

# 2024 ANNUAL REPORT



## 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.



DEPOSIT GUARANTEE  
CORPORATION OF MANITOBA  
Annual Report 2024

390-200 Graham Avenue  
Winnipeg, Manitoba R3C 4L5  
Phone: (204) 942-8480  
Toll Free: 1 (800) 697-4447  
<https://dgcm.ca>



ACCESS CREDIT UNION



WESTOBA CREDIT UNION



## REPORT FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

As we reflect on 2024, we are pleased to report on the resilience and progress of Manitoba’s credit unions and caisse Systems and the ongoing efforts of the Deposit Guarantee Corporation of Manitoba (DGCM) in maintaining stability and confidence in the financial sector.



**Fernand Vermette**  
Chair

The past year presented both opportunities and challenges, but through prudent oversight, strategic risk management, and the collective strength of our credit unions and the caisse, we have continued to uphold our mission of safeguarding depositors and ensuring the long-term sustainability of the Systems.

The economic landscape in 2024 remained dynamic, influenced by shifting interest rates, inflationary pressures, and global financial market fluctuations. Despite these factors, Manitoba’s Systems demonstrated adaptability and resilience, with total Systems assets growing to \$45.76 billion by year-end, reflecting a 5.85% increase compared to the prior year. Loan portfolios continued to expand, with total loans reaching \$38.55 billion, while deposits increased to \$40.75 billion, underscoring the trust that Manitobans place in their credit unions and the caisse.

DGCM maintained a vigilant approach in monitoring financial trends, conducting stress testing, and working closely with credit unions and the caisse to mitigate potential risks. Our proactive regulatory framework has allowed us to respond effectively to challenges while supporting innovation and growth within the Systems.

Our financial results for 2024 demonstrate the continued strength of DGCM’s Guarantee Fund. Total assets for DGCM reached \$549.12 million, with retained earnings increasing

to \$519.64 million. Our investment portfolio generated \$13.41 million in revenue, reinforcing our ability to sustain operations and fulfill our mandate.

Operational efficiency remained a key focus, with operating expenses totaling \$6.06 million, slightly below budgeted projections. Net income for the year stood at \$37.91 million, contributing to the continued growth of our Guarantee Fund. Additionally, comprehensive income, which includes gains on financial instruments, reached \$54.30 million, further bolstering our financial position and reinforcing our capacity to respond to potential credit union and caisse challenges.

In 2024, DGCM continued to refine its regulatory oversight, ensuring credit unions and the caisse operate within a robust risk management framework. We conducted targeted reviews and examinations, emphasizing asset quality, liquidity management, and capital adequacy. The Systems’ Risk-Weighted capital ratio remained strong at 13.50%, demonstrating the sound financial health of Manitoba’s credit unions and the caisse.

A significant milestone was the completion of a review of DGCM against the Internal Capital Adequacy Assessment Process (ICAAP), which is a framework used by regulated financial institutions to assess and manage their capital adequacy in relation to their risk profiles. Additionally, DGCM



BELGIAN-ALLIANCE CREDIT UNION



STEINBACH CREDIT UNION



## REPORT FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

released a draft Liquidity Adequacy Report featuring a new Liquidity Coverage Ratio (LCR) requirement for consultation.

To support good governance, we worked with the Minister of Finance’s office and Financial Institutions Regulation Branch (FIRB) to refine the Director Nomination Process and further established the Chief Executive Officer Performance Appraisal Process.

Other achievements included the completion of the Credit Union Prudential Supervisors Association (CUPSA) Crisis Management Framework, and the International Association of Deposit Insurers (IADI) Review by Mike Andrews of A. Michael Andrews and Associates Limited.

We also worked closely with credit unions and the caisse to enhance cybersecurity measures, recognizing the increasing risks posed by digital threats. Our engagement in regulatory discussions at the national level reinforced our commitment to staying ahead of emerging risks and aligning with best practices across Canada’s financial sector.

Beyond regulatory oversight, DGCM remained committed to fostering co-operative and resilient credit union and caisse Systems. We engaged with credit unions and the caisse through workshops, strategic dialogues, and compliance support initiatives. Our focus on education and governance has helped ensure that credit unions and the caisse continue to provide high-quality financial services to their members while maintaining strong risk management practices.

Furthermore, as the financial landscape evolves, we continue to explore opportunities for technological advancements


and operational efficiencies. Encouraging digital transformation within credit unions and the caisse remains a priority to enhance service delivery and member experience while maintaining financial security.

As we enter 2025, DGCM remains steadfast in its mission to protect depositors and promote stable and resilient credit union and caisse Systems. We will continue strengthening our regulatory approach, enhancing risk management frameworks, and ensuring that Manitoba’s credit unions and the caisse remain well-positioned for the future.

Economic conditions will undoubtedly continue to evolve, bringing both challenges and opportunities. However, the collective strength of our Systems, combined with our unwavering commitment to financial stability, positions us well for continued success. We extend our gratitude to our Systems partners, government stakeholders, and most importantly, the members who place their trust in Manitoba’s credit unions and the caisse every day.

On behalf of DGCM, we want to express our sincere appreciation to our staff, senior management, and our Board of Directors for their dedication and leadership. Together, we will continue to safeguard deposits, strengthen financial confidence, and support a prosperous future for Manitoba’s credit unions and the caisse.

  
**Fernand Vermette,**  
Chair

  
**Vernon MacNeill,**  
Chief Executive Officer



FUSION CREDIT UNION



COMPASS CREDIT UNION



## 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 Credit Union Central of Manitoba (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 (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.

## 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)

# 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 federal government, followed by 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 report 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 nine regular meetings in 2024, 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 (9) | Special Finance & Audit Committee Meeting (1) | Finance & Audit Committee Meetings (4) | Governance & Human Resources Committee Meetings (4) |
|-------------------|---------------------------------|---|--|---|
| Fernand Vermette  | 9/9                             | 1/1*  | 3/4*                                   | 3/4   |
| Mabel Wieler      | 9/9                             | 1/1   | 4/4                                    | -   |
| Myron Pawlowsky   | 9/9                             | 1/1**   | 4/4**                                  | 4/4**   |
| Dale Ward         | 9/9                             | -   | -                                      | 4/4   |
| Robert Jones      | 9/9                             | 1/1   | 4/4                                    | -   |
| Ren DaCosta       | 8/9                             | -   | -                                      | 4/4   |
| Silvester Komlodi | 1/9***                          | 0/1***  | 2/4***                                 | 0/4***  |

\*Fernand Vermette is an observer on the Finance & Audit Committee.

\*\*Myron Pawlowsky served on both the Finance & Audit and Governance & Human Resources Committees in 2024.

\*\*\*Silvester Komlodi is a non-voting member on the Board of Directors.



