ANNUAL REPORT

DEPOSIT GUARANTEE
CORPORATION OF MANITOBA

Photo Credit: Travel Manitoba

DEPOSIT GUARANTEE CORPORATION OF MANITOBA
390-200 Graham Avenue
Winnipeg, Manitoba R3C 4L5
Phone (204) 942.8480
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.

REPORT FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

Fernand Vermette
Chair

Vernon MacNeill
Chief Executive Officer

We are pleased to present the annual report of the Deposit Guarantee Corporation of Manitoba (DGCM) for the year ended December 31, 2023. This report highlights our achievements, financial performance, and regulatory activities in the past year, as well as our plans and priorities for the future. 2023 was an excellent year for DGCM, as we continued to fulfill our mandate of providing effective and efficient practices for our regulated entities and deposit insurance for credit unions and the caisse in our jurisdiction. We improved our capabilities in key areas to maintain our reputation as a trustworthy and respected regulator in the financial industry.

Our financial results reflect our strong performance and prudent management of our resources. Our assets increased by $43.8 million or 9.8% to end the year at $493.0 million. Our total revenue was $39.3 million and grew by $4.7 million or 13.6%. The growth was a combination of assessment revenue up $1.2 million with the balance of $3.5 million in investment income. Our operating expenses were well controlled and increased by $215.0 thousand or 4.0% but were under budget by $125.5 thousand. Our net income improved by $8.2 million or 32.9% to finish the year at $33.1 million. Excellent mark-to-market gains in our investment portfolio added another $12.8 million and we finished the year with comprehensive income of $45.9 million, which was an improvement of $36.2 million from 2022. Our Guarantee Fund remains strong at 126.7 basis points of deposits and well within our approved range of 118-150 basis points.

We are proud of our achievements in 2023, which demonstrate our commitment to excellence and innovation in regulation and deposit insurance. We held our annual strategic planning session again this year, where we heard from sector speakers who provided very meaningful comments for our consideration during the 1.5 days.

We also undertook several internal initiatives to make sure we maintain best practices and comply with the Basel Principles of Effective Banking Supervision. We were pleased with the outcome of the comprehensive study conducted by a consultant, but we recognize there are areas that need to be addressed for us to be fully compliant. This is part of our work plan for 2024.

We have made good strides in 2023 in strengthening areas such as IT, governance, risk management, operations, and reinforcing our commitment to Standards of Sound Business Practice. Other initiatives that will be in focus in 2024 are improving standby liquidity facilities; finishing a crisis management plan; and developing process documents for review and approval of lending and excess liquidity investment policies.

We are also pleased to report that the Systems we regulate also had an excellent year in 2023. Systems assets grew to $43.2 billion or $1.5 billion over 2022. This represents a growth rate in assets of 3.7%. Regulatory leverage capital

REPORT FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

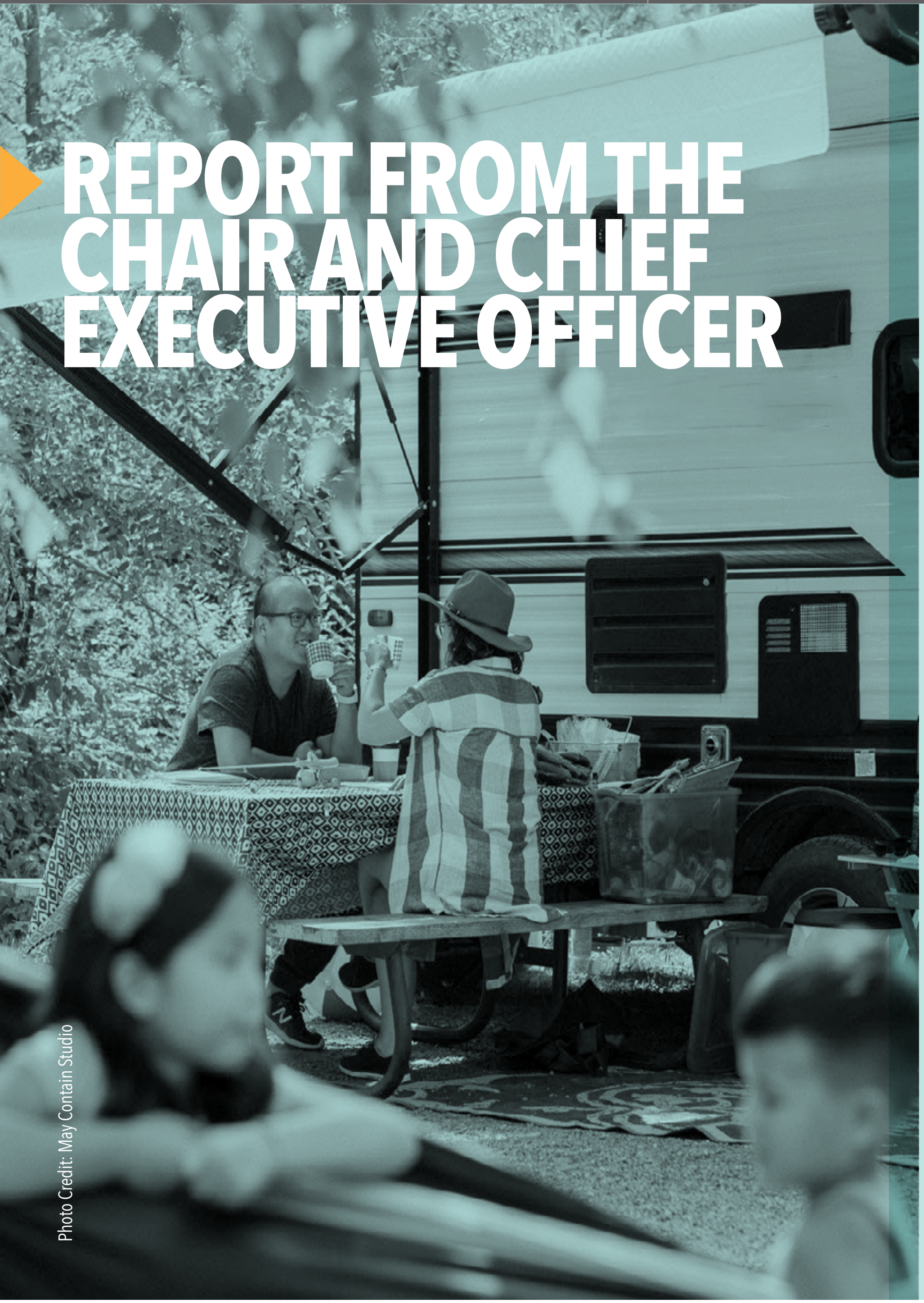


Photo Credit: May Contain Studio

remains strong at 6.8% and is made up almost exclusively of retained earnings. This is an improvement of 0.2% during the year. The total loan portfolio stood at $36.8 billion with deposits of $38.6 billion. Annual growth was $1.7 billion in loans and $1.3 billion in deposits, which stripped some of the excess liquidity out of the Systems.

The higher interest rates did have an impact on Systems profitability with shrinking financial margins resulting in comprehensive income reducing to 43 basis points from 48 basis points, seen in 2022. Delinquency remains effectively controlled and the allowance for impaired loans is currently not showing any stress.

We are grateful for the co-operation and collaboration we have with our stakeholders, including credit unions and the caisse; Credit Union Central of Manitoba (CUCM); and the provincial government. The executive team at DGCM continues to represent the organization at provincial, national, and international events; strengthening our presence and influence with other regulatory agencies. There have been excellent co-operation and interaction with our federal partners at OSFI, CDIC, Bank of Canada, and the federal Department of Finance.

DGCM has completed its first-ever audit of CUCM and would like to thank their senior management for all of the co-operation they provided to our staff.

To be as effective and efficient as possible, the three prairie provincial regulators have been exploring our ability for sharing resources. We expect to have the first initiative commenced in 2024.

We had some changes on our Board in 2023 with the resignation of our Chair, John Wiens, in March. We would like to express our deepest gratitude to John for his invaluable contributions and leadership. His dedication and commitment have played a pivotal role in our success. The Board and senior management welcomed existing Director Fernand Vermette, who was appointed Chair to fill the vacant position, and are pleased to have him assume this role.

A major initiative of the Board was a tabletop exercise simulating a ransomware attack. Regularly conducting such simulations can help the organization prepare for potential threats and develop effective response strategies.

DGCM designated a credit union as a Provincially Systemically Important Financial Institution (P-SIFI) in 2023 and we will work with that institution to address the added regulatory requirements.

Every 2 years we conduct surveys of our Staff and our Systems partners to identify any issues these groups may have. We were very pleased to have achieved the highest level of employee engagement scores since we began conducting these surveys. DGCM also received very favourable scores from our regulated entities, affirming the quality of our operations and the services that we provide.

Finally, we would like to thank our Board of Directors, our senior management, and our staff for their dedication, professionalism, and hard work in 2023. We would also like to thank our regulated entities for their support and trust in us. Together, we have achieved remarkable results, and look forward to building on our success in 2024 and beyond.

Fernand Vermette,
Chair

Vernon MacNeill

Vernon MacNeill,
Chief Executive Officer

CORPORATE GOVERNANCE

DGCM is administered by a Board of not less than five and not more than seven Directors, all of whom are formally appointed by the Lieutenant Governor in Council, Province of Manitoba. The Deputy Minister of Finance (or designate) also sits as a non-voting member of the Board.

