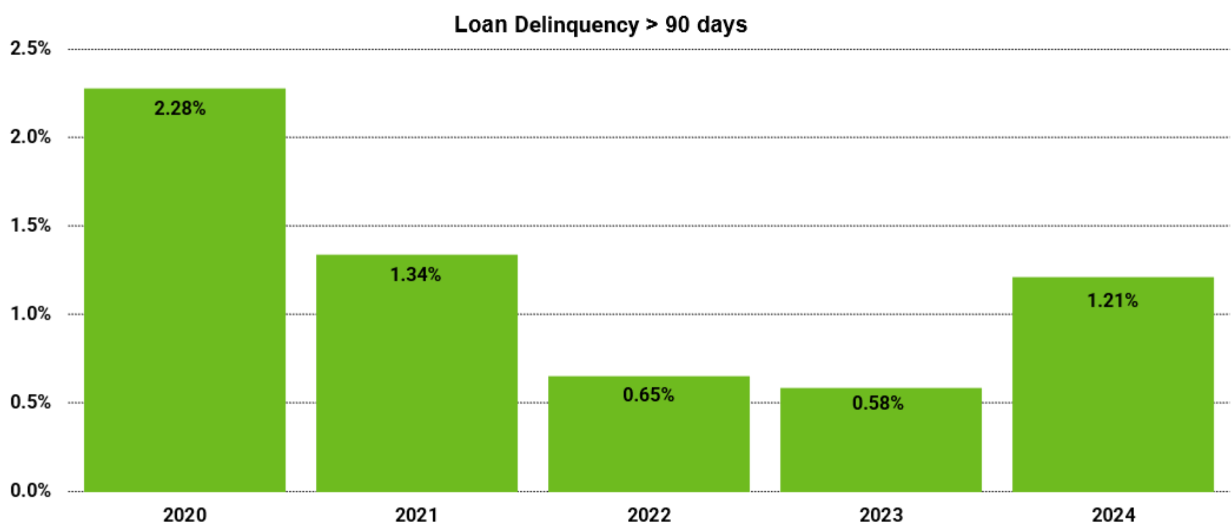
Financial Review – Balance Sheet



Credit Quality

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

A loan is considered past due when a counterparty is contractually in arrears but where payment in full is expected. Loan delinquency is a natural risk faced by all financial institutions. Innovation continues to manage this risk in a prudent fashion, working with members impacted by changing credit and economic conditions. Delinquency greater than 90 days ended 2024 at 1.21%, a deterioration from 0.58% in the prior year.

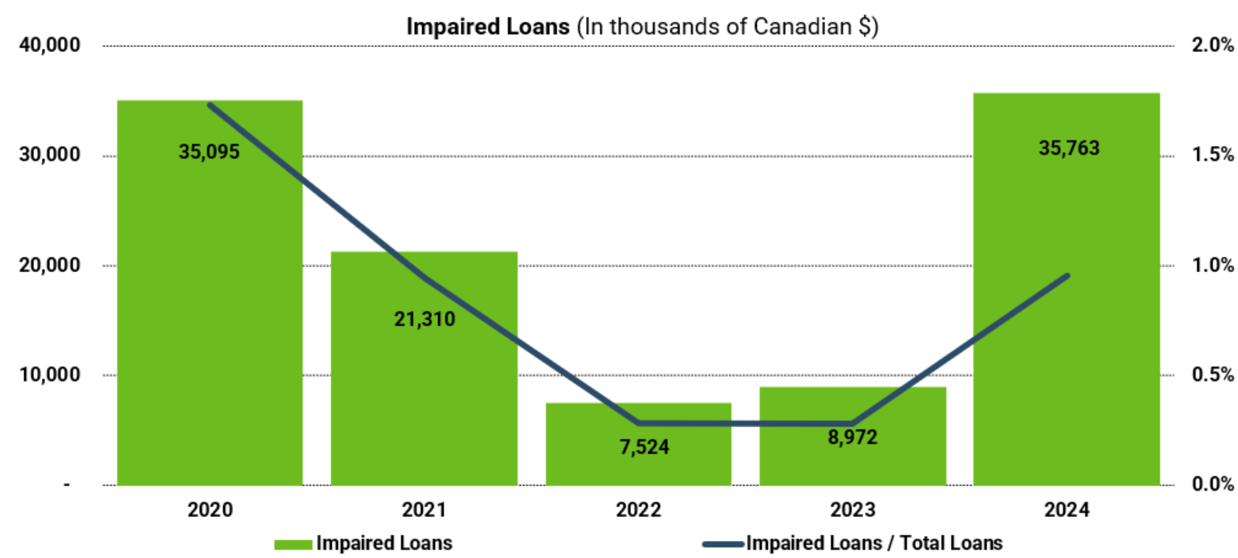


In situations where the organization may be unable to collect all principal and interest due according to the contractual terms of the loan agreement, the specific loan will be moved into the impaired category.

Table 14: Impaired Loan Portfolio

			Change	
(In thousands of Canadian $)	**2024**	**2023**	**$**	**%**
Agriculture	-	189	(189)	(100.0%)
Commercial	28,949	5,145	23,804	462.7%
Consumer	2,330	2,396	(66)	(2.8%)
Finance Leases	376	376	-	0.0%
Foreclosed Property	36	184	(148)	(80.4%)
Accrued Interest	4,072	682	3,390	497.1%
Total Impaired Loans	**35,763**	**8,972**	**26,791**	**298.6%**

The total impaired loan portfolio increased by $26.8 million or 298.6% to $35.8 million in 2024. In relation to the size of the total loan portfolio, total impaired loan balances ended 2024 at a level of 0.96% which was an increase from the prior year result of 0.28%. Exposures to large, connected relationships which move into or out of the impaired category will naturally introduce volatility to this asset class.



IFRS 9 uses an expected credit loss (ECL) model to determine impairment in financial instruments. The ECL model is forward looking, in that an actual event that signifies a credit loss is not required to record the loss. Under IFRS 9, 12-month ECL are calculated for the assets that have not had a significant increase in credit risk and a lifetime ECL is calculated on those assets that have had an increase in credit risk since initial recognition.

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

Financial Review – Balance Sheet

stages include 12-month ECL (stage 1), lifetime ECL not credit-impaired (stage 2) and lifetime ECL credit-impaired (stage 3).

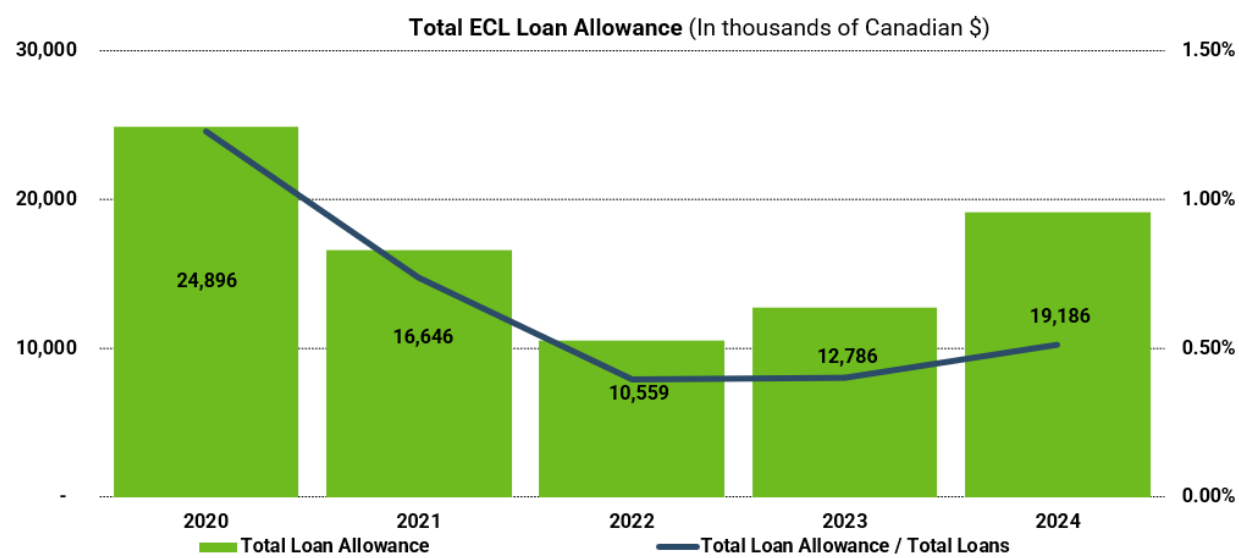
Table 15: Total ECL Allowance by Portfolio

(In thousands of Canadian $)	2024	2023	Change $	%
Agriculture	1,778	1,409	369	26.2%
Commercial	11,884	6,698	5,186	77.4%
Consumer	5,524	4,679	845	18.1%
Total ECL	**19,186**	**12,786**	**6,400**	**50.1%**

Table 16: Total ECL Allowance by Recognition Stage

(In thousands of Canadian $)	2024	2023	Change $	%
Stage 1 – 12-month ECL	3,920	3,148	772	24.5%
Stage 2 – Lifetime ECL not credit impaired	6,911	4,652	2,259	48.6%
Stage 3 – Lifetime ECL credit impaired	8,355	4,986	3,369	67.6%
Total ECL	**19,186**	**12,786**	**6,400**	**50.1%**

In relation to the size of the total loan portfolio, total ECL loan allowances ended 2024 at a level of 0.51% of the total loan portfolio, which was an increase from the prior year-end result of 0.40%, however, fell short of the previous five-year average of 0.66%.



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

Financial Review – Balance Sheet

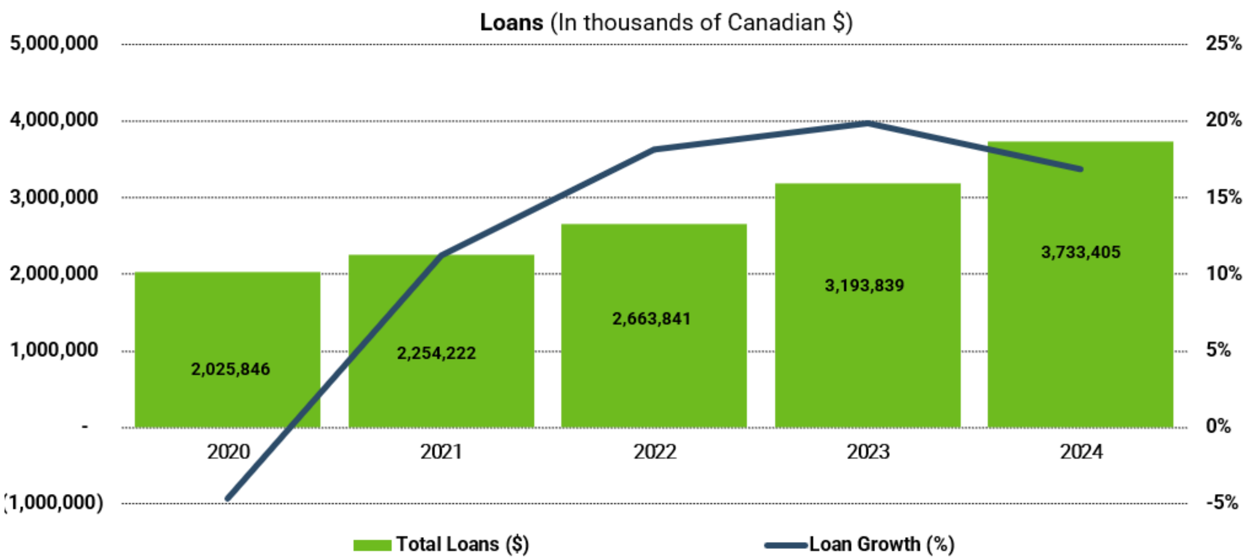
Total Loans

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

Table 17: Total Loan Portfolio

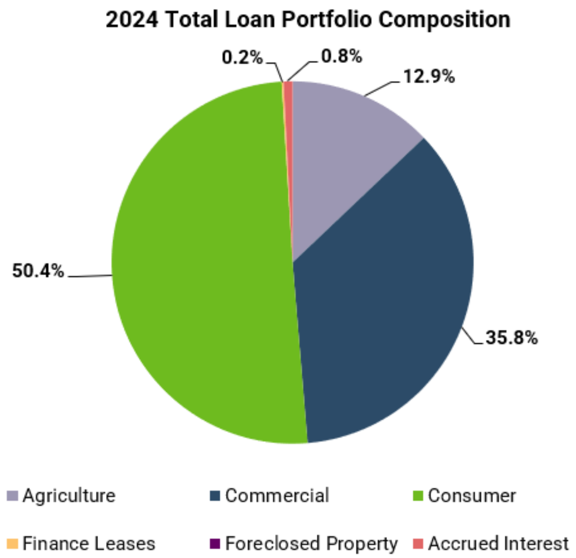
(In thousands of Canadian $)	2024	2023	Change $	Change %
Agriculture	482,136	421,272	60,864	14.4%
Commercial	1,335,094	1,107,059	228,035	20.6%
Consumer	1,880,058	1,637,833	242,225	14.8%
Finance Leases	6,501	8,577	(2,076)	(24.2%)
Foreclosed Property	36	184	(148)	(80.4%)
Accrued Interest	29,580	18,914	10,666	56.4%
Total Loans	**3,733,405**	**3,193,839**	**539,566**	**16.9%**

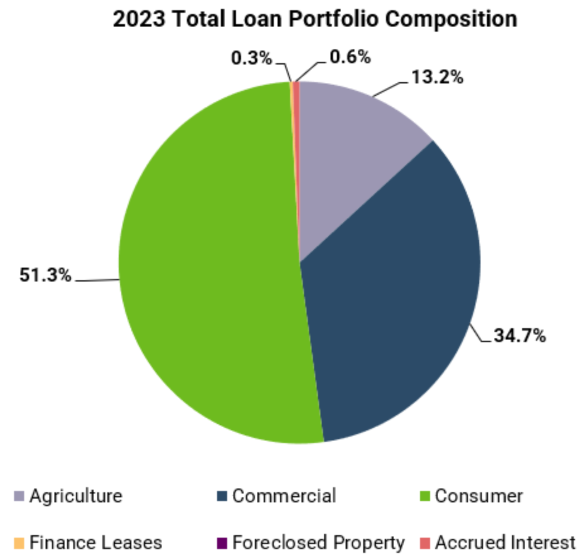
The total loan portfolio increased by $539.6 million or 16.9% to $3.733 billion in 2024. The average annual growth rate over the past five years equates to 12.3%. 2024 growth of 16.9% exceeded this five-year average while trailing the prior year annual growth rate of 19.9%.



Growth occurred within the agriculture, commercial, and consumer portfolios. As a result of the growth pattern, the proportion of the total loan portfolio held in the commercial loan category increased when compared to the prior year.