ASSINIBOINE CREDIT UNION



STRIDE CREDIT UNION



# MANAGEMENT DISCUSSION AND ANALYSIS

## MANDATE

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

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



**Vernon MacNeill**  
Chief Executive Officer



**Gabrielle Marrin**  
Chief Risk Officer

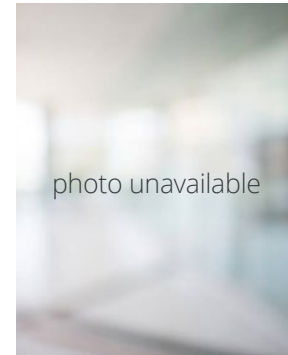


**Joe Nowicky**  
Chief Financial Officer

## MANAGEMENT TEAM



**Erica Esselmont**  
Director, Risk  
(Monitoring)



**Sandra Morrison**  
Director, Risk  
(Examinations)

photo unavailable



WINNIPEG POLICE CREDIT UNION



CAMBRIAN CREDIT UNION



## 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.





ROSENORT CREDIT UNION



ME-DIAN CREDIT UNION



## MANAGING RISK

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

ERM is broken down into 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



CAISSE FINANCIAL GROUP



SUNRISE CREDIT UNION



## KEY INITIATIVES AND ACHIEVEMENTS

DGCM's 2024 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   | 2024 Results   | 2025 Planned Key Initiatives  |
|---|--|---|
| <p><b>Prevention</b></p> <p>DGCM leads its prevention effort to the Systems through the distribution of the SSBP and Prudential Standards, based on industry best practices, and interpretive guidance documentation on critical operational issues within the SSBP and Prudential Standards. Examination and Monitoring frameworks recognize the individuality of each credit union and the caisse and support credit union and caisse autonomy, while encouraging proactive risk mitigation within the Systems, minimizing the demand for deposit protection, and ensuring CUCM operates according to the Prudential Standards.</p> | <p><b><i>The Credit Unions and Caisses Populaires Amendment Act</i></b></p> <p>Continued with the execution and refinement of the oversight framework for CUCM, including:</p> <ul style="list-style-type: none"> <li>completed an examination of CUCM liquidity pool risk management</li> </ul> <p><b>Government Alignment</b></p> <p>Continued to engage with the provincial government to ensure DGCM's priorities are understood pertaining to:</p> <ul style="list-style-type: none"> <li>recommendation for changes to the Act based on the Basel Core Principles Report;</li> <li>DGCM's Director Nomination Process; and</li> <li>Director term limits.</li> </ul> | <p><b>Government Alignment</b></p> <p>Continuation of work performed in 2024.</p> <p>Engage with the provincial government to ensure DGCM's priorities are understood pertaining to recommended changes to the Act based on the International Association of Deposit Insurers (IADI) Core Principles for Effective Deposit Insurance Systems.</p> |



CREDIT UNION CENTRAL OF MANITOBA



NIVERVILLE CREDIT UNION



## KEY INITIATIVES AND ACHIEVEMENTS

| Corporate Strategy #2  | 2024 Results  | 2025 Planned Key Initiatives   |
|--|---|--|
| <p><b>Corporate Excellence</b></p> <p>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.</p>  | <p><b>Regulatory Oversight – Cyber Risk Management</b><br/>Issued revised guidance for cyber risk management: IT and Information Security Guidelines.</p> <p><b>Regulatory Oversight – Basel Core Principles</b><br/>Continued to align existing oversight processes to Basel Core Principles for Effective Banking Supervision.</p> <p><b>Regulatory Oversight – Credit Risk Management</b><br/>Reviewed and enhanced existing oversight processes around credit risk management.</p> <p>Initiated a thematic review on credit concentration.</p> <p><b>Internal Audit</b><br/>Completed the existing plan and created a new multi-year plan. Engagements completed in 2024 included a review of DGCM’s oversight framework against the IADI Core Principles for Effective Deposit Insurance Systems, and a cybersecurity review.</p> <p><b>IT Strategic Plan</b><br/>Completed the existing plan and created a new multi-year plan.</p> | <p><b>Regulatory Oversight – Credit Risk Management</b><br/>Compile and analyze the results of the thematic review on credit concentration.</p> <p><b>Internal Audit</b><br/>Rollover into the new multi-year plan. The engagement scheduled for 2025 includes an external IT penetration test.</p> <p><b>IT Strategic Plan</b><br/>Rollover into the new multi-year plan. The engagement scheduled for 2025 includes the re-platforming of the Management Information System.</p> |
| Corporate Strategy #3  | 2024 Results  | 2025 Planned Key Initiatives   |
| <p><b>Deposit Protection</b></p> <p>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.</p> | <p><b>Liquidity Risk Management</b><br/>Continued its 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.</p> <p><b>Crisis Management and Response</b><br/>Continued work on formalizing its communication strategy and operational response, to support the existing Supervision and Resolution Policy.</p> <p><b>Internal Capital Adequacy Assessment Program</b><br/>Issued Internal Capital Adequacy Assessment Program (ICAAP) guidance and reporting requirements for regulated entities.</p>   | <p><b>Liquidity Risk Management</b><br/>Continuation of work performed in 2024.</p> <p><b>Crisis Management and Response</b><br/>Continuation of work performed in 2024.</p> <p>Develop and issue the Recovery Planning Guidelines that will outline expectations for regulated entities.</p> <p><b>Internal Capital Adequacy Assessment Program</b><br/>Work with designated regulated entities to implement ICAAP.</p>   |



FLIN FLON CREDIT UNION

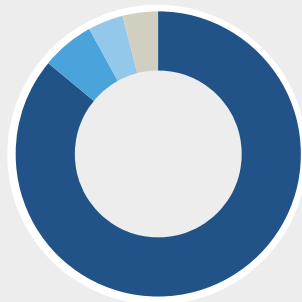


SWAN VALLEY CREDIT UNION

## DGCM FINANCIAL OVERVIEW

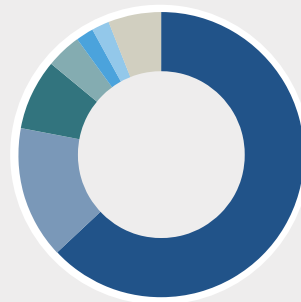
On December 31, 2024, our assets totaled \$549.1 million. The increase of \$56.2 million, or 11.4% over 2023, was derived principally from comprehensive income. Our investment portfolio, which represents 97% of our assets, is principally invested in segregated Canadian government bonds and treasury bills, 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



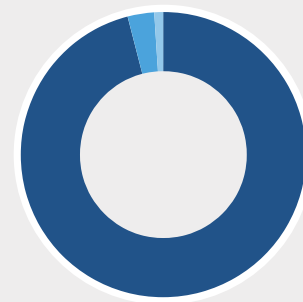
- Canadian Fixed Income **86.2%**
- Canadian Real Estate Funds **6.0%**
- Canadian Equities **4.0%**
- Foreign Equities **3.8%**

SECTOR PROFILE



- Government **62.8%**
- Financials **15.0%**
- Real Estate **8.4%**
- Energy **4.0%**
- Industrial **2.0%**
- Communication **2.0%**
- Other **5.8%**

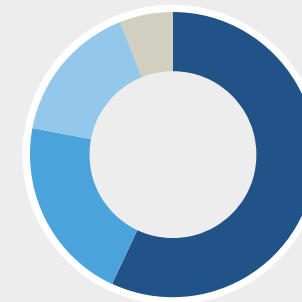
GEOGRAPHIC PROFILE



- Canada **95.8%**
- United States **3.2%**
- International **1.0%**

CREDIT PROFILE

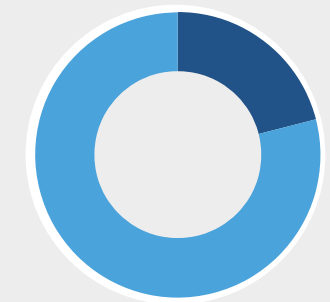
(excluding Real Estate and Equity funds)



