Disclosure Note

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

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

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

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

Modified CC1 – Composition of capital for SMSBs

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

Content: Breakdown of regulatory capital according to the scope of regulatory consolidation

Frequency: Quarterly.

Format: Fixed.

Accompanying narrative: Category 1 SMSBs are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such change.

		a
		31-Mar-24
		Amounts
	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	20,176
2	Retained earnings	343,575
3	Accumulated other comprehensive income (and other reserves)	
4	*Directly issued capital subject to phase out from CET1 (only applicable to Federal Credit Unions)*	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	
6	**Common Equity Tier 1 capital before regulatory adjustments**	363,751
	Common Equity Tier 1 capital: regulatory adjustments	
28	**Total regulatory adjustments to Common Equity Tier 1**	1,345
29	**Common Equity Tier 1 capital (CET1)**	362,406
	Additional Tier 1 capital: instruments	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	
33	*Directly issued capital instruments subject to phase out from Additional Tier 1 (applicable only to Federal Credit Unions)*	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	
35	*of which: instruments issued by subsidiaries subject to phase out (applicable only to Federal Credit Unions)*	
36	**Additional Tier 1 capital before regulatory adjustments**	-
	Additional Tier 1 capital: regulatory adjustments	
43	**Total regulatory adjustments to additional Tier 1 capital**	-
44	**Additional Tier 1 capital (AT1)**	-
45	**Tier 1 capital (T1 = CET1 + AT1)**	362,406
	Tier 2 capital: instruments and provisions	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	*Directly issued capital instruments subject to phase out from Tier 2 (applicable only to Federal Credit Unions)*	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	*of which: instruments issued by subsidiaries subject to phase out (applicable only to Federal Credit Unions)*	
50	Collective allowances	7,315
51	**Tier 2 capital before regulatory adjustments**	7,315
	Tier 2 capital: regulatory adjustments	
57	**Total regulatory adjustments to Tier 2 capital**	-
58	**Tier 2 capital (T2)**	7,315
59	**Total capital (TC = T1 + T2)**	369,721
60	**Total risk-weighted assets**	2,308,619
60a	**Credit Valuation Adjustment (CVA) Risk-weighted Assets (RWA)**	
	Capital ratios	
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	15.70
62	Tier 1 (as a percentage of risk-weighted assets)	15.70
63	Total capital (as a percentage of risk-weighted assets)	16.01
	OSFI target	
69	Common Equity Tier 1 target ratio	7.00
70	Tier 1 capital target ratio	8.50
71	Total capital target ratio	10.50
	Capital instruments subject to phase-out arrangements (For Federal Credit Unions only)	
80	Current cap on CET1 instruments subject to phase-out arrangements	
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)	
82	Current cap on AT1 instruments subject to phase-out arrangements	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	
84	Current cap on Tier 2 instruments subject to phase-out arrangements	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	

Template KM1: Key metrics (at consolidated group level)

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

Content: Key prudential metrics related to risk-based capital ratios, leverage ratio and liquidity standards. SMSBs are required to disclose each metric's value using the corresponding standard's specifications for the reporting period-end (designated by T in the template below) as well as the four previous quarter-end figures (T–1 to T–4). All metrics are intended to reflect actual bank values for (T), with the exception of "fully loaded expected credit losses (ECL)" metrics, the leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) and metrics designated as "pre-floor" which may not reflect actual values.

Frequency: Quarterly.

Format: Fixed. If SMSBs wish to add rows to provide additional regulatory or financial metrics, they must provide definitions for these metrics and a full explanation of how the metrics are calculated (including the scope of consolidation and the regulatory capital used if relevant). The additional metrics must not replace the metrics in this disclosure requirement.