Financial Review – Balance Sheet





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

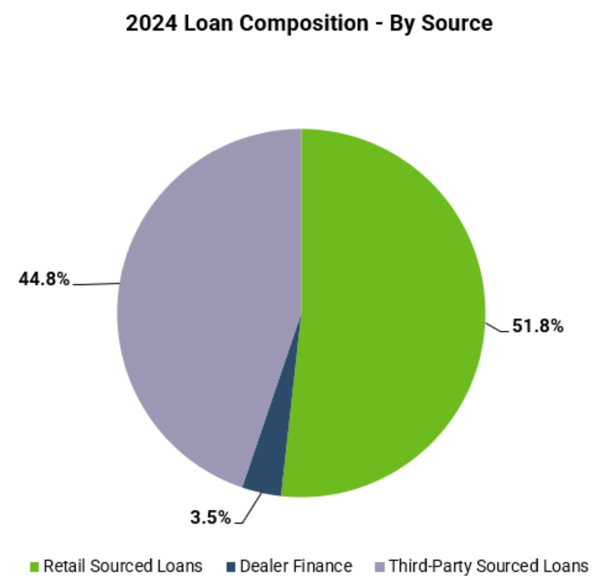
Table 18: Loan Concentration – By Source

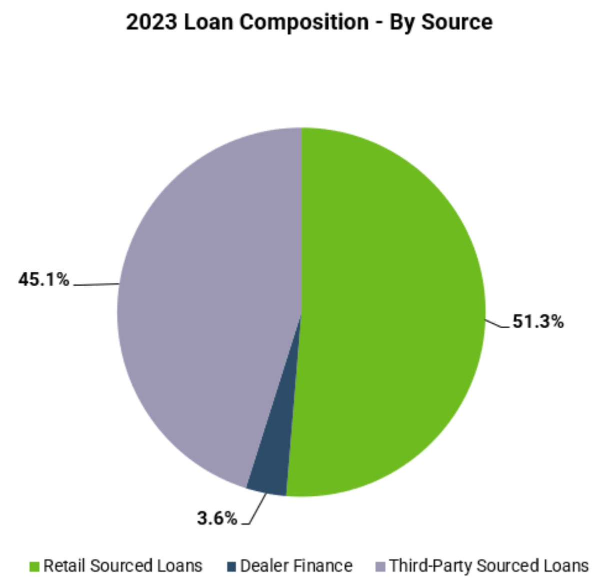
			Change	
(In thousands of Canadian $)	**2024**	**2023**	**$**	**%**
Retail Sourced Loans	1,927,080	1,635,730	291,350	17.8%
Dealer Finance Sourced Loans	128,493	113,994	14,499	12.7%
Third-Party Sourced Loans	1,667,401	1,437,802	229,599	16.0%
Total Loans*	**3,722,974**	**3,187,526**	**535,448**	**16.8%**

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

Strong loan growth from all available sources occurred in 2024. These activity levels resulted in the proportionate share of third-party sourced loans declining from 45.1% as of December 31, 2023 to 44.8% as of December 31, 2024.

Financial Review – Balance Sheet





Deposits

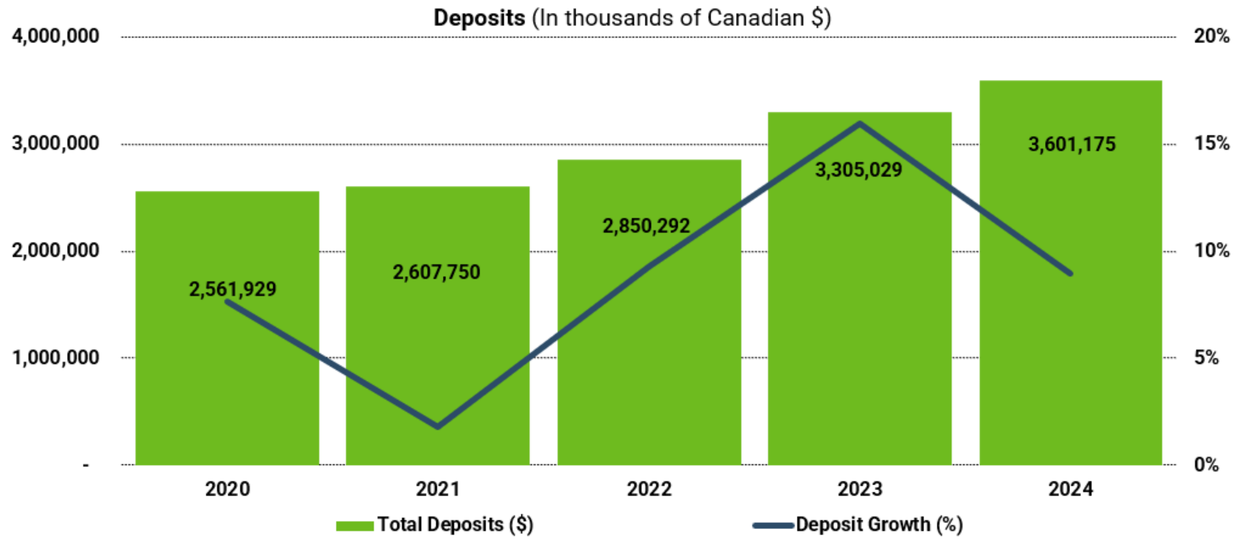
Innovation offers a variety of competitive deposit products to the market, including registered and non-registered investments.

Table 19: Deposit Concentration - By Product Type

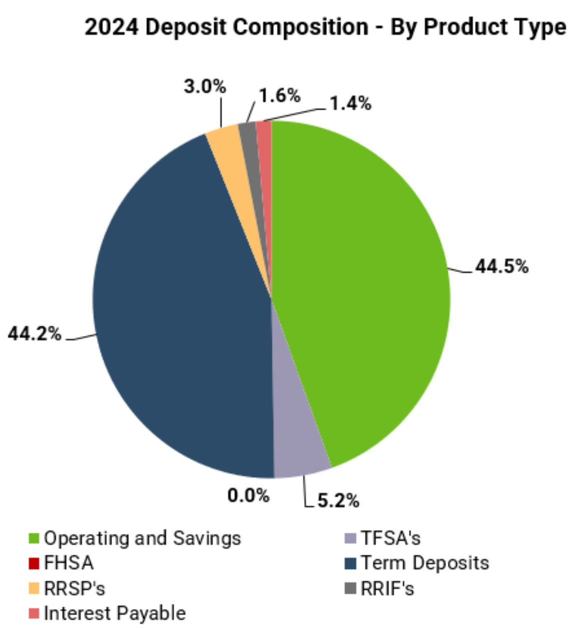
			Change	
(In thousands of Canadian $)	**2024**	**2023**	**$**	**%**
Operating and Savings	1,602,901	1,645,137	(42,236)	(2.6%)
TFSA's	187,922	162,312	25,610	15.8%
FHSA	530	-	530	n/a
Term Deposits	1,591,703	1,298,001	293,702	22.6%
RRSP's	108,739	106,659	2,080	2.0%
RRIF's	58,601	57,222	1,379	2.4%
Interest Payable	50,779	35,698	15,081	42.2%
Total Deposits	**3,601,175**	**3,305,029**	**296,146**	**9.0%**

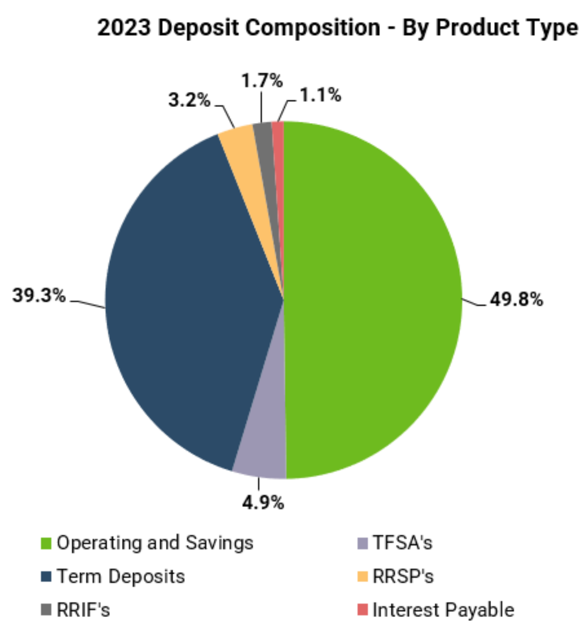
Total deposits grew by $296.1 million or 9.0% to $3.601 billion in 2024. The average annual growth rate over the past five years equates to 8.7%. 2024 growth of 9.0% exceeded this five-year average, however, fell short of the prior year's annual growth rate of 16.0%.

Financial Review – Balance Sheet



The primary source of deposit growth was from within the term deposit category while the operating and savings category declined year-over-year. This growth pattern resulted in the proportionate share of the total deposit portfolio sourced from term deposits to increase in 2024.





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

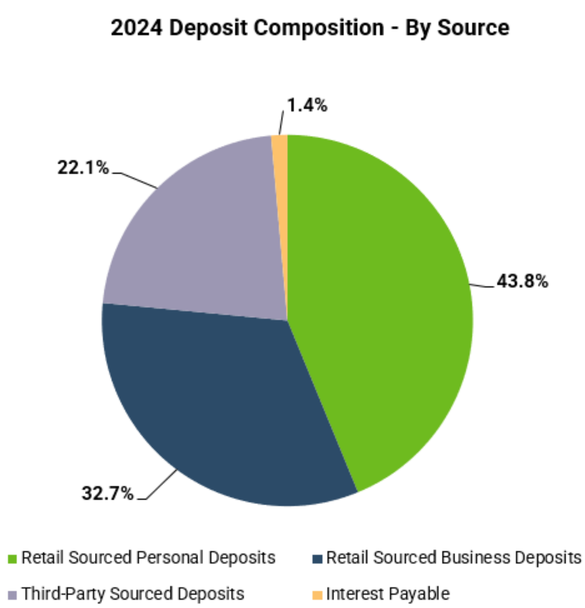
Financial Review – Balance Sheet

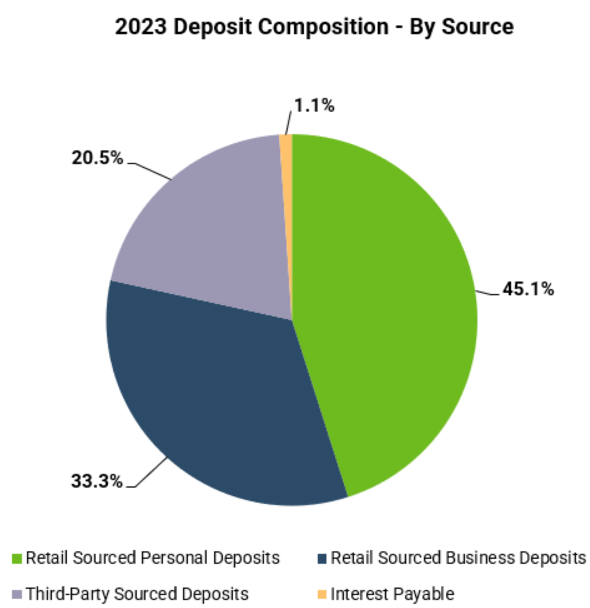
Table 20: Deposit Concentration - By Source

(In thousands of Canadian $)	2024	2023	Change $	%
Retail Sourced Deposits				
Personal Members	1,577,029	1,490,362	86,667	5.8%
Business Members	1,178,387	1,101,852	76,535	6.9%
Total Retail Sourced Deposits	2,755,416	2,592,214	163,202	6.3%
Third-Party Sourced Deposits	794,980	677,117	117,863	17.4%
Interest Payable	50,779	35,698	15,081	42.2%
Total Deposits	**3,601,175**	**3,305,029**	**296,146**	**9.0%**

Referencing the retail sourced deposit portfolio, 2024 growth of 6.3% exceeded the five-year average growth rate of 5.8% while also exceeding the prior year result of 2.7%.

Growth patterns witnessed during 2024 resulted in a shift in the mix of the total deposit portfolio. The proportionate share of total deposits sourced from third parties (brokers) increased from 20.5% as of December 31, 2023 to 22.1% as of December 31, 2024.





Innovation continues to leverage its wide range of funding sources based on the cash flow needs of the credit union.

Financial Review – Balance Sheet

Liquidity Management

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

The principles of Innovation's liquidity management framework are:

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

Innovation has an established policy with respect to liquidity and has many processes and practices with respect to the management of funding requirements. Innovation has built and maintains access to numerous funding sources. An important source of funding is the deposit portfolio which totaled $3.601 billion as at 2024 year-end.

In addition to deposits, Innovation maintains external borrowing facilities from various sources with a combined credit limit of $155.0 (CDN) and $0.6 (USD) million. These credit sources are well diversified and are comprised of the following individual credit arrangements:

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

During 2024, Innovation used external borrowing facilities minimally. Liquidity testing was conducted during the year to assure funding channels are accessible and internal processes and procedures are in place for efficient advancement as required.

Innovation leverages the securitization market for funding and to build an effective liquidity management framework. Innovation periodically securitizes assets to generate funding through the capital markets, resulting in on-balance sheet securitization liabilities or high-quality liquid assets (HQLA). In 2024, a total of 19 securitization pools were created totaling $151.3 million, $70.7 million of which were held as HQLA and $80.6 million as funding liabilities. Total securitization liabilities increased by $41.2 million (59.7%) to $110.2 million in 2024. The fair value of residential mortgages securitized and held as HQLA (including pools pledged against credit facilities) totals $230.2 million as of December 31, 2024.

Financial Review – Balance Sheet

Loans may also be syndicated/sold to numerous credit unions and other organizations for funding purposes. In 2024, Innovation was able to fund several loan opportunities with syndication partners, ensuring the total commitment exposure was acceptable.

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

In 2024, Innovation successfully launched the Bearer Deposit Note (BDN) program. BDNs offer a short-dated funding option, with issuances typically less than one-year. The BDN portfolio ended 2024 at $109.5 million which is reported on the balance sheet as short-term notes payable.

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

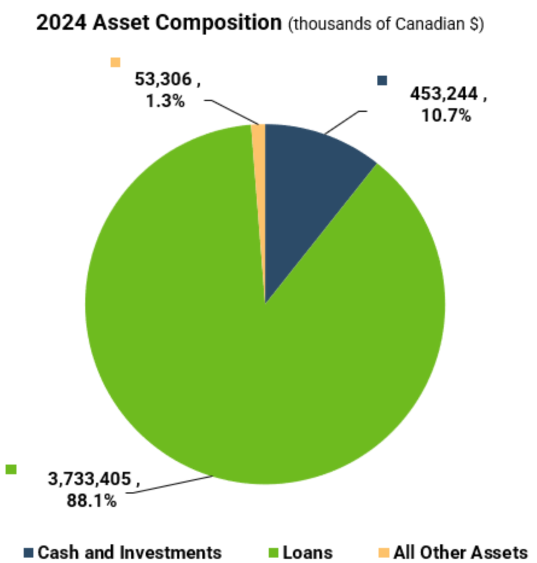
The balance sheet structure continues to influence the organization's ability to manage liquidity risk.

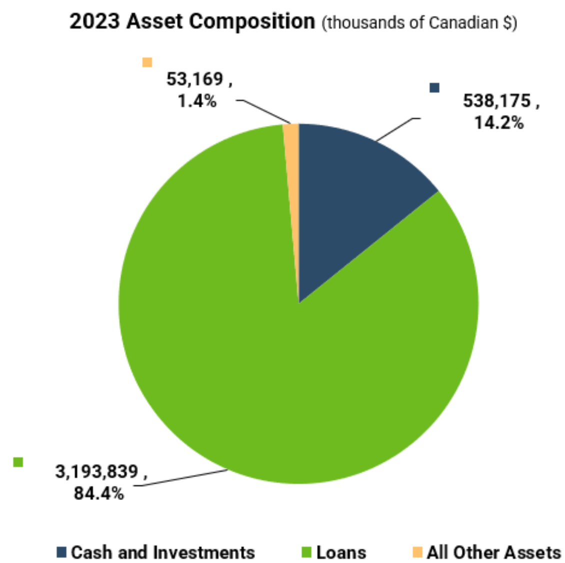
Table 21: Asset Composition

(In thousands of Canadian $)	2024	2023	Change $	Change %
Cash and Investments	453,244	538,175	(84,931)	(15.8%)
Loans	3,733,405	3,193,839	539,566	16.9%
All other assets	53,306	53,169	137	0.3%
Total Assets	**4,239,955**	**3,785,183**	**454,772**	**12.0%**

Throughout 2024, the organization was successful in redeploying excess liquidity into higher yielding loan assets. As a result of these efforts, the structure of the balance sheet has shifted to hold more loans as a proportionate share of total assets, which was in line with expectations.