Prior to appointing DGCM Board members, the Minister of Finance must consult with CUCM and the caisse. The Minister of Finance must have regard for the range of knowledge and expertise that DGCM's Board needs to discharge its responsibilities effectively.

The Board governs the business affairs of DGCM and establishes the strategic direction that oversees the safety and stability of credit unions and the caisse, CUCM, and the Guarantee Fund as mandated by *The Credit Unions and Caisses Populaires Act*. The Directors operate under formal Terms of Reference for the Board and its Committees. 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.

Photo Credit: Liz Tran

BOARD OF DIRECTORS

Fernand Vermette, Chair
Winnipeg, Manitoba
Appointed: November 2020

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

Myron Pawlowsky, Director
(Chair, Finance & Audit Committee)
Winnipeg, Manitoba
Appointed: August 2017

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

Ren DaCosta, Director
Winnipeg, Manitoba
Appointed: May 2022

Robert Jones, Director
Onanole, Manitoba
Appointed: December 2015

Silvester Komlodi , Director
(Deputy Minister of Finance)
Winnipeg, Manitoba
(Non-Voting Member)

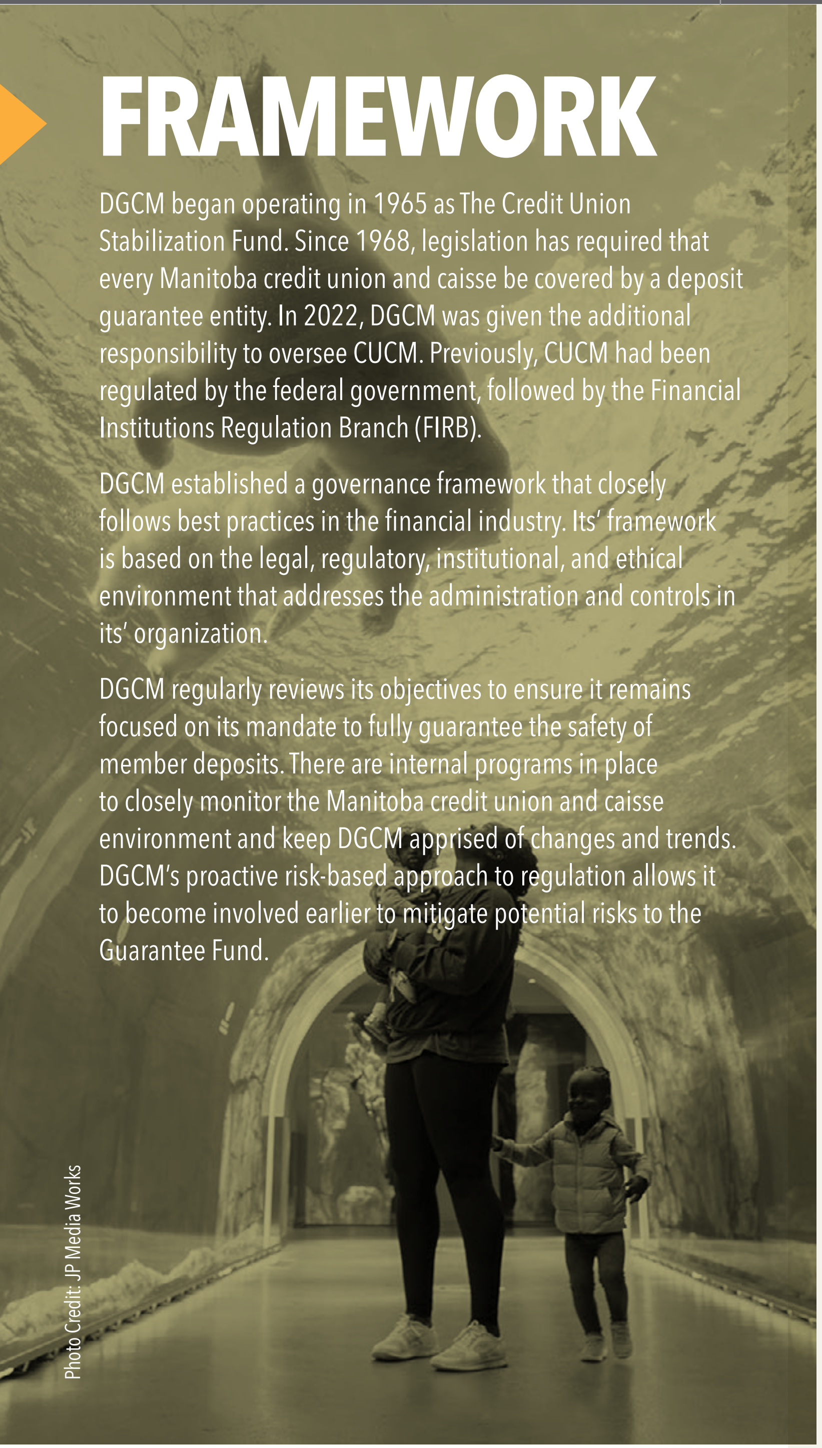


Photo Credit: JP Media Works

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. In 2022, DGCM was given the additional responsibility to oversee CUCM. Previously, CUCM had been regulated by the federal government, followed by the Financial Institutions Regulation Branch (FIRB).

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

DGCM regularly reviews its objectives to ensure it remains focused on its 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. DGCM's proactive risk-based approach to regulation allows it 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 with the Board of Directors, the Chief Financial Officer, and the auditor
- review the changes in the accounting standards followed by DGCM
- recommend the appointment of an auditor to the Board of Directors
- review the scope, timing, and coordination of the external and internal audit plans
- review any difficulties or restrictions experienced by the auditor in carrying out the audit and the findings of the audit
- review all significant recommendations made by the auditor to DGCM's management on the subject of internal control and the management response to the recommendations
- review all significant differences of opinion between the auditor and DGCM's management, whether or not they are resolved
- perform such duties and carry out such other functions as may be determined by resolution by DGCM's Board of Directors

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
- Chief Executive Officer performance and compensation
- stakeholder communication

BOARD AND COMMITTEE MEETING ATTENDANCE

DGCM's Board held seven regular meetings in 2023, one of which was the strategic planning session. The Finance & Audit Committee held one special meeting, and both the Finance & Audit Committee and the Governance & Human Resources Committee held four regular meetings. Director meeting attendance is summarized as follows.

Directors	Board of Directors Meetings (7)	Special Finance & Audit Committee Meeting (1)	Finance & Audit Committee Meetings (4)	Governance & Human Resources Committee Meetings (4)
John Wiens[1]	1/1	–	1/1	1/1
Mabel Wieler[2]	7/7	1/1	4/4	1/1
Fernand Vermette[3]	7/7	0/1	4/4	2/2
Myron Pawlowsky[4]	7/7	1/1	4/4	4/4
Dale Ward	7/7	–	–	4/4
Robert Jones	7/7	1/1	4/4	–
Ren DaCosta	6/7	–	–	4/4
Richard Groen[5]	0/1	–	–	–
Silvester Komlodi[6]	3/6	–	2/2	0/2

[1] John Wiens resigned as Chair in March 2023.
[2] Mabel Wieler was appointed interim Chair between April and August 2023.
[3] Fernand Vermette was appointed Chair in August 2023.
[4] Myron Pawlowsky attended both Committee Meetings in April 2023.
[5] Richard Groen, Deputy Minister of Finance, retired in March 2023.
[6] Silvester Komlodi, Deputy Minister of Finance, was appointed in May 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Photo Credit: May Contain Studios

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 and ensure CUCM operates according to prudential standards
- promote and otherwise contribute to the stability of and public confidence in the credit union and caisse Systems and CUCM.

The Chief Executive Officer 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

