ANNUAL REPORT 2021

DEPOSIT GUARANTEE CORPORATION OF MANITOBA

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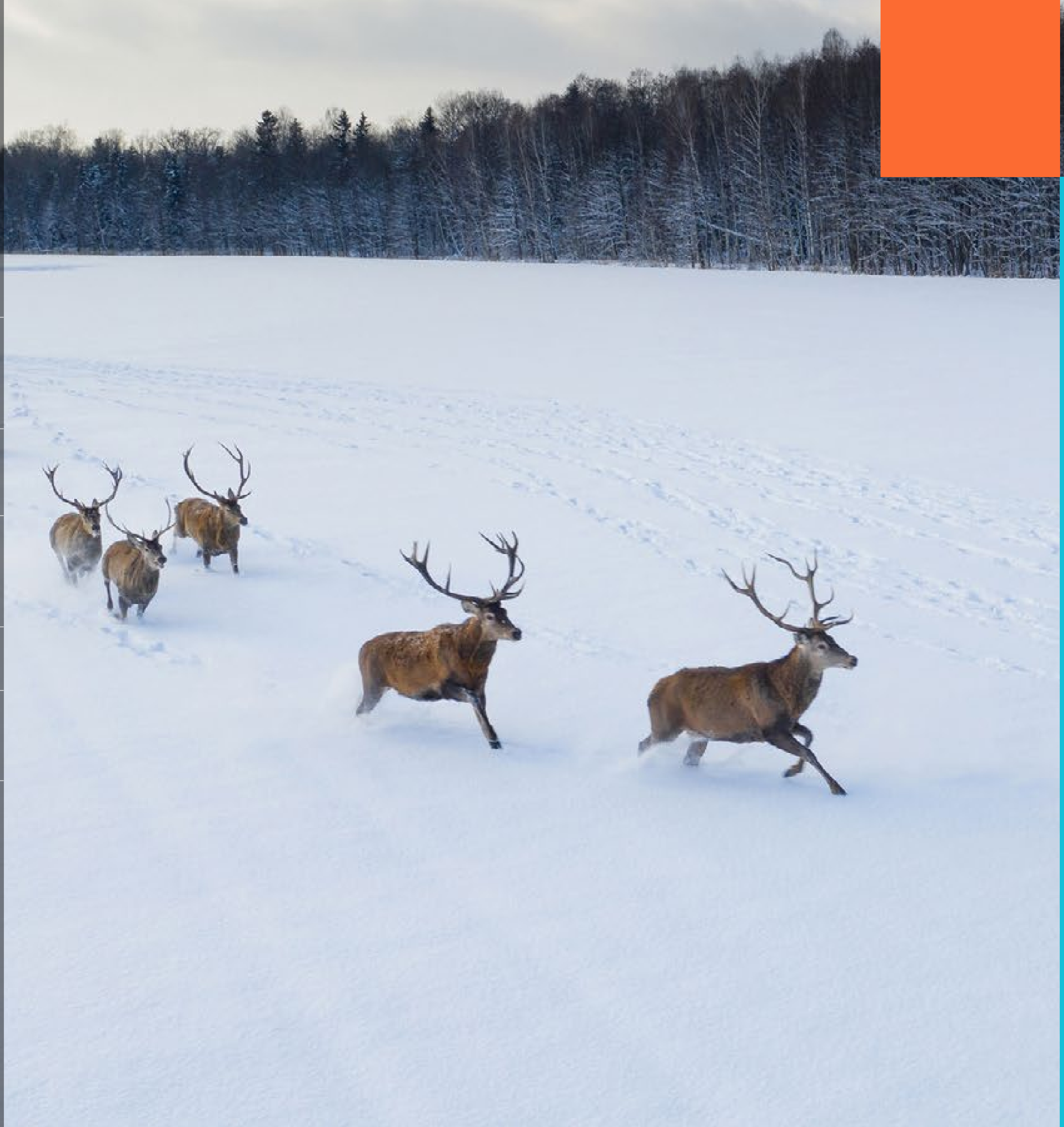

VISION

The Deposit Guarantee Corporation of Manitoba is respected as a proactive and effective regulator and deposit guarantor.

MISSION

To maintain stakeholder confidence in the strength and sustainability of the Manitoba credit union and caisse Systems.

CORPORATE VALUES

Integrity – We adhere to the highest ethical and professional standards. We are held accountable to each other, and our stakeholders, to operate in a responsible manner.

Competence – We are a skilled and dedicated Board and Staff, empowered to achieve effective results.

Co-operation – We communicate and collaborate effectively with our stakeholders.

Effectiveness – We consider and apply reliable data, sound judgment, and best practices to identify and assess risk in the best interests of Manitoba credit unions, the caisse, and their members.

Leadership – We use our knowledge of the Manitoba credit unions, the caisse, and the financial services industry, to anticipate future trends and proactively respond to our environment.

Fairness – We respect stakeholder viewpoints, treating issues and decisions with reasonable, impartial, and consistent responses.

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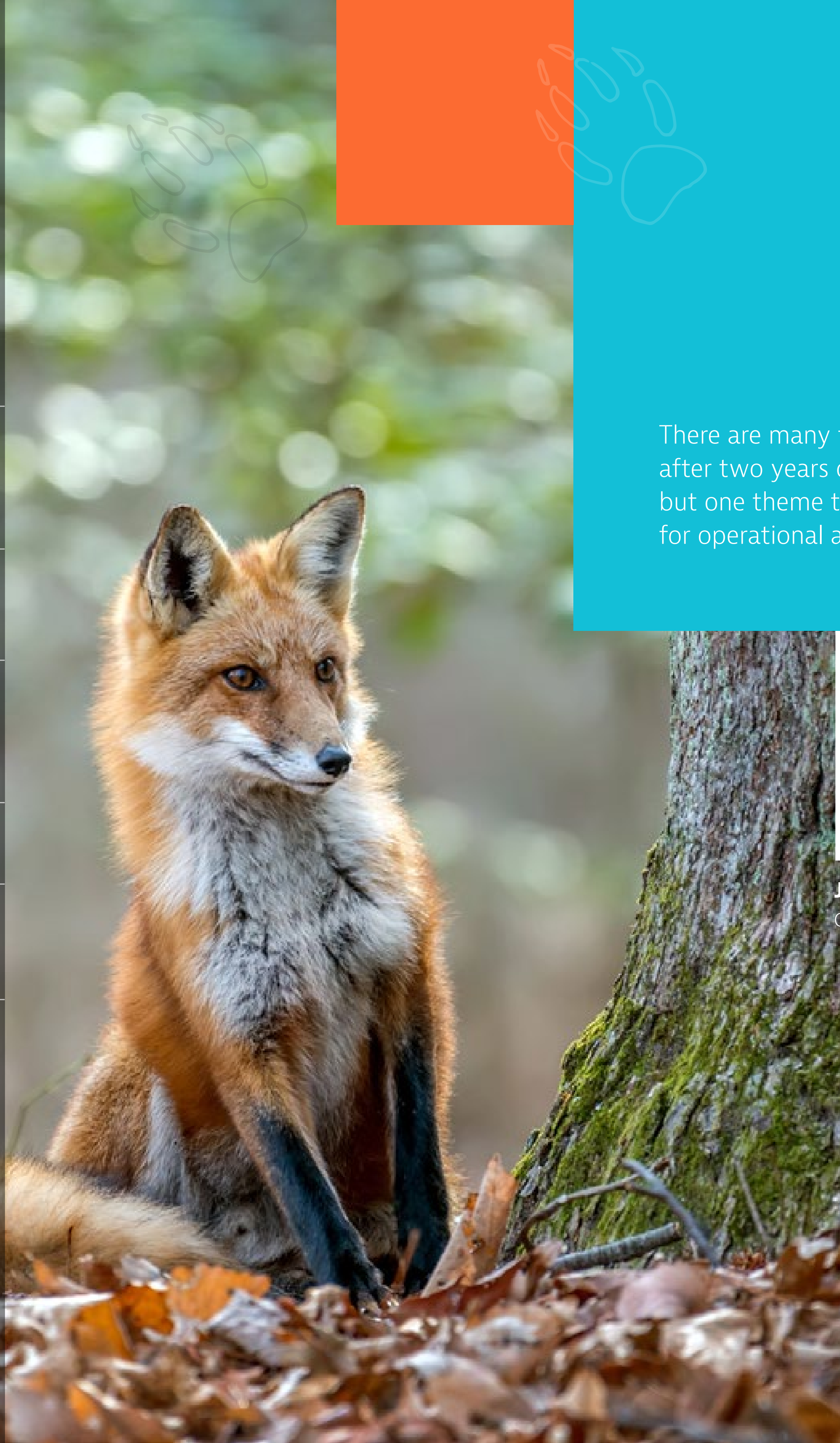

There are many things outside our control after two years of living with a pandemic, but one theme that has emerged is the need for operational agility and resilience.

JOHN WIENS
CHAIR

VERNON MACNEILL
CHIEF EXECUTIVE OFFICER

REPORT FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

We are very pleased to report on the Deposit Guarantee Corporation of Manitoba (DGCM) for the past year, and also to have the opportunity to comment on the current financial status of Manitoba's credit unions and caisse.

There are many things outside our control after two years of living with a pandemic, but one theme that has emerged is the need for operational agility and resilience. We believe this is demonstrated in the financial results of both DGCM and within Manitoba's Systems.

DGCM contributes to the strength and stability of the Systems through our longstanding focus on development, consultation, proactive intervention, and adherence to best practices of financial regulation. By investing in programs that help credit unions and the caisse operate soundly and prudentially, we support an effective first level of deposit insurance protection. While members initially expressed concerns about deposit safety during the pandemic, they remain confident in the security of Manitoba's credit unions and the caisse.

Early in the pandemic, DGCM's Board and staff moved to a virtual work environment. Although there were short periods where COVID-19 restrictions had been lifted, this continues to remain our operating environment for the time being. It is our plan to return to a hybrid working arrangement as safety permits. Staff and Board members have displayed great flexibility and patience throughout this transition.

We are pleased with DGCM's financial results for the December 2021 fiscal year-end. Our Guarantee Fund ended the year at $433.7 million, or 120 basis points (bps) of Systems' deposits. This is a 2.3 bps increase from 2020, due to strong corporate financials, and moderated Systems' growth. Total Systems' deposits grew at a rate of 5.8% in 2021. DGCM's total assets are now $436.8 million, which is an increase of $31.7 million, or 7.8%.

Assessment revenues grew to $28.4 million in 2021 from $26.1 million in 2020, representing a 8.8% increase due to substantially higher

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REPORT FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

insurable deposits being held in credit unions and the caisse. Investment revenue dropped from $7.9 million to $6.8 million as fixed income yields continued to decline in 2021. This reduction in revenue was expected, as DGCM's investment portfolio required a significant portion of its investments to be held in fixed instruments. Our goal of having investment revenue cover operating expenses was again attained in 2021, with investment income outpacing operating expenses by $1.6 million.

We were very conscientious of our spending in 2021, and received direction from the provincial government to hold operating expenses at 2020 levels. Salaries paid to our staff also fell under *The Public Services Sustainability Act,* with only small increases permitted. Total operating expenses incurred were $5.2 million, a marginal increase from $5.0 million in 2020. Additional funding provided to the Central Credit Committee accounted for $62 thousand of the increase, with salaries and employee benefits increasing by only $65 thousand, or 1.9%.

Net income was $29.9 million versus $28.7 million in 2020, for an increase of $1.2 million, or 4.2%. Comprehensive income was $31.6 million, a reduction of $5.6 million, due to lower unrealized gains on the investment portfolio in 2021.

We are encouraged to see the resilience of the co-operative model in this challenging economic environment. Credit union and caisse assets ended the year at $39.8 billion, up from $37.5 billion at the end of 2020. This represents an increase of 6.1%. As regulators, we pay close attention to the capital base of our regulated entities. The capital base provides sustainability of institutions, and allows them to grow and weather downturns in the economy. Regulatory capital on a leverage basis grew to 6.57% in 2021, from 6.42% the previous year. On a Risk-Weighted asset basis, regulatory capital was 13.51%, up from 13.39%. Both of these metrics are very good and fall well above legislated minimums.

The other important metric we monitor closely is liquidity. Too much idle liquidity affects an institution's profitability, while not enough hinders an institution's ability to redeem deposits in a timely manner. At the end of December 2021, the Systems showed consolidated liquidity of 18.0% of total assets, down from 20.4% at the previous year-end. These numbers are quite high and are indicative of the deposit growth during the pandemic.

Comprehensive income for the period was $196.3 million, or 49 bps of average assets, which was very good. This compared to only $131.6 million in 2020, as credit unions and the caisse prudently topped up their provisions for impaired loans during the first year of the pandemic. Delinquency fell from 0.68% in 2020 to only 0.38% in 2021.

Net income was $29.9 million versus $28.7 million in 2020, for an increase of $1.2 million, or 4.2%.

DGCM's annual Strategic Planning session was held in person this past fall, which provided a comprehensive dialogue between the Board, Management, and stakeholders. The focus of the session was to look at scenarios of the Systems over various time horizons. As credit union and caisse mergers continue, we can expect fewer, but larger, institutions to regulate in the future. This will impact employee skillsets required, as well as the overall regulatory framework.

