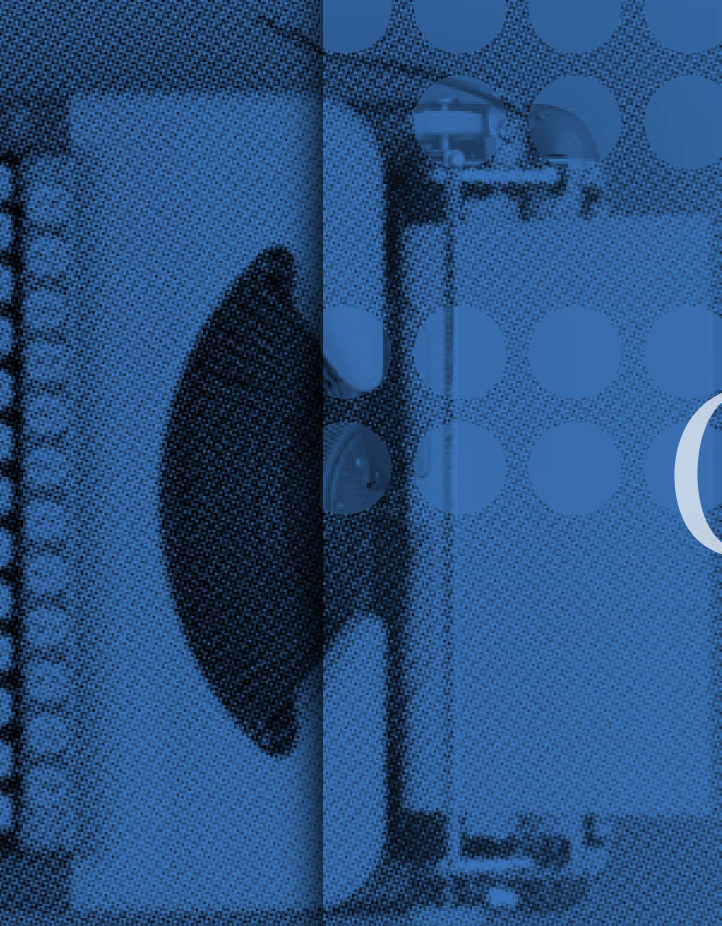

Guaranteeing Deposits

SINCE 1965

Deposit Guarantee Corporation of Manitoba

2020 Annual Report

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Deposit Guarantee Corporation of Manitoba
390-200 Graham Avenue
Winnipeg, Manitoba R3C 4L5
Phone: (204) 942-8480
Fax: (204) 947-1723
Toll Free: 1 (800) 697-4447
https://dgcm.ca

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 stability 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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JOHN WIENS
Chair

VERNON MACNEILL
Chief Executive Officer

Report from the Chair and Chief Executive Officer

We are very pleased with the results of both the Deposit Guarantee Corporation of Manitoba (DGCM) and the Manitoba credit union and caisse Systems over this challenging year. The collaboration we have seen within the financial system during the pandemic so far has been extraordinary, and has minimized the impact on our regulated entities.

Our office implemented the pandemic plan in the middle of March 2020, which allowed employees to work from home while still providing full service to our stakeholders. The safety and health of DGCM employees is our top priority and we will continue to work remotely until it is deemed safe to bring our staff back into the office.

DGCM issued regulatory forbearance guidance early in 2020 to allow credit unions and the caisse to concentrate on operations and assist their members who were impacted by loss of income. These measures included revised capital treatment of deferred loan and mortgage payments, deferral of non-critical examinations, suspension of consultations, introduction of new policies, deferral of assessments, and a relaxation of reporting requirements.

Early in the pandemic, we worked closely with credit unions, Caisse Financial Group, Credit Union Central of Manitoba (CUCM), and both the provincial and federal governments to ensure sufficient liquidity was available to meet withdrawals from member accounts. Any initial concerns over liquidity were eased quickly as members built up deposits to a very comfortable level. The current level of liquidity is 20.4%, well above DGCM's regulatory requirement of 10%.

DGCM also worked closely with the provincial government to prepare a revised budget to adhere to their Workforce Sustainability and Cost Saving Measures initiative. As we have been designated a government agency, we were captured by this initiative, although we are not provided any direct government funding. DGCM was asked to reduce the approved 2020 budget by $550 thousand through workforce adjustments, and expenditure reductions and deferrals. We are pleased to report we were successful in accomplishing this and will provide further commentary on this later in the report.

During the past year, DGCM remained in frequent contact with our provincial counterparts across the country and coordinated regulatory forbearance across other jurisdictions via the Credit Union Prudential Supervisors Association (CUPSA). Internationally, we participated in a number of webinars sponsored by the International Credit Union Regulators Network (ICURN) on best practices. This also included a session with the Secretary General of The Basel Committee on Banking Supervision.

We are very appreciative of the access we enjoyed this year to our federal counterparts at OSFI, CDIC, and the Bank of

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Canada. This allowed both federal and provincial regulators to take a coordinated approach to ensuring the continued health and profitability of the financial system in Canada.

Regular virtual meetings were held to ensure the Board was well informed of the increasing risks posed by the pandemic, and the Board was provided with additional reporting on payment deferrals, loan loss provisions, emerging risks, new government reporting requirements, and financial results.

Financially DGCM had a very good year in 2020. The de-risking of the investment portfolio in 2019 allowed the corporation to exceed budgeted investment returns in a very volatile investment environment. Our Guarantee Fund stood at $402 million at December 31, 2020, up $37 million over 2019. This represents 117.7 basis points (bps) of deposits and is well within our range of 105-130 bps. Revenue was $34 million, an increase of $503 thousand over 2019. Operating expenses were $5 million, down 2.5% over 2019, continuing the trend of reducing year-over-year for the past five years. Operating expenses were also within the Workforce Sustainability and Cost Saving Measures budget approved by the government. Net income came in at $28.7 million compared to $27.8 million in 2019. Comprehensive income was $37.2 million and down $800 thousand from 2019 due to slightly lower unrealized gains on our investment portfolio.

As expected, the year-end results for credit unions and the caisse were not as strong as previous years, as they incurred a higher level of loan loss provisions as some members experienced difficulties due to COVID-19. Assets increased to $37.6 billion or 8.99%, due to an increase in deposits as a result of travel and spending being significantly curtailed by the pandemic. Regulatory capital remained strong at $2.4 billion or 6.40%. Retained earnings is comprised of 5.88% of total capital with member shares of 0.52% making up the balance. Comprehensive income was down to $121 million or 32 bps from $147 million or 43 bps earned in 2019. The decrease in income between 2019 and 2020 of $26 million was due to provisions for impaired loans increasing by $32.5 million.

Credit unions and the caisse continue to operate in a very volatile environment as the pandemic continues to linger and the vaccine rollout has stalled. The members operating in the hospitality industry have taken the brunt of the hardship, but credit unions and the caisse continue to work with them to minimize losses. Emerging risks faced by the financial services industry are climate change, culture, cybersecurity, technology, and increased competition as a result of open banking.

DGCM welcomed Fernand Vermette to our Board in 2020 and said goodbye to Paul Gilmore. Mr. Vermette brings considerable knowledge of financial services and the co-operative system to our organization. Mr. Gilmore was on the Board for 10 years and was the Chair of the Finance & Audit Committee and Vice-Chair of the Board. His knowledge and experience will be greatly missed. We would like to thank Paul for the tremendous contribution he made to DGCM and wish him well in his future endeavors.

On a sad note, we need to recognize the sudden passing of former DGCM Director and Chair, Bryan Rempel. Bryan was a tremendous supporter of the co-operative system in Manitoba and a gentleman in all respects. He will be missed and we would like to extend our sincere condolences to his family and friends.

