CREDIT UNION
DEPOSIT GUARANTEE
CORPORATION

2021 ANNUAL REPORT

CREDIT UNION
DEPOSIT GUARANTEE
CORPORATION

DEPOSIT GUARANTEE STATEMENT

The Credit Union Deposit Guarantee Corporation (the "Corporation") operates under the authority of the *Credit Union Act (the "Act")* Chapter C-32, revised Statutes of Alberta, 2000. The Corporation guarantees the repayment of all deposits with Alberta credit unions including accrued interest. The Act provides that the Province of Alberta will ensure that this obligation of the Corporation is carried out.

All deposit amounts are 100% guaranteed and include accrued interest to the date of payout. Deposit amounts including chequing and savings accounts, RRSP deposits, RRIF deposits, TFSA deposits, foreign currency deposits, and term deposits, including those with terms exceeding five years. The guarantee does not cover non-deposit investments, examples of which include common shares, investment shares, mutual funds and self-administered RRSPs that are not deposits (e.g. shares, mutual funds).

MANDATE

To guarantee deposits and provide risk-based regulatory oversight to enable a safe and sound credit union system in Alberta.

PRIMARY ROLES

- Provide a 100% guarantee of deposits held with Alberta credit unions.
- Regulate credit unions and enforce the Act.
- Review, advise and direct credit unions on sound business practices.
- Monitor credit union performance and implement appropriate actions to improve performance and reduce risks.
- Establish individual credit union loan approval limits and provide an appropriate adjudication process for loans exceeding these limits.

CORPORATE VALUES

- Integrity
- Respect
- Accountability

CORE OPERATIONS

There are three interrelated core operations that contribute to fulfilling our mandate:

- guaranteeing deposits,
- regulating credit unions, and
- managing our business.

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FIVE-YEAR FINANCIAL AND STATISTICAL SUMMARY

For the years ending December 31

	2021	2020	2019	2018	2017
Selected statement of financial position items ($ in thousands)					
Investments	417,937	420,296	387,114	356,615	337,536
Provision for financial assistance	-	-	-	-	-
Selected statement of comprehensive income items ($ in thousands)					
Assessment revenue	12,155	11,564	18,636	19,656	19,140
Investment income	6,760	19,590	12,864	5,861	9,496
Operating expenses	6,407	6,444	6,607	6,992	7,247
Total comprehensive (loss) income	(204)	30,972	27,474	19,880	15,772
Number of active credit unions	14	16	16	17	21
Total credit union available capital as % of risk weighted assets (as of October 31)	16.84%	16.81%	16.66%	16.44%	15.89%
Total credit union insured deposits ($ in billions)	24.7	23.5	22.0	21.8	21.4
Deposit Guarantee Fund ($ in thousands)	422,764	422,968	391,996	364,522	344,642
Deposit Guarantee Fund as % of deposits and borrowings	1.70%	1.78%	1.76%	1.63%	1.61%

Alberta Credit Unions

Regulated Credit Unions in Alberta as at December 31, 2021

1st Choice Savings and Credit Union Ltd.

ABCU Credit Union Ltd.

Bow Valley Credit Union Ltd.

Calgary Police Credit Union Ltd.

Christian Credit Union Ltd.

Connect First Credit Union Ltd.[1]

Encompass Credit Union Ltd.

Khalsa Credit Union (Alberta) Limited

Lakeland Credit Union Ltd.

Rocky Credit Union Ltd.

Servus Credit Union Ltd.

TransCanada Credit Union Ltd.

Vermilion Credit Union Ltd.

Vision Credit Union Ltd.[2]

[1] Spark Credit Union Ltd. amalgamated with Connect First Credit Union Ltd. effective November 1, 2021

[2] Pincher Creek Credit Union Ltd. amalgamated with Vision Credit Union Ltd. effective August 1, 2021

Message from the Chair

On behalf of the Board of Directors and management, it is my pleasure to present the 2021 Annual Report for the Credit Union Deposit Guarantee Corporation.