Financial Review – Balance Sheet





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

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

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

Financial Review – Balance Sheet

Table 22: Liquidity Coverage Ratio (LCR)

(In thousands of Canadian $)	2024	2023	Change $	Change %
Level 1 Weighted Assets	215,934	190,477	25,457	13.4%
Level 2A Weighted Assets	-	-	-	-
Level 2B Weighted Assets	36,411	12,694	23,717	186.8%
High Quality Liquid Assets (HQLA)	**252,345**	**203,171**	**49,174**	**24.2%**
Eligible Non-Operational Demand Deposits	34,528	265,777	(231,249)	(87.0%)
HQLA & Eligible Non-Op Demand Deposits	**286,873**	**468,948**	**(182,075)**	**(38.8%)**
Retail and Small Business Deposit Run-Off	71,843	66,267	5,576	8.4%
Unsecured Wholesale Funding Run-Off	287,026	206,465	80,561	39.0%
Secured Funding Run-Off	-	-	-	-
Additional Requirements	63,980	60,604	3,376	5.6%
Total Prescribed Outflows	422,849	333,336	89,513	26.9%
Total Prescribed Cash Inflows	240,720	136,760	103,960	76.0%
Net Prescribed Cash Outflows	**182,129**	**196,576**	**(14,447)**	**(7.3%)**
Liquidity Coverage Ratio (LCR) – federal	**157.51%**	**238.56%**		

The organization's risk appetite framework (RAF) contains a Board of Director approved LCR minimum of 120% under the federal environment. The LCR ended 2024 above the minimum level, as defined in the risk appetite framework.

In 2018, Innovation introduced the net cumulative cash flow (NCCF) liquidity risk metric to the organization. The NCCF metric is used within the federal regulatory environment to supervise and monitor liquidity at an individual financial institution. The NCCF calculates a horizon for net positive cash flows to capture the risk posed by funding mismatches between assets and liabilities. By utilizing this type of cash flow analysis, institutions may be able to more successfully 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 ten distinct scenarios and calculates a survival horizon over a twelve-month period. The results of this stress testing program are reported monthly to senior management and quarterly to the Audit Committee of the Board.

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

Capital Management

Innovation's capital management framework is designed to satisfy regulatory requirements and internal assessments while supporting growth, development, and membership value. Innovation

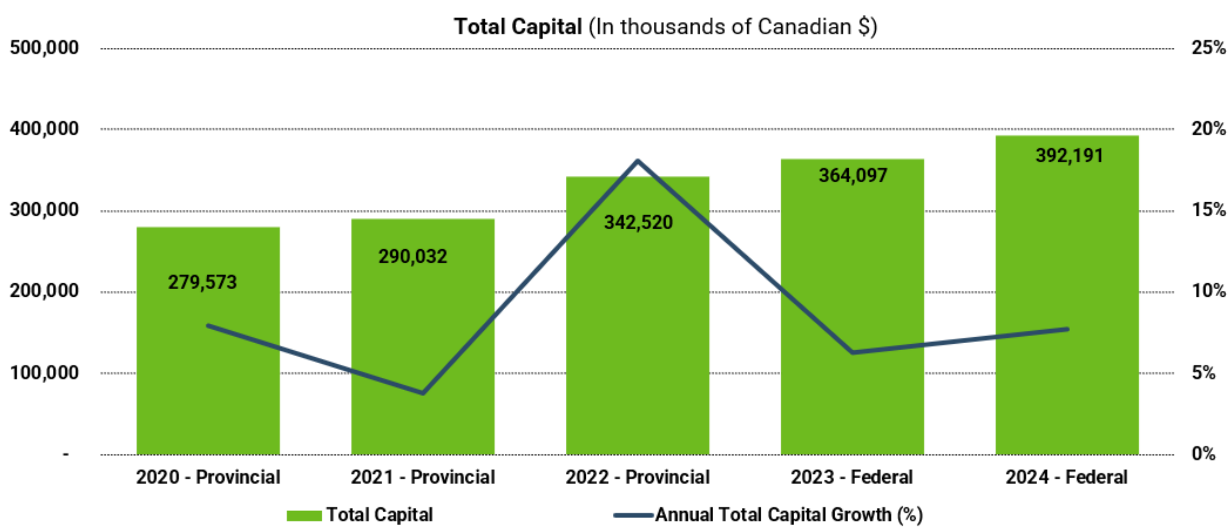
Financial Review – Balance Sheet

retains a portion of its annual earnings to meet these capital objectives. Once these capital objectives are met, additional earnings are allocated to members through member distributions authorized by the Board of Directors. A portion of these quarterly member distributions are in the form of patronage allocations which are in turn utilized to increase the value of each membership share held in the organization.

Table 23: Regulatory Capital

(In thousands of Canadian $)	2024	2023	Change $	%
Retained Earnings	361,991	337,317	24,674	7.3%
Deduct: Intangible Assets	(1,237)	(1,384)	147	(10.6%)
Membership Shares – Par Value	338	311	27	8.7%
Membership Shares – Patronage Allocations	20,160	20,015	145	0.7%
Common Equity Tier 1 (CET1) Capital	**381,252**	**356,259**	**24,993**	**7.0%**
Additional Tier 1 Capital	**-**	**-**	**-**	**-**
Tier 2 Capital	**10,939**	**7,838**	**3,101**	**39.6%**
Total Capital	**392,191**	**364,097**	**28,094**	**7.7%**

Total capital grew by $28.1 million or 7.7% to $392.2 million in 2024. The average annual growth rate over the past five years equates to 8.8%. 2024 growth of 7.7% fell short of this five-year average, however, exceeded the prior year annual growth rate of 6.3%. Historic trends illustrated below include the impact of significant one-time items including the gain on sale of the insurance agencies (2020) along with the special SaskCentral dividend (2022).



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.

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Table 24: Risk Weighted Assets

(In thousands of Canadian $)	2024 Net Exposure	2024 Effective Risk %	2024 Risk-Weighted Amount	2023 Net Exposure	2023 Effective Risk %	2023 Risk-Weighted Amount
On-Balance Sheet						
Cash, cash equivalents and investments	453,244	46.7%	211,470	538,175	30.6%	164,875
Loans	3,733,405	48.3%	1,803,288	3,193,839	48.5%	1,548,309
Property and equipment	13,940	100.0%	13,940	13,768	100.0%	13,768
Investment property	1,100	100.0%	1,100	1,086	100.0%	1,086
Right of use assets	817	100.0%	817	749	100.0%	749
Intangible assets	1,237	0%	-	1,384	0%	-
All other assets	36,212	241.8%	87,551	36,182	208.6%	75,472
Total Assets	**4,239,955**	**50.0%**	**2,118,166**	**3,785,183**	**47.7%**	**1,804,259**
Off-Balance Sheet Items						
Derivatives	40,457	0.5%	220	60,653	0.9%	568
Credit Commitments	564,739	44.6%	252,107	614,302	28.1%	172,426
Total Credit Risk	**605,196**	**41.7%**	**252,327**	**674,955**	**25.6%**	**172,994**
Operational Risk			**208,688**			**191,471**
Total Risk-Weighted Assets	**4,845,151**	**53.2%**	**2,579,181**	**4,460,138**	**48.6%**	**2,168,724**

The Basel III capital reforms introduced a non-risk-based leverage ratio requirement to act as a supplementary measure to the risk-based capital requirements. The leverage ratio is defined by the Office of the Superintendent of Financial Institutions (OSFI) as total tier 1 capital divided by the leverage exposure. The leverage exposure is the total unweighted on-balance sheet assets and off-balance sheet commitments.

Table 25: Leverage Exposure

(In thousands of Canadian $)	2024	2023	Change $	Change %
On-Balance Sheet Assets	4,239,955	3,785,183	454,772	12.0%
Less: Deductions from Capital	(1,237)	(1,384)	147	(10.6%)
Add: Off-Balance Sheet Exposures	229,200	232,731	(3,531)	(1.5%)
Total Leverage Exposure	**4,467,918**	**4,016,530**	**451,388**	**11.2%**

OSFI has prescribed capital adequacy measures and minimum capital requirements. The capital adequacy requirements are based on the Basel III capital standards framework established by the Bank of International Settlements and adopted by financial institutions around the globe.

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

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

- Tier 1 Capital / Total Risk Weighted Assets
- Total Eligible Capital / Total Risk Weighted Assets
- Tier 1 Capital / Total Leverage Exposure

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

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

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

Metric	Risk Appetite Minimum
Common Equity Net Tier 1 / Risk Weighted Assets	12.65%
Total Tier 1 Capital / Risk Weighted Assets	12.65%
Total Capital / Risk Weighted Assets	14.85%
Total Capital / Leveraged Assets	7.70%

In 2024, the organization effectively built and deployed capital, strategically aligning capital levels with risk appetite targets.

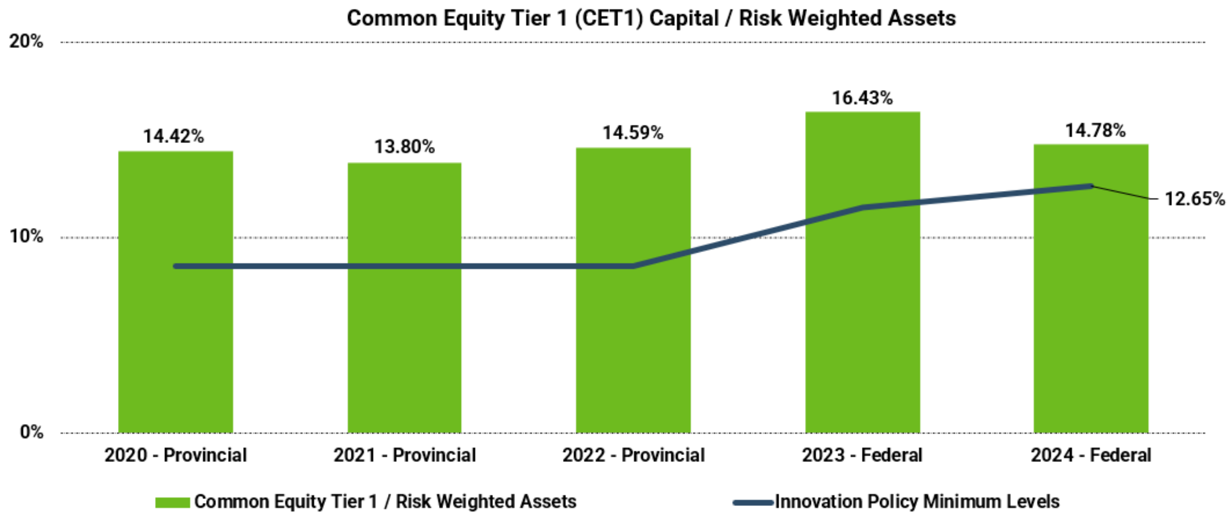
The first capital adequacy ratio focuses on the common equity tier 1 capital (CET1) as a percentage of total risk weighted assets.

Table 26: CET1 Capital Ratio

			Change	
(In thousands of Canadian $)	**2024**	**2023**	**$**	**%**
Common Equity Tier 1 Capital	381,252	356,259	24,993	7.0%
Risk Weighted Assets	2,579,181	2,168,724	410,457	18.9%
CET1 Capital Ratio	**14.78%**	**16.43%**		

Common equity tier 1 (CET1) capital ratio decreased in 2024 by 165 basis points to 14.78%. CET1 capital continues to be strong, well above internal policy targets.

Financial Review – Balance Sheet



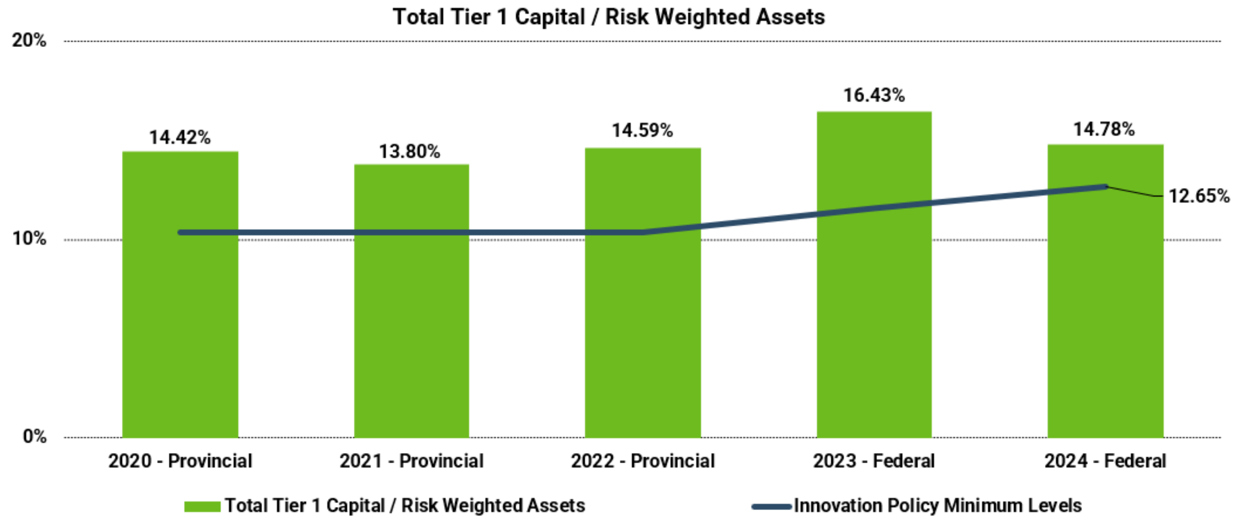
The second capital adequacy ratio focuses on total tier 1 capital as a percentage of total risk weighted assets. Innovation currently has no additional forms of tier 1 capital aside from the common equity tier 1 (CET1) capital.

Table 27: Total Tier 1 Capital Ratio

(In thousands of Canadian $)	2024	2023	Change $	Change %
Common Equity Tier 1 Capital	381,252	356,259	24,993	7.0%
Additional Tier 1 Capital	-	-	-	-
Total Tier 1 Capital	381,252	356,259	24,993	7.0%
Total Risk Weighted Assets	2,579,181	2,168,724	410,457	18.9%
Total Tier 1 Capital Ratio	**14.78%**	**16.43%**		

The total tier 1 capital ratio decreased in 2024 by 165 basis points to 14.78%. Total tier 1 capital continues to be strong, well above internal policy targets.