Looking ahead we are expecting the amendments to *The Credit Union and Caisses Populaires Act* will be approved in 2021, granting DGCM the responsibility to provide regulatory oversight of CUCM. Our staff have been working closely with the provincial government to ensure the new Prudential Standards for CUCM and Standards of Sound Business Practice for the credit unions and the caisse are ready once the legislation is passed. We expect to start consultations in February with our regulated entities. Consultations on new liquidity management guidance will also commence, after being deferred in 2020.

No one can question that the past year has been a very challenging time for everyone. We would like to thank DGCM staff for making the transition to remote work seamless and for continuing to provide robust oversight to Manitoba's credit unions and caisse. The Board has provided outstanding guidance to management during 2020, and we would like to thank them for the support they have shown. We hope we can return to some semblance of normal in the near future, and be able to meet in person, re-establish contacts, and do our part in helping to rebuild the Manitoba economy. Continue to be well and stay safe.

John Wiens

John Wiens, Chair

Vernon MacNeill

Vernon MacNeill, Chief Executive Officer

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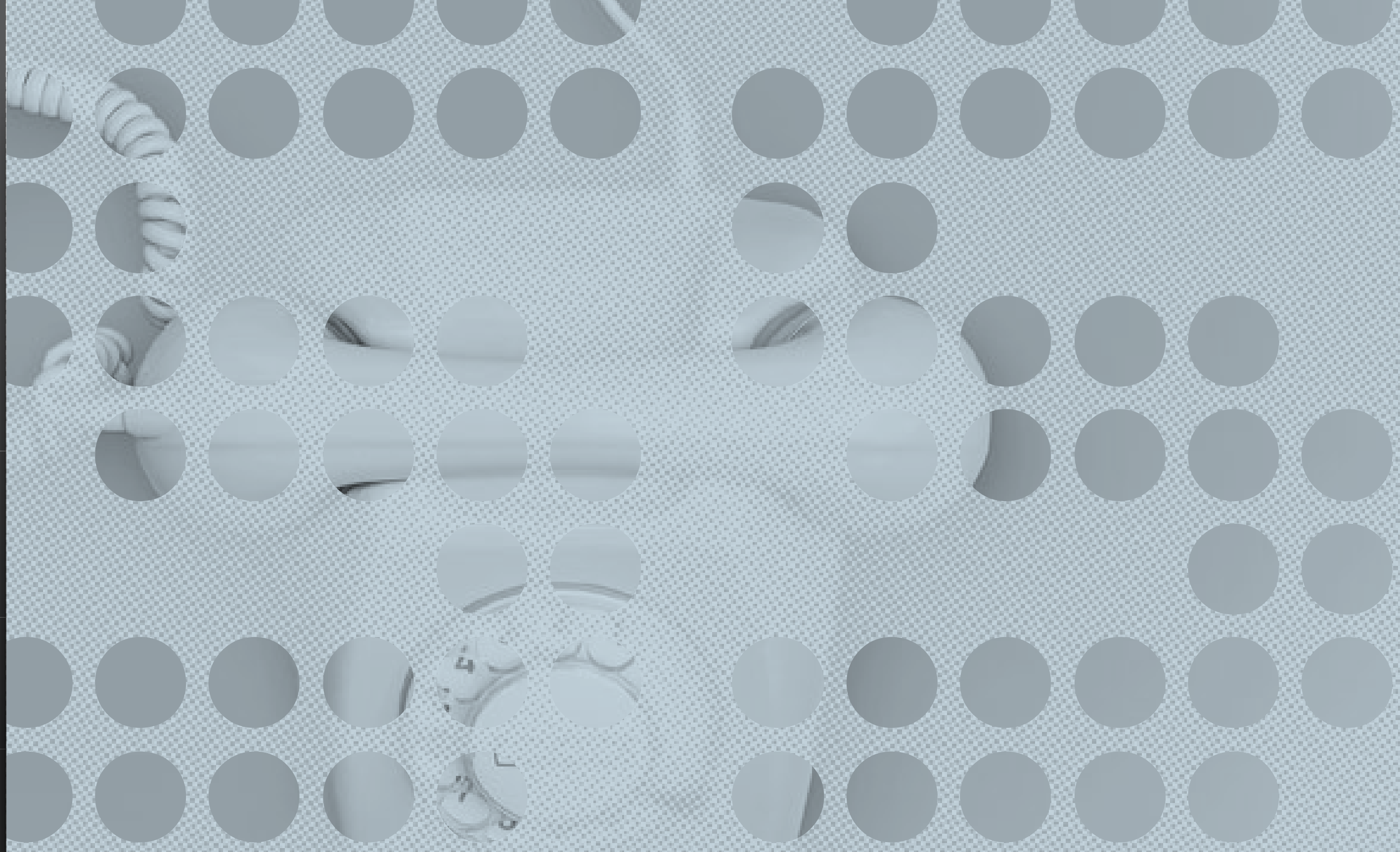

Corporate Governance

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 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 employees. 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

**Paul Gilmore served on the Board of Directors until his term ended and Fernand Vermette was appointed, in 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 2020, one of which was the strategic planning session. DGCM's Board also held three special meetings throughout the summer of 2020 to remain connected during the COVID-19 pandemic. 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 (3)	Finance & Audit Committee Meetings (4)	Governance & Human Resources Committee Meetings (4)
Paul Gilmore	4/4*	3/3	4/4	–
Robert Jones	5/5	3/3	4/4	–
Myron Pawlowsky	5/5	3/3	4/4	–
Michael Swistun	5/5	2/3	–	4/4
Fernand Vermette	1/1*	–	–	–
Dale Ward	5/5	3/3	–	4/4
Mabel Wieler	5/5	3/3	4/4	–
John Wiens	5/5	3/3	–	4/4

* Paul Gilmore's term ended in November 2020. Fernand Vermette was appointed in his place.