Through another year of pandemic and uncertainty, the Corporation continues to deliver effectively on our mandate to guarantee deposits and provide risk-based regulatory oversight to enable a safe and sound credit union system in Alberta.

The Board remains committed to strengthening its governance practices. We completed our objectives which include enhancing the strategic planning process, board development and updating the competency matrix, enhancing oversight of corporate culture and improving the effectiveness of board/committee structure, and increasing strategic conversations at board meetings.

During our annual planning session in June, we developed a purpose statement in collaboration with management to focus our attention on strategic priorities and direction for the Corporation. This helped to frame our discussions around various factors that could potentially inform our aspirational future. Outcomes of our discussions included strategic initiatives on evolving our regulatory oversight framework, improving our crisis management capability, reviewing our fund size and assessment rate methodology, enhancing our workforce sustainability, broadening our regulatory role and leveraging technology.

2021 witnessed the start of the biggest expansion of the Corporation's regulatory role since our inception, with the passing of *Bill 80 - the Red Tape Reduction Implementation Act 2021*. This enabled the Minister to transfer responsibility for regulatory oversight of Alberta Central to the Corporation. We agree with the view of Alberta Treasury Board and Finance that having a unified oversight of Alberta Central and Alberta credit unions will enhance the safety and soundness of the system which in turn would reduce the risk for the tax payer arising from the unlimited deposit guarantee. We believe the transfer of regulatory oversight will occur during 2022 and look forward to working collaboratively with all stakeholders on this transition.

We appreciate the collaborative working relationships with Alberta Treasury Board & Finance, Alberta Central and Alberta credit unions.

On behalf of the Board, I want to express my sincere thanks to Sharon Carry for her significant contributions and dedicated service during her tenure on the Board. We are pleased to welcome Camille Berube as our new credit union system nominee. I also want to express my appreciation to all employees for their resilience, hard work and contributions towards the goals of the Corporation.

John McGowan CPA-CMA, ICD.D
Chair, Board of Directors

Message from the President & Chief Executive Officer

The last couple of years have been unprecedented for everyone as we adapted and responded to the pandemic. I am very pleased with our resilence as reflected in the Corporation's results that this report highlights as well as the progress and achievements we have made during 2021.

The trend of credit union consolidation continues and we saw two more amalgamations during the year. As of December 31, 2021, there are 14 credit unions in Alberta with total assets of $29.14 billion and total deposits of $24.66 billion.

As we settled into the new norm of working from home under the COVID-19 restrictions, we looked at alternative ways of monitoring the safety and soundness of the credit union system while ensuring the health and safety of our employees. With travel restrictions, we completed several virtual reviews, including credit and IT governance reviews. We remain committed to collaborating with the system on emerging areas including open banking and climate risk. I would also like to thank credit unions for the feedback from the credit union survey.

The *Bill 80 - the Red Tape Reduction Implementation Act 2021* was passed late in 2021. This Bill includes changes to the Act that enable more efficient regulation of Alberta's credit union system by providing legislative authority for transferring oversight responsibility for Alberta Central to the Corporation. We are working closely with the Alberta government on this transition.

In 2021, the Corporation undertook a review of the fund size target. This work is important to ensure that Deposit Guarantee Fund is maintained at a level that ensures public confidence in the deposit guarantee and therefore in the Alberta credit union system. Significant progress was made on our strategic areas of focus which include contingency planning for the credit unions, review of the fund size target, evolving our regulatory oversight framework, workforce sustainability and approach to managing our business during and post pandemic.

We engaged a consultant and all employees completed a series of surveys on organizational effectiveness and organizational culture in 2021. These surveys provided us a picture of our collective view of our current as well as desired culture. We engaged our whole workforce as we worked through the results and identified areas of improvement. This is an ongoing initiative and I look forward to tangible benefits arising from this foundational work in years to come.

We have seen increased engagement with other jurisdictional peers through our membership with Credit Union Prudential Supervisors Association (CUPSA) in Canada and the International Credit Union Regulators Network (ICURN). We share information related to liquidity, regulatory oversight, crisis management frameworks, and deposit insurance protection.