- AAA **59.3%**
- AA **19.8%**
- A **14.1%**
- BBB **6.8%**

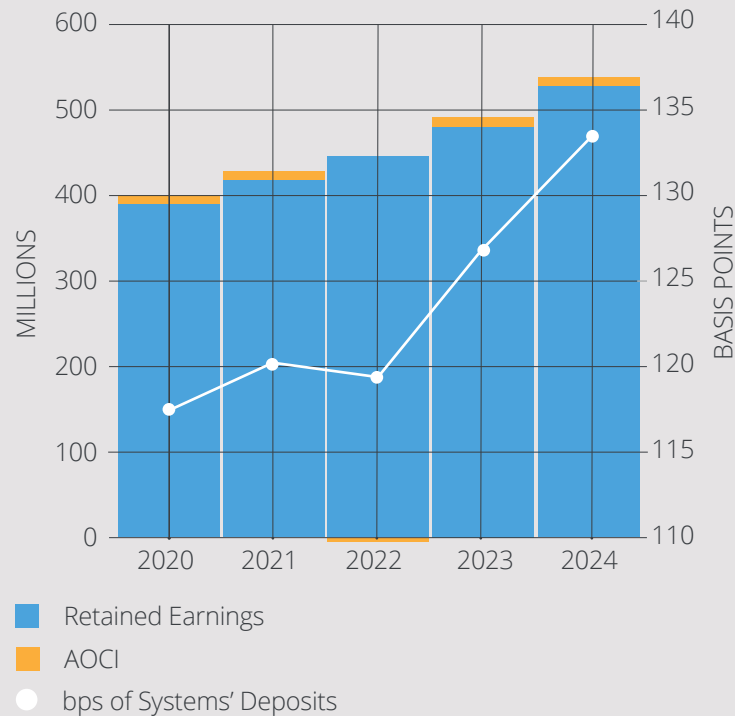
MATURITY PROFILE

(excluding Real Estate and Equity funds)



- Under one year **16.8%**
- One to five years **83.2%**  
*(Modified duration: 1.9 years)*

## DGCM FINANCIAL OVERVIEW



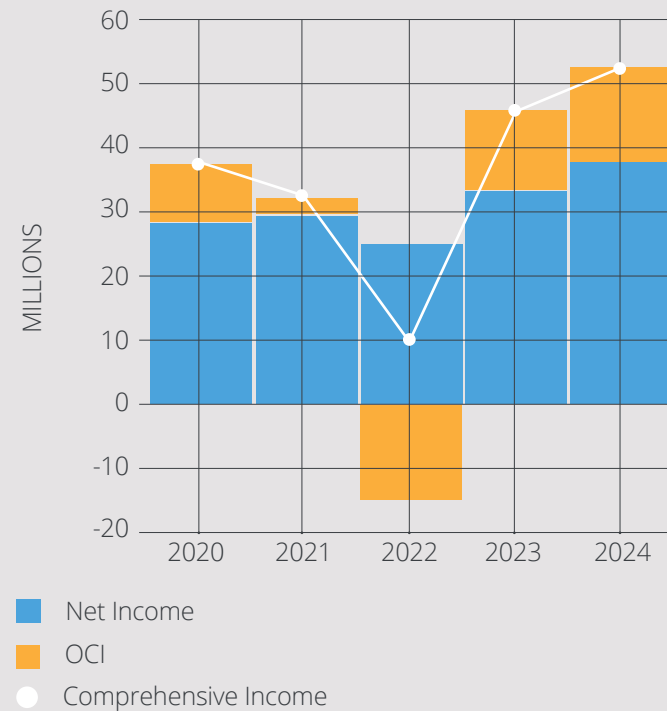
### EQUITY POSITION

DGCM's equity totaled \$543.6 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 \$519.6 million, an increase of \$41.0 million or 8.6% over 2023. 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 \$23.9 million, net of deferred taxes.

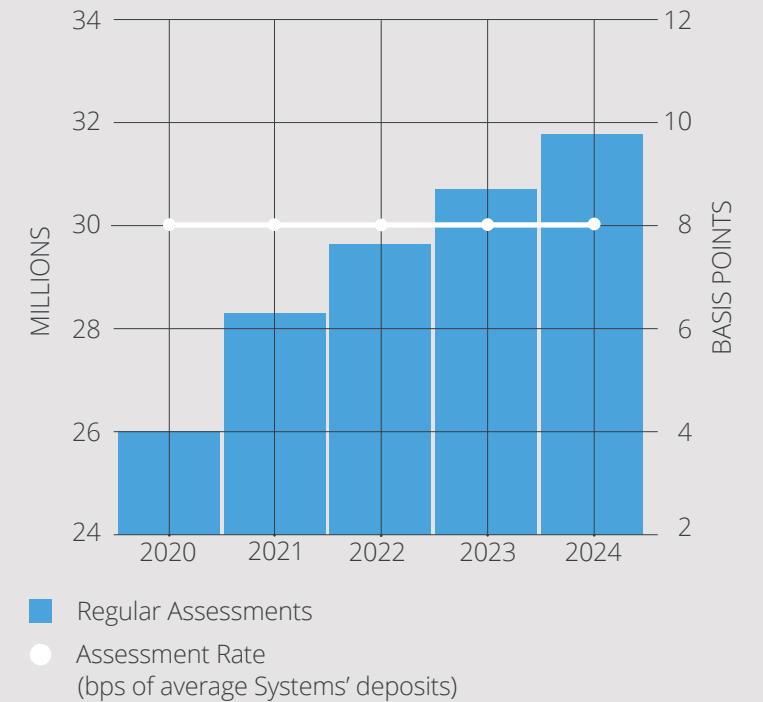
When AOCI is combined with retained earnings, the total equity position in absolute dollars and relative to all credit union and caisse deposits, reflects the fair market value of our Guarantee Fund. At year-end, total equity was 133.4 bps of Systems' deposits.



### 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 \$54.3 million.

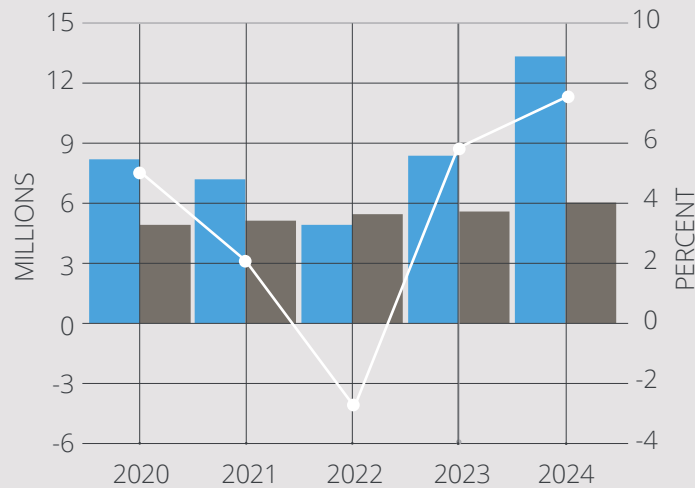
Revenue for the year totaled \$45.3 million, offset by Registrar's fees, operating expenses, and income taxes, totaling \$7.4 million. The result was a net income of \$37.9 million. OCI for the year totaled a gain of \$16.4 million, net of tax.