Gabrielle Marrin
Chief Risk Officer

Joe Nowicky
Chief Financial Officer

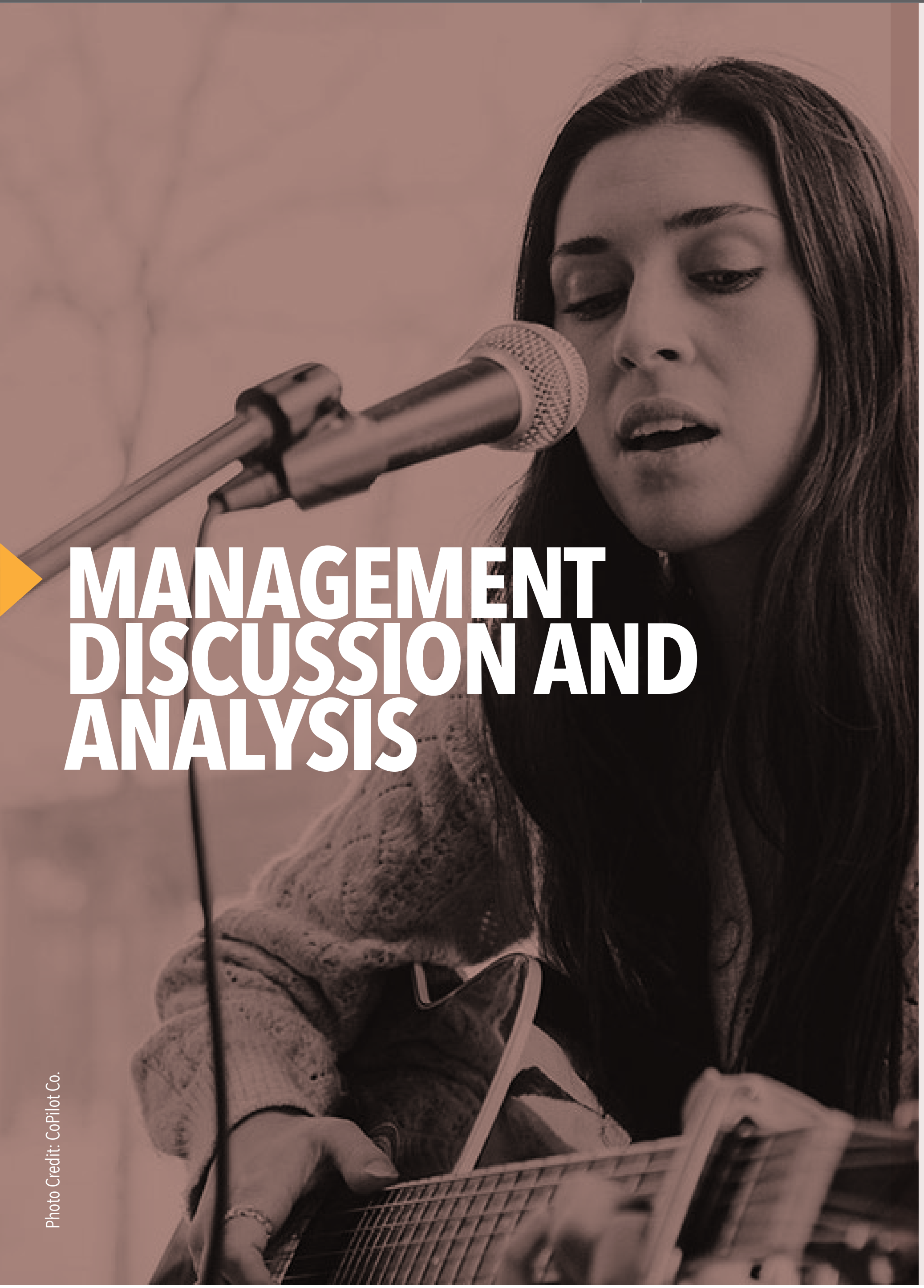
MANAGEMENT

Erica Esselmont
Director, Risk (Monitoring)

photo unavailable

Sandra Morrison
Director, Risk (Examinations)

Alli Funk
Director, Governance & HR



MANAGEMENT DISCUSSION AND ANALYSIS

Photo Credit: CoPilot Co.

GOVERNANCE AND RISK MANAGEMENT STANDARDS

STANDARDS OF SOUND BUSINESS PRACTICE FOR CREDIT UNIONS AND THE CAISSE

The Standards of Sound Business Practice (SSBP) establish minimum requirements for capital, liquidity, and other key areas. The SSBP contains four governance and risk management standards designed to assist credit unions and the caisse in directing and managing their institution in a prudent, effective, and appropriate manner.

DGCM'S FOUR SSBP FOR CREDIT UNIONS AND THE CAISSE ARE:

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

PRUDENTIAL STANDARDS FOR CUCM

In addition to establishing minimum capital requirements and other key areas, the Prudential Standards for CUCM also contain four governance and risk management standards, which are similar to those of the SSBP, but modified to reflect CUCM's unique business model and its role managing liquidity reserves at credit unions and the caisse.

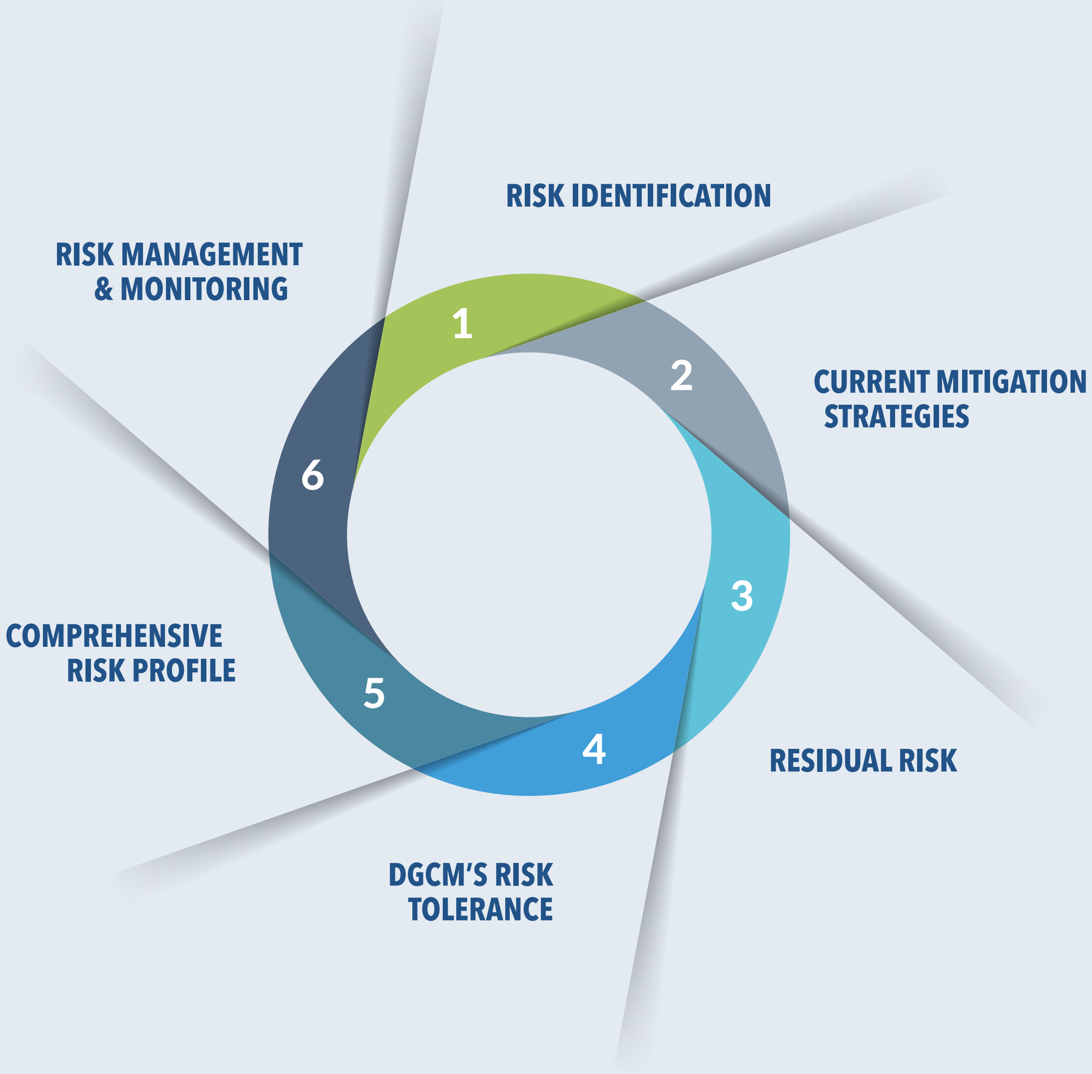
MANAGING RISK

Photo Credit: Travel Manitoba

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 distinct stages.

1. **Risk Identification** – identifies broad risk categories and principal inherent risks within each category
2. **Current Mitigation Strategies** – determines existing risk management strategies and evaluates effectiveness
3. **Residual Risk** – defines residual risk, considering inherent risks and existing risk mitigation strategies, on the basis of likelihood and impact
4. **DGCM's Risk Tolerance** – establishes DGCM's comfort or acceptable level of risk
5. **Comprehensive Risk Profile** – consolidates all principal residual risks relative to DGCM's accepted risk tolerance level in the form of a risk map
6. **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



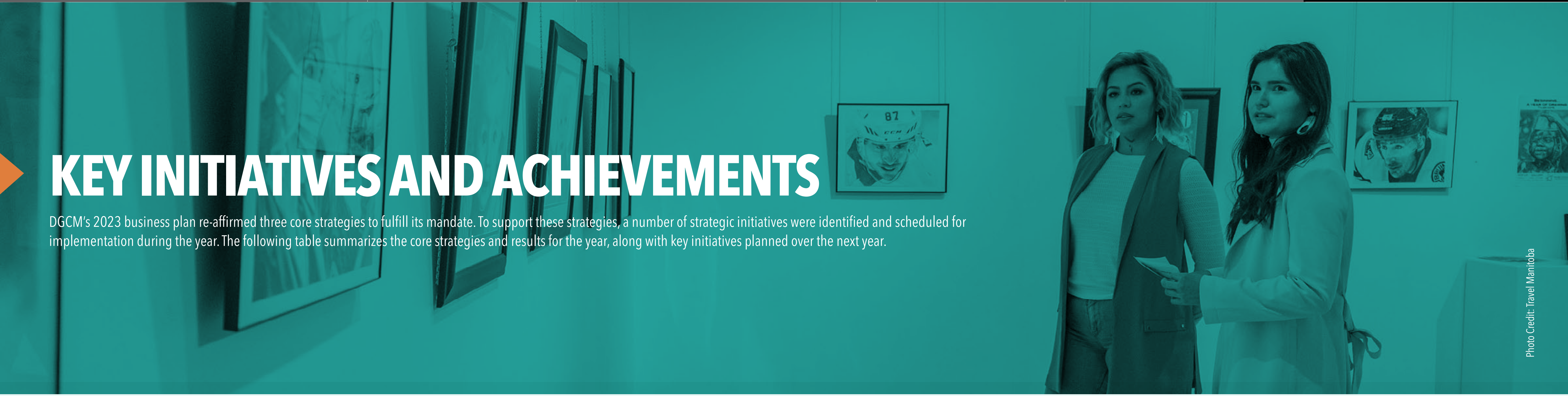


Photo Credit: Travel Manitoba

KEY INITIATIVES AND ACHIEVEMENTS

DGCM's 2023 business plan re-affirmed three core strategies to fulfill its mandate. To support these strategies, a number of strategic initiatives were identified and scheduled for implementation during the year. The following table summarizes the core strategies and results for the year, along with key initiatives planned over the next year.