Lastly, I would like to thank the Board of Directors for their leadership and commitment in making our organization better. Most importantly, I would like to express sincere thanks and appreciation to each employee for all of their work efforts and valuable contributions towards the Corporation's success.

Joel Borlé, MBA, ICD.D
President & Chief Executive Officer

Corporate Governance Practices

The Corporation, as a Government of Alberta public agency have established governance practices that align with the Alberta Public Agencies Governance Act (APAGA). The Public Agency Governance Policy provides guidance and best practices for the governance of public agencies. The basis of the Governance Policy follows principles around strategic vision and leadership, accountability, ethics, effectiveness and communication and transparency.

The Board of Directors ("Board") oversees the business and affairs of the Corporation and operates under the Mandate and Roles Document, General Bylaws and Terms of Reference. The Board functions are supported by two committees of the Board, with committee recommendations considered for approval by the Board.

The Terms of Reference for the Board and committees are reviewed annually. The requirements detailed within the Board and committees Terms of References and work plans for 2021 have been completed.

BOARD MANDATE

The Board is responsible for the stewardship of the Corporation and provides independent and effective leadership to ensure its purposes and business activities as outlined in the Act, and the Board's Terms of Reference are fulfilled.

- The Board holds a planning meeting annually. The final budget and business plan are approved by the Board and submitted to the President of Treasury Board and Minister of Finance for approval.
- The Board oversees the risks of the Corporation including review of Enterprise Risk Management reports. The risks of the Corporation are considered on a regular basis through an enterprise risk management framework, the planning process and at Board and committee meetings.
- The Board oversees the risks in Alberta credit unions through review of the system update which includes various reports.
- The Board approves the Annual Report.
- The Board administers the Mandate and Roles Document, between the President of Treasury Board and Minister of Finance and the Corporation.
- The Board reviews committee memberships and Terms of Reference annually.
- The Board approves and monitors the bylaws and policies of the Corporation.
- The Board reviews recommendations from the committees and establishes ad hoc committees of the Board as needed.
- The Board establishes the Deposit Guarantee Fund size target and sets the assessment rates charged to the credit unions.
- The Board approves the President & CEO selection, compensation, performance evaluation, succession planning and termination, some of which are subject to the *Reform of Agencies, Boards and Commissions Compensation Act* and other applicable directions set by the Government of Alberta.
- A process exists for the Corporation to make recommendations to amend the Act.

Corporate Governance Practices

COMPOSITION OF THE BOARD

All the Board of Directors are appointed by the Lieutenant Governor in Council and are unrelated and independent of management. Credit Union Central Alberta Limited provides names for government's consideration for the two credit union system nominees on the Board. The President of Treasury Board and Minister of Finance appoints the Chair and Vice Chair. The Board is composed of up to seven directors.

BOARD OF DIRECTORS

John McGowan, Chair
CPA-CMA, ICD.D
Edmonton, Alberta
Appointed: November 29, 2016
Reappointed: June 14, 2018
Reappointed: May 1, 2021 for a term to expire April 30, 2024

Paulina Hiebert, Vice Chair
B.Comm, LL.B., MBA
Edmonton, Alberta
Appointed: November 29, 2016
Reappointed: December 11, 2018
Reappointed: May 1, 2022 for a term to expire April 30, 2025

Laurene Beloin, MBA, ICD.D
Edmonton, Alberta
Appointed: November 29, 2016
Reappointed: June 14, 2018
Reappointed: May 1, 2021 for a term to expire April 30, 2024

Camille Bérubé, BA, FCUIC
A nominee from the credit union system
Beaumont, Alberta
Appointed: May 1, 2021 for a term to expire April 30, 2024

Margaret McCuaig-Boyd, BEd, MA
Fairview, Alberta
Appointed: October 24, 2019 for a term to expire October 23, 2022

Jim McKillop, FCA, ICD.D
St. Albert, Alberta
Appointed: November 29, 2016
Reappointed: June 14, 2018
Reappointed: May 1, 2022 for a term to expire April 30, 2025

Ken Morris
A nominee from the credit union system
Wainwright, Alberta
Appointed: November 21, 2017
Reappointed: July 8, 2020 for a term to expire April 30, 2023

Corporate Governance Practices

RECRUITMENT AND APPOINTMENT PROCESS

The Board is comprised of individuals with financial acumen, industry experience and professional qualifications to ensure breadth of knowledge, competencies, independence and a diversity of perspective and experience.