Amendments to *The Credit Union and Caisses Populaires Act* should be fully proclaimed by the end of 2022's second quarter. Significant work was undertaken by our office to prepare for the changes under this piece of legislation. The most consequential impact for DGCM will be assuming oversight of Credit Union Central of Manitoba (CUCM). Revised credit union and caisse regulations, via new Standards of Sound Business Practices and Prudential Standards for CUCM, have been developed. DGCM worked closely with government, and helped to provide detailed drafting instructions for these amendments. We appreciated that government consulted extensively with our office, and we wish to thank them for the co-operation shown. The resulting Standards lay the groundwork for the future regulatory oversight of Manitoba's Systems and CUCM.

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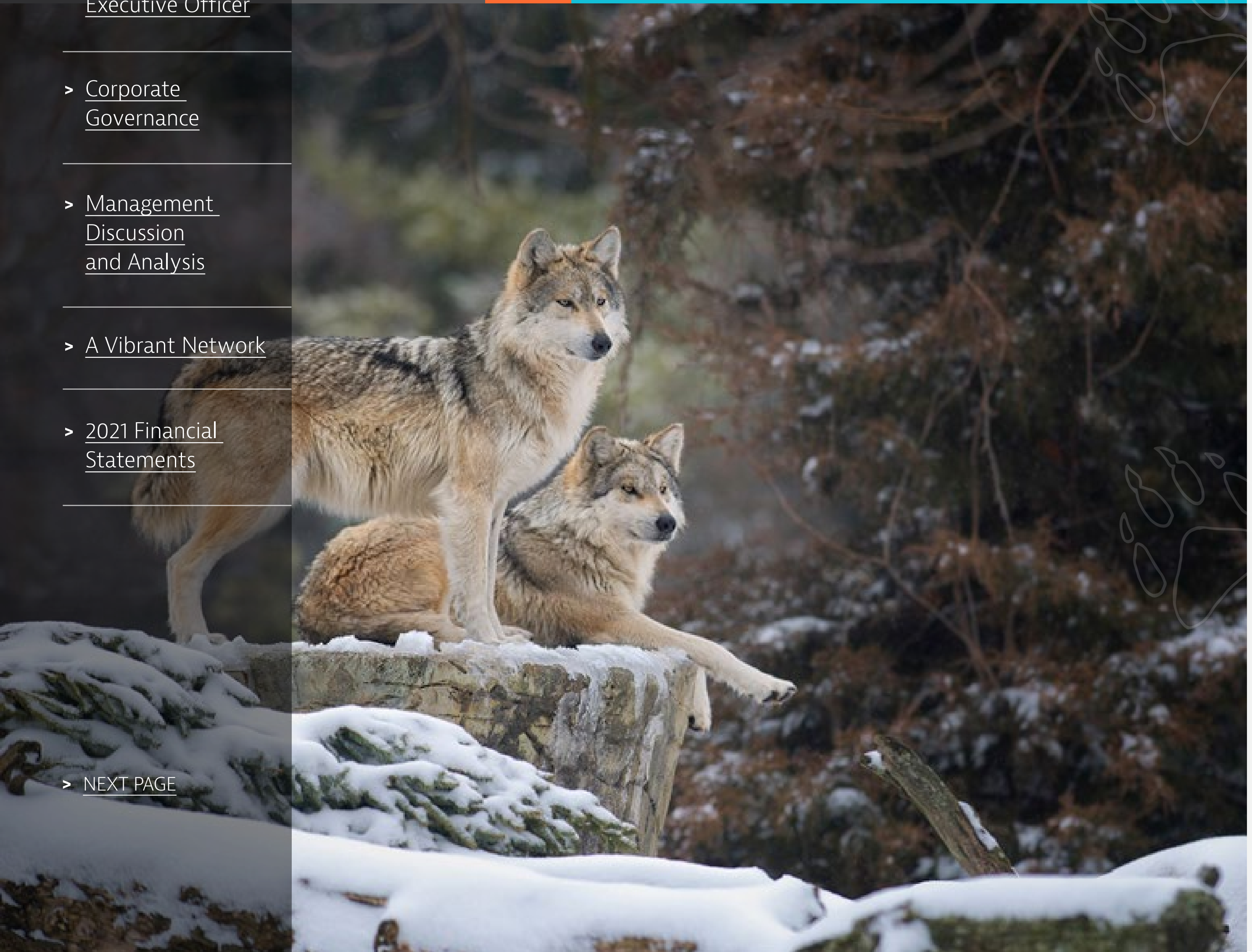
With important issues such as Open Banking, pandemic responses, Emergency Lending Assistance, and emerging risks like climate change, building these relationships between federal and provincial regulators contributes to the overall financial stability of the financial sector in Canada.



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REPORT FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

Although all in-person conferences were either cancelled or transitioned to virtual, DGCM continued to be actively involved with stakeholders, both nationally and internationally. The Credit Union Prudential Supervisors Association (CUPSA) continues to evolve as the voice of credit union regulators in Canada. A number of meetings were facilitated by CUPSA and our federal counterparts at OSFI, CDIC, Bank of Canada, and the Federal Department of Finance. With important issues such as Open Banking, pandemic responses, Emergency Lending Assistance, and emerging risks like climate change, building these relationships between federal and provincial regulators contributes to the overall financial stability of the financial sector in Canada.

In spring of 2021, we invited AMIK Inc. to provide our staff with Cultural Sensitivity training. This half-day activity enabled us to gain a better understanding of the history of residential schools, as well as the myths, misconceptions, and challenges facing Indigenous people in Manitoba today, many of whom are part of our community, and are served by Manitoba credit unions and the caisse. Throughout this report, we have incorporated the colour orange in honour or the lost children and survivors of residential schools, and in demonstration of our commitment towards reconciliation.

DGCM has a very involved Board of Directors, who take their fiduciary duties seriously. Our Directors ensure they are prepared and diligently attend meetings, as indicated in the chart of attendance found later in the report. With the transition to virtual meetings, the Directors completed detailed cybersecurity training modules, to increase their knowledge and awareness of good cybersecurity practices. We had a full complement of Directors in 2021, with no turnover experienced.

We would like to congratulate Vice-Chair, Mabel Wieler, for completing her Institute of Corporate Directors ICD.D designation.

We want to thank all staff and Directors at DGCM for their focus and dedication in a trying environment over the past year. DGCM's staff have proven their resilience in challenging times, and demonstrated their sincere commitment to DGCM's mandate to protect Manitoba's credit union and caisse members.

John B Wiens

John Wiens, Chair

Vernon MacNeill

Vernon MacNeill, Chief Executive Officer

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CORPORATE GOVERNANCE

DGCM is administered by a Board of seven Directors, all of whom are formally appointed by the Lieutenant Governor in Council, Province of Manitoba. Three Directors are nominated by Government, two Directors are nominated by CUCM, and one Director is nominated by the caisse System. The Chair is jointly nominated by government, CUCM, and the caisse System.

The Board governs the business affairs of DGCM and establishes the strategic direction that oversees the safety and stability of the Guarantee Fund as mandated by *The Credit Union and Caisses Populaires Act*. The Directors operate under formal Terms of Reference for the Board and its Committees. A Code of Conduct is acknowledged annually by Directors and staff. The Board and senior management, as a team, complement each other's skills in directing the use of DGCM's resources to accomplish its purposes and sets the foundation for ongoing effective governance.

BOARD OF DIRECTORS

John Wiens, Chair
Joint Government/CUCM/Caisse System Nominee
Morden, Manitoba
Appointed: July 2018

Mabel Wieler, Vice-Chair
Government Nominee
Winnipeg, Manitoba
Appointed: August 2017

Robert Jones, Director
(Chair, Finance & Audit Committee)
CUCM Nominee
Onanole, Manitoba
Appointed: December 2015

Dale Ward, Director
(Chair, Governance & Human Resources Committee)
CUCM Nominee
Winnipeg, Manitoba
Appointed: January 2015

Myron Pawlowsky, Director
Government Nominee
Winnipeg, Manitoba
Appointed: August 2017

Michael Swistun, Director
Government Nominee
East St. Paul, Manitoba
Appointed: May 2019

Fernand Vermette, Director
Caisse System Nominee
Winnipeg, Manitoba
Appointed: November 2020

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FRAMEWORK

DGCM began operating in 1965 as The Credit Union Stabilization Fund. Since 1968, legislation has required that every Manitoba credit union and caisse be covered by a deposit guarantee entity.

DGCM established a governance framework that closely follows best practices in the financial industry. Our framework is based on the legal, regulatory, institutional, and ethical environment that addresses the administration and controls in our organization.

DGCM regularly reviews its objectives to ensure we remain focused on our mandate to fully guarantee the safety of member deposits. There are internal programs in place to closely monitor the Manitoba credit union and caisse environment and keep DGCM apprised of changes and trends. Our proactive risk-based approach to regulation allows us to become involved earlier to mitigate potential risks to the Guarantee Fund.

COMMITTEES

Board Committees are designed to utilize Directors' strengths to enhance our governance practices and address key responsibilities and activities.

Finance & Audit Committee

The Finance & Audit Committee reports quarterly to the Board and meets independently with auditors to verify external and internal due diligence in DGCM's controls and financial reporting. This reporting includes confirming the activities outlined in its Terms of Reference to ensure that the fundamental activities are being conducted.

The Finance & Audit Committee is subject to the following legislative requirements:

- review the annual audited financial statements
- review the changes in the accounting principles and practices
- recommend the appointment of an auditor
- review the scope, timing, and coordination of the external and internal audit plans
- review all significant recommendations made by the auditor

The Finance & Audit Committee is also responsible for oversight of:

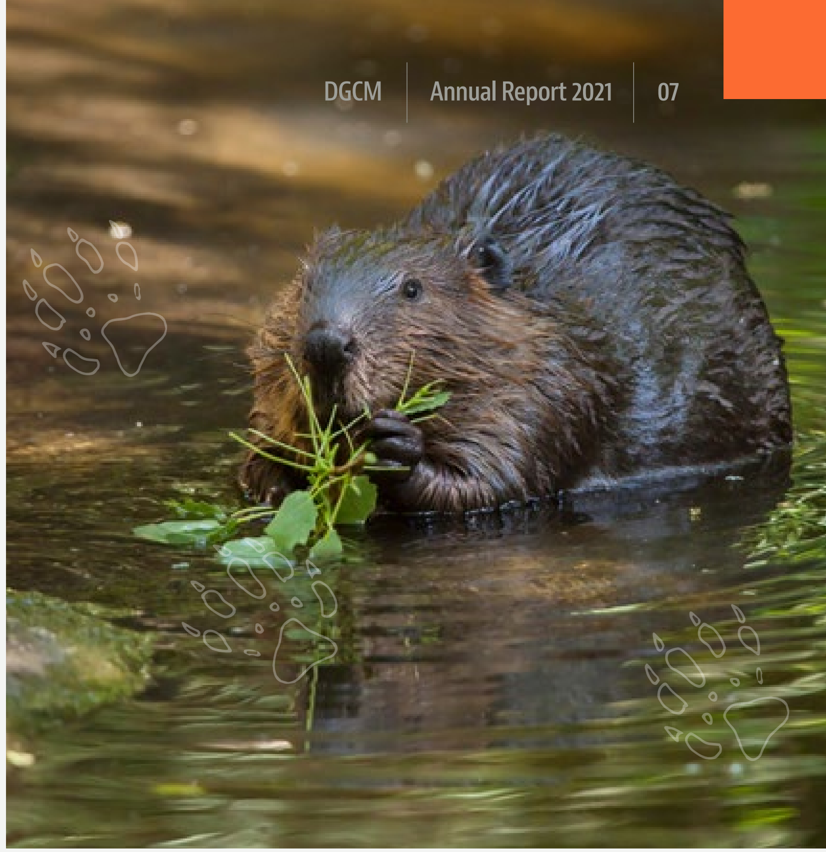
- compliance and regulatory practices
- financial performance and budget
- financial reporting and accounting practices
- operational and internal control practices
- investment policy reporting and compliance

Governance & Human Resources Committee

The Governance & Human Resources Committee reports quarterly to the Board. The Committee oversees DGCM's corporate governance practices and confirms it operates under a formal Terms of Reference, satisfactorily fulfilling its functions during the year.

The Governance & Human Resources Committee is responsible for:

- corporate governance
- board orientation and education
- succession planning
- CEO performance and compensation
- stakeholder communication



BOARD AND COMMITTEE MEETING ATTENDANCE

DGCM's Board held five regular meetings in 2021, one of which was the strategic planning session. DGCM's Board also held four special meetings throughout 2021. The Finance & Audit Committee and the Governance & Human Resources Committee each met four times. Director meeting attendance is summarized as follows.

Directors	Board of Directors Meetings (5)	Special Board of Directors Meetings (4)	Finance & Audit Committee Meetings (4)	Governance & Human Resources Committee Meetings (4)
Robert Jones	5/5	4/4	4/4	–
Myron Pawlowsky	5/5	4/4	4/4	–
Michael Swistun	4/5	4/4	–	4/4
Fernand Vermette	5/5	4/4	4/4	–
Dale Ward	5/5	4/4	–	4/4
Mabel Wieler	5/5	4/4	4/4	–
John Wiens	5/5	3/4	–	4/4

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MANAGEMENT DISCUSSION AND ANALYSIS

MANDATE

Our mission and vision, coupled with our corporate values, keeps us focused on fulfilling our mandate. Manitoba legislation prescribes DGCM's mandate to:

- guarantee deposits in credit unions and the caisse
- promote credit union and caisse development of sound business practices to protect them from financial losses
- ensure that credit unions and the caisse operate under sound business practices

The CEO plans, communicates, and sets in motion the action undertaken by the organization to meet the Board's strategic direction.