Corporate Strategy #1

Prevention

DGCM leads its prevention effort to the Systems through the distribution of the SSBP, based on industry best practices, and interpretive guidance documentation on critical operational issues within the SSBP. 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.

2023 Results

The Credit Unions and Caisses Populaires Amendment Act

Continued with the execution and refinement of the oversight framework for CUCM, including:

- completed an examination of CUCM liquidity pool risk management; and
- consulted with Systems' stakeholders on BASEL III liquidity stress tests, and new rules for investments.

Government Alignment

Reviewed DGCM's policies and processes in the following areas for comprehensiveness and alignment with those of the provincial government:

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

2024 Planned Key Initiatives

The Credit Unions and Caisses Populaires Amendment Act

Continuation of work performed in 2023, including:

- examination of other operational areas of CUCM; and
- incorporation of new requirements for BASEL III liquidity stress tests, and new rules for investments.

Government Alignment

Continuation of work performed in 2023.

KEY INITIATIVES AND ACHIEVEMENTS

Corporate Strategy #2

Corporate Excellence

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

2023 Results

Regulatory Oversight – Cyber Risk Management

Reviewed existing oversight processes around cyber risk management to identify areas where enhancements and/or changes can be made (e.g. DGCM IT & Outsourcing Guidelines).

Internal Audit

Continued execution of the multi-year plan.

Engagements completed in 2023 included a review of DGCM's oversight framework against the Basel Core Principles for Effective Banking Supervision, and a ransomware table-top test.

IT Strategic Plan

Continued execution of the multi-year IT Strategic Plan and its four focus areas designed to enhance DGCM's IT infrastructure and risk management processes:

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

2024 Planned Key Initiatives

Regulatory Oversight – Cyber Risk Management

Implement revisions to the DGCM IT & Outsourcing Guidelines.

Regulatory Oversight – Basel Core Principles

Enhance alignment with Basel Core Principles for Effective Banking Supervision.

Regulatory Oversight – Credit Risk Management

Review/enhance existing oversight processes around credit risk management.

Internal Audit

Reassess DGCM's alignment with the International Association of Deposit Insurers Core Principles.

Reassess DGCM's IT management practices alignment with best practices.

Refresh DGCM's internal audit framework to ensure internal processes adhere to current best practices and develop a new multi-year plan.

IT Strategic Plan

Complete outlying initiatives within the existing plan and create a new multi-year plan.

Corporate Strategy #3

Deposit Protection

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

2023 Results

Liquidity Risk Management

Continued collaboration with the Bank of Canada and CUCM to ensure that the Manitoba Systems are eligible to receive Bank of Canada loan facilities in the event of a liquidity crisis.

Crisis Management and Response

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

Guarantee Fund Size Adequacy

Reviewed the adequacy of the Guarantee Fund and increased the target range to 118 to 150 basis points (bps) of deposits in credit unions and the caisse.

2024 Planned Key Initiatives

Liquidity Risk Management

Continuation of work performed in 2023.

Crisis Management and Response

Continuation of work performed in 2023.

Develop a Resolution and Recovery Planning Guideline that will outline expectations for regulated entities.

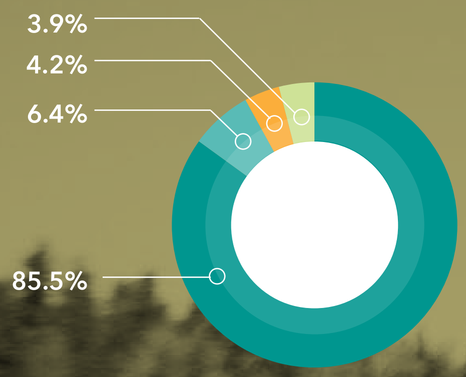
Internal Capital Adequacy Assessment Program

Develop Internal Capital Adequacy Assessment Program (ICAAP) guidance and implement for affected regulated entities.

DGCM FINANCIAL OVERVIEW

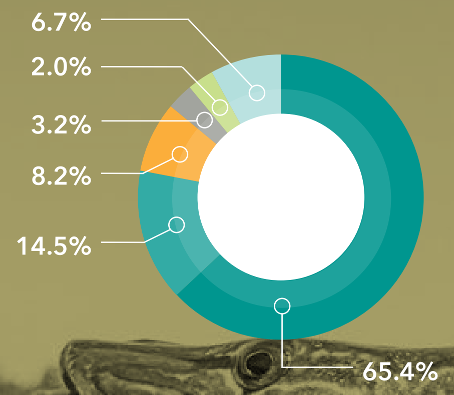
On December 31, 2023, our assets totaled $493.0 million. The increase of $43.8 million, or 9.8% over 2022, was derived principally from comprehensive income. Our investment portfolio, which represents 98% of our assets, is principally invested in segregated Canadian government bonds and treasury bills, and Canadian corporate bonds. DGCM invests in additional asset classes to diversify risk exposure to the portfolio and enhance investment returns. The following charts illustrate the composition of the investment portfolio.

ASSET CLASS PROFILE



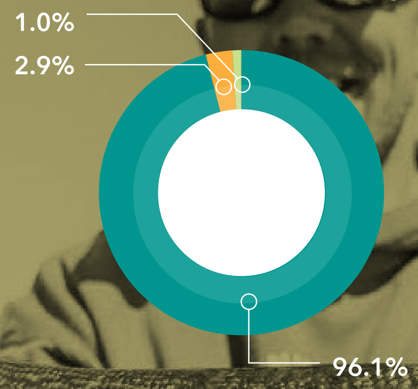
Canadian Fixed Income	85.5%
Canadian Real Estate Funds	6.4%
Canadian Equities	4.2%
Foreign Equities	3.9%

SECTOR PROFILE



Government	65.4%
Financials	14.5%
Real Estate	8.2%
Energy	3.2%
Industrial	2.0%
Other	6.7%

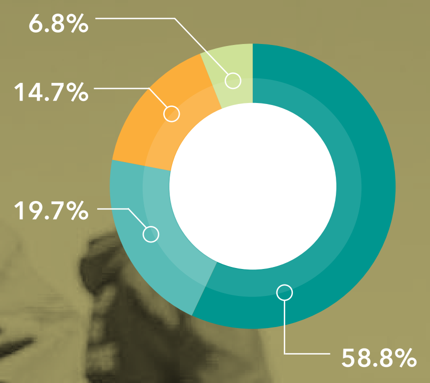
GEOGRAPHIC PROFILE



Canada	96.1%
United States	2.9%
International	1.0%

CREDIT PROFILE

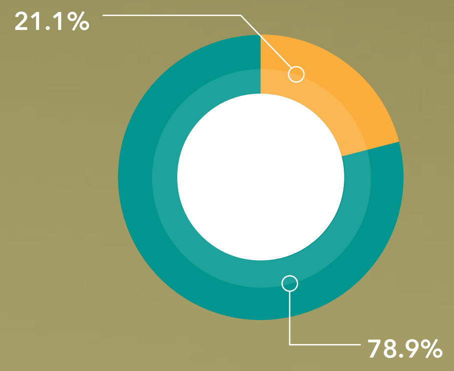
(excluding Real Estate and Equity funds)



AAA	58.8%
AA	19.7%
A	14.7%
BBB	6.8%

MATURITY PROFILE

(excluding Real Estate and Equity funds)