When a vacancy occurs, the Board will identify the desired competencies, based on the Board's Competency Matrix, and provide that profile to the Government of Alberta's Public Agency Secretariat. The centralized recruitment function is coordinated by the Public Agency Secretariat and will involve our Board and department officials from the Ministry of Treasury Board and Finance. The review and interview process leads to a recommendation through the Government of Alberta's decision making process. This process results in an Order in Council that appoints and/or re-appoints a director. Conflict of interest and other screening shall be completed before a list of suitable candidates is prepared for submission to the President of Treasury Board and Minister of Finance.

Board appointments are for a fixed term of up to three years, with the potential for reappointment, based on satisfactory performance, to a maximum of ten years of continuous service. The Board recognizes that the ultimate responsibility for developing and posting job profiles and making Board appointments rests with the Government of Alberta. The recruitment and appointment process is available to the public on the Corporation's website.

ORIENTATION AND PROFESSIONAL DEVELOPMENT

The Board Chair, the Chair of the Governance and Human Resources Committee and management provide a comprehensive orientation program for all new directors. This includes review of the Corporation's Mandate and Roles Document, statutory requirements, Board governance, corporate operations, roles and responsibilities of the Board and the expectations of directors in their capacity as a member of the Board or its Committees. Additional sessions covering specific regulatory requirements such as liquidity, capital, credit adjudication, etc. are attended by directors. All directors have received their orientation. The Director Orientation and Professional Development Policy describes the orientation and on-going support of professional development for directors.

POSITION DESCRIPTIONS

The Governance and Human Resources Committee reviews the position description for the Chair, Vice Chair, Committee Chairs, Board members, and the President & CEO on an annual basis.

COMPENSATION

The Corporation is a provincial corporation according to the *Financial Administration Act*. Compensation for directors of the Corporation is established by the *Committee Remuneration Order* which is approved by the Lieutenant Governor in Council. The Chair of the Board also receives an annual retainer. Compensation for directors is disclosed in the annual report and Corporation's public website as required by the *Public Sector Body Compensation Transparency Act*.

CODES OF BUSINESS CONDUCT AND ETHICS

The Board has adopted a written Codes of Conduct and Ethics Policy ("Code") including Conflict of Interest for both directors and employees that is approved by the Ethics Commissioner.

The Governance and Human Resources Committee monitors compliance with the Code on an annual basis. All directors and employees are required to annually acknowledge the Codes and compliance with it.

Corporate Governance Practices

COMMITTEES OF THE BOARD

The Board has established committees to fulfill annual responsibilities and functions, and continue to enhance our governance practices.

COMMITTEE	RESPONSIBILITIES
Audit and Finance	◆ Carries out the responsibilities in section 81 and 87 of the Act and oversees: • quality and integrity of financial statements, integrity of financial reporting practices and processes, adequacy of internal controls and processes to manage major financial risks • monitoring the financial reporting and performance of the Corporation • the Deposit Guarantee Fund and investment management strategies, adequacy of Corporate Investment Policy and processes to manage investment portfolio and performance of investment manager; and • the independent audit processes, and the independence and performance of the external and internal auditors. ◆ Assumes the duties, functions and powers of a special loans committee under Section 143 of the Act. ◆ Oversees the quality and integrity of the Corporation's credit risk management function including prudent lending standards, oversight of credit adjudication practices and processes, President & CEO's discretionary lending limit ("DLL"), adjudication of credit union requests in excess of the President & CEO's DLL, and review and decide on credit union appeals for credit decisions made by the President & CEO.
Governance and Human Resources	◆ Oversees the development and implementation of principles and systems for the management of corporate governance to enhance the Corporation's performance, develops and maintains the Board Succession Plan, develops and maintain Board members' competency and skills matrix, oversees orientation and education of directors and an evaluation of the effectiveness of the Board, its committees, the Chair and the committee Chairs. ◆ Reviews bylaws and corporate policies, compensation and human resources strategies and policies. ◆ Recommends CEO selection, performance evaluation, compensation (subject to the *Reform of Agencies, Boards and Commissions Compensation Act*) and succession planning. ◆ Reviews the Executive's performance, compensation and succession planning.