EXECUTIVE & MANAGEMENT TEAM

EXECUTIVE

Vernon MacNeill
Chief Executive Officer

Ray Braun
Chief Risk Officer

Joe Nowicky
Chief Financial Officer

MANAGEMENT

Gabrielle Marrin
Director, Monitoring

Sandra Morrison
Director, Examinations

Alli Funk
Director, Governance & HR

STANDARDS OF SOUND BUSINESS PRACTICE

The Standards of Sound Business Practice (SSBP) are a set of principles that assists DGCM to direct and manage itself in a prudent, effective, and appropriate manner. DGCM's four SSBP are:

1. **Corporate Governance** – DGCM must effectively direct, oversee, and manage its business activities and ensure that performance, accountability, and integrity are achieved.
2. **Strategic Management** – DGCM must ensure that business operations are effectively planned, executed, and monitored.
3. **Risk Management** – DGCM must have a comprehensive approach to identifying, managing, and controlling business and operating risks.
4. **Internal Control Structure** – DGCM must establish and maintain effective internal controls, and ensure these controls are reviewed and validated on a regular basis.

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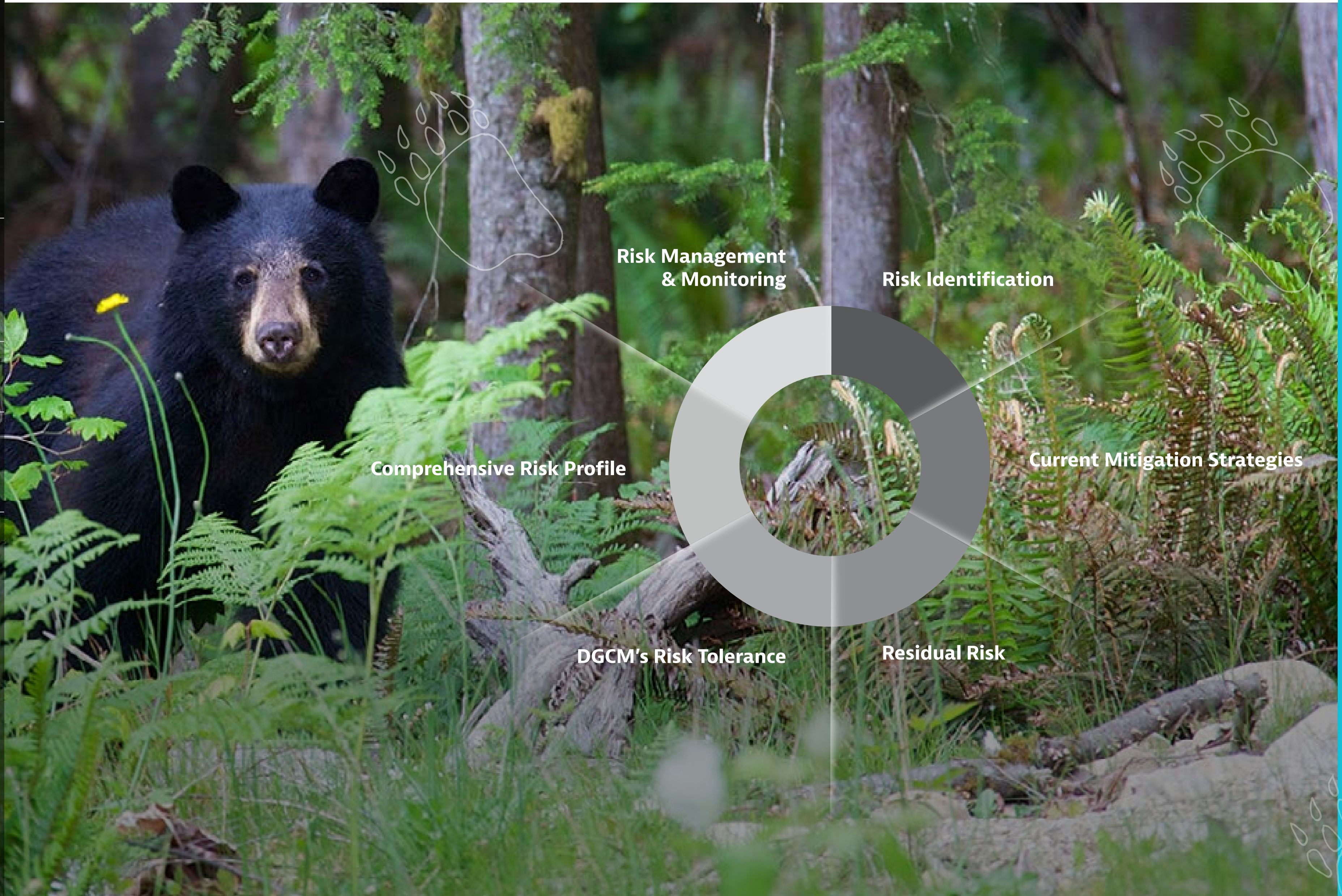
MANAGING RISK

DGCM utilizes a formal Enterprise Risk Management (ERM) framework for identifying, evaluating, and managing risks present in our operating environment.



ERM is broken down into the following distinct stages.

- **Risk Identification** – identifies broad risk categories and principal inherent risks within each category
- **Current Mitigation Strategies** – determines existing risk management strategies and evaluates effectiveness
- **Residual Risk** – defines residual risk, considering inherent risks and existing risk mitigation strategies, on the basis of likelihood and impact
- **DGCM's Risk Tolerance** – establishes DGCM's comfort or acceptable level of risk
- **Comprehensive Risk Profile** – consolidates all principal residual risks relative to DGCM's accepted risk tolerance level in the form of a risk map
- **Risk Management & Monitoring** – identifies and implements risk management strategies to avoid, accept, transfer, or mitigate principal residual risks approaching or exceeding DGCM's accepted risk tolerance level; also reviews the effectiveness of risk management strategies in controlling principal risks to DGCM

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KEY INITIATIVES AND ACHIEVEMENTS

DGCM's 2021 business plan re-affirmed three core strategies to fulfill its mandate. To support these strategies, a number of strategic initiatives were identified and scheduled for implementation during the year. The following table summarizes the core strategies and results for the year, along with key initiatives planned over the next year.

Corporate Strategy #1

Prevention

DGCM leads its prevention effort to the Systems through the distribution of the Standards, based on industry best practices, and interpretive guidance documentation on critical operational issues within the Standards. Examination and Monitoring frameworks recognize the individuality of each credit union and the caisse and support credit union and caisse autonomy, while encouraging proactive risk mitigation within the institutions, minimizing the demand for deposit protection.

2021 Results

Bill 22, *The Credit Unions and Caisses Populaires Amendment Act*

Legislation was passed in 2021. Upon proclamation, DGCM will become the prudential oversight body for CUCM and publish Standards that govern CUCM, credit unions, and the caisse. In preparation for proclamation, DGCM:

- collaborated with stakeholders to develop Prudential Standards governing CUCM and internal operational processes required for oversight;
- created new SSBP for credit unions and the caisse; and
- updated interpretive guidance on best practices for Governance and Strategic Management, to enhance Manitoba credit union and caisse adherence to the SSBP. This framework will be published shortly before proclamation.

***Regulatory Accountability Act* Compliance – Public Disclosure**

DGCM commenced its review of regulatory documentation and publication medium, to ensure compliance to the *Regulatory Accountability Act.*

2022 Planned Key Initiatives

Bill 22, The *Credit Unions and Caisses Populaires Amendment Act*

With legislation slated to be proclaimed in 2022, DGCM will continue to:

- work with stakeholders in finalizing its oversight role of CUCM; and
- undertake consultations with industry stakeholders to discuss potential changes to credit union and caisse oversight framework (e.g. Liquidity and Investment Standards).

***Regulatory Accountability Act* Compliance – Public Disclosure**

Continue to work with government to ensure compliance to this legislation.

Government Alignment

Ensure DGCM's policies and processes in the following areas are comprehensive and aligned with those of the provincial government:

- credit union and/or caisse mergers;
- systemically important financial institutions; and
- Federal continuance.

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KEY INITIATIVES AND ACHIEVEMENTS

Corporate Strategy #2

Corporate Excellence

DGCM will fulfill its legislated mandate through the engagement of a dedicated team of knowledgeable staff, using an effective inventory of tools and resources to satisfy the needs of key stakeholders, while aligning operations to support core strategies. These efforts will be executed prudently to achieve the required results.

2021 Results

Management Information Systems

DGCM completed its transition to new core technology platforms, enhancing oversight and analytical capabilities.

Internal Audit

DGCM reviewed its operations and environment to ensure:

- critical corporate functions remain within scope of the internal audit framework; and
- internal control processes are aligned with current best practices.

Scenario Planning

DGCM developed long-term scenarios for its operating environment; to assist in its strategic positioning, and to best support fulfilling its mandate.

IT Strategic Plan

DGCM developed a strategic response to findings from comprehensive internal and independent assessments of the IT infrastructure and risk management processes.

2022 Planned Key Initiatives

Regulatory Oversight/Structure Review

Ensure resources for regulatory oversight are aligned to best support DGCM's mandate, considering trends within the Manitoba Systems' and their operating environment.

Internal Audit

Rollover into a new multi-year plan, ensuring critical corporate functions are aligned with best practices, and associated risks are reasonably managed.

IT Strategic Plan

Enhance DGCM's IT infrastructure and risk management processes, leveraging the plan developed in 2021 to enhance DGCM's IT framework in the areas of:

- IT cybersecurity;
- infrastructure modernization;
- operational excellence; and
- data analytics.

Corporate Strategy #3

Deposit Protection

DGCM utilizes global best practices to fulfill its mandate in protecting the deposits of Manitoba's credit unions and the caisse. Comprehensive regulatory and intervention frameworks support effective crisis management, resolution, and reimbursement strategies to minimize risk to DGCM. A Guarantee Fund of appropriate size and mix is maintained to support the risk mitigation requirements of DGCM, and to provide a revenue stream to help offset operational costs.

2021 Results

Emergency Lending Agreement Preparation

DGCM continued to collaborate with the Bank of Canada and CUCM to ensure that Manitoba is eligible to receive Bank of Canada loan facilities in the event of an emergency liquidity crisis.

Crisis Management and Response

DGCM commenced work on formalizing its communication strategy and operational response, to support the existing Supervision Policy and Resolution Policy.

2022 Planned Key Initiatives

Emergency Lending Agreement Preparation

Continuation of work performed in 2021.

Crisis Management and Response

Completion of work initiated in 2021.

Guarantee Fund Size Adequacy

Assess the adequacy of the Guarantee Fund size under numerous scenarios and confirm its appropriateness.

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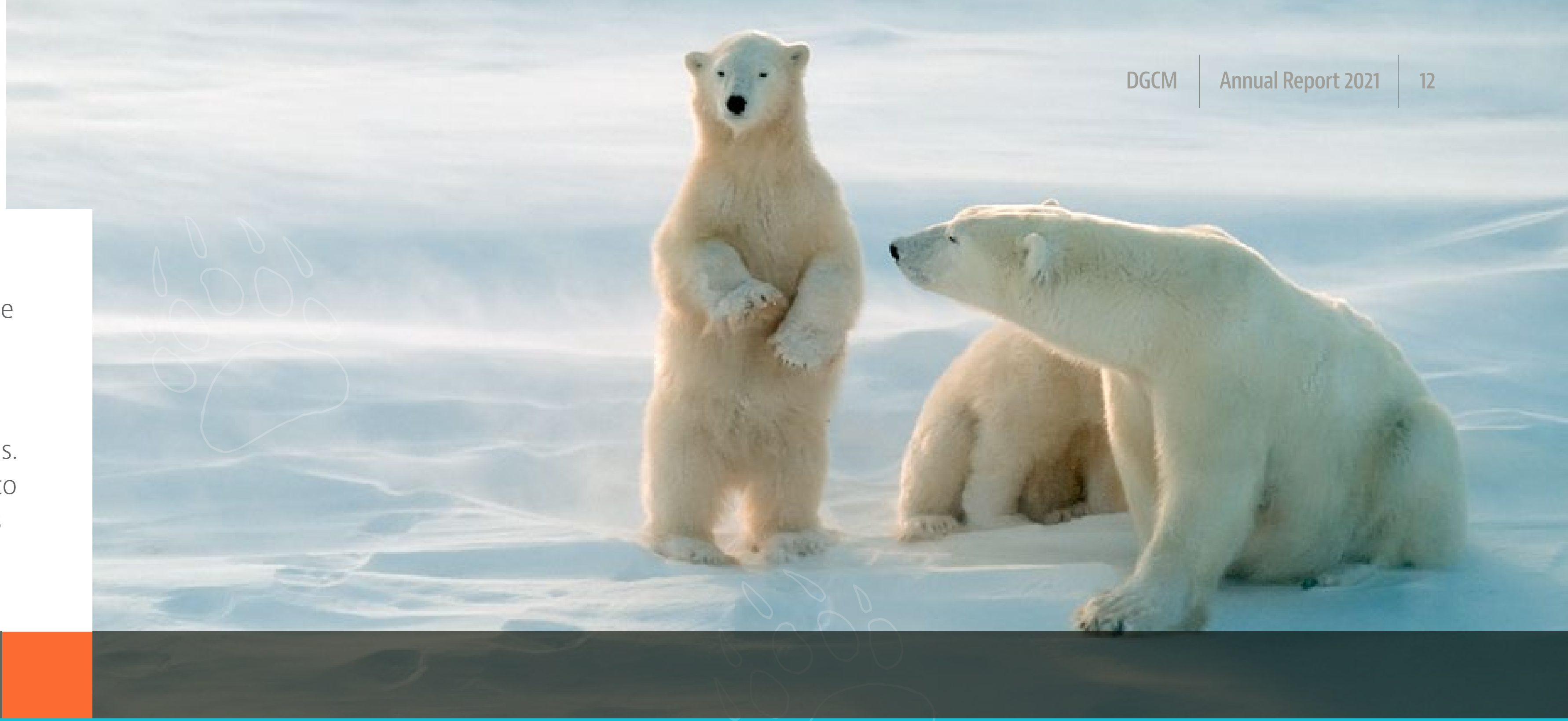
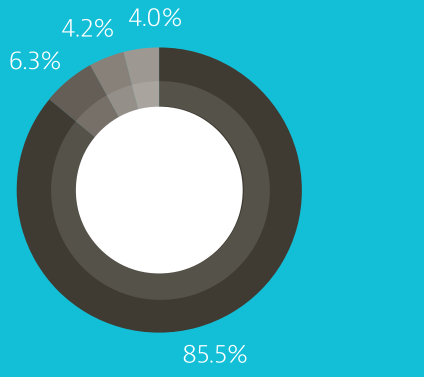
DGCM FINANCIAL OVERVIEW