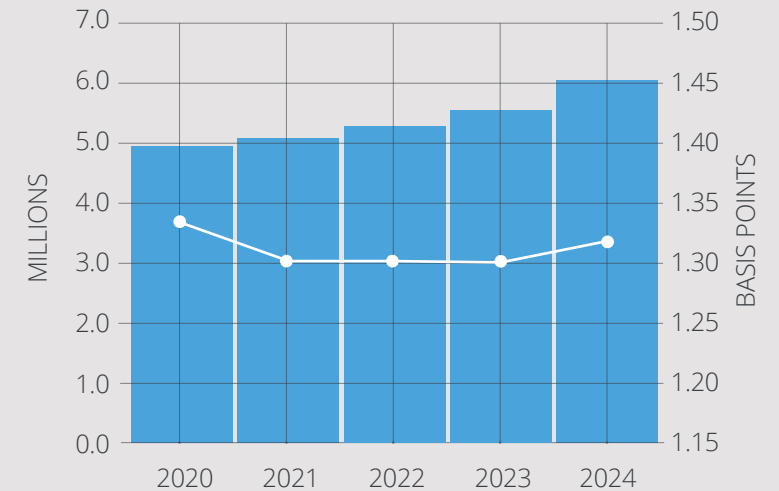
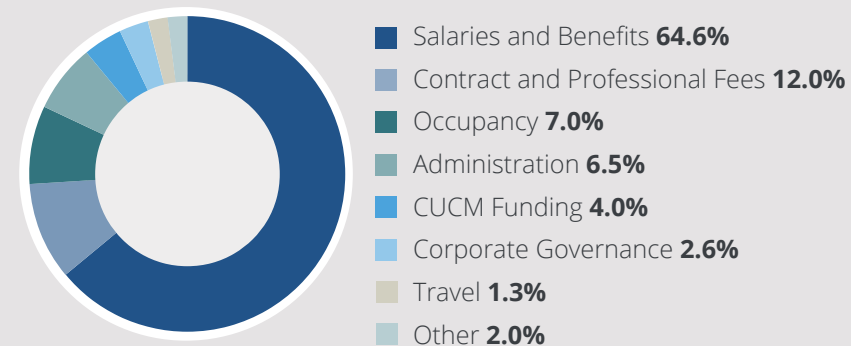
### ASSESSMENTS

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 2024, DGCM charged an annualized rate of 8.0 bps of average Systems' deposits, generating \$31.8 million in revenue. In 2024, DGCM also charged CUCM an annual levy of \$100,000, to offset the incremental cost of overseeing this regulated entity.

## DGCM FINANCIAL OVERVIEW



■ Investment Income  
 ■ Operating Expenses  
 ● Total Return



■ Operating Expenses  
 ● bps of Systems' Assets

### INVESTMENT INCOME

DGCM earns income on its investments through interest revenue, and gains/losses on the sales of investments and foreign exchange. Total investment revenue was \$13.4 million, comprised of interest and dividend revenue of \$15.6 million, losses on the sales of investments of \$2.1 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.

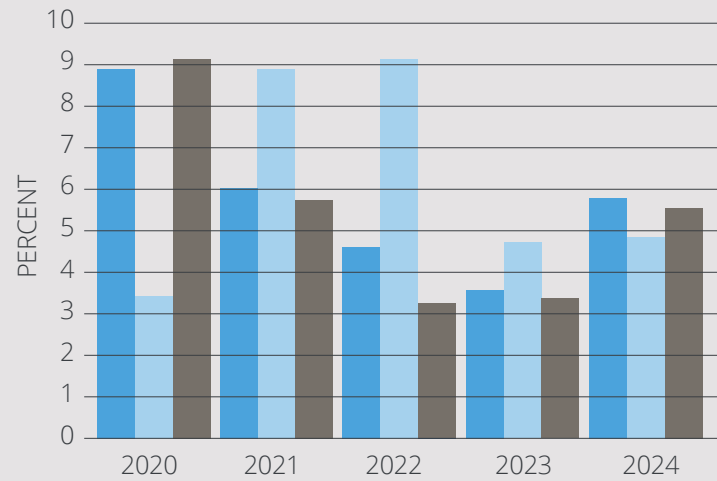
### OPERATING EXPENSES

DGCM incurs operating expenses in fulfilling its legislated mandate. Operating expenses for 2024 were \$6.1 million, an increase of \$0.4 million from 2023. The increase was primarily due to market-driven salary adjustments and filled position vacancies, increased Systems' examination activity, and enhanced cybersecurity measures.

### 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 remained steady between 1.30 and 1.33 bps.

# SYSTEMS' FINANCIAL OVERVIEW

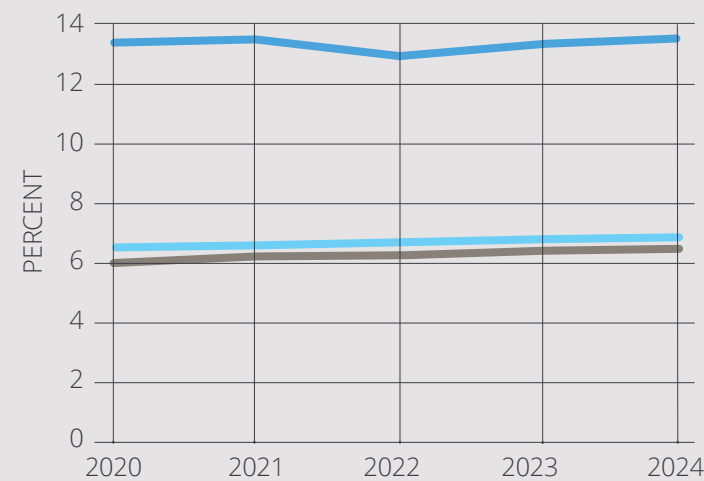


- Asset Growth
- Loan Growth
- Deposit Growth

## GROWTH

Asset and deposit growth both increased in 2024 to 5.9% and 5.5% respectively. Loan growth increased slightly this past year to 4.8%.

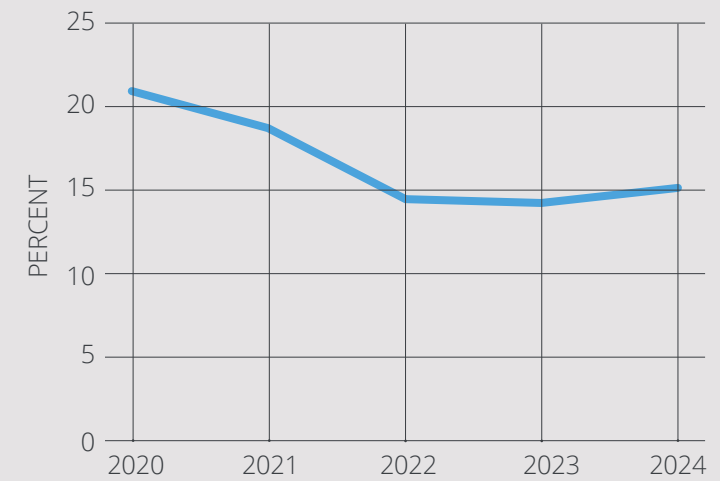
Systems' assets were \$45.8 billion at year-end, while deposits and loans totaled \$40.8 billion and \$38.5 billion respectively.



- Risk-Weighted Capital
- Regulatory Capital
- Retained Earnings

## CAPITAL

Regulatory capital and retained earnings decreased slightly and were at 6.8% and 6.5% respectively, as asset growth increased, and profitability decreased. Risk-Weighted capital increased from 13.3% to 13.5%.

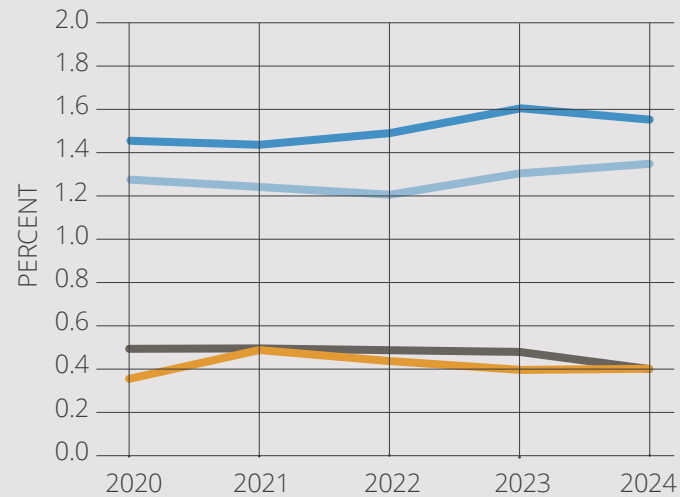


- Liquidity

## LIQUIDITY

After several consecutive years of decline, liquidity increased over the previous year to 15.1%, as deposit growth once again outpaced loan growth.