Corporate Governance Practices

BOARD AND COMMITTEE MEETINGS AND ATTENDANCE

The Corporation's Board held eight board meetings in 2021, one of which was for the business planning. These included meetings with management on the pandemic in January and April, a meeting in May to approve two amalgamations and a meeting in October to provide final approval of the budget and business plan. The Audit and Finance Committee and Governance and Human Resources Committee each met three times. There were no Committee meetings in June to allow the Board more time to focus on governance and strategic planning matters. An in-camera session (without management present) is held at least at the quarterly Board and Committee meetings. Director meeting attendance is summarized as follows.

	BOARD OF DIRECTORS' MEETINGS[1] (8)	AUDIT & FINANCE MEETINGS (3)	GOVERNANCE & HUMAN RESOURCES MEETINGS (3)
John McGowan – Chair[2]	8 / 8	3 / 3	3 / 3
Laurene Beloin	8 / 8	3 / 3	
Camille Bérubé[3]	5 / 8		2 / 3
Sharon Carry[4]	3 / 8		1 / 3
Paulina Hiebert – Vice Chair	8 / 8	3 / 3	
Margaret McCuaig-Boyd[5]	8 / 8		3 / 3
Jim McKillop	8 / 8		3 / 3
Ken Morris[6]	8 / 8	3 / 3	

[1] Includes Board Planning Session

[2] Chair of the Board of Directors and ex-officio member of all committees

[3] Appointed to Board effective May 1, 2021

[4] Appointment to Board ended April 30, 2021

[5] Chair of the Governance & Human Resources Committee

[6] Chair of the Audit & Finance Committee

There were no board on board meetings with credit unions or with Alberta Central due to COVID-19 restrictions.

Executive & Management Team

EXECUTIVE

Joel Borlé, MBA, ICD.D
President & Chief Executive Officer

Jennie Allen, CPA, CA
Chief Financial Officer

Peter Baba, CFA
Vice President
Regulation & Risk Assessment

Jammi Rao, FRM, ICD.D
Vice President
Business Services & Regulatory Practices

MANAGEMENT

Wayne Fedorak, FCUIC
Assistant Vice President
Regulation & Risk Assessment

Wendy Ivey, MBA, FICB
Assistant Vice President
Regulation & Credit Risk Assessment

John Kalungi, CPA, CGA, CRM-E
Assistant Vice President
Regulation & Risk Assessment

Therese Sywolos
Assistant Vice President
Information Technology

Lyle Toop, BComm, CPHR, CEC
Director
Human Resources

The *Public Interest Disclosure (Whistleblower Protection) Act*

The Credit Union Deposit Guarantee Corporation as a provincial corporation of the Government of Alberta must adhere to the *Public Interest Disclosure (Whistleblower Protection) Act*. The Act requires that government bodies disclose, in their annual reports, any activities regulated by this legislation.

This Act gives employees a clear process for disclosing concerns about significant and serious matters (wrongdoing) in the Alberta public service sector, and strengthens protection from reprisal. All disclosures receive careful and thorough review to determine if action is required under the Act, and must be reported in the Corporation's annual report in accordance with Section 32 of the Act.

In 2021, there were no disclosures received under the *Public Interest Disclosure (Whistleblower Protection) Act*.