On December 31, 2021, our assets totaled $436.8 million. The increase of $31.6 million, or 7.8% over 2020, was derived principally from comprehensive income. Our investment portfolio, which represents 98% of our assets, is principally invested in segregated Canadian government bonds and treasury bills, and Canadian corporate bonds. DGCM invests in additional asset classes to diversify risk exposure to the portfolio, and enhance investment returns. The following charts illustrate the composition of the investment portfolio.

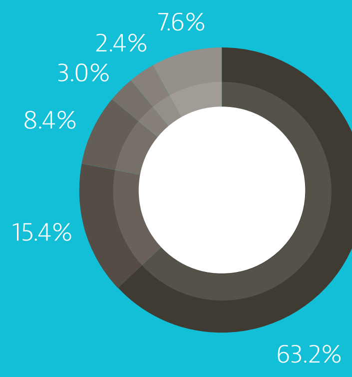


ASSET CLASS PROFILE



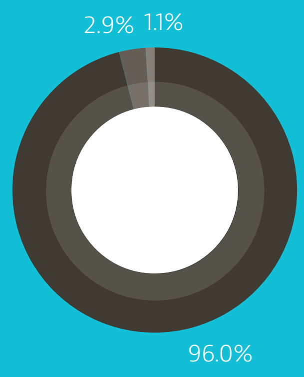
Canadian Fixed Income	85.5%
Canadian Real Estate	6.3%
Canadian Equities	4.2%
Foreign Equities	4.0%

SECTOR PROFILE



Government	63.2%
Financials	15.4%
Real Estate	8.4%
Energy	3.0%
Industrial	2.4%
Other	7.6%

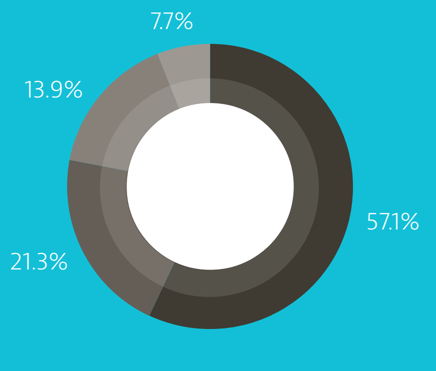
GEOGRAPHIC PROFILE



Canada	96.0%
United States	2.9%
International	1.1%

CREDIT PROFILE

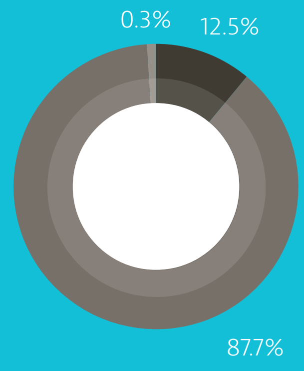
(excluding Real Estate and Equity Funds)



AAA	57.1%
AA	21.3%
A	13.9%
BBB	7.7%

MATURITY PROFILE

(excluding Real Estate and Equity Funds)



Under one year	12.5%
One to five years	87.2%
Five to ten years	0.3%

*Modified duration 2.6 years

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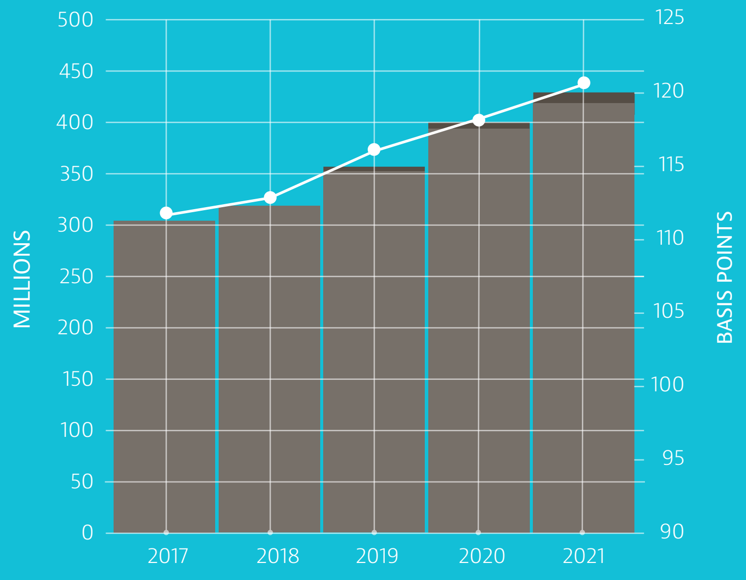
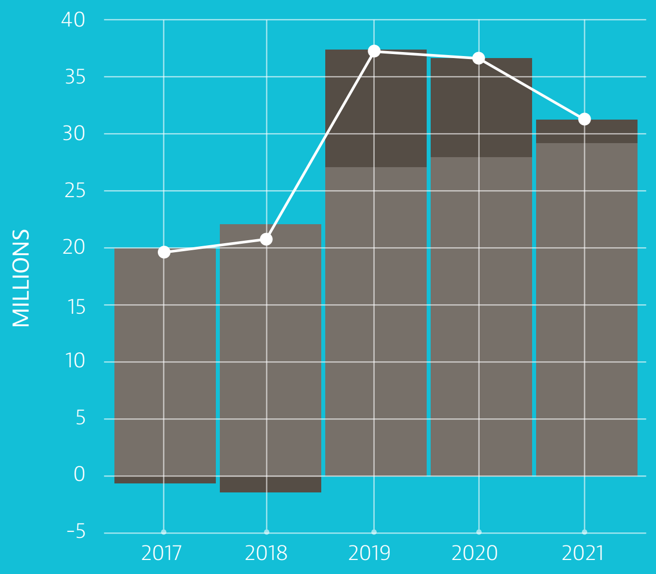
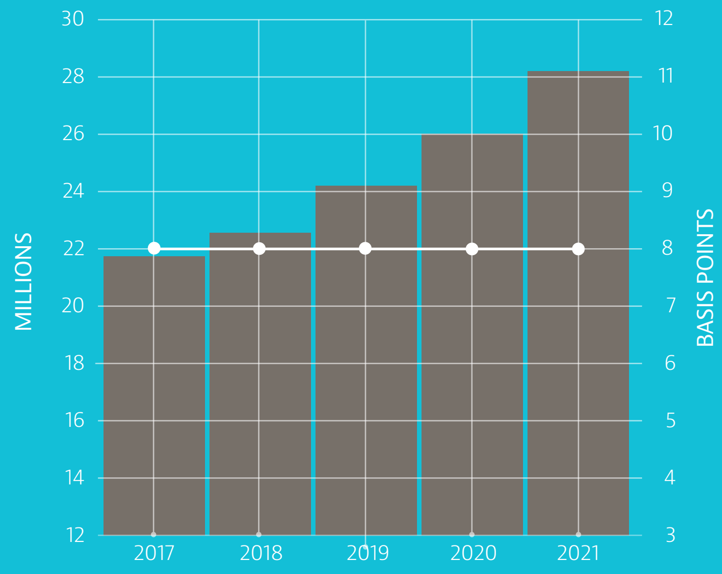
DGCM FINANCIAL OVERVIEW



Retained Earnings
AOCI
bps of Systems' Deposits



Net Income
OCI
Comprehensive Income



Assessments
Assessment Rate (bps of Average Systems' Deposits)

EQUITY POSITION

DGCM's equity totaled $433.7 million at year-end, comprised of retained earnings and accumulated other comprehensive income (AOCI). Also referred to as the Guarantee Fund, it represents the current internal financial resources available to protect Manitoba's credit union and caisse Systems.

Retained earnings are DGCM's net income accumulated over time. At year-end, retained earnings totaled $418.8 million, an increase of $30.9 million or 8.0% over 2020. This increase was due to annual net income from regular operations.

AOCI is accumulated unrealized gains and losses, driven by fluctuations in the fair market value of the investment portfolio. At year-end, AOCI totaled $14.8 million, net of deferred taxes.

When AOCI is combined with retained earnings, the total equity position in absolute dollars and relative to all credit union and caisse deposits, reflects the fair market value of our Guarantee Fund. At year-end, total equity was 120.0 basis points (bps) of Systems' deposits.

COMPREHENSIVE INCOME

Comprehensive income is the total income over the course of the year for DGCM. Net income is derived from regular operations. Other comprehensive income (OCI) is derived from unrealized changes in the fair market value of the investment portfolio and realized gains or losses on equity instruments. Comprehensive income for the year totaled $31.6 million.

Revenue for the year totaled $35.2 million, offset by operating expenses and taxes of $5.3 million. The result was a net income of $29.9 million. OCI for the year totaled $1.7 million, net of tax.

ASSESSMENTS

DGCM charges quarterly assessments to Manitoba credit unions and caisse to maintain the Guarantee Fund. This Guarantee Fund is available to offset credit union or caisse shortfalls to reimburse depositors in the event of failure. In 2021, DGCM charged an annualized rate of 8.0 bps of average Systems' deposits, generating $28.4 million in revenue.

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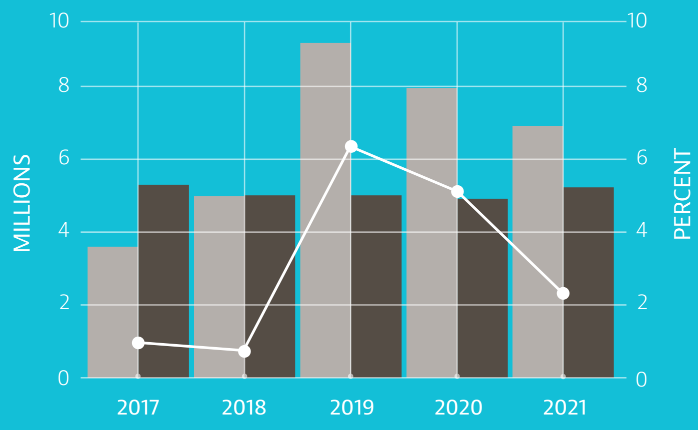
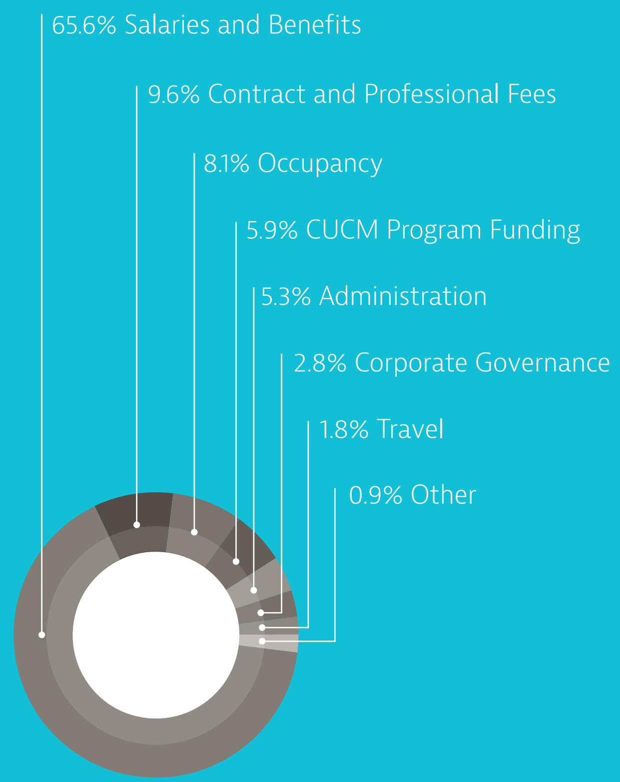
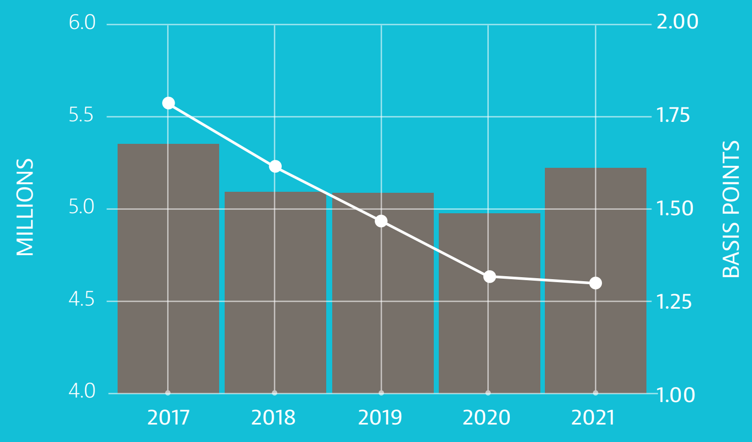
DGCM FINANCIAL OVERVIEW



Investment Income
Operating Expenses
Total Return





Operating Expenses
bps of Systems' Assets

INVESTMENT INCOME

DGCM earns income on its investments through interest revenue, and gains/losses on the sales of investments and foreign exchange. Total investment revenue was $6.8 million, comprised of; interest and dividend revenue of $5.9 million, gains on the sales of investments of $1.1 million due to rebalancing of the portfolio in a falling yield and rising equity environment, and losses on foreign exchange of $0.2 million due to charges for hedging foreign currency exposure. Investment income is used to offset operating expenses and provides some relief on the assessment rate charged to maintain the Guarantee Fund.