Financial Review – Balance Sheet

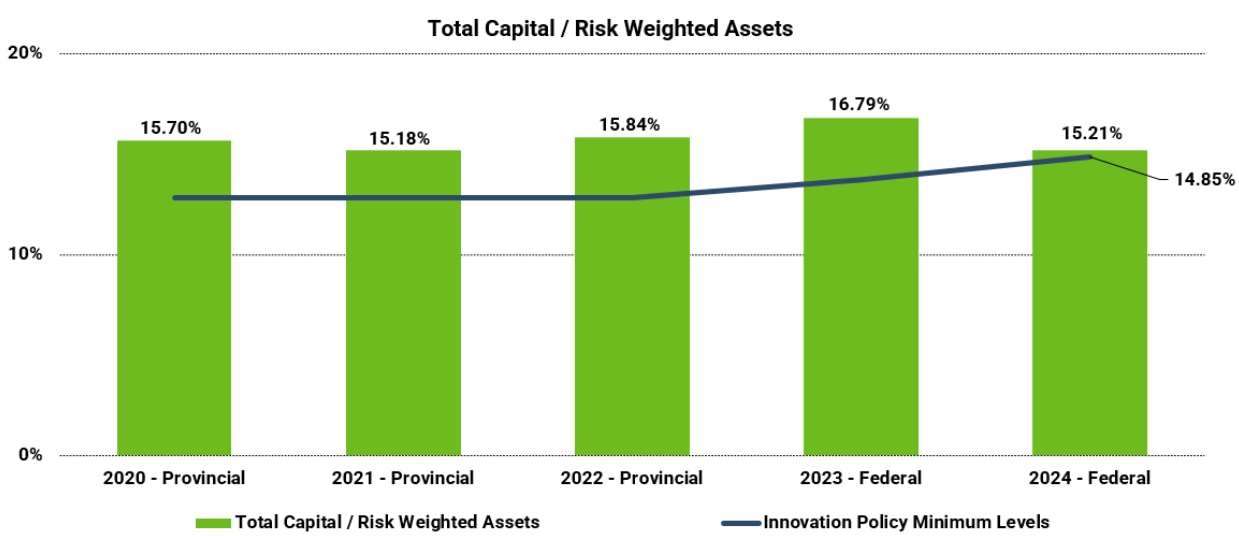


The third capital adequacy ratio focuses on total eligible capital as a percentage of total risk weighted assets.

Table 28: Total Capital Ratio

(In thousands of Canadian $)	2024	2023	Change $	Change %
Total Capital	392,191	364,097	28,094	7.7%
Risk Weighted Assets	2,579,181	2,168,724	410,457	18.9%
Total Capital Ratio	**15.21%**	**16.79%**		

The total capital ratio decreased in 2024 by 158 basis points to 15.21%. Total capital continues to be strong and above internal policy targets.



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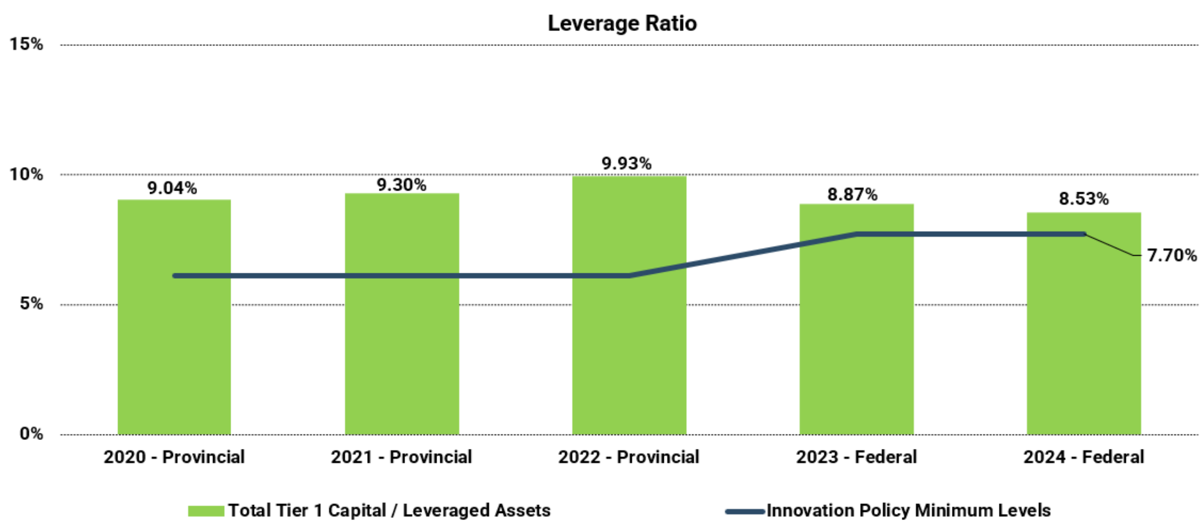
The final capital adequacy ratio focuses on total eligible capital in relation to total leverage exposures. This ratio is commonly referred to as the leverage ratio. Total leverage assets include on-balance sheet assets, less deductions from capital along with specified off-balance sheet items such as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

Table 29: Leverage Ratio

			Change	
	2024	**2023**	**$**	**%**
Total Tier 1 Capital	381,252	356,259	24,993	7.0%
Leverage Exposure	4,467,918	4,016,530	451,388	11.2%
Leverage Ratio	**8.53%**	**8.87%**		

The leverage ratio decreased in 2024 by 34 basis points to 8.53%. From a historic perspective, 2024 results continue to trend above internal policy targets.



Enterprise Risk Management

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

Risk Governance

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

Board of Directors:

- Approves risk policies, the risk appetite, and oversees execution of our ERM program by management;
- Monitors the risk profile, key and emerging risks and risk management activities; and
- Reviews and assesses the impact of business strategies, opportunities, and initiatives regarding the risk position.

Risk Committee and the Audit Committee of the Board:

- Responsible for Innovation's Risk Management framework;
- Monitors major risks and recommends acceptable risk levels to the Board;
- Reviews the appropriateness and effectiveness of risk management and compliance practices; and
- 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 policy, management practices and procedures; and
- Co-ordinates the strategic and operational planning process.

Enterprise Risk Committee (ERC)

- Ensures the efficient and effective management of Innovation's enterprise-wide risks, consistent with direction from the Board, with Innovation's risk appetite, and with applicable regulatory standards;
- Oversees the implementation of risk management frameworks, practices and procedures;
- Assesses and reviews Innovation's risk appetite in context to the desired risk culture;

Enterprise Risk Management

- Assesses and reviews Innovation's current risks and identifies emerging risks; and
- Oversees the implementation and monitoring of risk control strategies including development of remediation strategies as well as action plan treatments.

Credit Management Committee (CMC)

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

Internal Audit, Compliance and ERM areas:

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

- Monitors compliance with policy and procedure and assess the adequacy of controls;
- Provides independent and objective assurance on the effectiveness of risk management and control processes to management and the respective Committees of the Board; and
- Oversees enterprise-wide management of risk and compliance throughout the organization.

Strategic Financial Management Committee (SFM):

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

Corporate Finance:

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

Enterprise Risk Management

Significant Risk Areas

Innovation has identified eight material risk categories as follows:

A. Strategic Risk

Strategic risk is the current and prospective impact on volumes, earnings, or capital arising from adverse business conditions and decisions, competitor actions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation.

Key Strategic Risks

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

Strategic Risk Management

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

B. Capital Adequacy

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

Key Strategic Risks

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

Strategic Risk Management

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

C. Market Risk

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

Key Market Risks

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

Market Risk Management

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

D. Liquidity Risk

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

Key Liquidity Risks

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

Enterprise Risk Management

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

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

E. Credit Risk

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

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

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

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

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

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

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

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

F. Regulatory Compliance Risk

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

Key Regulatory Compliance Risks

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

Regulatory Compliance Risk Management

Governance, policy and procedures, oversight over regulatory controls and awareness aid Innovation in complying with laws and regulations, and therefore, are effective ways to manage regulatory compliance risk. Innovation has established compliance functions that provide an oversight role to ensure that operational areas are aware of applicable laws and regulations, establish effective controls to mitigate risk, report on non-compliance and address issues in a timely fashion. The compliance functions are also responsible to co-ordinate reporting to the Risk Committee of the Board on compliance. Compliance is led by a Chief Compliance Officer, who is appointed by the Board of Directors and has the authority to access the board, independent of Senior Management, as needed.

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

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

G. Reputation Risk

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

Enterprise Risk Management

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

H. Operational Risk

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

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

- People: Human resource management risks include ensuring the ability to attract and retain a highly engaged, diverse, talented, and trained workforce. This includes monitoring for fraudulent or unsafe practices as well as adherence to all labour and compliance standards.
- Information Communication Technology: Information Communication Technology (ICT) risk includes threats and opportunities regarding the capacity, sustainability, and security. Monitoring and managing risks for both the internal and member-facing ICT environment, including cyber security, are included in operational risk management.
- Third Party Risk: Innovation contracts with third parties throughout its operations. Third party risk is the risk of loss due to a third party failing to provide goods, business activities, functions and services, protect data or systems, or otherwise exposing Innovation to negative outcomes. The Third-Party Risk Management Program is a risk based and cross functional approach that monitors and evaluates the third party and services provided from the start of the relationship through termination.

Enterprise Risk Management

- 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: 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 a failure by Innovation to carry out its contractual obligations or enforce its contractual rights.
- Fraud: The risk of losses due to acts of a type intended to defraud, misappropriate property, or circumvent the law.

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


innovation
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Consolidated Financial Statements

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Bank of Montreal Building
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Independent Auditor's Report

To the Members of
Innovation Federal Credit Union

Opinion

We have audited the consolidated financial statements of Innovation Federal Credit Union (the "Credit Union"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

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 Accounting Standards as issued by the IASB, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Credit Union as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

Chartered Professional Accountants
Regina, Saskatchewan
March 26, 2025

INNOVATION FEDERAL CREDIT UNION

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024

INNOVATION FEDERAL CREDIT UNION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(In thousands of Canadian $)
As at December 31, 2024

	Note		2024		2023
ASSETS					
Cash and cash equivalents	4	**$**	**220,178**	$	356,779
Investments	5		**233,066**		181,396
Loans	6		**3,733,405**		3,193,839
Accounts receivable			**6,687**		6,231
Prepaid expenses			**16,209**		16,274
Derivative assets	8		**748**		1,617
Property and equipment	9		**13,940**		13,768
Investment property	9		**1,100**		1,086
Right of use assets	10		**817**		749
Intangible assets	11		**1,237**		1,384
Deferred income tax asset	22		**12,568**		12,060
		$	**4,239,955**	$	3,785,183
LIABILITIES					
Deposits	12	**$**	**3,601,175**	$	3,305,029
Securitized borrowings	14		**110,210**		69,016
Accounts payable and accrued liabilities			**16,690**		35,532
Short-term notes payable	13		**109,518**		-
Derivative liabilities	8		**177**		191
Lease liabilities	10		**867**		769
Income taxes payable			**4,266**		3,656
Deferred income tax liabilities	22		**3,519**		3,799
Deferred revenue			**388**		392
Membership shares and distributions	16		**31,154**		29,482
			3,877,964		3,447,866
Commitments	21				
EQUITY					
Retained earnings			**361,991**		337,317
			361,991		337,317
		$	**4,239,955**	$	3,785,183

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

APPROVED BY THE BOARD

Signed by:
Russ Seeman
079A8951A79040C...
.... **Director**

DocuSigned by:
E4131DA8F56E413...
.... **Director**

INNOVATION FEDERAL CREDIT UNION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In thousands of Canadian $)
Year ended December 31, 2024

	Note	2024	2023
INTEREST INCOME			
Loans		$ **214,427**	$ 163,230
Investments		**21,440**	21,593
Derivative instruments		**820**	823
		236,687	185,646
INTEREST EXPENSE			
Deposits		**104,903**	73,283
Borrowings		**4,676**	2,432
Member distributions	16	**5,271**	4,241
		114,850	79,956
REALIZED GAIN ON FVTPL INVESTMENTS		**240**	444
NET INTEREST INCOME BEFORE CREDIT LOSSES		**122,077**	106,134
PROVISION FOR CREDIT LOSSES	7	**9,553**	4,166
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES		**112,524**	101,968
UNREALIZED GAIN ON FVTPL INVESTMENTS		**3,355**	2,588
UNREALIZED LOSS ON DERIVATIVES		**(855)**	(323)
OTHER INCOME	15	**17,494**	15,424
NET INTEREST AND OTHER INCOME		**132,518**	119,657
OPERATING EXPENSES			
Personnel		**57,822**	50,739
Security		**2,420**	2,824
Organizational		**1,301**	964
Occupancy		**4,257**	3,959
General business		**33,351**	33,746
		99,151	92,232
INCOME BEFORE PROVISION FOR INCOME TAXES		**33,367**	27,425
PROVISION FOR (RECOVERY OF) INCOME TAXES			
Current	22	**9,480**	5,124
Deferred	22	**(787)**	2,073
		8,693	7,197
NET INCOME AND COMPREHENSIVE INCOME		$ **24,674**	$ 20,228

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

INNOVATION FEDERAL CREDIT UNION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In thousands of Canadian $)
Year ended December 31, 2024

	Note		**2024**		2023
RETAINED EARNINGS					
Balance, beginning of year		**$**	**337,317**	$	317,089
Net income and comprehensive income			**24,674**		20,228
Balance, end of year		**$**	**361,991**	$	337,317

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

INNOVATION FEDERAL CREDIT UNION
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands of Canadian $)
Year ended December 31, 2024

	Note	2024	2023
OPERATING ACTIVITIES			
Net income		**$ 24,674**	$ 20,228
Adjustments for non-cash items:			
Net interest income before credit losses		**(122,077)**	(108,971)
Provision for credit losses	7	**9,553**	4,166
Unrealized gain on financial instruments		**(2,500)**	(2,265)
Loss (gain) on disposal of property and equipment		**35**	(39)
Depreciation - property and equipment	9	**2,247**	2,026
Depreciation - right of use assets	10	**327**	210
Depreciation - investment property	9	**224**	183
Securitized borrowings		**(153)**	1,341
Amortization - intangible assets	11	**147**	178
Current income tax expense	22	**9,480**	5,124
Deferred income tax (recovery) expense	22	**(787)**	2,073
Changes in non-cash working capital			
Loans		**(538,383)**	(528,941)
Accounts receivable		**(456)**	29,116
Prepaid expenses		**65**	(2,709)
Deposits		**281,065**	431,340
Accounts payable and accrued liabilities		**(18,842)**	16,322
Deferred revenue		**(4)**	(22)
Dividends received		**1,173**	884
Interest received		**223,744**	181,945
Interest paid		**(93,175)**	(52,318)
Income taxes received		**(8,870)**	(577)
		(232,513)	(706)
INVESTING ACTIVITIES			
Purchases of investment securities		**(116,987)**	(515,150)
Proceeds on sale of investment securities		**69,946**	766,990
Purchase of property and equipment	9	**(2,586)**	(2,908)
Purchase of investment property	9	**(238)**	(187.00)
Proceeds from disposal of property and equipment		**132**	125
		(49,733)	248,870
FINANCING ACTIVITIES			
Repayment of lease liabilities	10	**(298)**	(212)
Payment of membership distributions		**(5,271)**	(4,241)
Proceeds on membership distributions		**1,672**	1,997
Repayment of securitized borrowings		**(39,233)**	(16,341)
Proceeds from securitized borrowings		**80,580**	3,524
Repayment of short term deposit notes		**(75,000)**	
Proceeds of short term deposit notes		**183,195**	
		145,645	**(15,273)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(136,600)**	232,891
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**356,779**	123,888
CASH AND CASH EQUIVALENTS, END OF YEAR		**$ 220,178**	$ 356,779

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

1. REPORTING ENTITY

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

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

Innovation operates 29 (2023 – 27) advice centers and serves members and non-members in North Battleford, Swift Current, Meadow Lake and surrounding areas. Innovation Federal Credit Union is a member of the Canada Deposit Insurance Corporation ("CDIC").