Management Discussion and Analysis

OPERATING ENVIRONMENT

The credit unions in Alberta operate in a competitive environment offering a variety of financial and wealth management services and compete directly with regional and national financial institutions. During the year, many organizations continued to face disruptions to the operating environment due to the pandemic. However, in 2021 the strengthening housing market, a broader economic recovery from 2020, government relief programs, and increased deposits due to flight to safety helped cushion the impact of the pandemic across the credit union system. As the regulator of Alberta's credit unions, we recognize that our operating environment is dynamic and requires proactive responses to changes in the risk profile through regulatory oversight and guidance and, if necessary, intervention processes.

As of December 31, 2021, there were 14 credit unions with total assets of $29.14 billion and equity of approximately $2.88 billion (9.9% of total assets). As of December 31, 2021, deposits guaranteed by the Corporation totaled $24.66 billion.

The following is management's discussion and analysis of our operations, organized by each of our core operations.

GUARANTEE DEPOSITS

The Credit Union Deposit Guarantee Corporation guarantees the repayment of all deposits with Alberta credit unions, including accrued interest. Additionally, the Act provides that the Government of Alberta will ensure this obligation of the Corporation is carried out. The deposit guarantee is an important contributor to stability and public confidence in Alberta's credit unions. It is part of a larger framework that includes strong capital and liquidity positions, effective governance and risk management by boards and management, and prudent regulatory oversight.

Communicating the deposit guarantee to credit union members is important for awareness of deposit protection and confidence in the credit union system. We provide a deposit guarantee brochure that is available on our public website and in all credit union branches to inform members about our deposit protection. Our 2021 Annual Report lists the names of all credit unions in Alberta, which are covered by the deposit protection. All credit unions are responsible to inform members about the deposit guarantee on their contracts and statements.

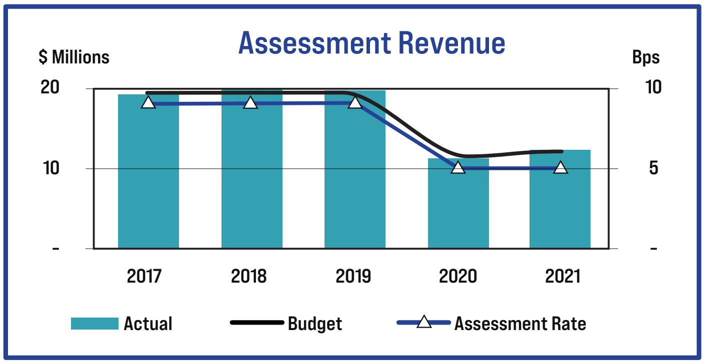
We maintain an ex-ante Deposit Guarantee Fund ("Fund") to provide the 100% deposit guarantee and potential financial assistance to credit unions. The size of the Fund should be at a level that enables the Corporation to meet its obligations and operations in the normal course of business, without reliance on Alberta taxpayer support. The primary sources of building the Fund are the assessments that we collect from the credit unions and investment income.

The Fund size target is 1.50% of credit union deposits and borrowings and is managed within the operating range of 1.40% to 1.60% of deposits and borrowings. As of December 31, 2021, the Fund size remained at the same level as 2020 at $423 million, representing 1.70% (2020: 1.78%) of system deposits and borrowings. While total deposits and borrowings increased by 4.78% during the year, decrease in investment returns and the market value of investments also accounted for the eight basis point decrease in Fund size. The Fund size is expected to be above 1.60% over the foreseeable future and the credit union system supports this to provide a buffer that will help absorb the need for higher assessment rates at some point in the future.