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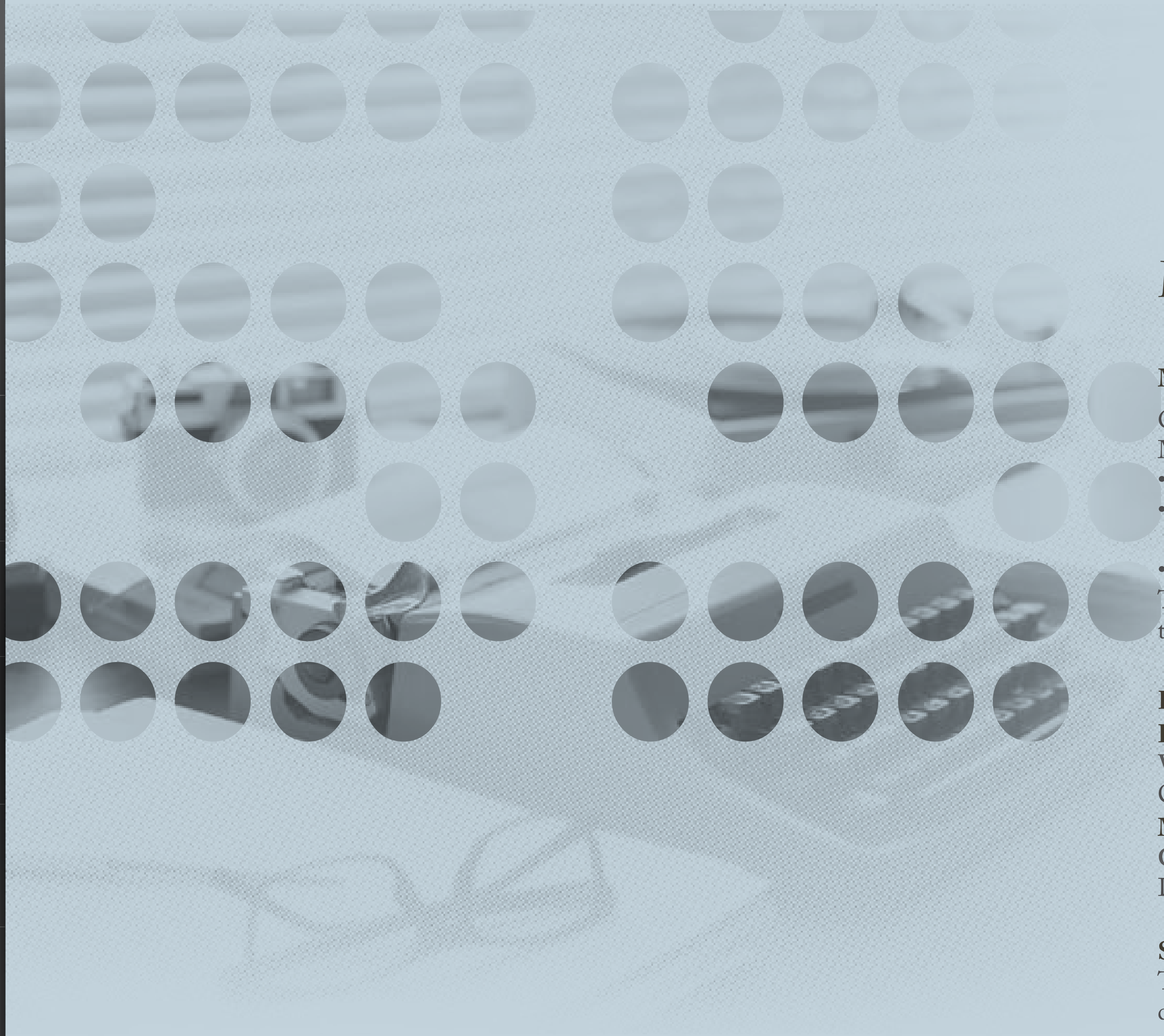

Management Discussion and Analysis

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 (Standards) are a set of principles that assists DGCM to direct and manage itself in a prudent, effective, and appropriate manner.

DGCM's four Standards 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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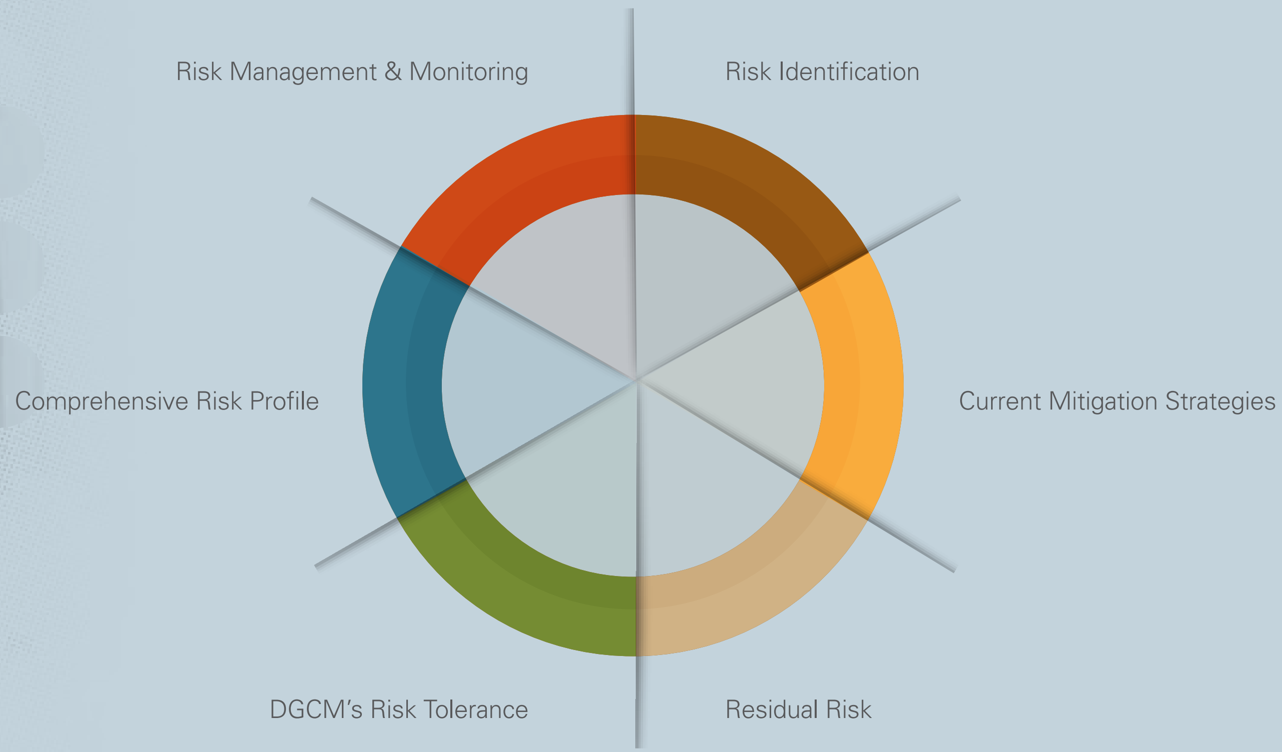
MANAGING RISK

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 2020 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. Several initiatives initially planned for 2020 were deferred to 2021 due to the Province of Manitoba's Workforce Sustainability and Cost Saving Measures.

Corporate Strategy #1	2020 Results	2021 Planned Key Initiatives
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.	**Legislative Changes** DGCM worked with government in its introduction of Bill 26, *The Credit Unions and Caisse Populaires Amendment Act*. Appropriate policies and standards were developed for the oversight of CUCM and regulation of credit unions/caisse once the revisions to *The Act* come into force.	**Regulatory Oversight of CUCM** Continue to work with stakeholders in finalizing DGCM's future oversight role of CUCM. Develop internal operational processes required for the oversight of CUCM. **Act and Regulations – New Oversight Framework** Continue to develop draft Standards and Prudential Standards with key government stakeholders and undertake a consultation process with industry stakeholders to discuss proposed changes. **Standards of Sound Business Practice** Create interpretive guidance on best practices for Governance and Strategic Management, to enhance Manitoba credit union and caisse adherence to the Standards. ***Regulatory Accountability Act* Compliance – Public Disclosure** Review regulatory documentation and publication medium, to ensure compliance to the *Regulatory Accountability Act.*

Corporate Strategy #2	2020 Results	2021 Planned Key Initiatives
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.	**Specialization Enhancements** DGCM continued to foster development of subject matter expertise among oversight employees. **Management Information Systems** DGCM continued to transition to new core technology platforms, enhancing oversight and analytical capabilities.	**Specialization Enhancements** Continuation of work performed in 2020. **Management Information Systems** Continuation of work performed in 2020. **Internal Audit** Refresh DGCM's internal audit framework to ensure internal processes adhere to current best practices. **Scenario Planning** Develop long-term scenarios for DGCM's operating environment; to assist in strategic positioning of DGCM, and to best support fulfilling its mandate.

Corporate Strategy #3	2020 Results	2021 Planned Key Initiatives
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.	**Emergency Lending Agreement Preparation** DGCM continued to work 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.	**Emergency Lending Agreement Preparation** Continuation of work performed in 2020. **Crisis Management and Response** Formalize DGCM's communication strategy and operational response, to support the existing Supervision Policy and Resolution Policy.