Investment income declined for 2021 due to lower interest and dividend income in a declining-yield environment, plus fewer gains than 2020, when we saw more significant movements in the yield curve.

Total return takes into account the investment income noted above, as well as unrealized gains/losses on investments and realized gains/losses on equity instruments, recognized in OCI, and is measured as time-weighted rate of return.

OPERATING EXPENSES

DGCM incurs operating expenses in fulfilling its legislated mandate. The total operating expenses for 2021 were $5.2 million, an increase of $0.2 million from 2020. The increase was due to preparations for pending legislative changes, expanding DGCM's scope to oversee CUCM, along with normal salary and benefit adjustments.

TRENDS

DGCM is committed to managing expenses. In absolute dollars, expenses have remained steady over the past five years, largely due to a concerted effort to control costs through restructuring and efficiencies, and government-directed savings initiatives in response to the financial impact of COVID-19. Relative to Systems' assets, expenses have declined over the past five years, from 1.78 bps to 1.30 bps.

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SYSTEMS' FINANCIAL OVERVIEW

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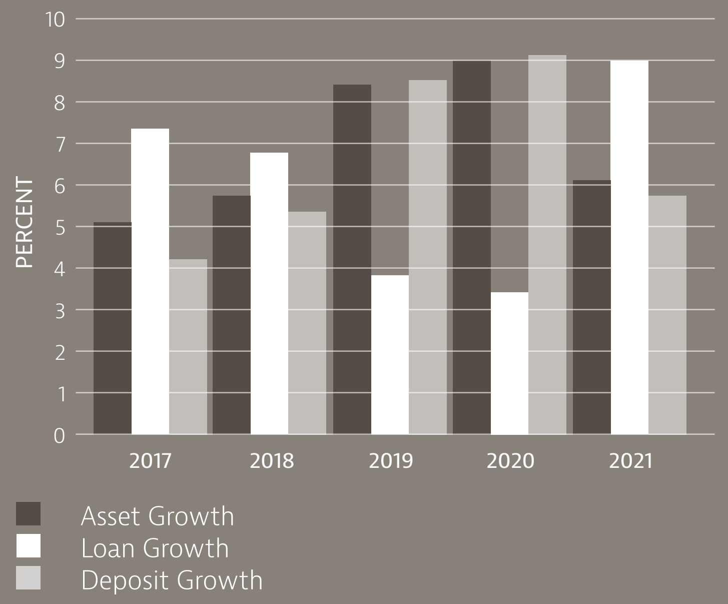

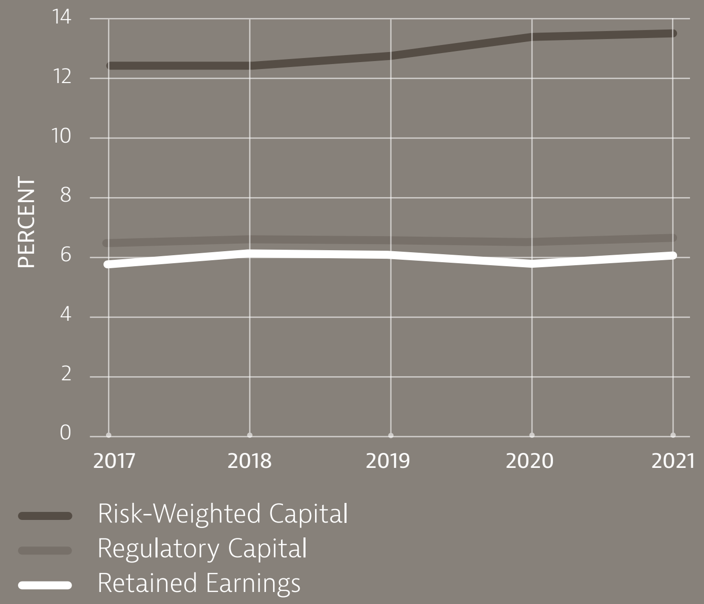

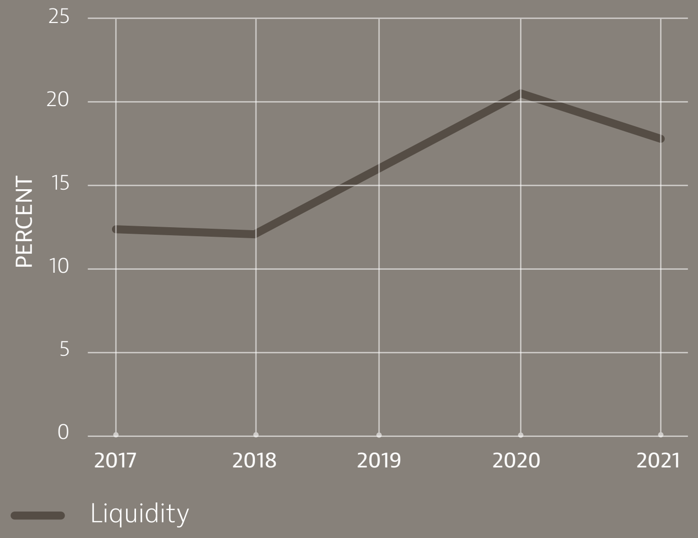

GROWTH

Asset and deposit growth both decreased in 2021 to 6.1% and 5.8% respectively. Loan growth increased considerably over this past year, after several consecutive years of declining growth.

Systems' assets were $39.8 billion at year-end, while deposits and loans totaled $36.1 billion and $32.2 billion respectively.

CAPITAL

Regulatory capital and retained earnings increased to 6.6% and 6.1%, respectively, as asset growth trended closer to the norms and profitability increased. Risk-Weighted capital increased from 13.39% to 13.51%.

LIQUIDITY

Liquidity continued to exceed historic levels, however declined to 18.0% over the previous year, as loan growth outpaced deposit growth.

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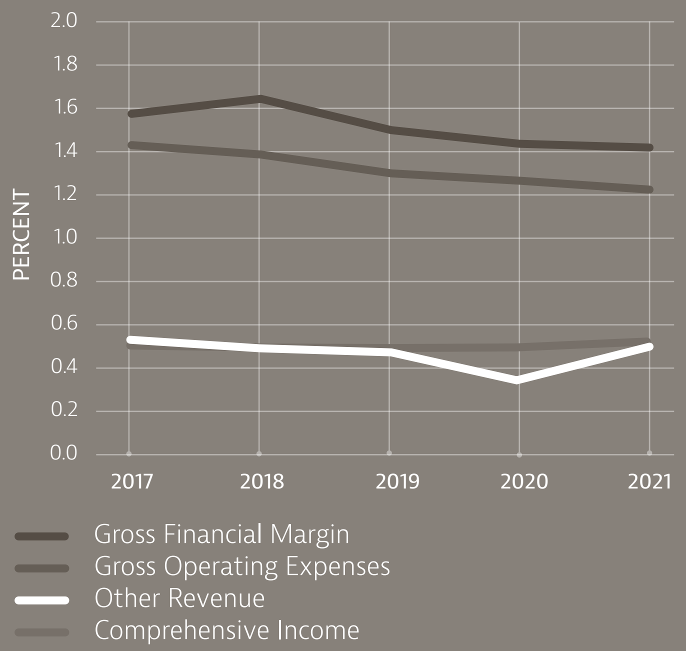
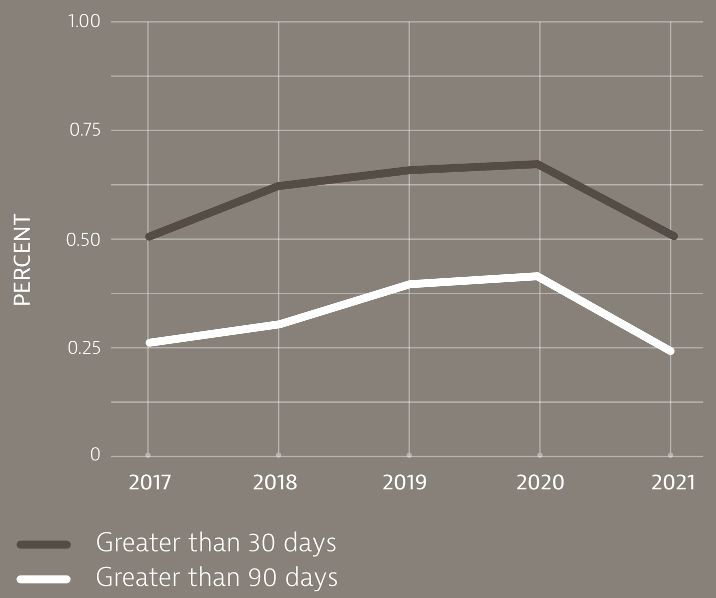
SYSTEMS' FINANCIAL OVERVIEW



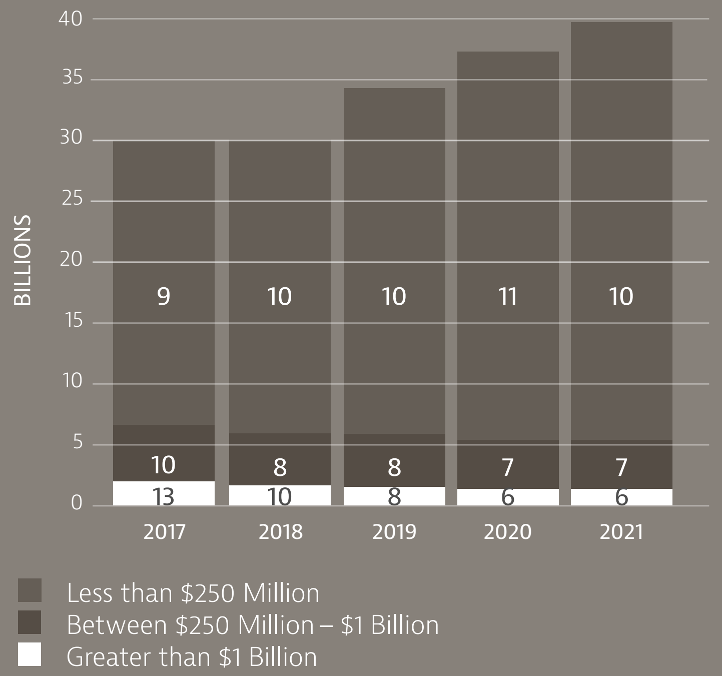
PROFITABILITY

Gross financial margin was slightly lower than the previous year, dropping to 1.42%. The Prime Lending Rate remained unchanged in 2021 after several rate reductions were made in 2020 in response to the global pandemic. Gross operating expenses further declined to 1.21%, while other revenue increased slightly to 0.50%. Comprehensive income increased to 0.49%, due in part to a substantial decrease in the provisions for impaired loans.



DELINQUENCY

Average 30 and 90 day loan delinquency decreased markedly in 2021 to 0.38% and 0.24% respectively. Delinquency remains low relative to industry norms and continues to be closely evaluated for signs of stress.



SYSTEMS' PROFILE BY ASSET SIZE AND NUMBER OF INSTITUTIONS

The total number of institutions dropped to 23, as a result of one merger in 2021.

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A VIBRANT NETWORK

DGCM regulates and guarantees the deposits of Manitoba's vibrant network of 22 credit unions and 1 caisse.

MANITOBA CREDIT UNIONS AND THE CAISSE

Access Credit Union
Amaranth Credit Union
Assiniboine Credit Union
Belgian-Alliance Credit Union
Caisse Financial Group
Cambrian Credit Union
Carpathia Credit Union
Casera Credit Union
Compass Credit Union
Entegra Credit Union
Flin Flon Credit Union
Fusion Credit Union
Me-Dian Credit Union
Niverville Credit Union
Noventis Credit Union
Rosenort Credit Union
Steinbach Credit Union
Stride Credit Union
Sunova Credit Union
Sunrise Credit Union
Swan Valley Credit Union
Westoba Credit Union
Winnipeg Police Credit Union

Virtual divisions are identified below, linked to its credit union.