Accompanying narrative: Category 1 SMSBs only are expected to supplement the template with a narrative commentary to explain any significant change in each metric's value compared with previous quarters, including the key drivers of such changes (eg whether the changes are due to changes in the regulatory framework, group structure or business model).

		a	b	c	d	e
		31-Mar-24	31-Dec-23	30-Sep-23	30-Jun-23	
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	362,406	356,259	353,139	349,388	
1a	Common Equity Tier 1 with transitional arrangements for ECL provisioning not applied	362,406	356,259	353,139	349,388	
2	Tier 1	362,406	356,259	353,139	349,388	
2a	Tier 1 with transitional arrangements for ECL provisioning not applied	362,406	356,259	353,139	349,388	
3	Total capital	369,721	364,097	360,823	356,465	
3a	Total capital with transitional arrangements for ECL provisioning not applied (%)	369,721	364,097	360,823	356,465	
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	2,308,619	2,168,724	2,053,345	1,977,527	
4a	Total risk-weighted assets (pre-floor)	2,308,619	2,168,724	2,053,345	1,977,527	
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	15.70	16.43	17.20	17.67	
5a	Common Equity Tier 1 ratio with transitional arrangements for ECL provisioning not applied	15.70	16.43	17.20	17.67	
5b	CET1 ratio (%) (pre-floor ratio)	15.70	16.43	17.20	17.67	
6	Tier 1 ratio (%)	15.70	16.43	17.20	17.67	
6a	Tier 1 ratio with transitional arrangements for ECL provisioning not applied (%)	15.70	16.43	17.20	17.67	
6b	Tier 1 ratio (%) (pre-floor ratio)	15.70	16.43	17.20	17.67	
7	Total capital ratio (%)	16.01	16.79	17.57	18.03	
7a	Total capital ratio with transitional arrangements for ECL provisioning not applied (%)	16.01	16.79	17.57	18.03	
7b	Total capital ratio (%) (pre-floor ratio)	16.01	16.79	17.57	18.03	
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50	2.50	2.50	2.50	
9	Countercyclical buffer requirement (%)	-	-	-	-	
10	Bank G-SIB and/or D-SIB additional requirements (%) **[Not applicable for SMSBs]**					
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.50	2.50	2.50	2.50	
12	CET1 available after meeting the bank's minimum capital requirements (%)	8.70	9.43	10.20	10.67	
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	4,205,038	4,016,530	3,762,680	3,663,773	
14	Basel III leverage ratio (row 2 / row 13)	8.62	8.87	9.39	9.54	
14a	Basel III leverage ratio (row 2a / row 13) with transitional arrangements for ECL provisioning not applied	8.62	8.87	9.39	9.54	

Template LR2: Leverage ratio common disclosure template

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

Content: Quantitative information.

Frequency: Quarterly.

Format: Fixed.

Accompanying narrative: Category 1 SMSBs must describe the key factors that have had a material impact on the leverage ratio for this reporting period compared with the previous reporting period.

		a	b
		31-Mar-24	31-Dec-23
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	3,970,482	3,785,183
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework (IFRS)	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Asset amounts deducted in determining Tier 1 capital)	1,346	1,384
5	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)**	3,971,828	3,786,567
Derivative exposures			
6	Replacement cost associated with all derivative transactions	1,992	2,489
7	Add-on amounts for potential future exposure associated with all derivative transactions	335	353
8	(Exempted central counterparty-leg of client cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	**Total derivative exposures (sum of lines 6 to 10)**	2,327	2,842
Securities financing transaction exposures			
12	Gross SFT assets recognised for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	Counterparty credit risk (CCR) exposure for SFTs		
15	Agent transaction exposures		
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	614,312	619,105
18	(Adjustments for conversion to credit equivalent amounts)	(380,737)	(389,215)
19	**Off-balance sheet items (sum of lines 17 and 18)**	233,575	229,889
Capital and total exposures			
20	**Tier 1 capital**	362,405	356,259
21	**Total Exposures (sum of lines 5, 11, 16 and 19)**	4,205,038	4,016,530
Leverage ratio			
22	**Basel III leverage ratio**	8.62	8.87