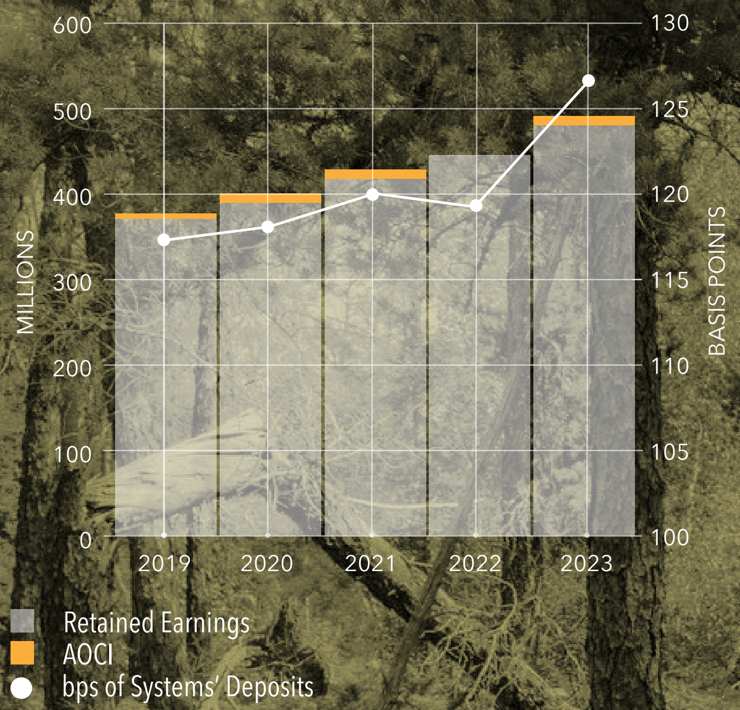


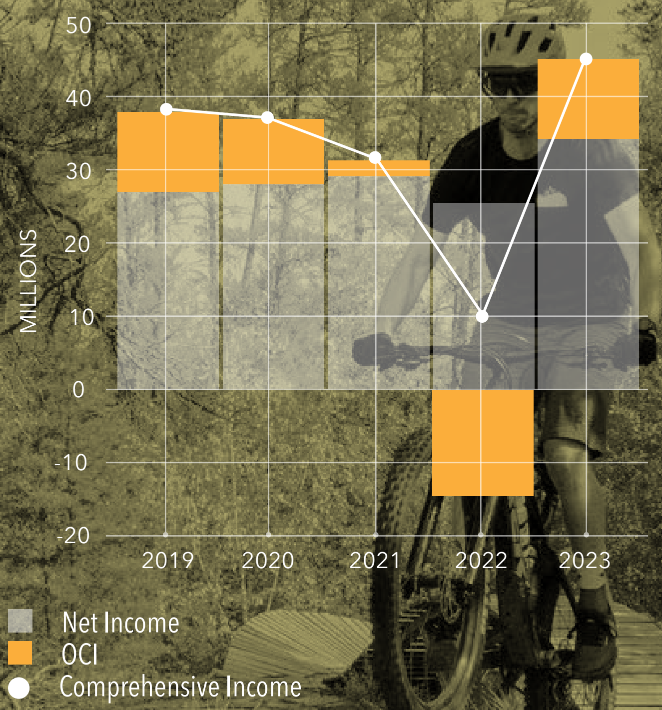
Under one year	21.1%
One to five years	78.9%

(Modified duration: 1.9 years)

Photo Credit: Travel Manitoba

DGCM FINANCIAL OVERVIEW





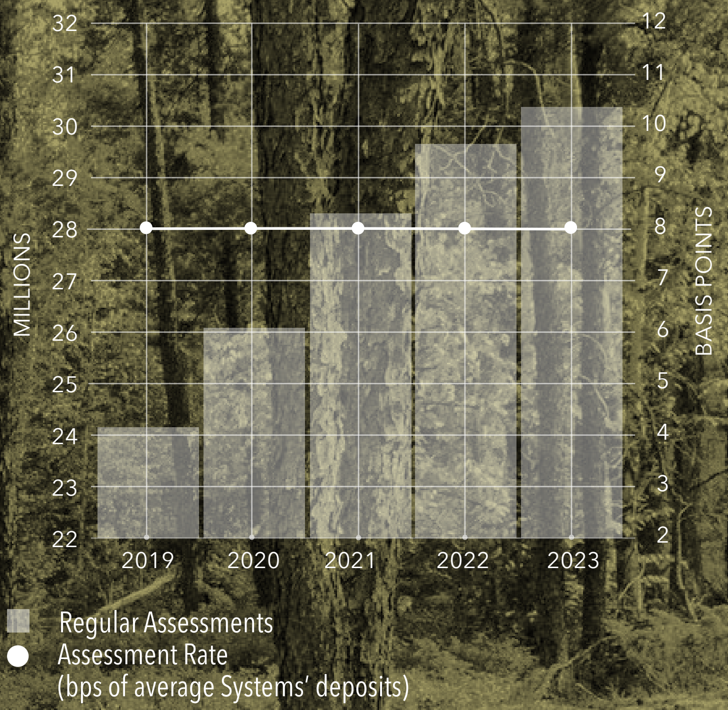


Photo Credit: Travel Manitoba

EQUITY POSITION

DGCM's equity totaled $489.3 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 $478.7 million, an increase of $34.2 million or 7.7% over 2022. This increase was due to annual net income from regular operations, plus gains on sales of equity instruments.

AOCI is accumulated unrealized gains and losses, driven by fluctuations in the fair market value of the investment portfolio. At year-end, AOCI totaled a gain of $10.6 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 126.7 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 $45.9 million.

Revenue for the year totaled $39.3 million, offset by Registrar's fees, operating expenses, and income taxes, totaling $6.2 million. The result was a net income of $33.1 million. OCI for the year totaled a gain of $12.8 million, net of tax.

ASSESSMENTS

DGCM charges quarterly assessments to Manitoba credit unions and the caisse to maintain the Guarantee Fund. The Guarantee Fund is available to offset credit union or caisse shortfalls to reimburse depositors in the event of failure. In 2023, DGCM charged an annualized rate of 8.0 bps of average Systems' deposits, generating $30.6 million in revenue. In 2023, DGCM also charged CUCM an annual levy of $100,000, to offset the incremental cost of overseeing this regulated entity.

DGCM FINANCIAL OVERVIEW

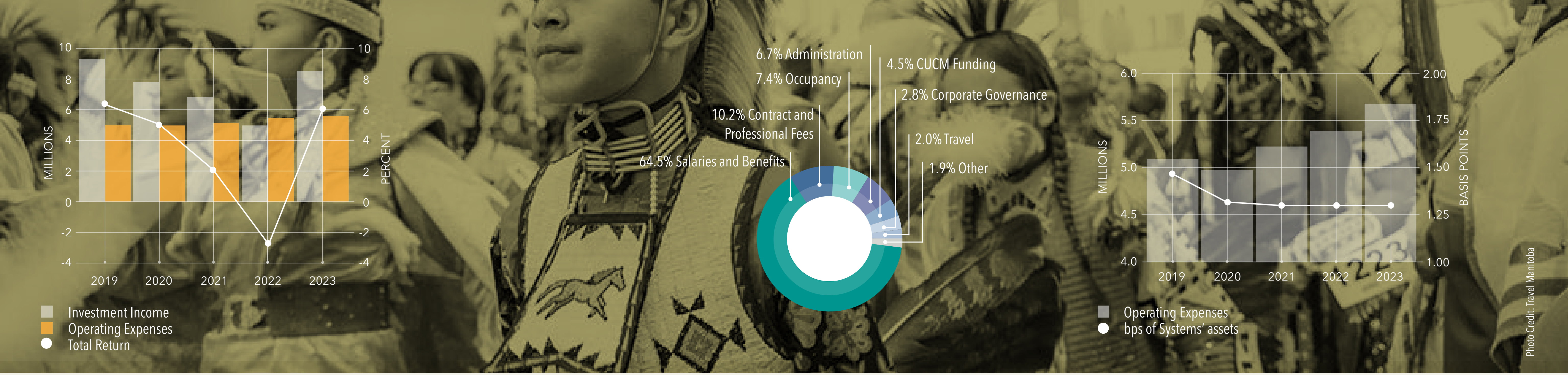


Photo Credit: Travel Manitoba

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 $8.5 million, comprised of; interest and dividend revenue of $11.6 million, losses on the sales of investments of $3.0 million due to rebalancing of the portfolio in a higher yield environment, and losses on foreign exchange of $0.1 million due to charges for hedging foreign currency exposure. Investment income is used to offset operating expenses, with any residual amount applied to maintain the Guarantee Fund.

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. The negative return for 2022 was due to unrealized losses on a predominantly fixed-income portfolio in a rising-yield environment.

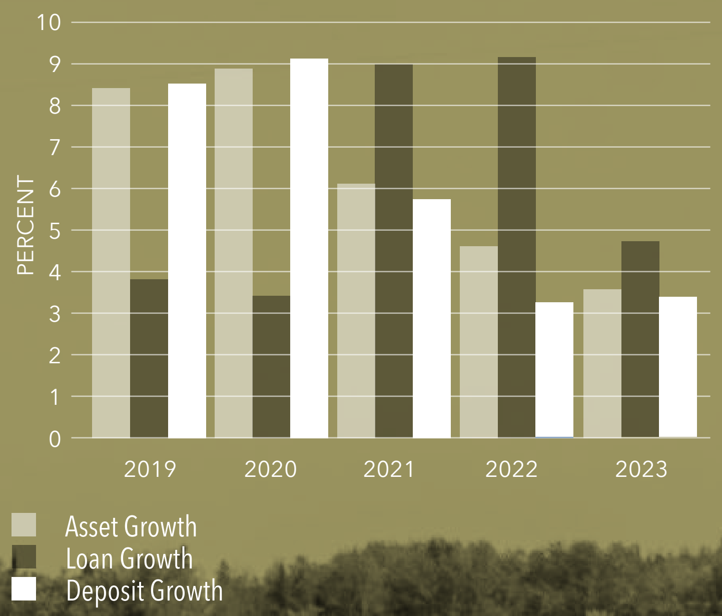
OPERATING EXPENSES

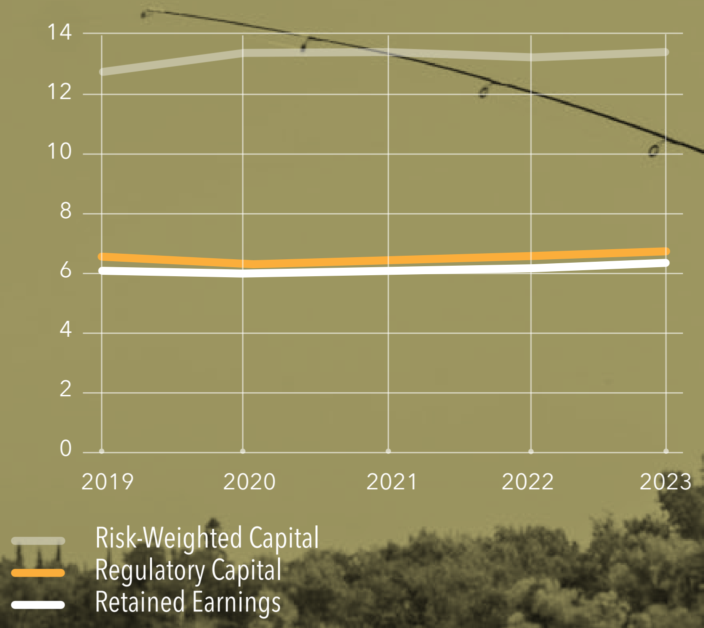
DGCM incurs operating expenses in fulfilling its legislated mandate. The total operating expenses for 2023 were $5.6 million, an increase of $0.2 million from 2022. The increase was due to preparations for legislative changes, expanding DGCM's scope to oversee CUCM, and (post-pandemic) levels of employee development, offset by cost controls on salaries and professional fees.