VIRTUAL DIVISIONS

AcceleRate Financial (Access)
Achieva Financial (Cambrian)
Casera Financial (Casera)
Hubert Financial (Sunova)
Ideal Savings (Carpathia)
Implicity Financial (Entegra)
MAXA Financial (Westoba)
Outlook Financial (Assiniboine)

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Management's Responsibility

Management of the Deposit Guarantee Corporation of Manitoba (DGCM) is responsible for the integrity and fair presentation of the financial statements included in the annual report. The financial statements have been prepared in accordance with International Financial Reporting Standards.

In discharging its responsibility, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, proper records are maintained, and assets safeguarded.

The Board of Directors of DGCM oversees management's responsibilities for the financial reporting procedures and internal control systems. The Board reviews the financial statements in detail prior to approving the statements for publication.

The Board's Finance & Audit Committee recommends the appointment of the external auditor and reviews the terms of the external audit engagement, annual fees, audit plans and scope, and management letter recommendations.

Vernon MacNeill, MBA
Chief Executive Officer

S. Joe Nowicky, CPA, CMA
Chief Financial Officer

Independent Auditor's Report

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To the Board of Directors of the Deposit Guarantee Corporation of Manitoba

Opinion

We have audited the financial statements of Deposit Guarantee Corporation of Manitoba ("DGCM"), which comprise the statement of financial position as at December 31, 2021, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of DGCM as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

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

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

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

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

In preparing the financial statements, management is responsible for assessing DGCM'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 DGCM or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing DGCM'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 DGCM'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 DGCM'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 DGCM 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.

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

Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
March 18, 2022

Statement of Financial Position

(in thousands of dollars)

As at December 31	2021	2020
ASSETS		
Cash (Note 5)	$ 1,178	$ 1,840
Investments (Note 6)	427,666	395,532
Assessments receivable (Note 7)	7,240	6,782
Current tax receivable (Note 8)	82	95
Deferred tax assets (Note 8)	67	63
Other assets (Note 9)	527	703
	$ 436,760	$ 405,015
LIABILITIES		
Accounts payable and accrued liabilities (Note 10)	$ 924	$ 909
Defined benefit obligation (Note 11)	715	678
Deferred tax liability (Note 8)	1,462	1,390
Total liabilities	3,101	2,977
Contingent liabilities (Note 12)		
CORPORATION EQUITY		
Retained earnings	418,833	387,922
Accumulated other comprehensive income	14,826	14,116
Total corporation equity	433,659	402,038
	$ 436,760	$ 405,015

Approved by the Board March 18, 2022

John Wiens
Board Chair

Robert Jones
Finance & Audit Committee Chair

Statement of Comprehensive Income

(in thousands of dollars)

Year Ended December 31	2021	2020
REVENUES		
Regular assessments (Note 13)	$ 28,380	$ 26,058
Investment income (Note 13)	6,814	7,955
	35,194	34,013
EXPENSES		
Operating expenses (Note 14)	5,169	4,980
INCOME BEFORE INCOME TAXES	30,025	29,033
Income tax expense (Note 8)	172	307
NET INCOME	29,853	28,726
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified subsequently to net income		
Unrealized gains on FVTOCI debt instruments	1,840	10,491
Income tax expense	(166)	(944)
Realized gains on FVTOCI debt instruments	(1,059)	(1,886)
Income tax expense	95	171
Total items that may be reclassified	710	7,832
Items that will not be reclassified subsequently to net income		
Realized and unrealized gains (losses) on FVTOCI equity instruments	1,162	696
Income tax expense	(104)	(63)
Total items that will not be reclassified	1,058	633
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	1,768	8,465
COMPREHENSIVE INCOME	$ 31,621	$ 37,191

Statement of Changes in Equity

(in thousands of dollars)

	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2020	$ 358,563	$ 6,284	$ 364,847
Net income	28,726	-	28,726
Other comprehensive income		8,465	8,465
Total comprehensive income	28,726	8,465	37,191
Transfer of revaluation reserve upon disposal of FVTOCI equity instruments	633	(633)	-
Balance at December 31, 2020	387,922	14,116	402,038
Balance at January 1, 2021	$ 387,922	$ 14,116	$ 402,038
Net income	29,853	-	29,853
Other comprehensive income	-	1,768	1,768
Total comprehensive income	29,853	1,768	31,621
Transfer of revaluation reserve upon disposal of FVTOCI equity instruments	1,058	(1,058)	-
Balance at December 31, 2021	$ 418,833	$ 14,826	$ 433,659

Statement of Cash Flows

(in thousands of dollars)

Year Ended December 31	2021	2020
OPERATING ACTIVITIES		
Net income	$ 29,853	$ 28,726
Non-cash expense (recovery) – deferred income tax assets	(4)	(8)
Non-cash expense – depreciation	225	239
Net impairment loss (recovery) on investments	12	9
Net increase in assessments receivable	(458)	(567)
Net decrease in prepaid expenses	3	6
Net increase in current net tax receivable	(13)	(297)
Net increase in accounts payable and accrued liabilities	15	134
Net increase in defined benefit obligation	37	6
Cash flows generated by operating activities	29,670	28,248
INVESTING ACTIVITIES		
Net increase in investments, net of deferred tax liability	(30,092)	(28,204)
Purchase of property and equipment, net of disposal proceeds	(52)	(60)
Cash flows used in investing activities	(30,144)	(28,144)
FINANCING ACTIVITIES		
Principal payment of lease liabilities	(188)	(173)
Cash flows used in financing activities	(188)	(173)
DECREASE IN CASH	(662)	(69)
CASH, BEGINNING OF YEAR	1,840	1,909
CASH, END OF YEAR	$ 1,178	$ 1,840
SUPPLEMENTARY CASH FLOW INFORMATION		
Income taxes paid	$ 162	$ 418

Notes to Financial Statements

(in thousands of dollars, unless otherwise noted)

1 Nature of organization

The Deposit Guarantee Corporation of Manitoba (DGCM) is a deposit guarantee corporation established under *The Credit Unions and Caisses Populaires Act* of Manitoba (*The Act*). All of the operational activities of DGCM are focused on achieving its legislated objectives:

- Guarantee deposits in Manitoba credit unions and caisses populaires (hereinafter credit unions)
- Promote credit union development of sound business practices to protect them from financial losses
- Ensure the credit unions operate under sound business practices

Without limiting the generality of the foregoing, DGCM shall do such things as are necessary to enable a credit union assigned to it to satisfy the claims of the members of the credit union for withdrawals of deposits. The registered address of DGCM is 390-200 Graham Avenue, Winnipeg, Manitoba, Canada.

2 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the Board of Directors on March 18, 2022.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements in accordance with IFRS.

a) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial assets designated as fair value through other comprehensive income (FVTOCI), which are measured at fair value in the statement of financial position.

b) Cash

Cash consists of cash on hand, and chequing and demand balances with Credit Union Central of Manitoba (CUCM) and chartered banks.

c) Regular assessments, special assessments, and financial assistance repayments

Credit union regular assessments, special assessments, and financial assistance repayments are measured at the fair value of the consideration received or receivable.

Credit union regular assessments, special assessments, and financial assistance repayments are recognized as follows:

- Credit union regular assessments are recognized when earned. Regular assessments are determined quarterly, and accrued for monthly. Credit union payments are received quarterly.
- Special assessments are recognized when earned. Special assessments are only charged if, in the opinion of DGCM's Board, the Guarantee Fund is, or is about to be, impaired.
- Financial assistance repayments are recognized when received.

d) Financial assets

All financial assets are initially recognized at fair value in the Statement of Financial Position and are subsequently classified as measured at fair value through profit and loss (FVTPL), FVTOCI or amortized cost based on DGCM's assessment of the business model within which the financial asset is managed and the financial asset's contractual cash flow characteristics. Financial assets can only be reclassified when there is a change to the business model within which they are managed. Such reclassifications are applied on a prospective basis.

i. Classification

Cash	Amortized cost
Fixed income investments	FVTOCI (Debt Instruments)
Equity investments	FVTOCI (Equity Instruments)
Derivative assets	FVTPL
Assessments receivable	Amortized cost

ii. Amortized cost

A financial asset is measured at amortized cost if it is held within a business model of holding financial assets and collecting contractual cash flows and those cash flows are comprised solely of payments of principal and interest. Amortized cost financial assets are accounted for at amortized cost using the effective interest method, less any impairment. Interest revenue is recognized through investment income by applying the effective interest rate.

iii. Fair value through other comprehensive income

Debt instruments that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal.

Equity instruments that are not held for trading are irrevocably elected to be measured at FVTOCI.

FVTOCI financial assets are carried at fair value with unrealized gains and losses recorded in the Statement of Comprehensive Income on a net of tax basis. Accumulated other comprehensive income (AOCI) forms part of corporation equity.

Accumulated realized gains or losses on fixed income investments are transferred from OCI to net income. Accumulated realized gains or losses on equity investments are transferred directly from OCI to retained earnings, without being recorded through profit or loss.

Interest on interest-bearing fixed income investments is calculated using the effective interest method and recorded in investment income.

Dividends on equity investments are recorded in investment income upon declaration.

iv. Fair value through profit or loss

All financial assets not measured at amortized cost or FVTOCI are measured at FVTPL. A financial asset that would otherwise be measured at amortized cost or FVTOCI can be designated as FVTPL through an irrevocable election if doing so eliminates or significantly reduces an accounting mismatch. Unrealized and realized gains and losses, dividends declared, and interest income on these financial assets are recorded in investment revenue.

v. Impairment of financial assets

DGCM recognizes loss allowances for expected credit losses (ECL) for any FVTOCI debt instrument or amortized cost asset. Loss allowance is measured as 12-month ECL if debt investment securities held at reporting date are of low credit risk. DGCM considers a debt security to have a low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The ECL is a probability-weighted estimate of credit losses measured as the present value of all cash shortfalls that are possible within the 12 months after the reporting date.

At each reporting date, DGCM assesses whether FVTOCI debt instruments or amortized cost assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

In making an assessment of whether an FVTOCI debt instrument or amortized cost asset is credit-impaired, DGCM considers the following factors.

- The market's assessment of credit worthiness as reflected in bond yields.
- The rating agencies' assessment of credit worthiness.
- The issuer's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt foregiveness.

vi. Derecognition of financial assets

DGCM derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If DGCM neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, DGCM recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If DGCM retains substantially all the risks and rewards of ownership of a transferred financial asset, DGCM continues to recognize the financial asset and also recognizes a collateralized borrowing for proceeds received.

e) Financial liabilities

Financial liabilities are classified either as measured at amortized cost using the effective interest method or as FVTPL, which are recorded at fair value.

Classification

Accounts payable and accrued liabilities	Amortized cost
Derivative liabilities	FVTPL

Financial liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

f) Derivative financial instruments

DGCM designates certain derivative financial instruments held for risk management as fair value hedging instruments in qualifying hedging relationships. On initial designation of the hedge, DGCM formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. DGCM makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the fair value of the respective hedged items(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%.

When a derivative is designated as a hedging instrument in a hedge of the change in fair value of a recognized asset, changes in the fair value of the derivative are recognized immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk, in investment income.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then the hedge accounting is discontinued prospectively.

g) Foreign currency translation

DGCM's financial statements are presented in Canadian dollars, DGCM's functional currency.

h) Effective interest method

DGCM uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

i) Transaction costs

Transaction costs for financial assets classified as FVTOCI, amortized cost, and financial liabilities classified as amortized cost, are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

j) Leasing

At inception of a contract, DGCM assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right-of-use (ROU) of an identified asset for a period of time in exchange for consideration. DGCM recognizes a ROU asset and a lease liability at the lease commencement date on the Statement of Financial Position.

The ROU asset is initially measured based on the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The ROU asset is disclosed in Note 9 and depreciated to the earlier of the useful life of the ROU asset or the lease term using the straight-line method. Depreciation expense on ROU assets is included within operating expenses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, DGCM shall use its incremental borrowing rate. Generally, DGCM uses its incremental borrowing rate as its discount rate. The lease liability is measured at amortized cost using the effective interest method and is included with accounts payable and accrued liabilities. Interest expense on lease liabilities is included within operating and administrative expenses.

k) Employee benefits

i. Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in net income in the periods during which services are rendered by employees.

ii. Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. DGCM's defined benefit plan is a retirement allowance, limited to a single future obligation, as a proportion of an employee's annual salary. DGCM's net obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high-quality corporate bonds. The calculation is performed annually by a qualified actuary using the projected unit credit method. Termination benefits are recognized as an expense at the earlier of the following dates:

- when DGCM recognizes costs for a restructuring within the scope of International Accounting Standard (IAS) 37 that includes the payment of termination benefits, or
- when DGCM can no longer withdraw the offer of those benefits

If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

iii. Short-term employee benefits

Short-term employee benefits are obligations that are expected to be settled wholly within 12 months of the end of the annual reporting period in which the employees render related services. These obligations are measured on an undiscounted basis.

l) Provision for financial assistance to credit unions

The provision for financial assistance to credit unions is based on potential losses that may arise due to merger, liquidation arrangements, or dissolution. The provision is established based on an individual credit union's probability of requirement for assistance and an assessment of the aggregate risk in the credit union Systems.

m) Assets acquired from merger/dissolution of credit unions

Loans and real property acquired as a result of merger or dissolution proceedings are recorded at estimated net realizable value.

n) Taxation

Income tax expense represents the sum of the current tax and deferred tax. Tax is recognized as an expense or recovery in net income except to the extent that it relates to items that are recognized outside net income.

i. Current income tax

Current income tax is based on taxable income for the year. Taxable income differs from income as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. DGCM's current tax liabilities are measured at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates that have been enacted or substantively enacted at the balance sheet date.

ii. Deferred tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in its subsidiary except where it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which DGCM expects, at each balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and DGCM intends to settle its current tax assets and liabilities on a net basis.

o) Changes in accounting policies

No standards or interpretations have been adopted which had a material impact on the financial statements for DGCM.

p) New standards and interpretations not yet adopted

No standards or interpretations have been announced which will have an impact on future financial statements for DGCM.