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

The consolidated financial statements for the year ended December 31, 2024 were authorized for issue by the Board of Directors (the "Board") on March 26, 2025.

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

3. MATERIAL ACCOUNTING POLICIES

Accounting policy information is material if, when considered together with other information included in the entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

3. MATERIAL ACCOUNTING POLICIES (continued)

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

Use of Estimates, Key Judgments and Assumptions

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

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

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

a) Valuation of Financial Instruments

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

b) Determination of Allowance for Credit Losses

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

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Determination of Allowance for Credit Losses (continued)

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

c) Securitized Borrowings

Innovation securitizes groups of assets by selling them to an independent special purpose or qualifying special purpose entity (“SPE”) or trust. Such transactions create liquidity for Innovation and release capital for future needs. As Innovation remains exposed to credit risk, the underlying loans have not been derecognized and are reported in Innovation’s consolidated statement of financial position as securitized 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.

3. MATERIAL ACCOUNTING POLICIES (continued)

e) Investment property

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

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

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 cash-generating units ("CGUs") and the allocation of assets to CGUs requires estimation and judgment.

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

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is

3. MATERIAL ACCOUNTING POLICIES (continued)

g) Impairment of Non-Financial Assets (continued)

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

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

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

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

- Held-to-Collect - Primary objective is to hold financial assets to collect contractual cash flows.
- Both Held-to-Collect and For-Sale - Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.

3. MATERIAL ACCOUNTING POLICIES (continued)

h) Classification of Financial Assets (continued)

Business Model Assessment (continued)

- Other - Business model is neither held-to-collect nor held-to-collect and for-sale and includes trading, managing assets on a fair value basis, or maximizing cash through sale.

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

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

Basis of Consolidation

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

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments

Recognition and initial measurement

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

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

Classification and Subsequent Measurement

a) Financial assets: debt instruments

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

- Amortized cost; or
- Fair value through other comprehensive income (“FVOCI”); or
- Fair value through profit or loss

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

Innovation does not hold debt instruments measured at FVOCI.

3. MATERIAL ACCOUNTING POLICIES (continued)

***Financial Instruments** (continued)*

ai) Debt instruments measured at amortized cost

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

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

aii) Debt instruments measured at FVTPL

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis, assets whose cash flows do 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) <u>Financial assets: equity instruments</u>

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

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Financial assets: equity instruments (continued)

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

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

c) Financial liabilities

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

d) Derecognition

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

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

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

e) Derivative Financial Instruments

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

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

f) Embedded derivatives

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

3. MATERIAL ACCOUNTING POLICIES (continued)

g) Financial asset impairment

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

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

gi) ECL impairment model

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

g) Financial asset impairment (continued)

gii) Model parameters

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

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

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

giii) Significant increase in credit risk

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

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments *(continued)*

g) Financial asset impairment (continued)

giii) Significant increase in credit risk (continued)

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

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

giv) Forward-looking information

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

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

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

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

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

The economic scenarios used in the determination of ECLs at December 31, 2024 include the following ranges of macroeconomic factors:

(in thousands of Canadian $)

3. MATERIAL ACCOUNTING POLICIES (continued)

g) Financial asset impairment (continued)

giv) Forward-looking information (continued)

	12 Month Average Forecast			5 Year Average Forecast		
% Change [1]	Base Case	Best Case	Worst Case	Base Case	Best Case	Worst Case
3 Month GOC Bond Rate	-33.26%	-0.84%	-57.96%	-8.86%	-6.12%	-12.09%
3 Month BA Rate	-29.93%	0.24%	-53.29%	-8.30%	-6.08%	-12.10%
Unemployment Rate	6.60%	5.85%	7.67%	5.30%	4.85%	6.52%
Housing Price Index (HPI)	2.80%	4.28%	-4.30%	2.75%	3.98%	-0.76%

[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, 2024

The economic scenarios used in the determination of ECLs at December 31, 2023 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	-1.49%	22.52%	-45.09%	-9.40%	-15.09%	-15.09%
3 Month BA Rate	-0.78%	20.59%	-39.99%	-8.99%	-14.45%	-14.45%
Unemployment Rate	6.18%	5.43%	7.27%	5.49%	6.71%	6.71%
Housing Price Index (HPI)	-1.09%	5.56%	-9.60%	1.12%	-1.51%	-1.51%

[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, 2023

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, 2024 would be $253 to ($143) (2023 - $508 to ($266)).

gv) Modified financial assets

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

3. MATERIAL ACCOUNTING POLICIES (continued)

g) Financial asset impairment (continued)

gv) Modified financial assets (continued)

interest rate. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial instrument are deemed to have expired. In this case, the original financial asset or liability is derecognized and a new financial asset or liability is recognized in the consolidated statement of financial position at fair value.

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

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

gvi) Definition of default

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

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

g) Financial asset impairment (continued)

gvii) Write-off policy

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

Cash and Cash Equivalents

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

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):

3. MATERIAL ACCOUNTING POLICIES (continued)

***Property and Equipment** (continued)*

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

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

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

Intangible Assets

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

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

Software	2 - 10 years
Naming rights	40 years
Core deposits	9 years

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

In determining if a SaaS (Software as a Service) arrangement is eligible for capitalization as an intangible asset, Innovation assesses the arrangement to determine if it has control of the software or a specific portion of the software. For those arrangements, or specific portions of arrangements where control does not exist, Innovation recognizes any related implementation costs as prepaid expenses or

3. MATERIAL ACCOUNTING POLICIES (continued)

Intangible Assets *(continued)*

operating expenses as incurred through net income and comprehensive income. Where control exists the costs are capitalized as intangible assets and depreciated over the respective useful lives.

Impairment of Tangible and Intangible Assets

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, Innovation estimates future cash flows it expects to derive from the asset or group of assets along with expectations about possible variations in the amount and timing of those cash flows. The estimated cash flows are discounted to 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.

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

Leases

a) *As lessor*

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Leases *(continued)*

a) As lessor (continued)

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

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

b) As lessee

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

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Revenue Recognition

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

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

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

Membership Equity

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

Foreign Currency Translation

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Employee Future Benefits

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

Innovation's contributions to the defined contribution plan are expensed as incurred. Pension benefits of $2,639 (2023 - $2,200) were paid to defined contribution retirement plans during the year.

COVID-19 Considerations

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

Canada Emergency Business Account ("CEBA"): under the CEBA program, Innovation provided interest-free loans until January 18, 2024 and at a rate of 5% thereafter for eligible loan holders in good standing. These loans were funded by the Export Development Bank of Canada ("EDC") to existing eligible small business members, with the full principal amount due on December 31, 2026. As Innovation does not retain substantially all the risks and rewards of the financial assets, and all cash flows are passed through to the EDC, these loans are derecognized from Innovation's consolidated statement of financial position.

Future Accounting Changes

Innovation actively monitors developments and changes in accounting standards from the IASB, as well as requirements from the other regulatory bodies, including OSFI.

a) Presentation and disclosure in financial statements (IFRS 18)

In April 2024, the IASB issued a new standard – IFRS 18 - Presentation and Disclosure in Financial Statements. The standard becomes effective January 1, 2027, prospectively. The key objective is to set requirements for the presentation of general-purpose financial statements. It is expected that Innovation will have structural changes to the financial statements which are currently being assessed.

(in thousands of Canadian $)

3. MATERIAL ACCOUNTING POLICIES (continued)

Future Accounting Changes (continued)

b) Classification and disclosures (Amendments to IFRS 9)

In May 2024, the IASB issued amendments to IFRS 9, which will become effective prospectively on January 1, 2026. These amendments include clarifying the classification of financial assets with environmental, social, and corporate governance impacts. The amendments also introduce new disclosure requirements for equity investments. Innovation is currently assessing the impact.

c) Electronic transfer payments (Amendments to IFRS 9)

In May 2024, the IASB also issued amendments to IFRS 9 regarding the derecognition of electronic transfer payments. These will become effective on January 1, 2026. The amendments clarify that financial assets and liabilities should be derecognized on the settlement date rather than the initiation date. Additionally, the IASB has developed an accounting policy option that allows a company to derecognize a financial liability before delivering cash on the settlement date, provided certain criteria are met. Innovation is currently assessing the impact.

4. CASH AND CASH EQUIVALENTS

		2024		2023
Cash on hand	**$**	**12,361**	$	9,654
Cash held with SaskCentral		**2,721**		2,841
Cash held with Concentra Bank		**170,568**		3,508
Cash held with Central 1		**34,528**		45,349
Cash held with National Bank		**-**		295,427
Total	**$**	**220,178**	$	356,779

5. INVESTMENTS

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

		2024		2023
Debt Investments (Amortized Cost)				
Mortgage-backed securities	$	**25,878**	$	34,575
Corporate debt and covered bonds		**81,792**		35,946
Deposits and debt securities		**60,099**		35,950
Accrued Interest		**2,231**		1,108
Impairment		**(107)**		(38)
Debt Investments (FVTPL)				
Deposits with financial institutions		**-**		2,698
Other debt securities		**28,037**		35,286
Accrued Interest		**129**		324
Equity Securities (FVTPL)				
Investment funds and other entities		**34,483**		35,199
Accrued Interest		**524**		348
Total Investments	$	**233,066**	$	181,396

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

At December 31, 2024, $126,904 (2023 - $99,189) of debt investments mature more than 12 months after the reporting date.

SaskCentral Membership Shares

Currently Innovation holds $8,182 in Class B membership shares (2023 - $10,557) of SaskCentral. The voting rights, characteristics, and value of membership shares are set out in the bylaws of SaskCentral. Membership shares of SaskCentral carry an issuance and redemption price of $10 (not in thousands) per share.

These shares are classified as FVTPL. There is no active market for these shares as they are issued only by virtue of membership in SaskCentral. The shares are redeemable upon withdrawal of membership or at the discretion of the board of directors of SaskCentral. The shares may be surrendered upon withdrawal from membership for

(in thousands of Canadian $)

5. INVESTMENTS (continued)

***SaskCentral Membership Shares** (continued)*

proceeds equal to the paid-in value, to be received in accordance with a SaskCentral by-law providing for the redemption of its share capital.

6. LOANS

			ECL Allowance			2024
	Performing	Impaired	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Net
Agriculture	$ 483,653	$ -	$ (674)	(843)	$ -	$ **482,136**
Commercial	1,318,013	28,949	(1,831)	(3,295)	(6,742)	**1,335,094**
Consumer	1,883,252	2,330	(1,388)	(2,773)	(1,363)	**1,880,058**
Finance Leases	6,402	376	(27)	-	(250)	**6,501**
Foreclosed Property	-	36	-	-	-	**36**
Accrued Interest	25,508	4,072	-	-	-	**29,580**
Total Loans	**$ 3,716,828**	**$ 35,763**	**$ (3,920)**	**$ (6,911)**	**$ (8,355)**	**$ 3,733,405**

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

(in thousands of Canadian $)

6. LOANS (continued)

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

	2024		2023	
	Performing	**Impaired**	Performing	Impaired
Current	**$ 3,650,672**	**$ 1,346**	$ 3,168,466	$ 1,032
32-60 days	**19,640**	**4**	2,166	180
61-90 days	**2,246**	**79**	900	29
91 -120 days	**4,675**	**327**	455	38
120+ days	**14,087**	**29,935**	7,434	7,011
Accrued Interest	**25,508**	**4,072**	18,232	682
Total	$ **3,716,828**	**$ 35,763**	$ 3,197,653	$ 8,972

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

During the year, Innovation obtained residential property and commercial property with carrying values of $36 and (2023 - $184) 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.

				2024
Total	**12-month ECL (Stage 1)**	**Lifetime ECL not credit-impaired (Stage 2)**	**Lifetime ECL credit-impaired (Stage 3)**	**Total ECL**
Beginning Balance, January 1, 2024	$ 3,148	$ 4,652	$ 4,986	**$ 12,786**
Transfer to 12-month ECL	1,069	(1,026)	(43)	**-**
Transfer to lifetime ECL not credit-impaired	(233)	249	(16)	**-**
Transfer to lifetime ECL credit-impaired	(1,499)	(786)	2,285	**-**
Net remeasurement of loss allowance	528	4,016	4,563	**9,107**
New financial assets originated	1,358	535	14	**1,907**
Financial assets that have been derecognized	(451)	(729)	(351)	**(1,531)**
Write-offs	-	-	(3,480)	**(3,480)**
Recoveries	-	-	397	**397**
Balance at December 31, 2024	**$ 3,920**	**$ 6,911**	**$ 8,355**	**$ 19,186**

(in thousands of Canadian $)

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

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, 2024	$ 334	$ 822	$ 253	$ 1,409
Transfer to 12-month ECL	265	(265)	-	-
Transfer to lifetime ECL not credit-impaired	(10)	10	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
Net remeasurement of loss allowance[1]	(218)	327	-	109
New financial assets originated	343	52	-	395
Financial assets that have been derecognized	(29)	(103)	(9)	(141)
Write-offs	-	-	(1)	(1)
Recoveries	-	-	7	7
Balance at December 31, 2024	$ 685	$ 843	$ 250	$ 1,778

[1]Includes finance leases from our agricultural borrowers with a total allowance of $261.

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, 2024	$ 1,061	$ 2,188	$ 3,449	$ 6,698
Transfer to 12-month ECL	309	(309)	-	-
Transfer to lifetime ECL not credit-impaired	(24)	24	-	-
Transfer to lifetime ECL credit-impaired	(134)	(392)	526	-
Net remeasurement of loss allowance[2]	317	1,983	3,601	5,901
New financial assets originated	411	72	-	483
Financial assets that have been derecognized	(93)	(271)	(273)	(637)
Write-offs	-	-	(679)	(679)
Recoveries	-	-	118	118
Balance at December 31, 2024	$ 1,847	$ 3,295	$ 6,742	$ 11,884

[2]Includes finance leases from our commercial borrowers with a total allowance of $16.

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, 2024	$ 1,753	$ 1,642	$ 1,284	$ 4,679
Transfer to 12-month ECL	495	(452)	(43)	-
Transfer to lifetime ECL not credit-impaired	(199)	215	(16)	-
Transfer to lifetime ECL credit-impaired	(1,365)	(394)	1,759	-
Net remeasurement of loss allowance	429	1,706	962	3,097
New financial assets originated	604	411	14	1,029
Financial assets that have been derecognized	(329)	(355)	(69)	(753)
Write-offs	-	-	(2,800)	(2,800)
Recoveries	-	-	272	272
Balance at December 31, 2024	$ 1,388	$ 2,773	$ 1,363	$ 5,524

(in thousands of Canadian $)

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

2023

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

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

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

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

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

(in thousands of Canadian $)

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

The proportion of allowance relating to undrawn commitments included above is $138 (2023- $55).

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

Debt instruments at Amortized Cost	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	**2024** **Total**
Agriculture loans	$ 96	$ 276	$ (9)	**$ 363**
Commercial loans	635	1,784	3,328	**5,747**
Consumer loans	704	1,762	907	**3,373**
Investments	70	-	-	**70**
Net provision for credit losses	**$ 1,505**	**$ 3,822**	**$ 4,226**	**$ 9,553**

Debt instruments at Amortized Cost	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	**2023** Total
Agriculture loans	$ (356)	$ (53)	$ 153	$ (256)
Commercial loans	(387)	102	1,793	1,508
Consumer loans	232	861	1,808	2,901
Investments	13	-	-	13
Net provision for credit losses	$ (498)	$ 910	$ 3,754	$ 4,166

(in thousands of Canadian $)

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, 2024 and are not indicative of either the market risk or the credit risk.