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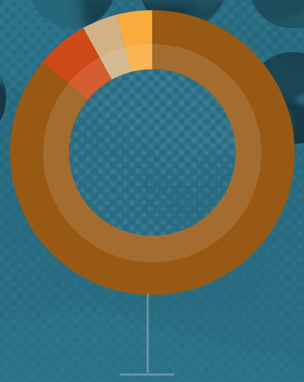
DGCM Financial Overview

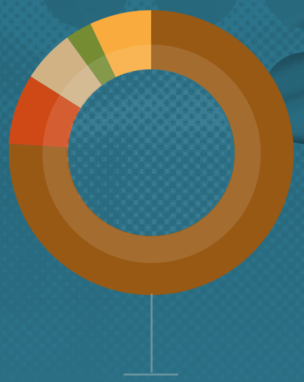
On December 31, 2020, our assets totaled $405 million. The increase of $37.7 million, or 10.3% over 2019, was derived principally from comprehensive income. Our investment portfolio, which represents 98% of our assets, is principally invested in segregated Canadian government bonds and treasury bills, 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



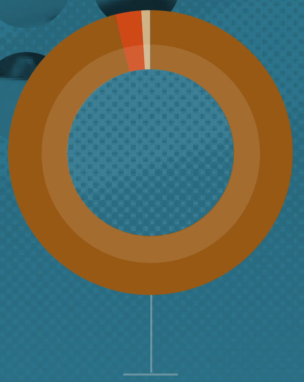
86.3% Canadian fixed income
5.7% Canadian real estate
4.1% Canadian equities
3.9% Foreign equities

SECTOR PROFILE



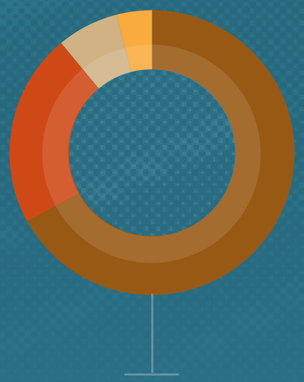
76.3% Government
8.1% Financials
6.6% Real estate
1.5% Energy
7.5% Other

GEOGRAPHIC PROFILE



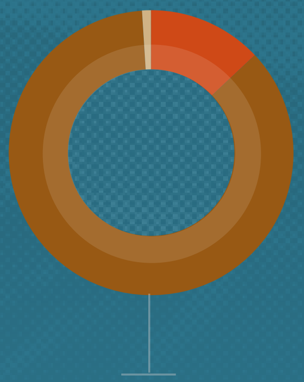
96.0% Canada
2.7% United States
1.3% International

CREDIT PROFILE
(excluding Real Estate and Equity funds)



67.4% AAA
22.4% AA
6.6% A
3.6% BBB

MATURITY PROFILE
(excluding Real Estate and Equity funds)



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

*Modified duration 2.5 years

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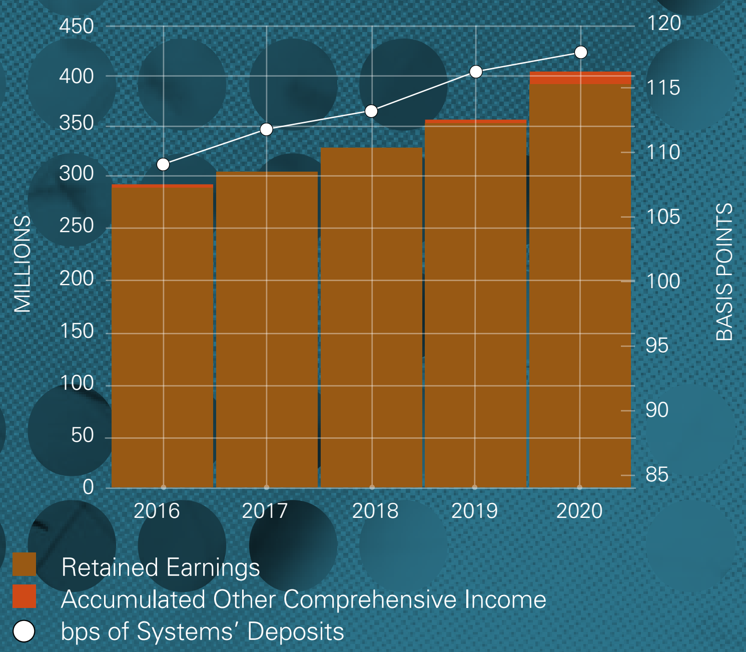

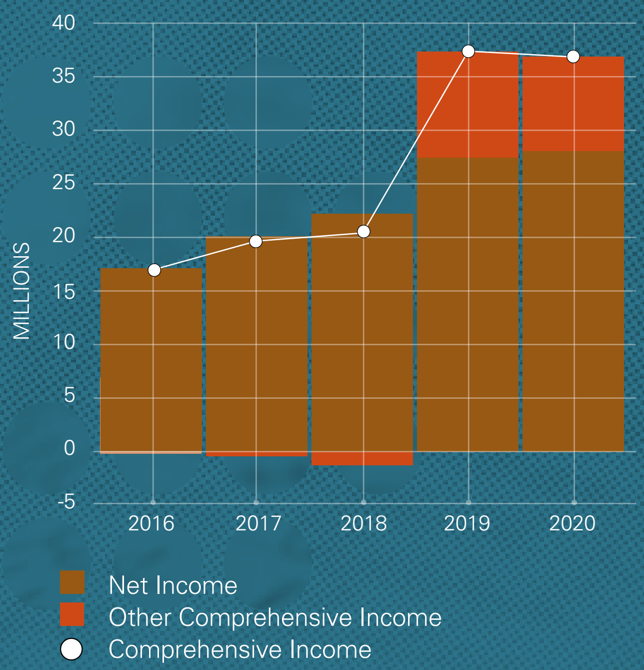

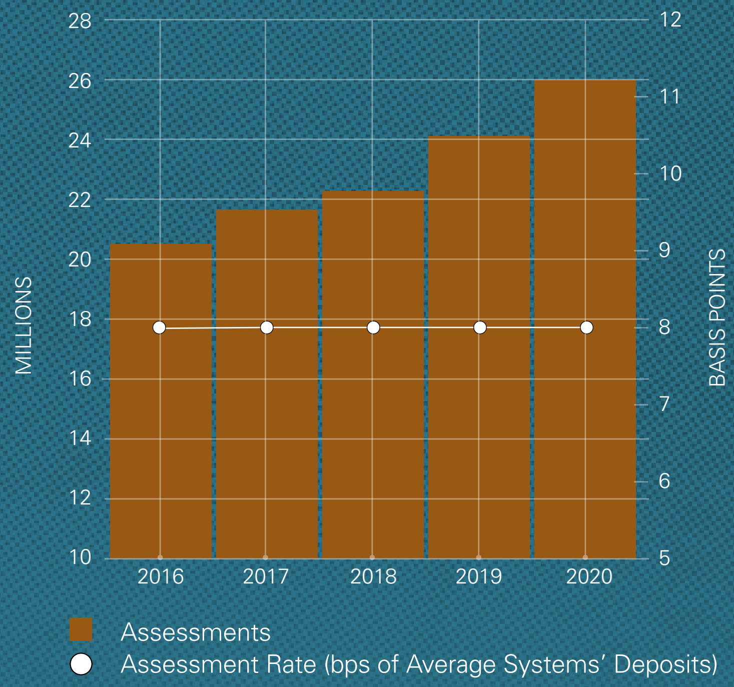

EQUITY POSITION

DGCM's equity totaled $402 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 $387.9 million, an increase of $29.4 million or 8.2% over 2019. 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 $14.1 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 117.7 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 $37.2 million.

Revenue for the year totaled $34 million, offset by operating expenses and taxes of $5.3 million. The result was a net income of $28.7 million. OCI for the year totaled $8.5 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 2020, DGCM charged an annualized rate of 8.0 bps of average Systems' deposits, generating $26.1 million in revenue.