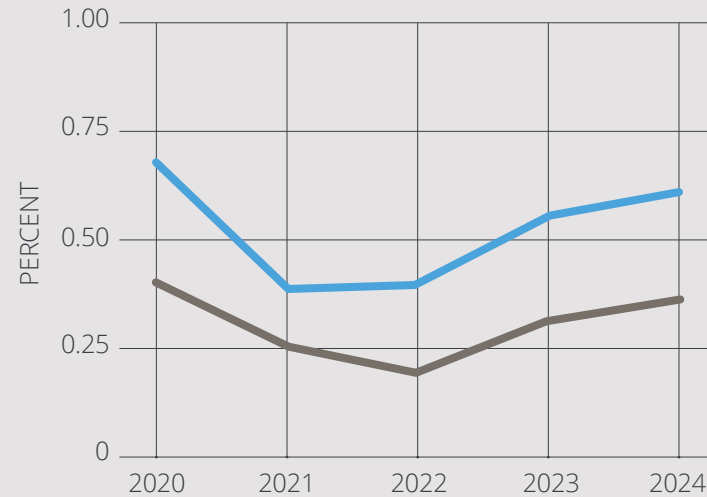
## SYSTEMS' FINANCIAL OVERVIEW



- Gross Financial Margin
- Gross Operating Expenses
- Other Revenue
- Comprehensive Income

### PROFITABILITY

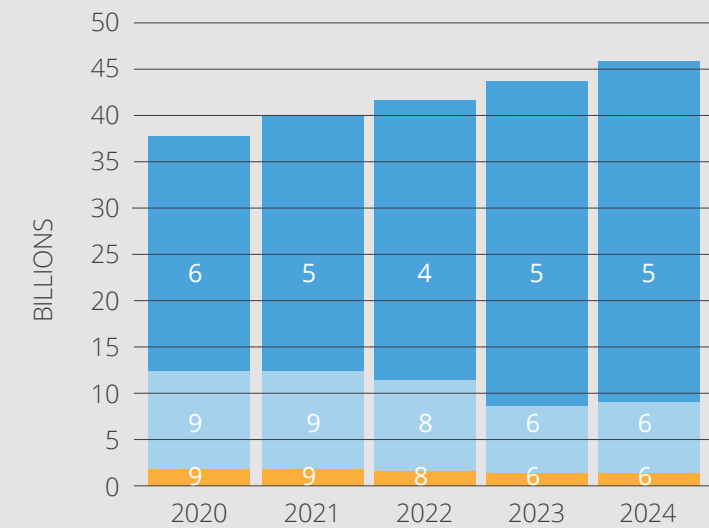
Gross financial margin was slightly lower than the previous year, decreasing to 1.6%. Gross operating expenses increased to 1.4%, while other revenue remained unchanged at 0.4%. Comprehensive income decreased to 0.4%. The Prime Lending Rate remained elevated for the majority of 2024, which had an adverse effect on profitability.



- Greater than 30 days
- Greater than 90 days

### DELINQUENCY

Average 30 and 90-day loan delinquency increased in 2024 to 0.60% and 0.35%. Delinquency remains low relative to industry norms and continues to be closely evaluated for signs of stress.



- Less than \$500 Million
- Between \$500 Million - \$2 Billion
- Greater than \$2 Billion

### SYSTEMS' PROFILE BY ASSET SIZE AND NUMBER OF INSTITUTIONS

The total number of institutions remained unchanged at 17.



# 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 and the caisse.

## VIRTUAL BRANCHES

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

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

DEPOSIT GUARANTEE CORPORATION OF MANITOBA  
**2024 FINANCIAL STATEMENTS**

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# DEPOSIT GUARANTEE CORPORATION OF MANITOBA

## 2024 FINANCIAL STATEMENTS

### 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



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BDO Canada LLP  
201 Portage Avenue, 26<sup>th</sup> 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, 2024 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, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS Accounting Standards).

## 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 21, 2025

DEPOSIT GUARANTEE CORPORATION OF MANITOBA  
**2024 FINANCIAL STATEMENTS**

## Statement of Financial Position

(in thousands of dollars)

**As at December 31**

|   | <b>2024</b>       | <b>2023</b>       |
|---|-------------------|-------------------|
| <b>ASSETS</b>   |                   |                   |
| Cash (Note 5)   | \$ 8,581          | \$ 1,484          |
| Investments (Note 6)  | 531,191           | 482,303           |
| Assessments receivable (Note 7)                               | 8,169             | 7,748             |
| Current tax receivable (Note 8)                               | -                 | 6                 |
| Deferred tax assets (Note 8)                                  | 69                | 73                |
| Other assets (Note 9)   | 1,116             | 1,362             |
|   | <u>\$ 549,126</u> | <u>\$ 492,976</u> |
| <b>LIABILITIES</b>  |                   |                   |
| Provision for financial assistance to credit unions (Note 12) | \$ -              | \$ 48             |
| Accounts payable and accrued liabilities (Note 10)            | 1,826             | 1,871             |
| Defined benefit obligation (Note 11b)                         | 765               | 733               |
| Current tax liability (Note 8)                                | 592               | -                 |
| Deferred tax liability (Note 8)                               | 2,364             | 1,047             |
| Total liabilities   | <u>5,547</u>      | <u>3,699</u>      |
| Contingent liabilities (Note 12)                              |                   |                   |
| <b>CORPORATION EQUITY</b>                                     |                   |                   |
| Retained earnings   | 519,640           | 478,663           |
| Accumulated other comprehensive income                        | 23,939            | 10,614            |
| Total corporation equity                                      | <u>543,579</u>    | <u>489,277</u>    |
|   | <u>\$ 549,126</u> | <u>\$ 492,976</u> |

Approved by the Board on March 21, 2025



**Fernand Vermette**

Board Chair



**Myron Pawlowsky**

Finance & Audit Committee Chair

DEPOSIT GUARANTEE CORPORATION OF MANITOBA  
**2024 FINANCIAL STATEMENTS**

## Statement of Comprehensive Income

(in thousands of dollars)

| Year Ended December 31  | <u>2024</u>      | <u>2023</u>         |
|---|------------------|---------------------|
| <b>REVENUES</b>   |                  |                     |
| Regular assessments   | \$ 31,867        | \$ 30,748           |
| Investment income (Note 13)   | 13,405           | 8,549               |
|   | <u>45,272</u>    | <u>39,297</u>       |
| <b>EXPENSES</b>   |                  |                     |
| Financial recovery from credit unions (Note 12)                       | (1)              | (92)                |
| Registrar's fees  | 300              | 300                 |
| Operating expenses (Note 14)  | 6,058            | 5,616               |
|   | <u>6,357</u>     | <u>5,824</u>        |
| <b>INCOME BEFORE INCOME TAXES</b>                                     | 38,915           | 33,473              |
| <b>Income tax expense (Note 8)</b>                                    | 1,009            | 344                 |
| <b>NET INCOME</b>   | <u>37,906</u>    | <u>33,129</u>       |
| <b>OTHER COMPREHENSIVE INCOME (LOSS)</b>                              |                  |                     |
| <b>Items that may be reclassified subsequently to net income</b>      |                  |                     |
| Unrealized gains on FVTOCI debt instruments                           | 12,505           | 9,903               |
| Income tax expense  | (1,125)          | (891)               |
| Realized losses on FVTOCI debt instruments                            | 2,137            | 2,978               |
| Income tax recovery   | (192)            | (268)               |
| <b>Total items that may be reclassified</b>                           | <u>13,325</u>    | <u>11,722</u>       |
| <b>Items that will not be reclassified subsequently to net income</b> |                  |                     |
| Realized and unrealized gains on FVTOCI equity instruments            | 3,375            | 1,174               |
| Income tax expense  | (304)            | (106)               |
| <b>Total items that will not be reclassified</b>                      | <u>3,071</u>     | <u>1,068</u>        |
| <b>OTHER COMPREHENSIVE (LOSS) INCOME, NET OF INCOME TAX</b>           | 16,396           | 12,790              |
| <b>COMPREHENSIVE INCOME</b>   | <u>\$ 54,302</u> | <u>\$ \$ 45,919</u> |