	Maturities of derivatives (notional amount)					Net fair value			
				2024	2023	2024		2023	
	Under 1 year	1 to 5 years	Over 5 years	Total	Total	Assets	Liabilities	Assets	Liabilities
Derivatives at FVTPL									
Interest rate swaps	$ 40,000	$ -	$ -	$40,000	$ 60,000	$571	$ -	$ 1,426	$ -
Index-linked options	457	-	-	457	653	177	177	191	191
	$ 40,457	$ -	$ -	$40,457	$ 60,653	$748	$ 177	$ 1,617	$ 191

Interest rate swaps

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

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

Index-linked options

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

(in thousands of Canadian $)

9. PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY

Property and equipment

2024	Land	Facilities	Computer Hardware	Furniture & Equipment	Automotive	Total
Cost						
Balance at January 1, 2024	$ 1,718	$ 32,319	$ 13,826	$ 4,207	$ 1,072	$ 53,142
Additions	-	569	1,580	174	263	2,586
Disposals	-	-	(103)	-	(88)	(191)
Transfer to investment property	-	(238)	-	-	-	(238)
Balance at December 31, 2024	**$ 1,718**	**$ 32,650**	**$ 15,303**	**$ 4,381**	**$ 1,247**	**$ 55,299**
Depreciation						
Balance at January 1, 2024	$ -	$ 24,298	$ 10,650	$ 3,697	$ 729	$ 39,374
Depreciation expense	-	934	1,032	142	139	2,247
Disposals	-	-	(41)	-	(83)	(124)
Transfer to investment property	-	(138)	-	-	-	(138)
Balance at December 31, 2024	**$ -**	**$ 25,094**	**$ 11,641**	**$ 3,839**	**$ 785**	**$ 41,359**
Net Book Value						
Balance at December 31, 2024	**$ 1,718**	**$ 7,556**	**$ 3,662**	**$ 542**	**$ 462**	**$ 13,940**

2023	Land	Facilities	Computer Hardware	Furniture & Equipment	Automotive	Total
Cost						
Balance at January 1, 2023	$ 1,718	$ 32,332	$ 12,041	$ 3,761	$ 1,038	$ 50,890
Additions	-	174	2,147	446	141	2,908
Disposals	-	-	(362)	-	(107)	(469)
Transfer to investment property	-	(187)	-	-	-	(187)
Balance at December 31, 2023	**$ 1,718**	**$ 32,319**	**$ 13,826**	**$ 4,207**	**$ 1,072**	**$ 53,142**
Depreciation						
Balance at January 1, 2023	$ -	$ 23,441	$ 10,148	$ 3,595	$ 734	$ 37,918
Depreciation expense	-	961	864	102	99	2,026
Disposals	-	-	(362)	-	(104)	(466)
Transfer to investment property	-	(104)	-	-	-	(104)
Balance at December 31, 2023	**$ -**	**$ 24,298**	**$ 10,650**	**$ 3,697**	**$ 729**	**$ 39,374**
Net Book Value						
Balance at December 31, 2023	**$ 1,718**	**$ 8,021**	**$ 3,176**	**$ 510**	**$ 343**	**$ 13,768**

(in thousands of Canadian $)

9. PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY (continued)

Investment Property

	2024	2023
Cost		
Balance at January 1	$ 2,420	$ 2,233
Transfer from property and equipment	238	187
Balance at December 31	**$ 2,658**	**$ 2,420**
Depreciation		
Balance at January 1	$ 1,334	$ 1,152
Transfer from property and equipment	138	103
Depreciation expense	86	79
Balance at December 31	**$ 1,558**	**$ 1,334**
Net Book Value		
Balance at December 31	**$ 1,100**	**$ 1,086**

The fair value of the investment property above as at December 31, 2024 is $1,752 (2023 - $1,575).

10. LEASES

Right of use (ROU) assets

	2024			2023		
	Facilities	**Other**	**Total**	Facilities	Other	Total
Cost						
Balance at January 1	$ 1,533	$ 72	**$ 1,605**	$ 985	$ 35	$ 1,020
Additions	396	-	**396**	548	37	585
Disposals	(513)	-	**(513)**	-	-	-
Balance at December 31	**$ 1,416**	**$ 72**	**$ 1,488**	$ 1,533	$ 72	$ 1,605
Depreciation						
Balance at January 1	$ 816	$ 40	**$ 856**	$ 613	$ 33	$ 646
Depreciation expense	320	7	**327**	203	7	210
Disposals	(512)	-	**(512)**	$ -	$ -	-
Balance at December 31	**$ 624**	**$ 47**	**$ 671**	$ 816	$ 40	$ 856
Net Book Value						
Balance at December 31	**$ 792**	**$ 25**	**$ 817**	$ 717	$ 32	$ 749

(in thousands of Canadian $)

10. LEASES (continued)

Lease liabilities

	2024	2023
Interest expense on lease liabilities	$ 53	$ 16
Expense relating to variable lease payments	152	114
Total amounts recognized in profit or loss	**$ 205**	**$ 130**
Repayment of lease liabilities	299	213
Total cash outflows for leases	**$ 504**	**$ 343**

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

The lease liability carrying value as at December 31, 2024 is $867 (2023- $769).

The contractual maturity of future lease payments are as follows:

	2024	2023
1 year or less	$ 374	$ 326
1 to 5 years	$ 754	$ 904

11. INTANGIBLE ASSETS

				2024
	Software	Naming Rights	Core Deposits	Total
Cost				
Balance at January 1	$ 6,483	$ 1,500	$ 901	8,884
Balance at December 31	**$ 6,483**	**$ 1,500**	**$ 901**	**$ 8,884**
Amortization				
Balance at January 1	$ 6,477	$ 512	$ 511	7,500
Amortization expense	5	38	104	147
Balance at December 31	**$ 6,482**	**$ 550**	**$ 615**	**$ 7,647**
Carrying Value				
Balance at December 31	**$ 1**	**$ 950**	**$ 286**	**$ 1,237**

(in thousands of Canadian $)

11. INTANGIBLE ASSETS (continued)

								2023
		Software		Naming Rights		Core Deposits		Total
Cost								
Balance at January 1	$	6,483	$	1,500	$	901	$	8,884
Balance at December 31	$	6,483	$	1,500	$	901	$	8,884
Amortization								
Balance at January 1	$	6,440	$	474	$	407	$	7,321
Amortization expense		37		38		104		179
Balance at December 31	$	6,477	$	512	$	511	$	7,500
Carrying Value								
Balance at December 31	$	6	$	988	$	390	$	1,384

12. DEPOSITS

		2024		2023
Operating and Savings	**$**	**1,602,901**	$	1,645,137
TFSA		**187,922**		162,312
FHSA		**530**		-
Term Deposits		**1,591,703**		1,298,001
RRSP		**108,739**		106,659
RRIF		**58,601**		57,222
Interest Payable		**50,779**		35,698
Total Deposits	**$**	**3,601,175**	$	3,305,029

At December 31, 2024, $794,814 (2023 - $566,075) of deposits are expected to be settled more than 12 months after the reporting date.

13. FUNDING FACILITIES

Loans Payable

	2024				2023			
		Balance		**Credit Limit**		Balance		Credit Limit
SaskCentral Line of Credit (CDN)	**$**	**-**	**$**	**10,000**	$	-	$	10,000
Central 1 Line of Credit (CDN)		**-**		**45,000**		-		45,000
National Bank Credit Line		**-**		**50,000**		-		50,000
Desjardins Credit Line		**-**		**50,000**		-		50,000
Total Credit Facilities (CDN)	**$**	**-**	**$**	**155,000**	$	-	$	155,000
SaskCentral Line of Credit (USD)		**-**		**100**		-		100
Central 1 Line of Credit (USD)		**-**		**500**		-		500
Total Credit Facilities (USD)	**$**	**-**	**$**	**600**	$	-	$	600

(in thousands of Canadian $)

13. FUNDING FACILITIES (continued)

Loans Payable *(*continued*)*

Innovation has an authorized line of credit bearing interest at prime less 0.50% (2023 – prime less 0.50%) with SaskCentral. Innovation also has an authorized line of credit (USD) bearing interest at USD prime plus 0.50% (2023 - prime plus 0.50%) with SaskCentral.

Innovation has an authorized line of credit bearing interest at the Canadian Overnight Bank Rate plus 1% (2023 – Canadian Overnight Bank Rate plus 1%) and an annual standby fee of 0.25% (2023- 0.25%) with Central 1. Innovation also has an authorized line of credit bearing interest at the US Base Rate and an annual standby fee of 0.25% (2023- 0.25%) with Central 1.

Innovation has an authorized committed revolving credit facility with National Bank bearing interest at adjusted Daily Compounded CORRA plus credit spread adjustment plus 1.70% (2023- Daily Compounded CORRA plus 0.50% and an annual standby fee of 0.37% (2023- 0.10%).

Innovation has an authorized demand loan with Desjardin bearing interest at Desjardin's internal cost of funds plus 0.80% for Insurable Tranche funding (2023- 0.80%) and an annual standby fee of 0.225% (2023 – annual standby fee of 0.225%).

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

Short-term Notes Payable

In 2024, IFCU began issuing Bearer Deposit Notes (BDNs), which are recorded as short-term notes payable. BDNs are unsecured debt instruments issued at a discount to their face value. The purchaser receives the face value plus interest at maturity.

		2024		2023
Face value	**$**	**110,000**	$	-
Discount		**(482)**		-
Total short-term notes payable	**$**	**109,518**	$	-

In 2024 interest expense of $1,323 (2023 - $Nil) was recognized related to the BDNs.

14. SECURITIZED BORROWINGS

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

At December 31, 2024, the carrying value of the residential mortgage loans, including accrued interest is $111,736 (2023 - $70,389). Due to retention of substantially all the risks and rewards of ownership of these assets, Innovation continues to recognize them within loans on the consolidated statement of financial position, and the transfers are accounted for as secured financing transactions. The associated liability of $110,210 (2023 - $69,016), secured by these assets, is included in securitized borrowings on the consolidated statement of financial position and is carried at amortized cost.

Innovation also retains certain amounts of its issued NHA MBS certificates as part of its liquidity management strategy. As at December 31, 2024 residential mortgages of $237,622 (2023 -$217,982) with a fair value of $230,188 (2023 - $203,405) were assigned to NHA MBS certificates and retained by Innovation. These unsold NHA MBS certificates are reported in consumer loans on the consolidated statement of financial position.

15. OTHER INCOME

		2024		2023
Service charges on products	$	**1,183**	$	1,207
Loan fees, commissions and insurance		**4,927**		4,469
Other fees and commissions		**4,138**		3,278
Innovation Wealth		**6,200**		5,601
Other revenue		**1,046**		869
Total	$	**17,494**	$	15,424

16. MEMBERSHIP SHARES AND DISTRIBUTIONS

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

(in thousands of Canadian $)

16. MEMBERSHIP SHARES AND DISTRIBUTIONS (continued)

Membership shares and distributions is comprised of the following:

		2024		2023
Membership Shares - par value	$	**338**	$	311
Membership Shares - patronage allocations		**20,160**		20,015
Membership rewards - unrestricted		**10,656**		9,156
Total Membership Shares and Distributions	$	**31,154**	$	29,482

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 $5,271 (2023 - $4,241) based on 2024 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 and registered products deposits). The credit union introduced Monthly Transaction Rewards, a new cash dividend program based on digital transaction activity in 2024.

The member distributions are reported on the consolidated financial statements as follows: $1,359 (2023 - $1,319) cash dividends, $125 (2023 - $104) youth cash dividends, $437 (2023 – nil) Monthly Transaction Rewards, and $3,350 (2023 - $2,818) patronage allocations to Membership Shares.

17. CAPITAL MANAGEMENT

Innovation conducts its capital management in accordance with OSFI Capital Adequacy Requirements (CAR) - Guideline. Innovation has adopted a Capital Plan that is approved by the Board of Directors. A Capital Contingency Plan is also in place to identify, measure, monitor, and control capital during a stressed event.

Regulatory standards require small to medium size deposit taking institutions (SMSBs) to maintain the following minimum ratios, which include a 2.5% capital conservation buffer:

Common equity tier 1 (CET1)	7.00%
Tier 1 capital	8.50%
Total capital	10.50%

(in thousands of Canadian $)

17. CAPITAL MANAGEMENT (continued)

Total capital consists of tier 1 and tier 2 capital.

Tier 1 capital is comprised of the highest quality capital elements. It consists of two components: CET1 and additional tier 1 capital. CET1 includes common shares, retained earnings, contributed surplus, accumulated other comprehensive income and applied regulatory adjustments. Deductions from CET1 include items such as goodwill, intangible assets, deferred tax assets (except those arising from temporary differences) and significant investments in commercial entities. Additional tier 1 capital consists of qualifying shares and other investment shares issued by Innovation that meet the criteria for inclusion in additional tier 1 capital.

Tier 2 capital includes items such as collective allowance for credit losses, subordinated indebtedness, and qualifying member or non-member shares, or other investment shares issued by Innovation that meet the criteria for inclusion in tier 2 capital and are not included in tier 1 capital.

Regulatory standards also require category I and II SMSBs to maintain a minimum leverage ratio of 3.0%, as prescribed in OSFI's Leverage Requirements Guideline. This ratio is calculated by dividing tier 1 capital by on balance sheet exposures, derivative exposures, securities financing transactions and off-balance sheet items.

During the year, Innovation complied with all regulatory capital requirements. Noncompliance may result in supervisory intervention measures.

The following table summarizes key capital information:

Capital Summary		**2024**		2023
Common equity tier 1 capital	**$**	**381,252**	$	356,259
Total tier 1 capital		**381,252**		356,259
Total tier 2 capital		**10,938**		7,838
Total capital	**$**	**392,190**	$	364,097
Risk-weighted assets	**$**	**2,579,181**	$	2,168,724
Leveraged assets		**4,467,918**		4,016,530
Common equity tier 1 to risk weighted assets		**14.78%**		16.43%
Total Tier 1 to risk weighted assets		**14.78%**		16.43%
Total capital to risk weighted assets		**15.21%**		16.79%
Total Tier 1 capital to leveraged assets		**8.53%**		8.87%

(in thousands of Canadian $)

18. RELATED PARTY TRANSACTIONS

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

Loans

At December 31, 2024, certain directors, senior management and their spouses, children and dependents were indebted to Innovation for an amount totaling $4,183 (2023 - $4,180). 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, 2024, certain directors, senior management and their spouses, children and dependents over which the director or executive has substantial control had deposits at Innovation for an amount totaling $2,400 (2023 - $2,212).