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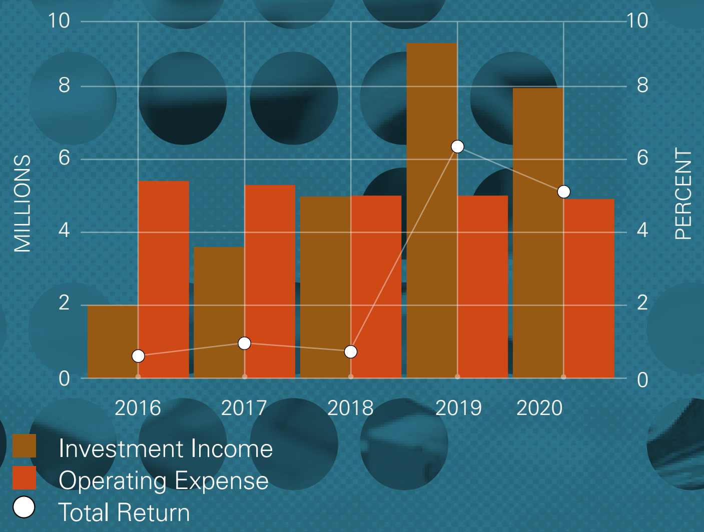

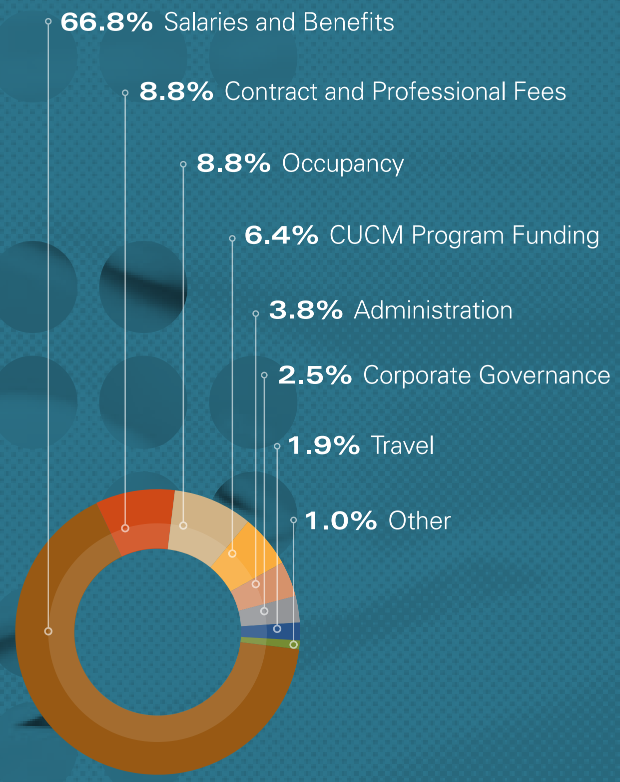

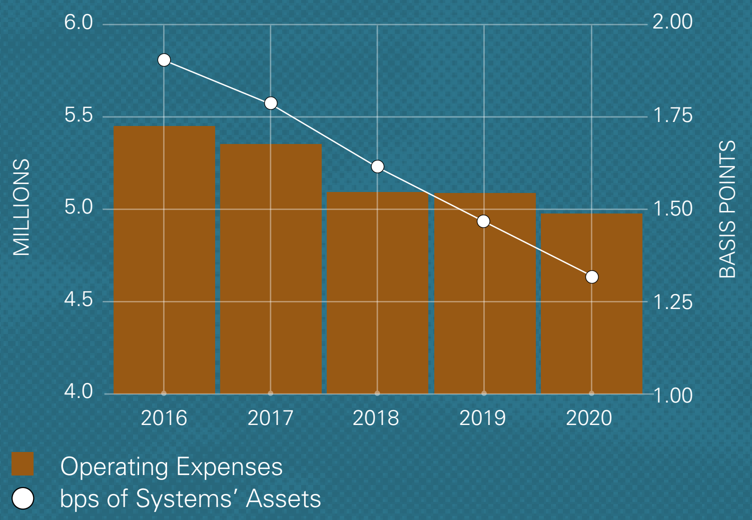

INVESTMENT INCOME

DGCM earns income on its investments through interest revenue, and gains/losses on the sales of investments and foreign exchange. Total investment revenue was $7.9 million, comprised of interest and dividend revenue of $6.2 million, gains on the sales of investments of $1.9 million due to rebalancing of the portfolio in a declining-yield 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 2020 due to lower interest and dividend income in a declining-yield environment, plus substantial gains realized in 2019 when a significant portion of the portfolio was moved to a more defensive position.

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 2020 were $5 million, a decline of $0.1 million from 2019. The decline was based on restructuring of the organization, augmented by cost savings initiatives, to comply with government direction due to the financial impact of COVID-19.

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 over the past four years through restructuring and moderating salary ranges. Relative to Systems' assets, expenses have declined over the past five years, from 1.89 bps to 1.32 bps.

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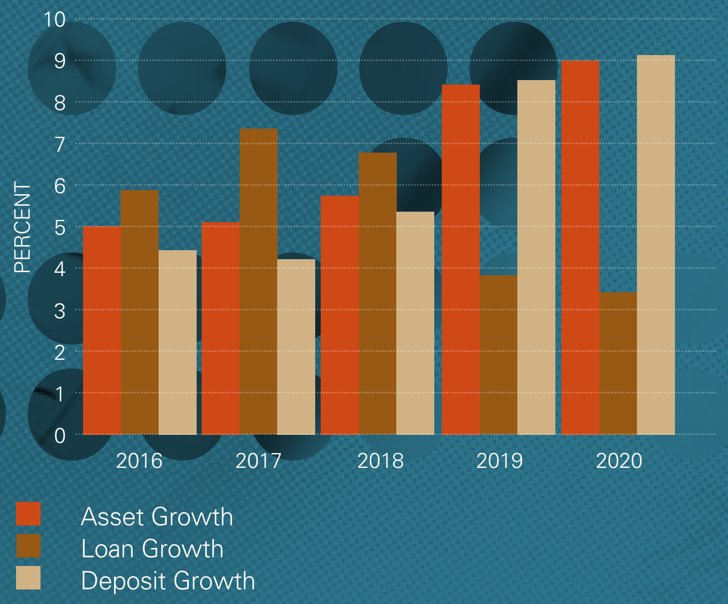
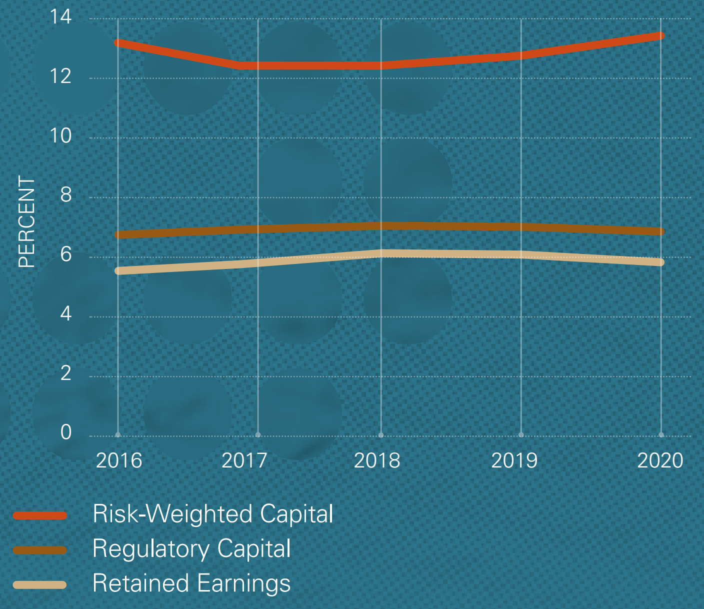
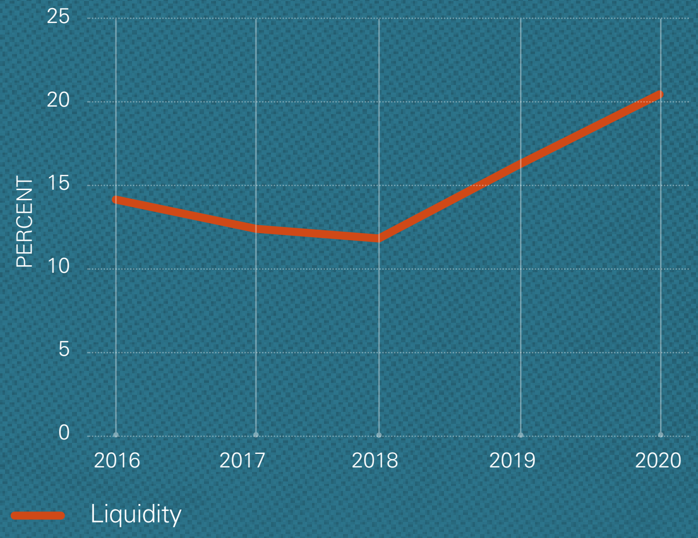
Systems' Financial Overview