DEPOSIT GUARANTEE CORPORATION OF MANITOBA  
**2024 FINANCIAL STATEMENTS**

**Statement of Changes in Equity**

(in thousands of dollars)

|   | <b>Retained Earnings</b> | <b>Accumulated Other<br/>Comprehensive Income<br/>(Loss)</b> | <b>Total</b> |
|---|--------------------------|--|--------------|
| Balance at January 1, 2023  | \$ 444,466               | \$ (1,108)   | \$ 443,358   |
| Net income  | 33,129                   | -  | 33,129       |
| Other comprehensive loss  | -                        | 12,790   | 12,790       |
| Total comprehensive income (loss)   | 33,129                   | 12,790   | 45,919       |
| Transfer of revaluation reserve upon disposal of<br>FVTOCI equity instruments | 1,068                    | (1,068)  | -            |
| Balance at December 31, 2023  | \$ 478,663               | \$ 10,614  | \$ 489,277   |
| Balance at January 1, 2024  | \$ 478,663               | \$ 10,614  | \$ 489,277   |
| Net income  | 37,906                   | -  | 37,906       |
| Other comprehensive income  | -                        | 16,396   | 16,396       |
| Total comprehensive income  | 37,906                   | 16,396   | 54,302       |
| Transfer of revaluation reserve upon disposal of<br>FVTOCI equity instruments | 3,071                    | (3,071)  | -            |
| Balance at December 31, 2024  | \$ 519,640               | \$ 23,939  | \$ 543,579   |



DEPOSIT GUARANTEE CORPORATION OF MANITOBA  
**2024 FINANCIAL STATEMENTS**

## Statement of Cash Flows

(in thousands of dollars)

| <b>Year Ended December 31</b>  | <b>2024</b>     | <b>2023</b>     |
|--|-----------------|-----------------|
| <b>OPERATING ACTIVITIES</b>  |                 |                 |
| Net income   | \$ 37,906       | \$ 33,129       |
| Non-cash expense – deferred income tax assets  | 4               | 113             |
| Non-cash expense – depreciation  | 198             | 228             |
| Net impairment loss on investments   | 4               | 6               |
| Net increase in assessments receivable   | (421)           | (189)           |
| Net decrease in prepaid expenses   | 155             | 23              |
| Net increase in current net tax payable  | 598             | 320             |
| Net decrease in financial assistance to credit unions liability  | (48)            | (4,092)         |
| Net increase (decrease) in accounts payable and accrued liabilities, net of right of use assets obligation | 59              | (24)            |
| Net increase (decrease) in defined benefit obligation  | 32              | (7)             |
| <b>Cash flows generated by operating activities</b>  | <b>38,487</b>   | <b>29,507</b>   |
| <b>INVESTING ACTIVITIES</b>  |                 |                 |
| Net increase in investments  | (31,179)        | (30,424)        |
| Purchase of property and equipment, net of disposal proceeds   | (107)           | (81)            |
| <b>Cash flows used in investing activities</b>   | <b>(31,286)</b> | <b>(30,505)</b> |
| <b>FINANCING ACTIVITIES</b>  |                 |                 |
| Principal payment of lease liabilities   | (104)           | (186)           |
| <b>Cash flows used in financing activities</b>   | <b>(104)</b>    | <b>(186)</b>    |
| <b>NET INCREASE IN CASH</b>  | <b>7,097</b>    | <b>1,184</b>    |
| <b>CASH, BEGINNING OF YEAR</b>   | <b>1,484</b>    | <b>2,668</b>    |
| <b>CASH, END OF YEAR</b>   | <b>\$ 8,581</b> | <b>\$ 1,484</b> |
| <b>SUPPLEMENTARY CASH FLOW INFORMATION</b>   |                 |                 |
| Income taxes paid  | \$ 407          | \$ 349          |

# DEPOSIT GUARANTEE CORPORATION OF MANITOBA

# 2024 FINANCIAL STATEMENTS

## 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 and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS Accounting Standards).

The financial statements were authorized for issue by the Board of Directors on March 21, 2025.

### 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.

# DEPOSIT GUARANTEE CORPORATION OF MANITOBA

## 2024 FINANCIAL STATEMENTS

### 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

# DEPOSIT GUARANTEE CORPORATION OF MANITOBA

## 2024 FINANCIAL STATEMENTS

- 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.

# DEPOSIT GUARANTEE CORPORATION OF MANITOBA

## 2024 FINANCIAL STATEMENTS

### 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.

# DEPOSIT GUARANTEE CORPORATION OF MANITOBA

## 2024 FINANCIAL STATEMENTS

### **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.

# DEPOSIT GUARANTEE CORPORATION OF MANITOBA

## 2024 FINANCIAL STATEMENTS

### 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.

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### 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

The following standard has been announced which will have an impact on future financial statements for DGCM:

IFRS 18 *Presentation and Disclosure in Financial Statements* replaces IAS 1 *Presentation of Financial Statements* and is mandatorily effective for annual reporting periods beginning on or after January 1, 2027. IFRS 18, sets out significant new requirements for how financial statements are presented, with particular focus on the statement of profit or loss and the aggregation and disaggregation of information. The change in standards will impact the presentation of DGCM's financial statements for the year ended December 31, 2027.



# DEPOSIT GUARANTEE CORPORATION OF MANITOBA

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### 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

# DEPOSIT GUARANTEE CORPORATION OF MANITOBA

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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.

# DEPOSIT GUARANTEE CORPORATION OF MANITOBA

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### 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:

| <b>As at December 31</b>                                      | <b><u>2024</u></b> | <b><u>2023</u></b> |
|---|--------------------|--------------------|
| <b>Fixed income investments</b>                               |                    |                    |
| Treasury bills  | 48,707             | 53,281             |
| Government bonds  | 302,636            | 262,704            |
| Corporate bonds   | 106,765            | 96,325             |
|   | <u>458,108</u>     | <u>412,310</u>     |
| <b>Equity investments</b>                                     |                    |                    |
| Canadian equities   | 21,236             | 20,449             |
| Global equity exchange traded funds, net of forward contracts | 19,964             | 18,879             |
| Canadian real estate funds                                    | 31,883             | 30,665             |
| Equitable Bank shares   | -                  | -                  |
|   | <u>73,083</u>      | <u>69,993</u>      |
|   | <u>531,191</u>     | <u>482,303</u>     |

### 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.

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## 8 Income taxes

### a) Income tax recognized in net income

| <b>Year ended December 31</b>                       | <b><u>2024</u></b> | <b><u>2023</u></b> |
|---|--------------------|--------------------|
| <b>Current tax</b>                                  |                    |                    |
| Current tax expense in respect of the current year  | 1,005              | 343                |
| <b>Deferred tax</b>                                 |                    |                    |
| Deferred tax expense recognized in the current year | 4                  | 1                  |
| Total tax expense relating to continuing operations | <u>1,009</u>       | <u>344</u>         |