4 Critical accounting judgments and key sources of estimation uncertainty

In the application of DGCM's accounting policies, which are described in Note 3, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a) Critical judgments in applying accounting policies

Judgement is made on the classification of financial assets, significantly affecting the amount recognized in the financial statements.

Within DGCM's classification of financial assets, the business model within which the assets are held and whether the contractual terms of the financial assets are solely payments of principal and interest on the principal amount outstanding are assessed.

There are no other critical judgments, apart from those involving estimations, that management has made in the process of applying DGCM's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i. Provision for financial assistance to credit unions

- Individual provisions for credit union assistance

  Individual provisions and contingencies for financial assistance are recognized in accordance with IFRS. The process defined below will be applied quarterly at minimum, and more frequently if required. Credit union analysis will consider:

  - an individual credit union's risk rating as established by DGCM
  - an individual credit union's financial strength, including capital strength to absorb potential losses and earning trends
  - whether a credit union appears to have appropriately valued assets
  - whether levels of collective and individual allowances appear reasonable
  - provisions and contingencies related to assisted mergers and arrangements

  DGCM has determined that there are no individual provisions for credit union assistance required.

- Collective provision for credit union assistance

  The collective accrual for financial assistance is based on five-year, ten-year, and twenty-year averages of loss experience and other components that consider capital shortfalls and insufficient capital levels. This will include management's judgment based on historical information and other factors.

  In addition, a collective provision may be deemed necessary based on DGCM's best estimate of current aggregate risk to DGCM as determined by evaluating the following conditions:

  - market and economic conditions
  - credit union analysis
  - historic loss experience

  DGCM has determined that there is no collective provision for credit union assistance required.

ii. Estimates of fair values

Financial instrument carrying values reflect the prevailing market and the liquidity premiums embedded within the market pricing methods DGCM relies upon.

Fair values of marketable investments classified as FVTOCI are determined with reference to quoted market prices, within the bid/ask spread, primarily provided by third party independent pricing sources. Where prices are not quoted in a normally active market, fair values are determined by valuation models. DGCM maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring value. DGCM obtains quoted prices in active markets, when available, for identical assets at the balance sheet date to measure marketable securities and other investments at fair value.

iii. Impairment of financial instruments

The assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL. DGCM's investment policy statement requires FVOCI debt instruments to be of investment grade, with a credit rating of BBB or higher. Credit risk increases significantly for FVOCI debt instruments falling below investment grade. Credit ratings for FVOCI debt instruments is monitored on a daily basis.

5 Cash

Cash includes cash on hand, and current accounts with CUCM, CIBC Mellon, and Scotiabank. Cash at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

As at December 31	**2021**	**2020**
Cash on hand	1	1
CUCM	-	1,035
Scotiabank	1,064	8
CIBC Mellon	113	796
	1,178	1,840

6 Investments

Investments include fixed income investments and equity investments. A summary of investments as reflected in the statement of financial position is as follows:

As at December 31	2021	2020
Fixed income investments		
Treasury bills	36,939	37,638
Government bonds	242,873	264,001
Corporate bonds	85,804	39,554
	365,616	341,193
Equity investments		
Canadian equities	17,997	16,344
Global equity funds (net of forward contracts)	16,923	15,621
Canadian real estate	27,126	22,370
Concentra Shares	4	4
	62,050	54,339
	427,666	395,532

7 Assessments receivable

Assessments receivable refer to the outstanding balance, owed by credit unions, for the fourth quarter assessment, or any special assessment, charged by DGCM. Significantly all of the outstanding balances are collected within 31 days of year-end.

As at December 31	2021	2020
Assessments receivable	7,240	6,782

8 Income taxes

a) Income tax recognized in net income

Year ended December 31	2021	2020
Current tax		
Current tax expense in respect of the current year	175	315
Deferred tax		
Deferred tax (recovery) expense recognized in the current year	(3)	(8)
Total tax expense relating to continuing operations	172	307

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

Year ended December 31	2021	2020
Income from continuing operations	30,025	29,033
Income tax expense at statutory rate	2,702	2,660
Non-taxable credit union assessments	(2,554)	(2,345)
Foreign withholding taxes	24	(8)
Income tax expense recognized in net income	172	307

The tax rate used for the 2021 and 2020 reconciliations above is the corporate rate of 9.0% and 9.0% respectively payable on taxable income under tax law in Manitoba.

b) Income tax recognized in other comprehensive income

Year ended December 31	2021	2020
Deferred tax		
Fair value gains re-measurement of FVTOCI financial assets	16,170	14,955
Total deferred income tax expense recognized in accumulated other comprehensive income	1,462	1,390

9 Other assets

Other assets include prepaid expenses, accounts receivable, employee loans, ROU assets, and property and equipment. A summary of other assets as reflected in the statement of financial position is as follows:

As at December 31	2021	2020
Prepaid expenses	60	63
Employee loans	2	1
ROU assets	344	516
Property and equipment	121	123
	527	703

10 Accounts payable and accrued liabilities

Accounts payable are outstanding invoices to vendors, payable upon receipt. Insured savings accounts are deposits acquired through mergers of credit unions. Lease liabilities refers to obligations to vendors under lease contract. Accrued liabilities refer to obligations to vendors where no invoice has been received.

As at December 31	2021	2020
Accounts payable	47	16
Lease liabilities	363	535
Accrued liabilities	514	358
	924	909

11 Post-employment plans

a) Defined contribution plans

DGCM contributes to two defined contribution retirement benefit plans for all qualifying employees. These benefit plans are operated by the Co-operative Superannuation Society and Canada Life. DGCM is required to match employee's contributions of a specified percentage of earnings to the benefit plans. The only obligation of DGCM with respect to the retirement benefit plans is to make specified contributions.

The total expense recognized in the income statement of $172 (2020: $167) represents contributions payable to these plans by DGCM at rates specified in the rules of the plans. As at December 31, 2021, all contributions due in respect of the 2021 and 2020 reporting periods had been remitted to the plans.

b) Defined benefit plan

DGCM operates an unfunded defined benefit plan, referred to as a retirement allowance, for qualifying employees. Under the plan, employees are entitled to a one-time retirement benefit varying between 17% and 50% of the final salary on attainment of a minimum of nine years service with DGCM, and a minimum retirement age of 55. No other post-retirement benefits are provided to these employees.

This benefit is self-insured by DGCM. The benefit exists outside the scope of provincial and federal legislation, and is not subject to any regulatory framework. DGCM is solely responsible for the governance of the benefit.

The risks associated with the benefit are strictly financial in nature, primarily driven by any concentration in age groups of employees. Current evaluations show no material concentration of age groupings at December 31, 2021.

The most recent actuarial valuation of the defined benefit obligation was carried out in November 2021 by Eckler Ltd. The present value of the defined benefit obligation, and related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

As at December 31	2021	2020
Discount rates	2.95%	2.50%
Expected rates of salary increase	2.75%	2.75%
Assumed retirement age	62	62

Amounts recognized in net income in respect to this defined benefit plan are as follows:

Year ended December 31	2021	2020
Current service cost	44	56
Actuarial (gains) losses recognized in the year	(24)	20
Interest costs	17	17
	37	93

Actuarial gains and losses, and service costs, including curtailments and settlements, are recognized immediately through net income, and recorded in salaries and employee benefits in the schedule of operating expenses.

The amount included in the statement of financial position arising from DGCM's obligation in respect of its defined benefit plan is the present value of the unfunded defined benefit obligation.

Movements in the present value of the defined benefit obligation in the current period were as follows:

Year ended December 31	2021	2020
Opening defined benefit obligation	678	599
Current service cost	44	56
Actuarial (gains) losses recognized in the year	(24)	20
Interest costs	17	17
Benefits paid	-	(14)
Closing defined benefit obligation	715	678

DGCM does not hold plan assets to offset the defined benefit obligation. Funding is provided from cash accounts to pay benefits over a period of up to 24 months following employee retirement.

The maturity profile of the obligation is outlined as follows:

As at December 31	2021	2020
Within one year	132	102
Later than one year and not later than five years	349	346
Later than five years	234	230
	715	678

12 Contingent liabilities

As at December 31, 2021, DGCM guaranteed $36.1 billion (2020: $34.1 billion) in credit union deposits. Based on its ongoing monitoring procedures, DGCM has concluded that a provision for such contingencies does not need to be established at this time.

As at December 31, 2021, DGCM has provided loan indemnifications with a maximum exposure of $427 (2020: $656). DGCM has concluded that a provision for loss does not need to be established at this time.

13 Revenue

Year ended December 31	2021	2020
Assessments		
Regular assessments	28,380	26,058
Investment income		
Interest income – loans and receivables	12	75
Interest income – FVTOCI	3,877	4,752
Dividend income – FVTOCI	2,063	1,411
Realized gains and losses on disposal of marketable investments	1,072	1,896
Unrealized and realized gains and losses on foreign exchange	(198)	(170)
Impairment (loss) recovery on investments	(12)	(9)
	6,814	7,955
	35,194	34,013

For the year ended, December 31, 2021, DGCM disposed of $4,147 (2020: $7,766) of FVTOCI equity instruments, resulting in a cumulative realized gain of $1,051 (2020: $669) on disposal. FVTOCI equity instruments are disposed of for the purpose of recalibrating the investment portfolio, to match the target asset mix of the Investment Policy Statement, on a quarterly basis.

14 Operating expenses

Year ended December 31	**2021**	**2020**
Corporate governance	146	127
Salaries and benefits	3,390	3,325
Contract and professional fees	494	436
CUCM program funding	306	319
Occupancy	417	437
Administration	275	192
Travel	96	93
Other	45	51
	5,169	4,980

15 Financial instruments

a) Class disclosure

The following is the disclosure of financial assets by class:

As at December 31	**2021**	**2020**
Amortized Cost		
Cash	1,178	1,840
Assessments receivable	7,240	6,782
Prepaid expenses and employee loans	62	64
	8,480	8,686
FVTOCI		
Fixed income investments	365,616	341,193
Equity investments	62,050	54,339
	427,666	395,532
	436,146	404,218

The following is the disclosure of financial liabilities by class:

As at December 31	**2021**	**2020**
Amortized Cost		
Accounts payable and accrued liabilities	924	909

b) Capital risk management

DGCM manages its capital to maintain a capital structure that provides the flexibility to provide liquidity to support its obligation to guarantee deposits in credit unions.

DGCM's capital management objective is to maintain total equity (retained earnings and accumulated other comprehensive income) within a range of 105 to 130 basis points (bps) of deposits in credit unions. This equity target range has been approved by the Superintendent of Financial Institutions Regulations Branch. The Board of Directors reviews DGCM's equity position quarterly to ensure prudent positioning within the target range. Where the aggregate shortfall of credit union capital exceeds one-sixteenth of one percent of total deposits and accrued interest, DGCM shall net the shortfall against its equity for this calculation.

c) Financial risk management

DGCM is exposed to risks of varying degrees of significance which could affect its ability to support its obligation to guarantee deposits in credit unions. The main objectives of DGCM's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to these risks. The principal financial risks to which DGCM is exposed include interest rate risk, credit risk, liquidity risk, equity price risk, and currency risk.

DGCM seeks to minimize the effects of these risks by utilizing a conservative investment policy. The investment policy contains written principles, addressing interest rate risk, credit risk, liquidity risk, equity price risk, and currency risk. The investment policy is approved by the Registrar, in compliance with subsection 144(h) of *The Act.* Compliance with policy is monitored by the external investment manager on a continuous basis.

The Finance department reports quarterly to the Board of Directors on policy compliance and risk exposures.

i. Interest rate risk management

DGCM is exposed to fluctuations in interest rates that could affect the cash flows from marketable investments at the time of maturity and reinvestment of individual instruments. These fluctuations could affect the fair values of financial assets and liabilities, and DGCM's ability to support its obligation to guarantee deposits in credit unions.

To manage interest rate risk, DGCM's investment policy restricts the concentration (asset mix) of segregated and pooled fixed income investments within the portfolio. As well, the aggregate duration of segregated and pooled fixed income investments to within 0.25 years of respective benchmark indices, as noted below.

Asset class	Maximum asset mix	Benchmark index
Government bonds	70.00%	FTSE TMX Short Term Government Bond
Corporate bonds	25.00%	FTSE TMX All Corporate Bond
Global bonds	6.25%	Barclays Global Aggregate Bond (CDN $)

To further mitigate interest rate risk, the policy permits the allocation of some or all of the portfolio into cash and short-term investments for protection from loss of principal and ensure sufficient cash is held to finance the operations of DGCM.

DGCM may use derivative financial instruments to manage interest rate risk. No derivative financial instruments were used during the year for this purpose.