Directors and other key management personnel may hold deposit accounts. These accounts are maintained under the same terms and conditions as the 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:

	2024	2023
Salaries and other short-term employee benefits	**$ 4,702**	$ 3,849
Other long-term benefits	**190**	167
	$ 4,892	$ 4,016

(in thousands of Canadian $)

19. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2024			2023		
	FVTPL	Amortized Cost	Total Carrying Value	FVTPL	Amortized Cost	Total Carrying Value
FINANCIAL ASSETS						
Cash and cash equivalents	$ -	$ 220,178	$ 220,178	$ -	$ 356,779	$ 356,779
Investments	63,173	169,893	233,066	73,855	107,541	181,396
Loans	-	3,733,405	3,733,405	-	3,193,839	3,193,839
Accounts receivable	-	6,687	6,687	-	6,231	6,231
Derivative assets	748	-	748	1,617	-	1,617
FINANCIAL LIABILITIES						
Deposits	$ -	$ 3,601,175	$ 3,601,175	$ -	$ 3,305,029	$ 3,305,029
Securitized borrowings	-	110,210	110,210	-	69,016	69,016
Accounts payable and accrued liabil	-	16,690	16,690	-	35,532	35,532
Short term notes payable	-	109,518	109,518	-	-	-
Derivative liabilities	177	-	177	191	-	191
Membership shares and distribution	-	31,154	31,154	-	29,482	29,482

Fair value of financial instruments

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

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

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

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

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

Fair value of financial instruments (continued)

- Level 3: Fair value measurements derived from valuation techniques that include significant unobservable inputs.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

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

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 accrued liabilities and membership shares and distributions approximated their fair values.
- The terms for short-term deposit notes are consistently three months; therefore, the face value of the notes approximates the fair value.
- 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.

(in thousands of Canadian $)

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

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 residential mortgage floor rates for insured loans and commercial mortgage renewal rates for all other lending. These are as follows:

	2024	2023
Investments	**2.07% - 3.13%**	3.23% - 5.04%
Loans	**4.09% - 6.67%**	5.79% - 6.89%
Deposits	**3.30% - 3.45%**	2.68% - 3.95%

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.

					2024
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
FINANCIAL ASSETS					
Measured at FVTPL					
Investments	$ 63,173	$ 63,173	$ -	$ 36,833	$ 26,340
Derivative assets	748	748	-	748	-
Measured at Amortized Cost					
Investments	169,893	172,818	-	172,818	-
Loans	3,733,405	3,705,022	-	3,705,022	-
	$ 3,967,219	**$ 3,941,761**	**$ -**	**$ 3,915,421**	**$ 26,340**
FINANCIAL LIABILITIES					
Measured at FVTPL					
Derivative liabilities	$ 177	$ 177	$ -	$ 177	$ -
Measured at Amortized Cost					
Short term notes payable	109,518	110,000	-	110,000	-
Deposits	3,601,175	3,578,481	-	3,578,481	-
Securitized borrowings	110,210	111,831	-	111,831	-
	$ 3,821,080	**$ 3,800,489**	**$ -**	**$ 3,800,489**	**$ -**

(in thousands of Canadian $)

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

Fair value of financial instruments (continued)

					2023
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Measured at FVTPL					
Investments	$ 73,855	$ 73,855	$ -	$ 51,063	$ 22,792
Derivative assets	1,617	1,617	-	1,617	-
Measured at Amortized Cost					
Investments	107,541	106,113	-	106,113	-
Loans	3,193,839	3,153,746	-	3,153,746	-
	$ 3,376,852	**$ 3,335,331**	**$ -**	**$ 3,312,539**	**$ 22,792**
FINANCIAL LIABILITIES					
Measured at FVTPL					
Derivative liabilities	$ 191	$ 191	$ -	$ 191	$ -
Measured at Amortized Cost					
Deposits	3,305,029	3,244,804	-	3,244,804	-
Securitized borrowings	69,015	67,045	-	67,045	-
	$ 3,374,235	**$ 3,312,040**	**$ -**	**$ 3,312,040**	**$ -**

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:

	2024	2023
Opening Balance	**$ 22,792**	$ 17,944
Unrealized gains included in net income	**2,938**	977
Purchases	**850**	5,618
Disposals	**(417)**	(1,562)
Change in accrued interest	**177**	(185)
Closing Balance	**$ 26,340**	$ 22,792

20. FINANCIAL INSTRUMENT RISK MANAGEMENT

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

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk

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

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

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

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

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

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

(in thousands of Canadian $)

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

In some cases, Innovation obtains third-party guarantees and insurance to reduce the risk of loan default. In total, 17% (2023 – 14%) of the Innovation's loan portfolio is guaranteed by a government program or agency. The largest of these guarantees is in the residential mortgage portfolio, which is guaranteed by either Canada Mortgage and Housing Corporation (CMHC), a government owned corporation, at 11% (2023 – 11%) or Sagen at 2% (2023 – 3%).

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

		2024		**2023**
Fully secured by government guarantee or default insurance	**$**	**644,316**	$	455,333
Fully or partially secured by tangible mortgage assets[1]		**2,630,249**		2,450,144
Fully or partially secured by tangible non mortgage assets		**369,427**		210,811
Unsecured		**79,019**		71,422
	$	**3,723,011**	$	3,187,710

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

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

		2024		2023
Credit-impaired (Stage 3) loans				
Fair value of collateral held as security for stage 3 loans	**$**	**50,461**	$	10,491
Stage 3 loans without an allowance due to adequate security	**$**	**1,850**	$	125
Foreclosed loans				
Assets acquired via enforcement of security during the year	**$**	**38**	$	271

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

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

(in thousands of Canadian $)

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

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

	2024 Amount	2023 Amount
Long Term Issuer Rating AAA	$ **25,878**	$ 34,575
Long Term Issuer Rating AA(low) to AA(high)	**34,224**	49,245
Long Term Issuer Rating A(low) to A(high)	**26,291**	28,869
Long Term Issuer Rating BBB(low) to BBB(high)	**109,413**	31,766
Unrated	**34,484**	35,200
	$ **230,290**	$ 179,655

At December 31, 2024, Innovation does not hold any credit derivative financial instruments (2023 - $Nil). Innovation is exposed to credit risk in the event of non-performance by counterparties to its derivative financial instruments but does not anticipate non-performance by any of the counterparties. Management monitors the credit risk and credit standing of counterparties on a regular basis.

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

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

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

(in thousands of Canadian $)

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

The unused portion of authorized loans and lines of credit and from standby letters of credit totals $564,739 (2023 - $614,302). This amount does not necessarily represent future cash requirements since many commitments will expire or terminate without being funded.

The following table provides a summary of Innovation's risk rating framework as at December 31, 2024:

Portfolio	Method	Low Risk	Moderate Risk	High Risk
Commercial/Agriculture	Internal Risk Ratings	1 - 3	4 - 6	7 - 10
Consumer	External Credit Scores*	>720	640-720	<640
Investments	External Credit Ratings	AAA - BBB	BB - B	<CCC

*TransUnion – Innovation transitioned credit score providers from Equifax to TransUnion in 2024

As at December 31, 2024	Stage 1	Stage 2	Stage 3	Total
Agriculture				
Low Risk	$ 147,486	$ -	$ -	$ 147,486
Moderate Risk	285,020	29,466	-	314,486
High Risk	5,387	16,294	-	21,681
Impaired	-	-	-	-
Total Exposure	$ 437,893	$ 45,760	$ -	$ 483,653
Allowance for credit losses	(664)	(832)	-	(1,496)
	$ 437,229	**$ 44,928**	**$ -**	**$ 482,157**
Commercial				
Low Risk	$ 114,140	$ 958	$ -	$ 115,098
Moderate Risk	1,122,694	37,272	-	1,159,966
High Risk	9,839	33,110	-	42,949
Impaired	-	-	28,949	28,949
Total Exposure	$ 1,246,673	$ 71,340	$ 28,949	$ 1,346,962
Allowance for credit losses	(1,815)	(3,246)	(6,740)	(11,801)
	$ 1,244,858	**$ 68,094**	**$ 22,209**	**$ 1,335,161**
Consumer Loans				
Low Risk	$ 1,132,246	$ 3,606	$ -	$ 1,135,852
Moderate Risk	522,986	19,019	-	542,005
High Risk	123,281	82,114	-	205,395
Impaired	-	-	2,330	2,330
Total Exposure	$ 1,778,513	$ 104,739	$ 2,330	$ 1,885,582
Allowance for credit losses	(1,363)	(2,746)	(1,365)	(5,474)
	$ 1,777,150	**$ 101,993**	**$ 965**	**$ 1,880,108**

(in thousands of Canadian $)

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

As at December 31, 2024	Stage 1	Stage 2	Stage 3	Total
Finance Leases				
Low Risk	$ 1,751	$ -	$ -	$ 1,751
Moderate Risk	4,595	-	-	4,595
High Risk	56	-	-	56
Impaired	-	-	376	376
Total Exposure	$ 6,402	$ -	$ 376	$ 6,778
Allowance for credit losses	(27)	-	(250)	(277)
	$ 6,375	**$ -**	**$ 126**	**$ 6,501**
Undrawn Commitments				
Low Risk	$ 259,894	$ -	$ -	$ 259,894
Moderate Risk	293,391	7,416	28	300,835
High Risk	1,603	2,407	-	4,010
Impaired	-	-	-	-
Total Exposure	$ 554,888	$ 9,823	$ 28	$ 564,739
Allowance for credit losses	(51)	(87)	-	(138)
	$ 554,837	**$ 9,736**	**$ 28**	**$ 564,601**
Debt Securities				
Low Risk	$ 170,000	$ -	$ -	$ 170,000
Total Exposure	$ 170,000	$ -	$ -	$ 170,000
Allowance for credit losses	(107)	-	-	(107)
	$ 169,893	**$ -**	**$ -**	**$ 169,893**

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

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

*Equifax – Innovation transitioned credit score providers from Equifax to TransUnion in 2024

As at December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Agriculture				
Low Risk	$ 150,809	$ -	$ -	$ 150,809
Moderate Risk	216,905	26,924	-	243,829
High Risk	6,388	21,205	-	27,593
Impaired	-	-	189	189
Total Exposure	$ 374,102	$ 48,129	$ 189	$ 422,420
Allowance for credit losses	(322)	(822)	(4)	(1,148)
	$ 373,780	**$ 47,307**	**$ 185**	**$ 421,272**

(in thousands of Canadian $)

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

As at December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Commercial				
Low Risk	$ 112,780	$ -	$ -	$ 112,780
Moderate Risk	939,071	10,293	-	949,364
High Risk	13,203	33,239	-	46,442
Impaired	-	-	5,145	5,145
Total Exposure	$ 1,065,054	$ 43,532	$ 5,145	$ 1,113,731
Allowance for credit losses	(1,036)	(2,188)	(3,448)	(6,672)
	$ 1,064,018	**$ 41,344**	**$ 1,697**	**$ 1,107,059**
Consumer Loans				
Low Risk	$ 1,316,254	$ 4,450	$ -	$ 1,320,704
Moderate Risk	215,724	18,817	-	234,541
High Risk	33,106	51,578	-	84,684
Impaired	-	-	2,583	2,583
Total Exposure	$ 1,565,084	$ 74,845	$ 2,583	$ 1,642,512
Allowance for credit losses	(1,753)	(1,642)	(1,284)	(4,679)
	$ 1,563,331	**$ 73,203**	**$ 1,299**	**$ 1,637,833**
Finance Leases				
Low Risk	$ 3,134	$ -	$ -	$ 3,134
Moderate Risk	5,275	-	-	5,275
High Risk	79	-	-	79
Impaired	-	-	376	376
Total Exposure	$ 8,488	$ -	$ 376	$ 8,864
Allowance for credit losses	(37)	-	(250)	(287)
	$ 8,451	**$ -**	**$ 126**	**$ 8,577**
Undrawn Commitments				
Low Risk	$ 126,946	$ -	$ -	$ 126,946
Moderate Risk	36,878	3,306	-	40,184
High Risk	413	1,750	-	2,163
Impaired	-	-	-	-
Total Exposure	$ 164,237	$ 5,056	$ -	$ 169,293
Allowance for credit losses	(27)	(28)	-	(55)
	$ 164,210	**$ 5,028**	**$ -**	**$ 169,238**
Debt Securities				
Low Risk	$ 107,579	$ -	$ -	$ 107,579
Total Exposure	$ 107,579	$ -	$ -	$ 107,579
Allowance for credit losses	(38)	-	-	(38)
	$ 107,541	**$ -**	**$ -**	**$ 107,541**

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Liquidity Risk

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

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

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

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

The primary measures for liquidity adequacy at Innovation include the Liquidity Coverage Ratio (“LCR”) and Net Cumulative Cash Flow (“NCCF”). The LCR is calculated as the stock of high-quality liquid assets (“HQLA”) divided by net cash outflows over a 30-day stress scenario. Innovation seeks to maintain this ratio greater than or equal to 120%. HQLA are assets that can be easily converted into cash at little or no loss of value. OSFI defines the LCR by grouping HQLA into either Level 1 or Level 2 categories and applying various weightings to reflect their value in stressed conditions. Level 1 assets are the highest quality assets whereas Level 2 assets are considered less liquid. Net cash outflows are defined as total expected cash outflows minus total expected inflows; various categories of outflows are applied run-off rates while inflows are multiplied by the rate they are expected to flow in under a stressed scenario.

Regulatory standards required Innovation to maintain a minimum liquidity coverage ratio of 100% in 2024. During the year Innovation maintained internal liquidity adequacy targets that exceed regulatory requirements.

(in thousands of Canadian $)

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Liquidity Risk (continued)

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

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

2024

	< 1 year	1-2 years	2 3 + Years	Total
Non-derivative financial liabilities				
Deposits	$ 2,833,012	$ 523,221	$ 184,303	$ 3,679,187
Securitized borrowings	22,516	-	85,915	125,204
Accounts payable and accrued liabilities	16,690	-	-	16,690
Short-term notes payable	110,000	-	-	110,000
Membership shares and distributions	-	-	31,154	31,154
Total	$ 2,982,217	$ 523,221	$ 301,372	$ 3,962,235

2023

	< 1 year	1-2 years	2 3 + Years	Total
Non-derivative financial liabilities				
Deposits	$ 2,749,266	$ 341,216	$ 173,154	$ 3,363,927
Securitized borrowings	24,376	31,204	16,364	71,966
Accounts payable and accrued liabilities	35,532	-	-	35,532
Membership shares and distributions	-	-	29,482	29,482
Total	$ 2,809,174	$ 372,420	$ 219,000	$ 3,500,908

Market Risk

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

Innovation uses different risk management processes to manage market risk.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Market Risk *(*continued*)*

Market risk is managed in accordance with policies and procedures established by the Board of Directors.

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

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

Interest Rate Risk

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

The table below summarizes the carrying amounts of financial instruments exposed to interest rate risk. Re-pricing dates are based on the earlier of maturity or the contractual re-pricing date and effective interest rates, where applicable, representing the weighted average effective yield. The totals are based on static data and do not reflect future expectations. Derivative instruments, including interest rate swaps and index-linked deposit options, are not included above. Refer to Note 8 for maturity dates of derivative instruments.