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

| <b>Year ended December 31</b>               | <b><u>2024</u></b> | <b><u>2023</u></b> |
|---|--------------------|--------------------|
| Income from continuing operations           | 38,915             | 33,473             |
| Income tax expense at statutory rate        | 3,502              | 3,013              |
| Non-taxable credit union assessments        | (2,859)            | (2,775)            |
| Foreign withholding taxes and other         | 366                | 195                |
| Income tax expense recognized in net income | <u>1,009</u>       | <u>433</u>         |

### b) Income tax recognized in other comprehensive income

| <b>Year ended December 31</b>  | <b><u>2024</u></b> | <b><u>2023</u></b> |
|--|--------------------|--------------------|
| <b>Deferred tax</b>  |                    |                    |
| Fair value gains re-measurement of FVTOCI financial assets                             | 23,939             | 10,614             |
| Total deferred income tax expense recognized in accumulated other comprehensive income | <u>2,361</u>       | <u>955</u>         |

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### 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% (2023: 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:

| <b>As at December 31</b>                       | <b><u>2024</u></b> | <b><u>2023</u></b> | <b><u>Change</u></b> |
|--|--------------------|--------------------|----------------------|
| <b>Deferred tax assets</b>                     |                    |                    |                      |
| Provision for retirement obligation            | 69                 | 73                 | (4)                  |
| <b>Deferred tax liabilities</b>                |                    |                    |                      |
| Right-of-use assets                            | 3                  | 3                  | -                    |
| Net unrealized gain on FVTOCI financial assets | 2,361              | 1,044              | 1,317                |
|  | <u>2,364</u>       | <u>1,047</u>       | <u>1,317</u>         |

## 9 Other assets

The components of other assets were as follows:

| <b>As at December 31</b> | <b><u>2024</u></b> | <b><u>2023</u></b> |
|--------------------------|--------------------|--------------------|
| Accounts receivable      | 6                  | 178                |
| Employee loans           | -                  | 1                  |
| Prepaid expenses         | 68                 | 51                 |
| ROU assets               | 924                | 986                |
| Property and equipment   | 118                | 146                |
|                          | <u>1,116</u>       | <u>1,362</u>       |

## 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.

# DEPOSIT GUARANTEE CORPORATION OF MANITOBA

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### 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 employees' 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 \$198 (2023: \$183) represents contributions payable to these plans by DGCM at rates specified in the rules of the plans. As at December 31, 2024, all contributions due in respect of the 2024 and 2023 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, 2024.

The most recent actuarial valuation of the defined benefit obligation was carried out in November 2024 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:

| <b>As at December 31</b>          | <b><u>2024</u></b> | <b><u>2023</u></b> |
|-----------------------------------|--------------------|--------------------|
| Discount rates                    | 4.5%               | 5.7%               |
| Expected rates of salary increase | 3.0%               | 3.0%               |
| Assumed retirement age            | 62                 | 62                 |

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

| <b>Year ended December 31</b>          | <b><u>2024</u></b> | <b><u>2023</u></b> |
|--|--------------------|--------------------|
| Current service cost                   | 36                 | 38                 |
| Actuarial gains recognized in the year | 25                 | (29)               |
| Interest costs                         | 40                 | 34                 |
|  | 101                | 43                 |

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:

| <b>Year ended December 31</b>          | <b><u>2024</u></b> | <b><u>2023</u></b> |
|--|--------------------|--------------------|
| Opening defined benefit obligation     | 733                | 740                |
| Current service cost                   | 36                 | 38                 |
| Actuarial gains recognized in the year | 25                 | (29)               |
| Interest costs                         | 40                 | 34                 |
| Benefits paid                          | (69)               | (50)               |
| Closing defined benefit obligation     | 765                | 733                |

The maturity profile of the obligation is outlined as follows:

| <b>As at December 31</b>                          | <b><u>2024</u></b> | <b><u>2023</u></b> |
|---|--------------------|--------------------|
| Within one year                                   | 167                | 155                |
| Later than one year and not later than five years | 351                | 404                |
| Later than five years                             | 247                | 174                |
|   | 765                | 733                |

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## 12 Contingent liabilities and provision for financial assistance to credit unions

As at December 31, 2024, DGCM has guaranteed \$40.8 billion (2023: \$38.6 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, 2024, DGCM has committed to loan indemnities and amalgamation assistance to credit unions with a maximum exposure of NIL (2023: \$48). For the year ended December 31, 2024, DGCM has recorded a recovery of \$1 for a loan indemnity and credit union amalgamation assistance as a result of a change in estimate (2023: recovery of \$92).

## 13 Investment Income

| <b>Year ended December 31</b>                         | <b>2024</b>   | <b>2023</b>  |
|---|---------------|--------------|
| Interest income – loans and receivables               | 142           | 142          |
| Interest income – FVTOCI                              | 13,706        | 9,671        |
| Dividend income – FVTOCI                              | 1,745         | 1,771        |
| Realized losses on disposal of marketable investments | (2,132)       | (2,973)      |
| Unrealized and realized losses on foreign exchange    | (52)          | (57)         |
| Impairment loss on investments                        | (4)           | (5)          |
|   | <u>13,405</u> | <u>8,549</u> |

For the year ended, December 31, 2024, DGCM disposed of \$8,419 (2023: \$1,703) of FVTOCI equity instruments, resulting in a cumulative realized gain of \$3,071 (2023: \$1,067) 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

| <b>Year ended December 31</b>  | <b>2024</b>  | <b>2023</b>  |
|--------------------------------|--------------|--------------|
| Salaries and benefits          | 3,911        | 3,624        |
| Contract and professional fees | 728          | 575          |
| Occupancy                      | 425          | 416          |
| Administration                 | 390          | 373          |
| Central funding                | 243          | 250          |
| Corporate governance           | 158          | 158          |
| Travel                         | 79           | 114          |
| Other                          | 124          | 106          |
|                                | <u>6,058</u> | <u>5,616</u> |



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## 15 Financial instruments

### a) Class disclosure

The following is the disclosure of financial assets by class:

| <b>As at December 31</b> | <b><u>2024</u></b> | <b><u>2023</u></b> |
|--------------------------|--------------------|--------------------|
| <b>Amortized Cost</b>    |                    |                    |
| Cash                     | 8,581              | 1,484              |
| Assessments receivable   | 8,169              | 7,748              |
| Employee loans           | -                  | 1                  |
|                          | <u>16,750</u>      | <u>9,233</u>       |
| <b>FVTOCI</b>            |                    |                    |
| Fixed income investments | 458,107            | 412,310            |
| Equity investments       | 73,084             | 69,993             |
|                          | <u>531,191</u>     | <u>482,303</u>     |

The following is the disclosure of financial liabilities by class:

| <b>As at December 31</b>                            | <b><u>2024</u></b> | <b><u>2023</u></b> |
|---|--------------------|--------------------|
| <b>Amortized Cost</b>                               |                    |                    |
| Provision for financial assistance to credit unions | -                  | 48                 |
| Accounts payable and accrued liabilities            | 1,826              | 1,871              |
|   | <u>1,826</u>       | <u>1,919</u>       |

### 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.

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### 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.

| <b>Asset class</b> | <b>Maximum asset mix</b> | <b>Benchmark index</b>                  |
|--------------------|--------------------------|---|
| Government bonds   | 62.50%                   | 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 government bonds 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.

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### 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, 2024 would increase/decrease by \$387/\$386 (2023: increase/decrease by \$390/388). 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 \$3,831 (2023: decrease/increase by \$3,557) 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.