- **Interest rate sensitivity analysis**

  The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. A 50 bps increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 bps higher/lower and all other variables were held constant, DGCM's:

- net income for the year ended December 31, 2021 would increase/decrease by $173/$57 (2020: increase/decrease by $635/$786). This is attributable to DGCM's exposure to interest rates on current accounts and maturing investments, and
- other comprehensive income for the year would decrease/increase by $4,268 (2020: decrease/increase by $3,867) mainly as a result of the changes in the fair value of FVOCI fixed rate instruments.

ii. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to DGCM. DGCM's exposure to credit risk consists principally of:

- fixed income investments with Canadian federal, provincial and municipal governments, and corporations
- equity investment in global bond funds
- derivative instruments for hedging purposes
- assessments receivable from credit unions

Measures are taken to mitigate each exposure to credit risk:

- DGCM's investment policy only permits holding marketable investment-grade (BBB or higher) fixed income investments. Ratings are determined by independent rating agencies. Credit risk exposure is limited to that contained within respective benchmark indices.
- Credit risk with derivative instruments is evaluated quarterly. It is DGCM's practice to transact in derivatives only with the most credit worthy financial intermediaries.
- DGCM monitors the financial strength of individual credit unions on a monthly basis.

Assessments receivable from credit unions are unrated. All of the outstanding balances are collected within 31 days of year-end. Historically, DGCM has not experienced bad debts related to any of these counterparties.

The table below shows the credit risk exposure of fixed income investments and global bond funds, by credit rating, at the end of the reporting period using DBRS' credit rating symbols:

As at December 31	**2021**	**2020**
Credit rating		
AAA	208,753	229,564
AA	77,878	76,272
A	50,963	23,241
BBB	28,022	12,116
	365,616	341,193

The table below shows the credit risk exposure of investments, by issuer, at the end of the reporting period:

As at December 31	**2021**	**2020**
Government	279,812	301,639
Corporate	85,804	39,554
	365,616	341,193

DGCM incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from economic experts and consideration of a variety of external actual and forecast information, DGCM formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and Bank of Canada, forecasts by large Canadian banks and financial institutions and other selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by DGCM for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and pessimistic outcomes.

DGCM has identified and documented key drivers of credit risk and credit losses for the portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at December 31, 2021 included the following Canadian key indicators.

- National unemployment rates;
- National gross domestic product;
- Bank of Canada overnight rate target;
- National annual housing starts; and
- West Texas Intermediate oil prices.

Predicted relationships between key indicators and default and loss rates on financial assets have been developed based on analysing historical data over the past 10 years.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default;
- Loss given default; and
- Exposure at default.

These parameters are derived from external benchmark information derived from Moody's Annual Default Study.

The following table shows reconciliations from the opening to the closing balance of the 12-month ECL allowance for impairment for debt investment securities at FVTOCI, net of tax.

	2021	**2020**
Balance at January 1	34	25
Remeasurement of loss allowance, net of purchases and disposals	12	9
Balance at December 31	46	34

iii. Liquidity risk management

Liquidity risk is the risk of having insufficient financial resources to meet DGCM's cash and funding requirements in support of the guarantee of deposits in credit unions. DGCM's approach to manage its liquidity risk is to ensure, as far as possible, that it will have cash, demand deposits, and marketable investments which meet its annual capital target.

Management expects that DGCM's principal sources of funds will be cash generated from credit union regular assessments and interest earned on its investments to support its financial obligation to guarantee deposits in credit unions.

In the event that the investment portfolio must be drawn upon, DGCM's target asset mix equates to 92.5% of the portfolio being tradeable in major Canadian and American bond and equity markets. Redemptions on the residual balance can be made on a quarterly basis.

The following table details DGCM's expected maturity for its segregated debt instrument financial assets and financial liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial assets and financial liabilities including interest that will be earned on those assets and liabilities. Excluded from the table below are Canadian and Global equities totaling $62,050 (2020: $54,339).

As at December 31	**2021**	**2020**
Financial assets		
Under one year	39,572	42,938
One to five years	325,358	299,035
Five to ten Years	1,864	1,059
	366,794	343,032

Financial liabilities

All financial liabilities are due within one year.

iv. Equity price risk management

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets and other pricing risk.

To manage equity price risk, DGCM's investment policy restricts the concentration (asset mix) of equity-based investments within the portfolio, and ensure they are passively managed against established diversified indices, as noted in the table below.

Asset class	**Maximum asset mix**	**Benchmark index**
Canadian Equities	6.25%	S&P/TSX Composite Index
Global Equities	6.25%	MSCI World Index (CDN $)

The best estimate return assumptions for equities are primarily based on long-term historical averages. Changes in the current market could result in changes to these assumptions and will impact asset cash flows. A 10% increase/decrease on equity market prices would increase/decrease other comprehensive income by $3,178 (2020: $2,909).

v. Currency risk management

Currency risk relates to DGCM holding financial instruments in different currencies. Changes in foreign exchange rates can expose DGCM to the risk of foreign exchange losses. DGCM has investments in investments denominated in U.S. dollars. In accordance with IFRS, foreign currency translation gains and losses from these investments, net of hedging activities and tax effects, are recorded in net income. A 10% weakening or strengthening of the Canadian dollar would not have a material impact on net income or total comprehensive income as DGCM uses derivative financial instruments to manage currency risk.

vi. Fair value of financial instruments

Fair value of financial instruments carried at amortized cost

DGCM considers that the carrying amounts of financial assets and financial liabilities recognized at amortized cost in the financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

DGCM has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy. Financial assets and financial liabilities measured at fair value on a recurring basis on the balance sheet are categorized as follows:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that DGCM has the ability to access. Assets utilizing Level 1 inputs include cash, treasury bills, Canadian equities exchange traded funds (ETFs), and global equities and bond ETFs.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 assets include government bonds and corporate bonds, which use quoted prices for similar assets and liabilities in active markets as inputs for valuation.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. Level 3 assets include a Canadian real estate fund, which is valued primarily based on the discounted cash flow approach, however direct capitalization and comparable sale methodologies are also employed, where appropriate. Level 3 assets also include shares held with CUCM and Concentra, which are held at cost, representing fair value at the end of the reporting period.

The following table presents DGCM's assets and liabilities that are carried at fair value on a recurring basis.

As at December 31, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Cash	1,840	-	-	1,840
Fixed income investments				
Treasury bills	37,638	-	-	37,638
Government bonds	-	264,001	-	264,001
Corporate bonds	-	39,554	-	39,554
Equity investments				
Canadian equities	16,344	-	4	16,348
Global equity funds	15,621	-	-	15,621
Canadian real estate	-	-	22,370	22,370
Total assets measured at fair value on a recurring basis	71,443	303,555	22,374	397,372

As at December 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Cash	1,178	-	-	1,178
Fixed income investments				
Treasury bills	36,939	-	-	36,939
Government bonds	-	242,873	-	242,873
Corporate bonds	-	85,804	-	85,804
Equity investments				
Canadian equities	17,997	-	4	18,001
Global equity funds	16,923	-	-	16,923
Canadian real estate	-	-	27,126	27,126
Total assets measured at fair value on a recurring basis	73,037	328,677	27,130	428,844

There were no transfers of DGCM's assets between Level 1 and Level 2 in the year.

Liabilities measured at fair value

There are no liabilities carried at fair value on a recurring basis.

The following table presents additional information about assets measured at fair value on a recurring basis and for which DGCM has utilized Level 3 inputs to determine fair value:

2020	**Canadian real estate**	**CUCM and Concentra shares**
Balance at January 1	21,693	72
Total gains	677	-
Purchases	-	-
Sales	-	(68)
Other	-	-
Balance, end of year	22,370	4
Total gains for the year included in investment income	826	-
Change in unrealized gains for the year included in earnings for assets held at December 31	493	-

2021	Canadian real estate	CUCM and Concentra shares
Balance at January 1	22,370	4
Total gains	4,756	-
Purchases	-	-
Sales	-	-
Other	-	-
Balance, end of year	27,126	4
Total gains for the year included in investment income	834	-
Change in unrealized gains for the year included in earnings for assets held at December 31	3,922	-

The following table sets out information about significant unobservable inputs used at year-end in measuring assets and liabilities categorized as Level 3 in fair value hierarchy:

Type of asset	Canadian real estate	CUCM and Concentra shares
Valuation approach	Property valuations are generally determined using models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	CUCM and Concentra shares have been held in excess of 35 years, to support co-operative resources for Manitoba credit unions. The shares do not have an active market and cannot be readily disposed of. As a result, the shares are valued at original cost.
Significant unobservable inputs	Discount rate Reversionary rate Vacancy rate	None
Input values	Discount range 5.0-9.75% (2020: 4.0%-9.75%) Reversionary range 3.5-9.0% (2020:3.75%-9.0%) Vacancy weighted average 5.9% (2020: 8.2%) Effective Vacancy 5.3% (2020: 6.2%)	None

Type of asset	Canadian real estate	CUCM and Concentra shares
Inter-relationship between key inputs and fair value measurement	A decrease/increase in the discount rate would result in an increase/decrease in fair value. A decrease/increase in the reversionary rate would result in an increase/decrease in fair value. A decrease/increase in the expected vacancy rate would generally result in an increase/decrease in fair value.	None

vii. Derivative financial instruments

In the normal course of managing exposure to fluctuations in foreign exchange rates, DGCM is an end-user of forward contracts. Forward contracts are for three-months, with successive renewals upon maturity, to match the existing currency risk exposure. These forward contracts are designated as accounting hedges.

As at December 31, 2021, DGCM had forward contracts with a negative FMV of $190 (2020: negative $13). The notional value of the contracts was $11,838 (2020: $10,354). The counterparty of forward contracts is the Candian Imperial Bank of Commerce. The maturity date of the contracts is March 17, 2022.

16 Related party transactions

a) Loans to related parties

Key management personnel are defined as the Chief Executive Officer, Chief Risk Officer, and Chief Financial Officer.

DGCM provides interest free loans to employees for:

- medical equipment not covered under the insured benefits package and necessary for effective performance of their duties
- computer equipment for the employee’s own use and consistent with the technology utilized by DGCM

The maximum loan size is $8, repayable by payroll deduction over a maximum period of three years.

Outstanding loans to key management personnel at the end of 2021 was $NIL (2020: $NIL).

b) Compensation of key management personnel

The remuneration of key management personnel is determined by the Board of Directors. The aggregate remuneration of key management personnel during the year was as follows:

Year ended December 31	**2021**	**2020**
Salaries	724	687
Short-term benefits	30	27
Post-employment benefits	57	65
	811	779

c) Board members' remuneration and expenses

The remuneration of the Board of Directors is determined by the Lieutenant Governor in Council. The remuneration of board members during the year was as follows:

Year ended December 31	2021	2020
Board member remuneration	112	105
Expenses	34	22
	146	127

17 Leases

a) Lease arrangement

DGCM has an office space lease for own use. The main office space for operations has a five-year lease term expires December 31, 2023 with no option to renew.

b) Right-of-use assets

2021	Office Space	Vehicles	Office Equipment	Total
Balance at January 1	515	1	-	516
Depreciation charge for the year	171	1	-	172
Balance at December 31	344	-	-	344

There were no additions to the ROU assets during 2021.

c) Lease liabilities

Maturity of contractual undiscounted cash flows

As at December 31	2021	2020
No later than one year	187	188
Later than one year and not later than five years	187	374
Later than five years	-	-
	374	562

In 2021, the total cash outflow for leases was $188 (2020: $201).

d) Amounts recognized in profit or loss

Year ended December 31	2021	2020
Interest on lease liabilities	16	22
Depreciation of ROU assets	172	179
Expenses relating to short-term leases	-	-
	188	201

The Public Interest Disclosure (Whistleblower Protection) Act

The Deposit Guarantee Corporation of Manitoba (DGCM) is designated as a government body for purposes of *the Public Interest Disclosure (Whistleblower Protection) Act (the Act). The Act* requires that government bodies disclose, in their annual reports, any activities regulated by this legislation.

The Act came into effect in April 2007. This law gives employees a clear process for disclosing concerns about significant and serious matters (wrongdoing) in the Manitoba public service sector, and strengthens protection from reprisal. *The Act* builds on protections already in place under other statutes, as well as collective bargaining rights, policies, practices and processes in the Manitoba public service.

Wrongdoing under *the Act* may be: contravention of federal or provincial legislation; an act or omission that endangers public safety, public health, or the environment; gross mismanagement; or, knowingly directing or counseling a person to commit a wrongdoing. *The Act* is not intended to deal with routine operational or administrative matters.

A disclosure made by an employee in good faith, in accordance with *the Act*, and with a reasonable belief that wrongdoing has been or is about to be committed is considered to be a disclosure under *the Act,* whether or not the subject matter constitutes wrongdoing. All disclosures receive careful and thorough review to determine if action is required under *the Act*, and must be reported in a department's annual report in accordance with Section 18 of *the Act*.

The following is a summary of disclosures received by DGCM for the fiscal year ended December 31, 2021:

Information Required Annually **(per Section 18 of *the Act*)**	**Fiscal Year 2021**
The number of disclosures received, and the number acted on and not acted on. Subsection 18(2)(a)	Nil
The number of investigations commenced as a result of a disclosure. Subsection 18(2)(b)	Nil
In the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations or corrective actions taken in relation to the wrongdoing, or the reasons why no corrective action was taken. Subsection 18(2)(c)	Nil