(in thousands of Canadian $)

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Interest Rate Risk (continued)

	Variable Rate	On Demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest sensitive	2024
ASSETS								
Cash	$ -	$ 170,568	$ -	$ -	$ -	$ -	$ 49,610	$ 220,178
Effective interest rate	-	3.87%	-	-	-	-	-	3.87%
Investments	-	-	17,992	78,925	133,372	-	2,777	$ 233,066
Effective interest rate	-	-	3.53%	3.54%	4.49%	-	-	4.07%
Loans	934,997	-	275,746	768,389	1,661,275	78,126	14,872	$ 3,733,405
Effective interest rate	7.38%	7.38%	6.57%	5.81%	5.30%	6.07%	0.00%	6.19%
Accounts receivable	-	-	-	-	-	-	6,687	$ 6,687
	$ 934,997	**$ 170,568**	**$ 293,738**	**$ 847,314**	**$ 1,794,647**	**$ 78,126**	**$ 73,946**	**$ 4,193,336**
LIABILITIES								
Deposits	$ -	$ 1,426,651	$ 260,364	$ 835,021	$ 791,500	$ 8,641	$ 278,998	$ 3,601,175
Effective interest rate		1.01%	4.17%	3.71%	3.66%	-	-	2.57%
Securitized borrowings	-	-	6,123	18,933	85,154	-	-	$ 110,210
Effective interest rate		-	2.10%	2.20%	3.77%	-	-	3.41%
Accounts payable and accrued liabilities	-	-	-	-	-	-	16,690	$ 16,690
Short-term deposit notes	-	-	109,518	-	-	-	-	$ 109,518
Effective interest rate	-	-	3.72%	-	-	-	-	3.72%
Membership shares and distributions	-	-	-	-	-	-	31,154	$ 31,154
	$ -	**$ 1,426,651**	**$ 376,005**	**$ 853,954**	**$ 876,654**	**$ 8,641**	**$ 326,842**	**$ 3,868,747**
2024 Statement of Financial Position gap	$ 934,997	$ (1,256,083)	$ (82,267)	$ (6,640)	$ 917,993	$ 69,485	$ (252,896)	$ 324,589

	Variable Rate	On Demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest sensitive	2023
ASSETS								
Cash	$ -	$ 223,934	$ 75,000	$ -	$ -	$ -	$ 57,845	$ 356,779
Effective interest rate	-	5.49%	5.37%	-	-	-	-	5.46%
Investments	-	10,612	23,858	29,145	116,039	-	1,742	$ 181,396
Effective interest rate	-	0.00%	4.71%	5.13%	4.05%	-	-	4.07%
Loans	872,735	4,941	218,438	610,928	1,423,420	55,023	8,354	$ 3,193,839
Effective interest rate	9.23%	9.21%	5.61%	5.71%	4.81%	5.52%	-	6.27%
Accounts receivable	-	-	-	-	-	-	6,231	$ 6,231
	$ 872,735	**$ 239,487**	**$ 317,296**	**$ 640,073**	**$ 1,539,459**	**$ 55,023**	**$ 74,172**	**$ 3,738,245**
LIABILITIES								
Deposits	$ -	$ 1,480,072	$ 212,770	$ 791,959	$ 558,663	$ 7,412	$ 254,153	$ 3,305,029
Effective interest rate	-	1.95%	3.68%	4.27%	3.22%	-	-	2.90%
Securitized borrowings	-	-	3,489	28,959	36,568	-	-	$ 69,016
Effective interest rate	-	-	2.11%	1.93%	2.30%	-	-	2.14%
Accounts payable and accrued liabilities	-	-	-	-	-	-	35,532	$ 35,532
Membership shares and distributions	-	-	-	-	-	-	29,482	$ 29,482
	$ -	**$ 1,480,072**	**$ 216,259**	**$ 820,918**	**$ 595,231**	**$ 7,412**	**$ 319,167**	**$ 3,439,059**
2023 Statement of Financial Position gap	$ 872,735	$ (1,240,585)	$ 101,037	$ (180,845)	$ 944,228	$ 47,611	$ (244,995)	$ 299,186

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

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Interest Rate Risk (continued)

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

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

Metric		**2024**		2023
EaR impact due to an immediate 1% change in interest rates	**$**	**2,792**	$	5,490
EVE impact due to an immediate 1% change in interest rates	**$**	**2,858**	$	5,542

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

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

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

(in thousands of Canadian $)

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Foreign Currency Risk

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

21. COMMITMENTS

Innovation has entered into various commitments that include the following:

- Invest up to $4,263 (2023 - $4,630) of additional capital in certain venture capital funds.
- Invest $5,235 (2023 - $5,714) in community development initiatives.

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

2025	$	13,286
2026		15,526
2027		16,333
2028		17,179
2029		18,074
Total Other Commitments	**$**	**80,398**

22. INCOME TAXES

Income tax expense is comprised of:

		2024		2023
Current income tax expense				
Current period	**$**	**9,480**	$	5,124
Deferred income tax (recovery) expense				
Origination and reversal of temporary differences		**(787)**		2,073
Provision for income taxes	**$**	**8,693**	$	7,197

(in thousands of Canadian $)

22. INCOME TAXES (continued)

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

		2024		2023
Income before provision for income taxes	$	**33,367**	$	27,425
Combined federal and provincial tax rate		**27%**		27%
Income tax expense at statutory rate	$	**9,009**	$	7,405
Adjusted for effect of:				
Non-deductible expenses		**53**		33
Income not taxable in determining profit		**(358)**		(258)
Prior year true-up adjustments		**(22)**		8
Other		**11**		9
	$	**8,693**	$	7,197
Effective tax rate		**26.05%**		26.24%

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

		2024		2023
Deferred income tax assets are comprised of the following:				
Loans and leases	$	**3,343**	$	2,450
Property and equipment		**9,225**		9,610
	$	**12,568**	$	12,060
Deferred income tax liabilities are comprised of the following:				
Other	$	**525**	$	480
Prepaid expenses		**2,994**		3,113
Property and equipment		**-**		206
	$	**3,519**	$	3,799

23. MEMBERSHIP

The following membership data is as at December 31, 2024, and is annexed in accordance with subsection 308 (3) of the Bank Act. As at December 31, 2024, Innovation Federal Credit Union is organized and carrying on business on a cooperative basis in accordance with subsection 12(1) of the Bank Act.

23. MEMBERSHIP (continued)

	2024	**2023**
Number of Members (not in thousands)	**67,562**	62,297
Percentage of members who are natural persons	**90.60%**	89.90%
Percentage of financial services transacted with members on the basis of gross revenues	**61.12%**	58.95%

24. COMPARATIVE FIGURES

Innovation reclassified loan servicing fees in the 2023 comparative figures on the statement of comprehensive income to conform to the current year's presentation. This reclassification resulted in a decrease in loan interest income and a decrease in general business expense. The table below shows the changes:

	2023 (Prior to reclassification)	Adjustment	**2023 (New comparative)**
Interest income			
Loans	$ 166,067	$ (2,837)	**$ 163,230**
Operating expenses			
General business	$ 36,583	$ (2,837)	**$ 33,746**

innovation FEDERAL CREDIT UNION

Board Competency Matrix: Desired Board Composition

Core Business Skills/Experience	Ideal Experience (# of Advanced [4] and Expert [5])
Senior Leadership Experience Experience as an executive or senior manager in a small-medium sized enterprise. Individuals with senior leadership experience have had experience working as a part of a team managing a company/organization and its people.	**2-3**
Other Board Experience Experience on a Board other than small charitable organization/community associations. Understands how to effectively collaborate with fellow directors and management to build consensus and utilizes communication/facilitation techniques to encourage debate, dialogue, and discussion.	**4-6** ***Ideal: Chair & VC – 4+***
Financial Literacy The ability to understand and effectively use various finance skills to make informed decisions. Ability to understand budgeting processes, financial objectives, and financial statements (balance sheets and income statement). Reviews financial reports presented by management and asks appropriate questions	**3-4** ***Require: 1 CPA***
Accounting Understands and incorporates processes to ensure compliance with internal controls and standards of sound business practices. Reads and interprets reports of the compliance officer, external auditor, internal auditor and the regulators. Asks appropriate questions about the credit union policies, practices, and reports and demonstrates a knowledge of resolution strategies to address any material weaknesses and deficiencies. Incumbents of an "expert" skill level would hold an CPA designation.	**1-2** ***Require: 1 CPA***
Human Resources & Compensation Experience with human resources issues in a corporate environment with relevant knowledge of compensation plan design and administration, leadership development/talent management, corporate culture and succession planning.	**1-2**

Governance & Ethics Understands what corporate governance is and how it is applied to the credit union environment, the governance structure of the credit union, and the responsibilities of directors and the Board in order to satisfy the "G" pillar of ESG. Recognizes the role of ethics (code of conduct) and personal integrity in acting in the best interests of the credit union and safeguards confidential and sensitive information. Contributes fully to the Board and governance structures by asking appropriate questions, identifying material deficiencies, and seeking independent advice or expertise when required. **Expert level will have a professional director/governance designation supplemented by years of experience*.	***4-6 (Ideally Board/Committee Chairs)***
Strategic Planning & Sustainability Ability to generate and apply strategic thinking to the business insights and opportunities relevant to credit unions. Applies knowledge of corporate goals, strategies, and objectives to evaluate reports and recommendations by management to ensure alignment with the organization's vision and values. Experience development and/or executing strategy at a senior or governance level. Understanding of sustainability and ESG matters specific to the credit union and experience with implementing ESG practices and policies, particularly as it relates to the "E" pillar (environment)	**2-3**
Digital, IT & Security Knowledge and understanding of current and emerging technologies, the opportunities it holds for the credit union, current risks, and regulatory requirements. Experience and education to support implementation of a technology strategy and understanding of emerging and industry technologies, cyber-security, and IT projects.	**2-3**
Commercial Credit Experience in commercial lending and is proficient in directing and governing policies relating to such. Ability to provide oversight, understanding and challenge the level of risk and potential impacts to the portfolio. Will be able to understand the risks associated with different levels of lending.	**1-2**

Core Industry Experience	Ideal Experience (# of Advanced [4] and Expert [5])
Financial Services Industry Experience at the senior management level with a good understanding of financial institutions and the ability to offer insights on the credit union's strategy and mission, key business drivers, organization structure and major stakeholders. Ability to compare operational efficiency against industry standards and best practices.	**2-4**
Legal, Regulatory & Compliance Has experience and demonstrates knowledge of the Acts, legislation, regulations, and other relevant legal requirements pertaining to the credit union. Understands the credit union's by-laws and related policies and promotes regulatory compliance. Able to identify gaps in the credit union's policies and initiates policy enhancements to deal with gaps. **Expert level would have a legal degree or extensive experience working for a regulator.*	**2-4**
Growth & Market Expansion Experience with a rapidly growing organization focused on direct-to-consumer product offerings, services, and member relations. Understanding of the complexities involved with expanding to different geographical regions and rapidly growing a member base. Experience in mergers and acquisitions.	**2-3**
Risk Identification & Management Understands the areas of risk to which the credit union may be exposed, the risk management framework and policies of the credit union. Experience in developing and overseeing risk frameworks in large, complex organizations. Understanding of the Board's role in the oversight of risk management and the risk assessment tools and reports. **Expert level would required experience in managing risk within a FRFI and/or a professional risk designation.*	**3-5**
Leadership with Co-operatives Knowledge of member-owned organizations, with an understanding of the co-operative principles as guidelines by which credit unions put their values into practice. Understands the nature and extent of the credit union's operations and infrastructure including the major lines of business, services and delivery channels, and the membership profile.	**4-6**
Stakeholder Engagement & Community Leadership Familiarity with overseeing and ensuring effective engagement and communication strategies with key stakeholders, including members (particularly in underserved communities), employees, regulators, and the government. Have understanding of the "S" of ESG. Volunteer experience with not for profit (charitable) or community-based organizations.	**2-3**

Diversity

Tenure:. The Board is cognizant of having regular renewal of Directors during election cycles.
Geographical: The Board seeks to be geographically diverse across Canada (1 – 2 directors).
Gender: The Board strives to have a diversity ratio of no more than one gender representing eight (8) seats of the Board by 2027.

Innovation Credit Union – Director Self-Evaluation Guide

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

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

Market Code

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

Our Conduct and Co-operative Values

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

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

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

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

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

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

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

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

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

The Co-operative Difference

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

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

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

To Whom Does the Market Code Apply?

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

The Market Code reflects Innovation's vision, mission, values, policies and practices.

Adherence to the Market Code is mandatory for all employees, directors, board appointed committees and officers.

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

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

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

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

Innovation's Key Commitments to You, the Member

Innovation will:

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

Principles in Action

Products and Services to Meet Member Needs

Innovation will provide general information about the rights and obligations that arise out of its relationship with you in relation to the banking services it provides. This will be provided at account opening when the Financial Services Agreement is completed, when the rights and obligations contained in the Financial Services Agreement are revised and throughout the relationship with you when the products/services you acquired from the credit union carry specific rights and obligations.

Innovation will facilitate informed decisions about its banking services:

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

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

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

If a product supplied is acquired from a third party, we will disclose relevant relationships to you at the time of product inquiry and/or product acquisition.

Innovation may receive compensation from the sale of third-party products or services.

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

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

Advertising and Sales Practices

Innovation will ensure its advertising and promotional literature is not deceptive or misleading.
It will not practice tied or coercive selling.

Innovation will not impose undue pressure or coerce you to obtain a product or service from the credit union and any of its affiliates as a condition of obtaining another product or service from the credit union. You will not be unduly pressured to buy a product or service that you do not want in order to obtain another desired product or service.

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

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

Innovation will not knowingly take advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of facts or any other unfair dealing or unethical activity. Innovation will act fairly and reasonably towards you in an ethical manner; in doing so, it will consider your conduct, its conduct and the contract between us.

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

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

Account Statements
To help you manage your account and check activity on it, Innovation will provide regular account statements depending on the financial services being accessed.

Statements may be provided monthly, quarterly or, at a minimum, annually. A statement may not be provided if , after taking reasonable steps, Innovation is unable to locate you.

Notice of Service Fee Changes and/or Account Structure Changes
Innovation will provide a minimum of 30 days' notice for changes in service fees and/or changes in account, product, or service structures that you are receiving.

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

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

Employee Training and Competency

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

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

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

Abiding by the Law
Innovation will ensure that all products and services comply with relevant laws and regulations.

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

Administration of the Market Code

Copies of the Market Code

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

Accountability

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

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

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

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

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

Questions about the Market Code?

Contact Innovation's Compliance Officer if you have questions about the Market Code. The name of the Compliance Officer is available by contacting Innovation.

They will respond to inquiries, questions or concerns within a reasonable amount of time and at no cost or at a reasonable cost to you. The requested information will be provided or made available in a form that is generally understandable.

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

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

Complaint Handling (Problem Resolution)

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

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

Step 1: Contact Us

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

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

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

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

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

Step 2: Escalation to Senior Management

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

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

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

Step 3: Escalation to Innovation's Complaint Officer

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

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

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

Option 1: Contact the Ombudsman for Banking Services and Investments

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

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

Ombudsman for Banking Services and Investments (OBSI)
20 Queen Street West, Suite 2400
P.O. Box 8, Toronto, ON M5H 3R3
Call: 1-888-451 4519 Teletypewriter (TTY): 1-855-TTY-OBSI / 1-855-889-6274
Fax: 1-888-422-2865
Email: ombudsman@obsi.ca
Visit: obsi.ca

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

Option 2: Contact the Financial Consumer Agency of Canada

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

For a full list of the codes and commitments applicable to us, see https://www.innovationcu.ca/content/dam/innovationcu/en/resources/voluntary-codes-conduct-public-commitments.pdf.

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

Financial Consumer Agency of Canada
427 Laurier Avenue West, 6th Floor
Ottawa, ON K1R 1B9
Call (English): 1-866-461-FCAC (3222) Call (French): 1-866-461-ACFC (2232)
Outside Canada: 613-960-4666
Teletypewriter (TTY): 1-866-914-6097 / 613-947-7771
Fax: 1-866-814-2224 / 613-941-1436
Visit: canada.ca/en/financial-consumer-agency/corporate/contact-us.html