TRENDS

DGCM is committed to managing expenses. The increase in costs over the past three years is due to post-pandemic normalization of critical regulatory oversight functions, and ensuring sufficient resources and frameworks are in place to support DGCM's expanded mandate and the increasing complexity of its operating environment. Relative to Systems' assets, expenses have declined over the past five years, from 1.5 bps to 1.3 bps.

SYSTEMS' FINANCIAL OVERVIEW





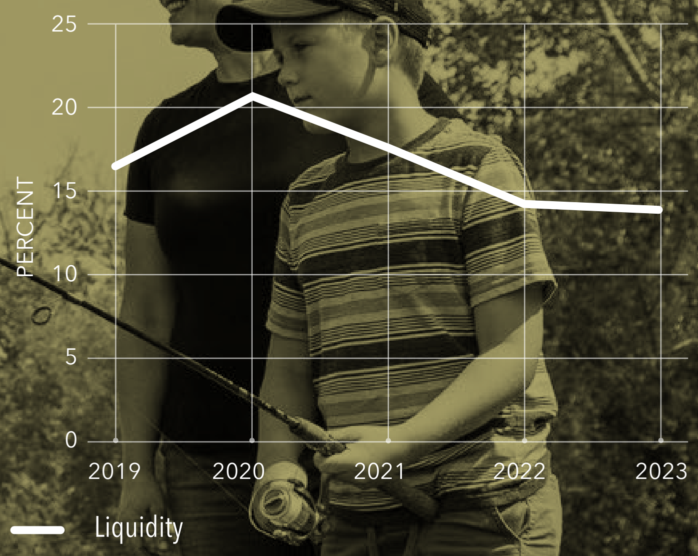


Photo Credit: Handcraft

GROWTH

Asset and loan growth both decreased in 2023 to 3.7% and 4.8% respectively. After several consecutive years of declining growth, deposit growth increased slightly this past year to 3.5%.

Systems' assets were $43.2 billion at year-end, while deposits and loans totaled $38.6 billion and $36.8 billion respectively.

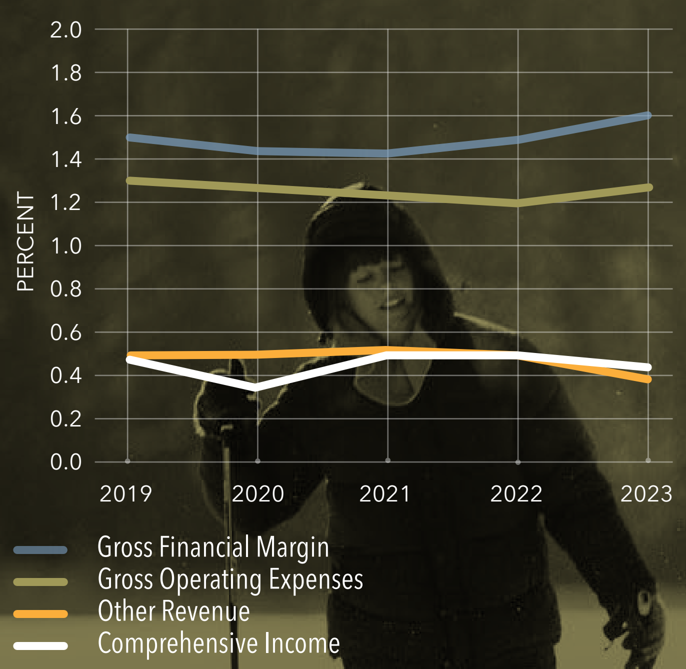
CAPITAL

Regulatory capital and retained earnings increased to 6.8% and 6.5% respectively, as asset growth decreased, and profitability remained relatively stable. Risk-Weighted capital increased from 12.9% to 13.3%.

LIQUIDITY

Liquidity declined over the previous year to 13.7%, as loan growth once again outpaced deposit growth.

SYSTEMS' FINANCIAL OVERVIEW



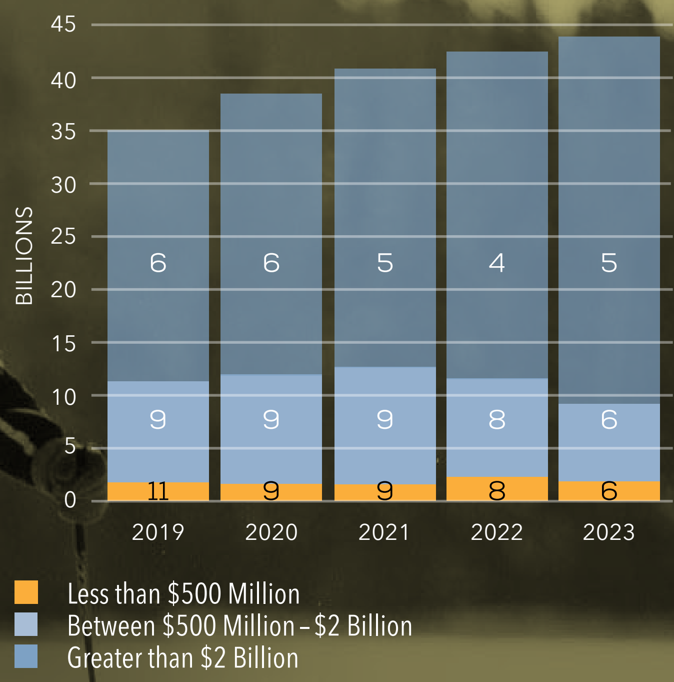


Photo Credit: Travel Manitoba

PROFITABILITY

Gross financial margin was slightly higher than the previous year, increasing to 1.6%. Gross operating expenses also increased to 1.3%, while other revenue decreased to 0.4%. Comprehensive income decreased to 0.4%. The Prime Lending Rate increased steadily throughout 2023 to combat inflation, which had an adverse effect on profitability.

DELINQUENCY

Average 30 and 90-day loan delinquency increased markedly in 2023 to 0.56% and 0.32%. Delinquency remains low relative to industry norms and continues to be closely evaluated for signs of stress.

SYSTEMS' PROFILE BY ASSET SIZE AND NUMBER OF INSTITUTIONS

The total number of institutions dropped to 17, as a result of two mergers in 2023.

A VIBRANT NETWORK

MANITOBA CREDIT UNIONS AND THE CAISSE

DGCM regulates and guarantees the deposits of Manitoba's vibrant network of 16 credit unions and 1 caisse.

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

In addition, DGCM regulates CUCM, the trade association and service provider for Manitoba's credit unions.

VIRTUAL DIVISIONS

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

- Achieva Financial (Cambrian)
- Hubert Financial (Access)
- Ideal Savings (Access)
- MAXA Financial (Westoba)
- Outlook Financial (Assiniboine)

Photo Credit: May Contain Studios

DEPOSIT GUARANTEE CORPORATION OF MANITOBA

2023 FINANCIAL STATEMENTS

Table of Contents

Management's Responsibility

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

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

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

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

Vernon MacNeill, MBA
Chief Executive Officer

S. Joe Nowicky, CPA, CMA
Chief Financial Officer

Tel.: 204 956 7200
Fax.: 833 888 1678
Toll Free: 800 268 3337
www.bdo.ca

BDO Canada LLP
201 Portage Avenue, 26th Floor
Winnipeg MB R3B 3K6 Canada

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Deposit Guarantee Corporation of Manitoba ("DGCM"), which comprise the statement of financial position as at December 31, 2023 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of DGCM as at December 31, 2023, 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. 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, included 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 these 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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

BDO Canada LLP

Chartered Professional Accountants
Winnipeg, Manitoba
March 15, 2024

Statement of Financial Position

(in thousands of dollars)

As at December 31	**2023**	**2022**
ASSETS		
Cash (Note 5)	$ 1,484	$ 2,668
Investments (Note 6)	482,303	438,118
Assessments receivable (Note 7)	7,748	7,489
Current tax receivable (Note 8)	6	326
Deferred tax assets (Note 8)	73	189
Other assets (Note 9)	1,362	360
	$ 492,976	$ 449,150
LIABILITIES		
Provision for financial assistance to credit unions (Note 12)	$ 48	$ 4,140
Accounts payable and accrued liabilities (Note 10)	1,871	909
Defined benefit obligation (Note 11b)	733	740
Deferred tax liability (Note 8)	1,047	3
Total liabilities	3,699	5,792
Contingent liabilities (Note 12)		
CORPORATION EQUITY		
Retained earnings	478,663	444,466
Accumulated other comprehensive (loss) income	10,614	(1,108)
Total corporation equity	489,277	443,358
	$ 492,976	$ 449,150