GROWTH

Asset and deposit growth were up slightly in 2020 to 9.0% and 9.1% respectively. Loan growth is down marginally over last year, remaining well below historic norms.

Systems' assets were $37.6 billion at year-end while deposits and loans totaled $34.2 and $29.6 billion respectively.

CAPITAL

Regulatory capital and retained earnings dropped to 6.4% and 5.9% respectively, after a second consecutive year of strong asset growth and reduced profitability. Risk-Weighted capital improved further to 13.4%.

LIQUIDITY

Liquidity increased further to a new high of 20.4% as deposit growth outpaced loan growth again in 2020.

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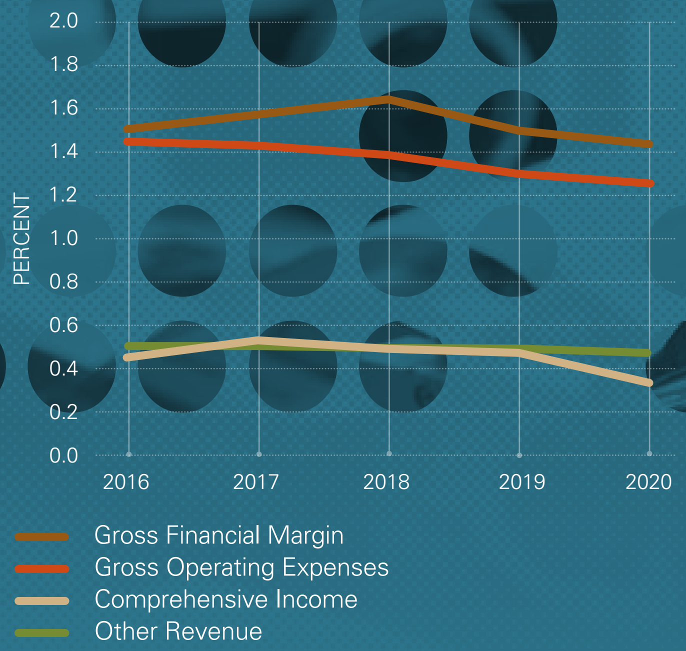
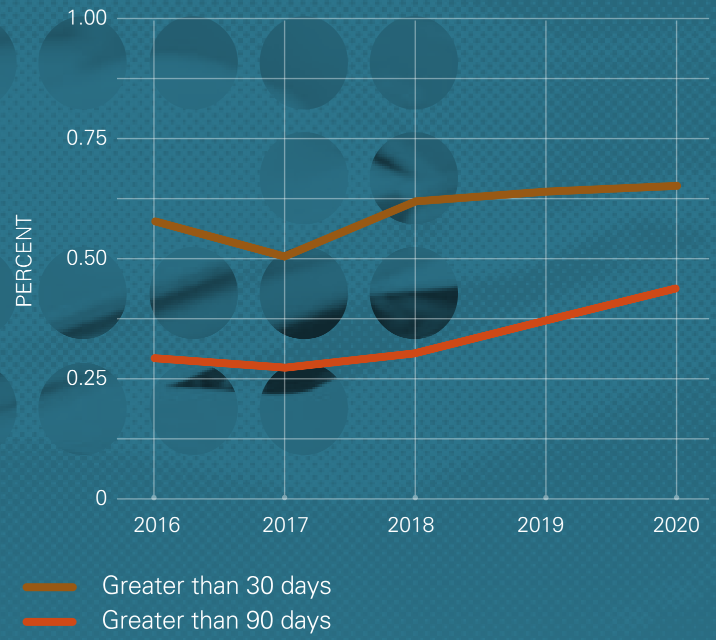


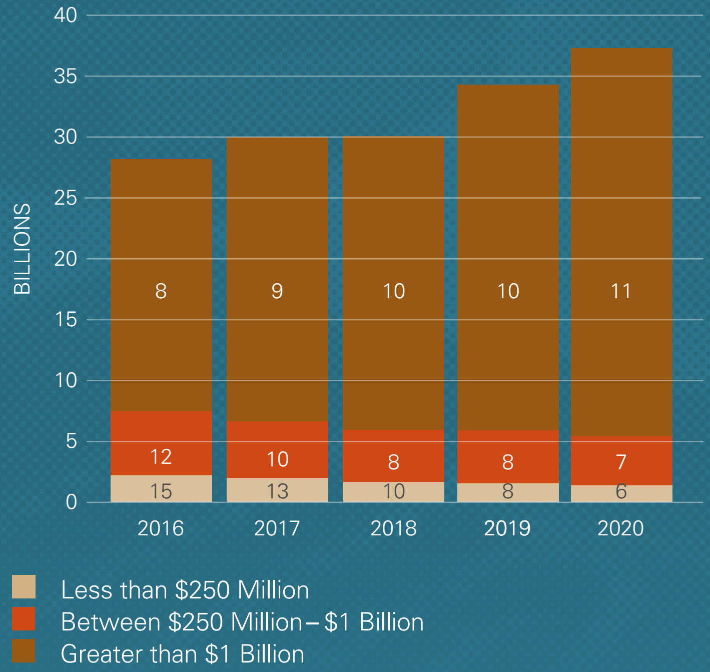
PROFITABILITY

Gross financial margin (GFM) dropped to 1.43% in 2020 as a result of a substantial interest rate reduction implemented by the Bank of Canada in early 2020 to mitigate the economic impact of the global pandemic. Other revenue stabilized at 0.46% while gross operating expenses declined further to 1.26%. Comprehensive income dropped to 0.32% due to the decline in GFM combined with a significant increase in loan loss provisions.



DELINQUENCY

Average 30 and 90 day loan delinquency increased slightly in 2020 to 0.68% and 0.40%, but remain well within industry norms.



SYSTEMS' PROFILE BY ASSET SIZE AND NUMBER OF INSTITUTIONS

The total number of institutions dropped to 24, as a result of two mergers in 2020.

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A Vibrant Network

Manitoba Credit Unions and the Caisse

DGCM regulates and guarantees the deposits of Manitoba's vibrant network of 23 credit unions and 1 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
Crosstown Civic 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 Credit Unions

Virtual deposit taking institutions are identified below, linked to its credit union.