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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:

| <b>As at December 31</b> | <b><u>2024</u></b> | <b><u>2023</u></b> |
|--------------------------|--------------------|--------------------|
| <b>Credit rating</b>     |                    |                    |
| AAA                      | 271,418            | 242,403            |
| AA                       | 91,172             | 81,201             |
| A                        | 64,383             | 60,641             |
| BBB                      | 31,134             | 28,065             |
|                          | 458,107            | 412,310            |

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

| <b>As at December 31</b> | <b><u>2024</u></b> | <b><u>2023</u></b> |
|--------------------------|--------------------|--------------------|
| Government               | 351,342            | 315,985            |
| Corporate                | 106,765            | 96,325             |
|                          | 458,107            | 412,310            |

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.

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The economic scenarios used as at December 31, 2024 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 16 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.

|   | <b><u>2024</u></b> | <b><u>2023</u></b> |
|---|--------------------|--------------------|
| Balance at January 1  | 32                 | 26                 |
| Remeasurement of loss allowance, net of purchases and disposals | 4                  | 6                  |
| Balance at December 31  | 36                 | 32                 |

### 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 95% 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.

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The following table details DGCM's expected maturity for its cash accounts, 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 \$73,084 (2023: \$65,966).

| <b>As at December 31</b> | <b><u>2024</u></b> | <b><u>2023</u></b> |
|--------------------------|--------------------|--------------------|
| <b>Financial assets</b>  |                    |                    |
| Under one year           | 88,177             | 87,353             |
| One to five years        | 378,511            | 326,441            |
|                          | 466,688            | 413,794            |

### **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.

| <b>Asset class</b> | <b>Maximum asset mix</b> | <b>Benchmark index</b>    |
|--------------------|--------------------------|---------------------------|
| 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 \$3,749 (2023: \$3,579).

### **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.

# DEPOSIT GUARANTEE CORPORATION OF MANITOBA

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### 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.

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

| <b>As at December 31, 2023</b>                           | <b><u>Level 1</u></b> | <b><u>Level 2</u></b> | <b><u>Level 3</u></b> | <b><u>Total</u></b> |
|--|-----------------------|-----------------------|-----------------------|---------------------|
| <b>Assets measured at fair value</b>                     |                       |                       |                       |                     |
| 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 exchanged 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             |

| <b>As at December 31, 2024</b>                           | <b><u>Level 1</u></b> | <b><u>Level 2</u></b> | <b><u>Level 3</u></b> | <b><u>Total</u></b> |
|--|-----------------------|-----------------------|-----------------------|---------------------|
| <b>Assets measured at fair value</b>                     |                       |                       |                       |                     |
| Cash   | 8,581                 | -                     | -                     | 8,581               |
| Fixed income investments                                 |                       |                       |                       |                     |
| Treasury bills   | 48,707                | -                     | -                     | 48,707              |
| Government bonds   | -                     | 302,636               | -                     | 302,636             |
| Corporate bonds  | -                     | 106,765               | -                     | 106,765             |
| Equity investments                                       |                       |                       |                       |                     |
| Canadian equities  | 21,236                | -                     | -                     | 21,236              |
| Global equity exchange traded funds                      | 19,964                | -                     | -                     | 19,964              |
| Canadian real estate fund                                | -                     | -                     | 31,883                | 31,883              |
| Total assets measured at fair value on a recurring basis | 98,488                | 409,401               | 31,883                | 539,772             |

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.



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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:

| <b>2023</b>  | <b><u>Canadian real estate fund</u></b> | <b><u>Equitable Bank shares</u></b> |
|--|---|-------------------------------------|
| Balance at January 1   | 31,844                                  | 22                                  |
| Total losses   | (1,179)                                 | -                                   |
| Purchases  | -                                       | -                                   |
| Sales  | -                                       | (22)                                |
| Other  | -                                       | -                                   |
| Balance at December 31   | <u>30,665</u>                           | <u>-</u>                            |
| Total gains for the year included in investment income                                       | <u>-</u>                                | <u>-</u>                            |
| Change in unrealized losses for the year included in earnings for assets held at December 31 | <u>(1,179)</u>                          | <u>-</u>                            |
|  |   |                                     |
| <b>2024</b>  | <b><u>Canadian real estate fund</u></b> | <b><u>Equitable Bank shares</u></b> |
| Balance at January 1   | 30,665                                  | -                                   |
| Total gains  | 1,218                                   | -                                   |
| Purchases  | -                                       | -                                   |
| Sales  | -                                       | -                                   |
| Other  | -                                       | -                                   |
| Balance at December 31   | <u>31,883</u>                           | <u>-</u>                            |
| Total gains for the year included in investment income                                       | <u>-</u>                                | <u>-</u>                            |
| Change in unrealized gains for the year included in earnings for assets held at December 31  | <u>1,218</u>                            | <u>-</u>                            |

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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 2023. |
| Significant unobservable inputs                                  | Discount rate<br>Reversionary rate<br>Vacancy rate   | None                                 |
| Input values   | Discount range 5.5-12.0% (2023: 5.3-11.5%)<br>Reversionary range 4.5-11.0% (2023: 4.3-10.8%)<br>Vacancy weighted average 8.3% (2023: 5.9%)<br>Effective Vacancy 8.8% (2023: 7.6%)  | 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.<br>A decrease/increase in the reversionary rate would result in an increase/decrease in fair value.<br>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, 2024, DGCM had forward contracts with a negative FMV of \$276 (2023: negative \$397). The notional value of the contracts was \$15,575 (2023: \$13,405). The counterparty of forward contracts is the Canadian Imperial Bank of Commerce. The maturity date of the contracts is March 13, 2025.

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## 16 Related party transactions

### a) Compensation of key management personnel

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 2024 was \$NIL (2023: \$NIL).

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:

| <b>Year ended December 31</b> | <b>2024</b> | <b>2023</b> |
|-------------------------------|-------------|-------------|
| Salaries                      | 781         | 743         |
| Short-term benefits           | 53          | 53          |
| Post-employment benefits      | 70          | 45          |
|                               | 904         | 841         |

### b) 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:

| <b>Year ended December 31</b> | <b>2024</b> | <b>2023</b> |
|-------------------------------|-------------|-------------|
| Board member remuneration     | 107         | 112         |
| Expenses                      | 51          | 46          |
|                               | 158         | 158         |

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### 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

|                                  | <u>2024</u> | <u>2023</u> |
|----------------------------------|-------------|-------------|
| Balance at January 1             | 986         | 172         |
| Additions                        | 92          | 986         |
| Depreciation charge for the year | (154)       | (172)       |
| Balance at December 31           | 924         | 986         |

#### c) Lease liabilities

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

| <b>As at December 31</b>                          | <u>2024</u> | <u>2023</u> |
|---|-------------|-------------|
| No later than one year                            | 176         | 130         |
| Later than one year and not later than five years | 723         | 652         |
| Later than five years                             | 191         | 344         |
|   | 1,090       | 1,126       |

In 2024, the total cash outflow for leases was \$186 (2023: \$187).

#### d) Amounts recognized in profit or loss

| <b>Year ended December 31</b> | <u>2024</u> | <u>2023</u> |
|-------------------------------|-------------|-------------|
| Interest on lease liabilities | 39          | 1           |
| Depreciation of ROU assets    | 154         | 172         |
|                               | 193         | 173         |

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## 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, 2024:

| <b>Information Required Annually<br/>(per Section 18 of the Act)</b>  | <b>Fiscal Year 2024</b> |
|---|-------------------------|
| <b>The number of disclosures received, and the number acted on and not acted on.<br/>Subsection 18(2)(a)</b>  | <b>Nil</b>              |
| <b>The number of investigations commenced as a result of a disclosure.<br/>Subsection 18(2)(b)</b>  | <b>Nil</b>              |
| <b>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.<br/>Subsection 18(2)(c)</b> | <b>Nil</b>              |