Approved by the Board on March 15, 2024

Fernand Vermette
Board Chair

Myron Pawlowsky
Finance & Audit Committee Chair

Statement of Comprehensive Income

(in thousands of dollars)

Year Ended December 31	2023	2022
REVENUES		
Regular assessments	$ 30,748	$ 29,576
Investment income (Note 13)	8,549	5,031
	39,297	34,607
EXPENSES		
Financial assistance to credit unions (recovery) (Note 12)	(92)	4,140
Registrar's fees	300	150
Operating expenses (Note 14)	5,616	5,401
	5,824	9,691
INCOME BEFORE INCOME TAXES	33,473	24,916
Income tax expense (recovery) (Note 8)	344	(13)
NET INCOME	33,129	24,929
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified subsequently to net income		
Unrealized gains (losses) on FVTOCI debt instruments	9,903	(19,314)
Income tax (expense) recovery	(891)	1,738
Realized losses on FVTOCI debt instruments	2,978	1,804
Income tax recovery	(268)	(162)
Total items that may be reclassified	11,722	(15,934)
Items that will not be reclassified subsequently to net income		
Realized and unrealized gains on FVTOCI equity instruments	1,174	774
Income tax expense	(106)	(70)
Total items that will not be reclassified	1,068	704
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF INCOME TAX	12,790	(15,230)
COMPREHENSIVE INCOME	$ 45,919	$ 9,699

Statement of Changes in Equity

(in thousands of dollars)

		Retained Earnings		Accumulated Other Comprehensive Income (Loss)		Total
Balance at January 1, 2022	$	418,833	$	14,826	$	433,659
Net income		24,929		-		24,929
Other comprehensive loss		-		(15,230)		(15,230)
Total comprehensive income (loss)		24,929		(15,230)		9,699
Transfer of revaluation reserve upon disposal of FVTOCI equity instruments		704		(704)		-
Balance at December 31, 2022	$	444,466	$	(1,108)	$	443,358

Balance at January 1, 2023	$	444,466	$	(1,108)	$	443,358
Net income		33,129		-		33,129
Other comprehensive income		-		12,790		12,790
Total comprehensive income		33,129		12,790		45,919
Transfer of revaluation reserve upon disposal of FVTOCI equity instruments		1,068		(1,068)		-
Balance at December 31, 2023	$	478,663	$	10,614	$	489,277

Statement of Cash Flows

(in thousands of dollars)

Year Ended December 31	2023	2022
OPERATING ACTIVITIES		
Net income	$ 33,129	$ 24,929
Non-cash expense (recovery) – deferred income tax assets	113	(119)
Non-cash expense – depreciation	228	215
Net impairment loss (recovery) on investments	6	(20)
Net increase in assessments receivable	(189)	(249)
Net decrease (increase) in prepaid expenses	23	(20)
Net decrease (increase) in current net tax receivable	320	(244)
Net (decrease) increase in financial assistance to credit unions liability	(4,092)	4,140
Net decrease in accounts payable and accrued liabilities, net of right of use assets obligation	(24)	(15)
Net (decrease) increase in defined benefit obligation	(7)	25
Cash flows generated by operating activities	29,507	28,642
INVESTING ACTIVITIES		
Net increase in investments	(30,424)	(26,946)
Purchase of property and equipment, net of disposal proceeds	(81)	(28)
Cash flows used in investing activities	(30,505)	(26,974)
FINANCING ACTIVITIES		
Principal payment of lease liabilities	(186)	(178)
Cash flows used in financing activities	(186)	(178)
NET INCREASE IN CASH	1,184	1,490
CASH, BEGINNING OF YEAR	2,668	1,178
CASH, END OF YEAR	$ 1,484	$ 2,668
SUPPLEMENTARY CASH FLOW INFORMATION		
Income taxes paid	$ 349	$ 209

Notes to Financial Statements

(in thousands of dollars, unless otherwise noted)

1 Nature of organization

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

- Guarantee deposits in Manitoba credit unions and caisses populaires (hereinafter credit unions);
- Promote credit unions' development of sound business practices to protect them from financial losses;
- Ensure the credit unions operate under according to standards of sound business practices;
- Ensure that Credit Union Central of Manitoba (hereinafter the Central) operates according to prudential standards; and
- Promote and otherwise contribute to the stability of and public confidence in the credit union system, the caisse populaire system and the Central.

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

2 Statement of compliance

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

The financial statements were authorized for issue by the Board of Directors on March 15, 2024.

3 Material accounting policies

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

a) Basis of measurement

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

b) Cash

Cash consists of cash on hand, and chequing and demand balances with chartered banks.

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

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

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

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

d) Financial assets

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

i. Classification

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

ii. Amortized cost

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

iii. Fair value through other comprehensive income

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

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal.

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

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

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

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

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

iv. Fair value through profit or loss

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

v. Impairment of financial assets

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

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

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

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

vi. Derecognition of financial assets

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

e) Financial liabilities

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

Classification

Accounts payable and accrued liabilities	Amortized cost
Derivative liabilities	FVTPL

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

f) Derivative financial instruments

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

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

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

g) Foreign currency translation

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

h) Effective interest method

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

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

i) Transaction costs

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

j) Leasing

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

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

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

k) Employee benefits

i. Defined contribution plan

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

ii. Defined benefit plan

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

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

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

iii. Short-term employee benefits

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

l) Provision for financial assistance to credit unions

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

m) Assets acquired from merger/dissolution of credit unions

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

n) Taxation

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

i. Current income tax

Current income tax is based on taxable income for the year. Taxable income differs from income as reported in the Statement 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 Statement of Financial Position 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 except where it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

o) Changes in accounting policies

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

p) New standards and interpretations not yet adopted

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

4 Critical accounting judgments and key sources of estimation uncertainty

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

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

a) Critical judgments in applying accounting policies

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

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

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

b) Key sources of estimation uncertainty

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

i. Provision for financial assistance to credit unions

- Individual provisions for credit union assistance

Individual provisions and contingencies for financial assistance are recognized in accordance with IFRS. The process defined below will be applied annually 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 individual provisions are required to facilitate a loan indemnity and amalgamation, as described in note 12.

- 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

Impairment of financial instruments is determined by performing an 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 CIBC Mellon and Scotiabank.

6 Investments

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

As at December 31	**2023**	**2022**
Fixed income investments		
Treasury bills	53,281	46,713
Government bonds	262,704	238,162
Corporate bonds	96,325	87,278
	412,310	372,153
Equity investments		
Canadian equities	20,449	17,725
Global equity exchange traded funds, net of forward contracts	18,879	16,374
Canadian real estate funds	30,665	31,844
Equitable Bank Shares	-	22
	69,993	65,965
	482,303	438,118

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. Substantially all of the outstanding balances are collected within 31 days of year-end.

8 Income taxes

a) Income tax recognized in net income

Year ended December 31	2023	2022
Current tax		
Current tax expense (recovery) in respect of the current year	343	(6)
Deferred tax		
Deferred tax expense (recovery) recognized in the current year	1	(7)
Total tax expense (recovery) relating to continuing operations	344	(13)

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

Year ended December 31	2023	2022
Income from continuing operations	33,473	24,916
Income tax expense at statutory rate	3,013	2,242
Non-taxable credit union assessments	(2,775)	(2,653)
Non-deductible provision for financial assistance to credit unions	-	374
Foreign withholding taxes and other	195	24
Income tax expense recognized in net income	433	(13)

b) Income tax recognized in other comprehensive income

Year ended December 31	2023	2022
Deferred tax		
Fair value gains (losses) re-measurement of FVTOCI financial assets	10,614	(1,108)
Total deferred income tax (recovery) expense recognized in accumulated other comprehensive income	955	(100)

c) Deferred tax assets and liability

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 9% (2022: 9%). Deferred tax assets have been recognized in respect of temporary differences giving rise to deferred tax assets where management believes it is probable that these assets will be recovered.

The components of deferred tax assets and liability were as follows:

As at December 31	2023	2022	Change
Deferred tax assets			
Provision for retirement obligation	73	74	(1)
Net unrealized loss on FVTOCI financial assets	-	115	(115)
	73	189	(116)
Deferred tax liabilities			
Right-of-use assets	3	3	-
Net unrealized gain on FVTOCI financial assets	1,044	-	1,044
	1,047	3	1,044

9 Other assets

The components of other assets were as follows:

As at December 31	2023	2022
Accounts receivable	178	5
Employee loans	1	1
Prepaid expenses	51	74
ROU assets	986	172
Property and equipment	146	108
	1,362	360

10 Accounts payable and accrued liabilities

Accounts payable are outstanding invoices payable upon receipt to vendors. 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.

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 $183 (2022: $170) represents contributions payable to these plans by DGCM at rates specified in the rules of the plans. As at December 31, 2023, all contributions due in respect of the 2023 and 2022 reporting periods had been remitted to the plans.

b) Defined benefit plan

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

This benefit is self-funded 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, 2023.

The most recent actuarial valuation of the defined benefit obligation was carried out in November 2023 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	**2023**	**2022**
Discount rates	5.70%	4.95%
Expected rates of salary increase	3.00%	2.95%
Assumed retirement age	62	62

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

Year ended December 31	**2023**	**2022**
Current service cost	38	112
Actuarial gains recognized in the year	(29)	(51)
Interest costs	34	20
	43	81

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

The amount included in the Statement of Financial Position arising from DGCM's obligation in respect of its defined benefit plan is the present value of the unfunded defined benefit obligation.