AcceleRate Financial (Crosstown Civic)
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 consolidated financial statements included in the annual report. The consolidated 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 consolidated 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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Canada

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www.deloitte.ca

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

Opinion

We have audited the consolidated financial statements of Deposit Guarantee Corporation of Manitoba ("DGCM"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of DGCM as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of 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 5, 2021

Consolidated Statement of Financial Position

(in thousands of dollars)

As at December 31		2020		2019
ASSETS				
Cash (Note 5)	$	1,840	$	1,909
Investments (Note 6)		395,532		358,223
Assessments receivable (Note 7)		6,782		6,215
Current tax receivable (Note 8)		95		-
Deferred tax assets (Note 8)		63		55
Other assets (Note 9)		703		889
	$	405,015	$	367,291
LIABILITIES				
Accounts payable and accrued liabilities (Note 10)	$	909	$	1,026
Defined benefit obligation (Note 11)		678		599
Current tax liability (Note 8)		-		202
Deferred tax liability (Note 8)		1,390		617
Total liabilities		2,977		2,444
Contingent liabilities (Note 12)				
CORPORATION EQUITY				
Retained earnings		387,922		358,563
Accumulated other comprehensive income		14,116		6,284
Total corporation equity		402,038		364,847
	$	405,015	$	367,291

Approved by the Board March 5, 2021

John Wiens
Board Chair

Robert Jones
Finance & Audit Committee Chair

Consolidated Statement of Comprehensive Income

(in thousands of dollars)

Year Ended December 31	2020	2019
REVENUES		
Regular assessments (Note 13)	$ 26,058	$ 24,141
Investment income (Note 13)	7,955	9,369
	34,013	33,510
EXPENSES		
Operating expenses (Note 14)	4,980	5,102
INCOME BEFORE INCOME TAXES	29,033	28,408
Income tax expense (Note 8)	307	541
NET INCOME	28,726	27,867
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified subsequently to net income		
Unrealized gains on FVTOCI debt instruments	10,491	2,893
Income tax expense	(944)	(260)
Realized gains on FVTOCI debt instruments	(1,886)	(2,560)
Income tax expense	171	216
Total items that may be reclassified	7,832	289
Items that will not be reclassified subsequently to net income		
Realized and unrealized gains (losses) on FVTOCI equity instruments	696	10,804
Income tax expense	(63)	(972)
Total items that will not be reclassified	633	9,832
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	8,465	10,121
COMPREHENSIVE INCOME	$ 37,191	$ 37,988

Consolidated Statement of Changes in Equity

(in thousands of dollars)

	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2019	$ 328,739	$ (1,880)	$ 326,859
Net income	27,867	-	27,867
Other comprehensive income	-	10,121	10,121
Total comprehensive income	27,867	10,121	37,988
Transfer of revaluation reserve upon disposal of FVTOCI equity instruments	1,957	(1,957)	
Balance at December 31, 2019	$ 358,563	$ 6,284	$ 364,847

	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

Consolidated Statement of Cash Flows

(in thousands of dollars)

Year Ended December 31	2020	2019
OPERATING ACTIVITIES		
Net income	$ 28,726	$ 27,867
Non-cash expense (recovery) – deferred income tax assets	(8)	462
Non-cash expense – depreciation	239	249
Net impairment loss (recovery) on investments	9	(15)
Net increase in assessments receivable	(567)	(449)
Net decrease (increase) in prepaid expenses	6	(6)
Net (increase) decrease in current net tax receivable	(297)	202
Net increase (decrease) in accounts payable and accrued liabilities	134	(77)
Net increase (decrease) in defined benefit obligation	6	73
Cash flows generated by operating activities	28,248	28,306
INVESTING ACTIVITIES		
Net increase in investments, net of deferred tax liability	(28,204)	(27,755)
Purchase of property and equipment, net of disposal proceeds	(60)	(55)
Cash flows used in investing activities	(28,144)	(27,810)
FINANCING ACTIVITIES		
Principal payment of lease liabilities	(173)	(174)
Cash flows used in financing activities	(173)	(174)
(DECREASE) INCREASE IN CASH	(69)	322
CASH, BEGINNING OF YEAR	1,909	1,587
CASH, END OF YEAR	$ 1,840	$ 1,909
SUPPLEMENTARY CASH FLOW INFORMATION		
Income taxes paid	$ 418	$ -

Notes to Consolidated 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements were authorized for issue by the Board of Directors on March 5, 2021.

3 Significant accounting policies

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

a) Basis of consolidation

The consolidated financial statements include the accounts of T.S.F. Holdings Limited, a wholly-owned subsidiary, which was incorporated for the purpose of purchasing and collecting loans guaranteed by DGCM under merger and liquidation agreements. All intercompany balances and transactions have been eliminated upon consolidation. Effective December 31, 2019, T.S.F. Holdings Limited was dissolved.

b) Basis of measurement

The consolidated 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 consolidated statement of financial position.

c) Cash

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

d) 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.

e) Financial assets

All financial assets are initially recognized at fair value in the Consolidated 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 Consolidated 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.

f) 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.

g) 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.

h) Foreign currency translation

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

i) 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.

j) 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.

k) Leasing – Policy applicable prior to January 1, 2020

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. DGCM does not have finance leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

l) Leasing – Policy applicable from January 1, 2020

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 Consolidated 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.

m) 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.

n) 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.

o) 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.

p) 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 consolidated 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.

q) Changes in accounting policies

Effective January 1, 2020, DGCM adopted ammendments to IAS 1 *Presentation of Financial Statements* , IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* and the Conceptual Framework, to clarify the definition of 'material.' Adoption and interpretation of these amendment did not have a material impact on DGCM's consolidated financial statements.

r) 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 consolidated 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 consolidated 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 consolidated statement of financial position as follows:

As at December 31	2020	2019
Cash on hand	1	1
CUCM	1,035	1,131
Scotiabank	8	1
CIBC Mellon	796	776
	1,840	1,909

6 Investments

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

As at December 31	2020	2019
Fixed income investments		
GICs	-	10,047
Treasury bills	37,638	42,429
Government bonds	264,001	221,517
Corporate bonds	39,554	34,615
	341,193	308,608
Equity investments		
Canadian equities	16,344	14,367
Global equity funds (net of forward contracts)	15,621	13,483
Canadian real estate	22,370	21,693
CUCM and Concentra Shares	4	72
	54,339	49,615
	395,532	358,223

a) Assets pledged as security

GICs with CUCM with a carrying amount of NIL (2019: $10,000) have been pledged to secure an operating line of credit for DGCM. The pledge agreement is renewed annually. DGCM is not permitted to pledge these assets as security for other borrowings or to sell them to another entity.

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	2020	2019
Assessments receivable	6,782	6,215

8 Income taxes

a) Income tax recognized in net income

Year ended December 31	2020	2019
Current tax		
Current tax expense in respect of the current year	315	79
Deferred tax		
Deferred tax (recovery) expense recognized in the current year	(8)	462
Total tax expense relating to continuing operations	307	541

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

Year ended December 31	2020	2019
Income from continuing operations	29,033	28,408
Income tax expense at statutory rate	2,660	2,557
Non-taxable credit union assessments	(2,345)	(2,173)
Non-deductible operating expenses	-	2
Change in income tax rates	-	85
Foreign withholding taxes	(8)	70
Income tax expense recognized in net income	307	541

The tax rate used for the 2020 and 2019 reconciliations above is the corporate rate of 9.0% and 9.5% respectively payable on taxable income under tax law in Manitoba.

b) Income tax recognized in other comprehensive income

Year ended December 31	2020	2019
Deferred tax		
Fair value gains (losses) re-measurement of FVTOCI financial assets	14,955	11,137
Total income tax expense (recovery) recognized in other comprehensive income	1,390	1,016

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 consolidated statement of financial position is as follows:

As at December 31	2020	2019
Prepaid expenses	63	69
Employee loans	1	1
ROU assets	516	695
Property and equipment	123	124
	703	889

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	2020	2019
Accounts payable	16	22
Lease liabilities	535	708
Accrued liabilities	358	296
	909	1,026

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 $167 (2019: $168) represents contributions payable to these plans by DGCM at rates specified in the rules of the plans. As at December 31, 2020, all contributions due in respect of the 2020 and 2019 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 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, 2020.