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

Year ended December 31	**2023**	**2022**
Opening defined benefit obligation	740	715
Current service cost	38	112
Actuarial gains recognized in the year	(29)	(51)
Interest costs	34	20
Benefits paid	(50)	(56)
Closing defined benefit obligation	733	740

The maturity profile of the obligation is outlined as follows:

As at December 31	**2023**	**2022**
Within one year	155	193
Later than one year and not later than five years	404	338
Later than five years	174	209
	733	740

12 Contingent liabilities and provision for financial assistance to credit unions

As at December 31, 2023, DGCM has guaranteed $38.6 billion (2022: $37.3 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, 2023, DGCM has committed to loan indemnities and amalgamation assistance to credit unions with a maximum exposure of $48 (2022: $4,532). For the year ended December 31, 2023, DGCM has recorded a recovery for a loan indemnity and credit union amalgamation assistance as a result of a change in estimate (2022: provision of $4,140).

13 Investment Income

Year ended December 31	**2023**	**2022**
Interest income – loans and receivables	142	39
Interest income – FVTOCI	9,671	5,612
Dividend income – FVTOCI	1,771	1,077
Realized losses on disposal of marketable investments	(2,973)	(1,825)
Unrealized and realized (losses) gains on foreign exchange	(57)	108
Impairment (loss) recovery on investments	(5)	20
	8,549	5,031

For the year ended, December 31, 2023, DGCM disposed of $1,703 (2022: $1,332) of FVTOCI equity instruments, resulting in a cumulative realized gain of $1,067 (2022: $704) 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	**2023**	**2022**
Salaries and benefits	3,624	3,358
Contract and professional fees	575	463
Occupancy	416	425
Administration	373	450
Central funding	250	305
Corporate governance	158	167
Travel	114	104
Other	106	129
	5,616	5,401

15 Financial instruments

a) Class disclosure

The following is the disclosure of financial assets by class:

As at December 31	2023	2022
Amortized Cost		
Cash	1,484	2,668
Assessments receivable	7,748	7,489
Employee loans	1	2
	9,233	10,159
FVTOCI		
Fixed income investments	412,310	372,153
Equity investments	69,993	65,965
	482,303	438,118

The following is the disclosure of financial liabilities by class:

As at December 31	2023	2022
Amortized Cost		
Provision for financial assistance to credit unions	48	4,140
Accounts payable and accrued liabilities	1,871	909
	1,919	5,049

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 118 to 150 basis points (bps) of deposits in credit unions. This equity target range has been approved by the Superintendent of Financial Institutions Regulations Branch. The Board of Directors reviews DGCM's equity position quarterly to ensure prudent positioning within the target range. Where the aggregate shortfall of credit union capital exceeds one-sixteenth of one percent of total deposits and accrued interest, DGCM shall net the shortfall against its equity for this calculation.

c) Financial risk management

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

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

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

i. Interest rate risk management

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

To manage interest rate risk, DGCM's investment policy restricts the concentration (asset mix) of segregated and pooled fixed income investments within the portfolio. As well, the aggregate duration of segregated and pooled fixed income investments do not exceed 0.25 years of respective benchmark indices, as noted below.

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

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

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

Interest rate sensitivity analysis

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

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

- net income for the year ended December 31, 2023 would increase/decrease by $390/$388 (2022: increase/decrease by $251/$244). 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 $3,557 (2022: decrease/increase by $3,859) mainly as a result of the changes in the fair value of FVOCI fixed rate instruments.

ii. Credit risk management

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

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

Measures are taken to mitigate each exposure to credit risk:

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

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

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

As at December 31	**2023**	**2022**
Credit rating		
AAA	242,403	216,686
AA	81,201	73,822
A	60,641	57,738
BBB	28,065	23,907
	412,310	372,153

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

As at December 31	**2023**	**2022**
Government	315,985	284,875
Corporate	96,325	87,278
	412,310	372,153

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, 2023 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 analyzing 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. The allowance is netted against Investments in the Statement of Financial Position.

	2023	2022
Balance at January 1	26	46
Remeasurement of loss allowance, net of purchases and disposals	6	(20)
Balance at December 31	32	26

iii. Liquidity risk management

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

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

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

The following table details DGCM's expected maturity for its segregated debt instrument financial assets and financial liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial assets and financial liabilities including interest that will be earned on those assets and liabilities. Excluded from the table below are Canadian and Global equities totaling $69,993 (2022: $65,966).

As at December 31	2023	2022
Financial assets		
Under one year	87,353	56,843
One to five years	326,441	316,288
Five to ten years	-	1,689
	413,794	374,820

Financial liabilities

All financial liabilities are due within one year.

iv. Equity price risk management

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

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

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

The best estimate return assumptions for equities are primarily based on long-term historical averages. Changes in the current market could result in changes to these assumptions and will impact asset cash flows. A 10% increase/decrease on equity market prices would increase/decrease other comprehensive income by $3,579 (2022: $3,103).

v. Currency risk management

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

vi. Fair value of financial instruments

Fair value of financial instruments carried at amortized cost

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

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

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

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

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

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. Level 3 assets include a Canadian real estate fund, which is valued primarily based on the discounted cash flow approach, however direct capitalization and comparable sale methodologies are also employed, where appropriate. Level 3 assets also include shares held with Equitable Bank, 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, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Cash	2,668	-	-	2,668
Fixed income investments				
Treasury bills	46,713	-	-	46,713
Government bonds	-	238,162	-	238,162
Corporate bonds	-	87,278	-	87,278
Equity investments				
Canadian equities	17,725	-	22	17,747
Global equity exchanged traded funds	16,374	-	-	16,374
Canadian real estate fund	-	-	31,844	31,844
Total assets measured at fair value on a recurring basis	83,480	325,440	31,866	440,786

As at December 31, 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Cash	1,484	-	-	1,484
Fixed income investments				
Treasury bills	53,281	-	-	53,281
Government bonds	-	262,704	-	262,704
Corporate bonds	-	96,325	-	96,325
Equity investments				
Canadian equities	20,449	-	-	20,449
Global equity exchange traded funds	18,879	-	-	18,879
Canadian real estate fund	-	-	30,665	30,665
Total assets measured at fair value on a recurring basis	94,093	359,029	30,665	483,787

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:

2022	**Canadian real estate fund**	**Equitable Bank shares**
Balance at January 1	27,126	4
Total gains	4,718	18
Purchases	-	-
Sales	-	-
Other	-	-
Balance at December 31	31,844	22
Total gains for the year included in investment income	-	-
Change in unrealized gains for the year included in earnings for assets held at December 31	4,718	18

2023	**Canadian real estate fund**	**Equitable Bank shares**
Balance at January 1	31,844	22
Total losses	(1,179)	-
Purchases	-	-
Sales	-	(22)
Other	-	-
Balance at December 31	30,665	-
Total gains for the year included in investment income	-	-
Change in unrealized losses for the year included in earnings for assets held at December 31	(1,179)	-

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 fund	Equitable Bank 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.	Sale price agreed upon in late 2022.
Significant unobservable inputs	Discount rate Reversionary rate Vacancy rate	None
Input values	Discount range 5.3-11.5% (2022: 5.5-10%) Reversionary range 4.3-10.8% (2022: 3.9-9.0%) Vacancy weighted average 5.9% (2022: 5.6%) Effective Vacancy 7.6% (2022: 5.4%)	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, 2023, DGCM had forward contracts with a FMV of $397 (2022: negative $19). The notional value of the contracts was $13,405 (2022: $12,060). The counterparty of forward contracts is the Canadian Imperial Bank of Commerce. The maturity date of the contracts is March 14, 2024.

16 Related party transactions

a) Loans to related parties

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

DGCM provides interest free loans to employees for:

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

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

Outstanding loans to key management personnel at the end of 2023 was $NIL (2022: $NIL).

b) Compensation of key management personnel

The remuneration of the Chief Executive Officer is determined by the Board of Directors. The remuneration of the Chief Risk Officer and Chief Financial Officer is determined by the Chief Executive Officer. The aggregate remuneration of key management personnel during the year was as follows:

Year ended December 31	2023	2022
Salaries	743	693
Short-term benefits	53	46
Post-employment benefits	45	53
	841	792

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	2023	2022
Board member remuneration	112	125
Expenses	46	42
	158	167

17 Leases

a) Lease arrangement

DGCM has an office space lease for own use. The main office space for operations has a seven-year lease term that expires December 31, 2030 with no option to renew.

b) Right-of-use assets

	2023	2022
Balance at January 1	172	344
Additions	986	-
Depreciation charge for the year	(172)	(172)
Balance at December 31	986	172

c) Lease liabilities

The following table sets out the maturity of contractual undiscounted cash flows:

As at December 31	2023	2022
No later than one year	130	186
Later than one year and not later than five years	652	-
Later than five years	344	-
	1,126	186

In 2023, the total cash outflow for leases was $186 (2022: $187).

d) Amounts recognized in profit or loss

Year ended December 31	2023	2022
Interest on lease liabilities	1	10
Depreciation of ROU assets	172	172
	173	182

18 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

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, 2023:

Information Required Annually **(per Section 18 of *the Act*)**	**Fiscal Year 2023**
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**