The most recent actuarial valuation of the defined benefit obligation was carried out in October 2020 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	2020	2019
Discount rates	2.50%	2.90%
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	2020	2019
Current service cost	56	53
Actuarial (gains) losses recognized in the year	20	-
Interest costs	17	20
	93	73

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 consolidated 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	2020	2019
Opening defined benefit obligation	599	526
Current service cost	56	53
Actuarial (gains) losses recognized in the year	20	-
Interest costs	17	20
Benefits paid	(14)	-
Closing defined benefit obligation	678	599

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	2020	2019
Within one year	102	108
Later than one year and not later than five years	346	312
Later than five years	230	179
	678	599

12 Contingent liabilities

As at December 31, 2020, DGCM guaranteed $34.1 billion (2019: $31.3 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, 2020, DGCM has provided loan indemnifications with a maximum exposure of $656 (2019: $789). DGCM has concluded that a provision for loss does not need to be established at this time.

13 Revenue

Year ended December 31	2020	2019
Assessments		
Regular assessments	26,058	24,141
Investment income		
Interest income – loans and receivables	75	46
Interest income – FVTOCI	4,752	5,472
Dividend income – FVTOCI	1,411	1,461
Realized gains and losses on disposal of marketable investments	1,896	2,545
Unrealized and realized gains and losses on foreign exchange	(170)	(170)
Impairment (loss) recovery on investments	(9)	15
	7,955	9,369
	34,013	33,510

For the year ended, December 31, 2020, DGCM disposed of $7,766 (2019: $28,199) of FVTOCI equity instruments, resulting in a cumulative realized gain of $669 (2019: $2,136) 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	2020	2019
Corporate governance	127	177
Salaries and benefits	3,325	3,351
Contract and professional fees	436	454
CUCM program funding	319	229
Occupancy	437	424
Administration	192	220
Travel	93	177
Other	51	70
	4,980	5,102

15 Financial instruments

a) Class disclosure

The following is the disclosure of financial assets by class:

As at December 31	2020	2019
Amortized Cost		
Cash	1,840	1,909
Assessments receivable	6,782	6,215
Prepaid expenses and employee loans	64	70
	8,686	8,194
FVTOCI		
Fixed income investments	341,193	308,608
Equity investments	54,339	49,615
	395,532	358,223
	404,218	366,417

The following is the disclosure of financial liabilities by class:

As at December 31	2020	2019
Amortized Cost		
Accounts payable and accrued liabilities	909	1,026

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 GICs and 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
GICs	5.00%	Laddered 1-5 year certificates
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, 2020 would increase/decrease by \$635/\$786 (2019: increase/decrease by \$456/\$452). 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 \$3,867 (2019: decrease/increase by \$3,233) 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
- GICs with CUCM
- 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's policy is to limit investments in CUCM, to those, pledged as security for the line of credit agreement (NIL as at December 31, 2020).
- 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	2020	2019
Credit rating		
AAA	229,564	207,158
AA	76,272	68,135
A	23,241	12,876
BBB	12,116	10,392
	341,193	298,561
Unrated		
CUCM GICs	-	10,047
	341,193	308,608

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

As at December 31	2020	2019
Government	301,639	263,946
Corporate	39,554	44,662
	341,193	308,608

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, 2020 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.

	2020	2019
Balance at January 1	25	40
Remeasurement of loss allowance, net of purchases and disposals	9	(15)
Balance at December 31	34	25

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 and GICs, 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 $54,339 (2019: $49,615).

As at December 31	2020	2019
Financial assets		
Under one year	42,938	47,387
One to five years	299,035	262,664
Five to ten Years	1,059	465
	343,032	310,516

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 $2,909 (2019: $2,493).

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 2 assets also include GICs, which use interest rates and yield curves that are observed at commonly quoted intervals as inputs for valuations.

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, 2019	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Cash	1,909	-	-	1,909
Fixed income investments				
GICs	-	10,047	-	10,047
Treasury bills	42,429	-	-	42,429
Government bonds	-	221,517	-	221,517
Corporate bonds	-	34,615	-	34,615
Equity investments				
Canadian equities	14,367	-	72	14,439
Global equity funds	13,483	-	-	13,483
Canadian real estate	-	-	21,693	21,693
Total assets measured at fair value on a recurring basis	72,188	266,179	21,765	360,132

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

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:

2019	Canadian real estate	CUCM and Concentra shares
Balance at January 1	15,896	72
Total gains	3,825	-
Purchases	1,972	-
Sales	-	-
Other	-	-
Balance, end of year	21,693	72
Total gains for the year included in investment income	694	-
Change in unrealized gains for the year included in earnings for assets held at December 31	3,131	-

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	-

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 4.0-9.75% (2019: 4.75%-10.0%) Reversionary range 3.75-9.0% (2019: 4.25%-9.5%) Vacancy weighted average 8.2% (2019: 6.0%) Effective Vacancy 6.2% (2019: 4.0%)	None
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, 2020, DGCM had forward contracts with a negative FMV of $13 (2019: negative $96). The notional value of the contracts was $10,354 (2019: $8,758). The counterparty of forward contracts is the Candian Imperial Bank of Commerce. The maturity date of the contracts is March 18, 2021.

16 Related party transactions

a) Loans to related parties

Key management personnel are defined as the Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, and Chief Operations 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 2020 was $nil (2019: $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	2020	2019
Salaries	687	829
Short-term benefits	27	36
Post-employment benefits	65	59
	779	924

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	2020	2019
Board member remuneration	105	117
Expenses	22	60
	127	177

17 Leases

a) Lease arrangements

DGCM leases the following leases:

- Office space for own use. The main office space for operations has a five-year lease term expires December 31, 2023 with no option to renew.
- Vehicle with term of four years, expiring on February 22, 2021. DGCM has the option to purchase the assets at the end of the contract term.

b) Right-of-use assets

2020	Office Space	Vehicles	Office Equipment	Total
Balance at January 1	686	8	1	695
Depreciation charge for the year	171	7	1	179
Balance at December 31	515	1	-	516

There were no additions to the ROU assets during 2020.

c) Lease liabilities

Maturity of contractual undiscounted cash flows

As at December 31	2020	2019
No later than one year	188	195
Later than one year and not later than five years	374	562
Later than five years	-	-
	562	757

In 2020, the total cash outflow for leases was $201.

d) Amounts recognized in profit or loss

Year ended December 31	2020	2019
Interest on lease liabilities	22	28
Depreciation of ROU assets	179	186
Expenses relating to short-term leases	-	5
	201	219

18 Subsequent Events

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (including social distancing and working from home) and ensuring processes and communication platforms continue to support an effective regulatory oversight framework.

At this stage, the impact on DGCM has not been significant. We continue to work proactively with Manitoba credit unions and the Caisse to ensure they continue to operate under sound business practices to protect them from financial losses. DGCM's financial risk management has been effective in preserving the valuation and liquidity of the Guarantee Fund.

DGCM will continue to follow the various government policies and advice and, in parallel, continue operations in the best and safest way possible, without jeopardizing the health of staff and other stakeholders.

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, 2020:

Information Required Annually (per Section 18 of *the Act*)	Fiscal Year 2020
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