Management Discussion and Analysis

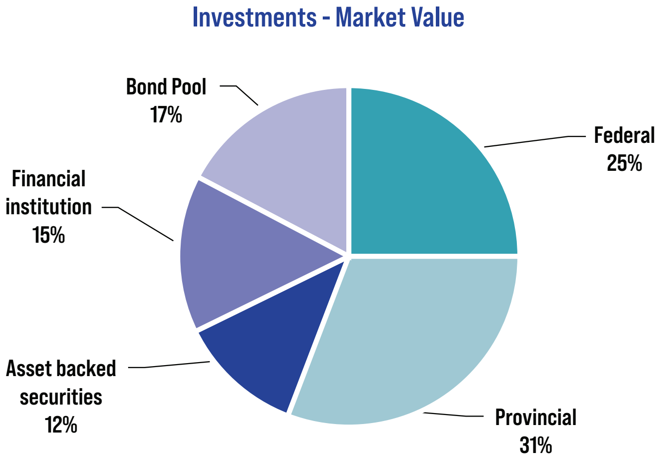
The Corporation's assessment rate is reviewed every three years, or sooner if the fund size falls outside the operating range on an extended period. Determination of the deposit guarantee assessment rate must be pragmatic, equitable and strike a balance between Fund size/growth targets and the financial impact on credit unions. During the year, the Corporation carried out a detailed review of the Fund size target. The target remains at 1.50% of credit unions deposits and borrowings.

The assessment revenue is calculated on credit union deposits and borrowing multiplied by the assessment rate. The assessment revenue was $12.16 million for the year, an increase of $591 thousand (5.11%) from previous year mainly as a result of increase in the credit unions' total deposits and borrowings. The assessment rate is scheduled for review in 2022.



The Fund of $423 million at December 31, 2021 is mainly comprised of a portfolio of lower risk fixed income securities with a fair value of $417 million as well as cash and other assets net of liabilities of $6 million. An external investment manager, Alberta Investment Management Corporation ("AIMCo"), manages the investments in accordance with our Corporate Investment Policy. The Corporate Investment Policy is reviewed annually by the Audit and Finance Committee, which makes recommendations to the Board on any investment policy changes.

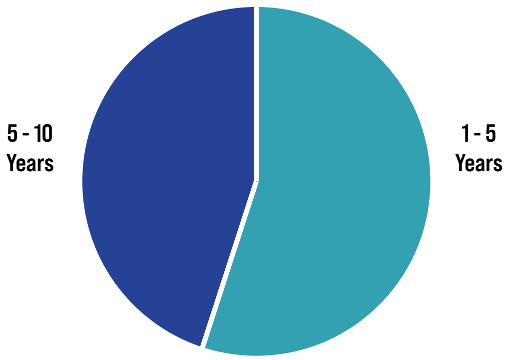
The investment portfolio is recorded at fair value and represents 98% of total assets for the Corporation. The investments are held in a segregated portfolio and AIMCo's Universe Fixed Income Pool ("Bond Pool") which are both investment grade. See chart below.



Management Discussion and Analysis

The investment portfolio term to maturity is being maintained within policy limit levels. Approximately 57% of the portfolio is due within 5 years. In anticipation of interest rate increases, the portfolio is actively managed by AIMCo on a shorter duration compared to the benchmark.

Segregated Portfolio - Term to Maturity



Investment income was $6.76 million for the year, a decrease of $12.83 million (65%) from previous year. The lower income was the result of increased volatility due to uncertain economic outlook caused by the pandemic and the upward movement in the middle end of yield curve. As a fixed income portfolio, performance is impacted by changes in yield.

In the unlikely event that an Alberta credit union becomes insolvent, we can access several sources to pay depositors claims:

- the assets of the credit union;
- the Fund of $423 million (as at December 31, 2021); and
- the ability to increase the quarterly assessment rate and, with appropriate approvals, charge a one-time special or prescribed assessment to all credit unions.

Additionally, the Act provides that the Government of Alberta will ensure that our deposit guarantee obligation is carried out.

With the pandemic, the Corporation has responded to public's inquiries around the deposit guarantee, with consultation with the Government of Alberta as appropriate and has increased monitoring of investment portfolio and communications with AIMCo.

Performance Measures

Guarantee Deposits	Target	2021 Results
Maintain the fund size within a prudent operating range	1.40% to 1.60%	Actual fund size is 1.70%
Investment return versus investment policy benchmark	25 basis points over the rolling 4-year average benchmark	21 basis points over the rolling 4-year average benchmark

Management Discussion and Analysis

REGULATE CREDIT UNIONS

Our goal is to be proactive and preventative in our supervisory approach in monitoring and regulating Alberta credit unions to ensure a safe and sound credit union system.

Our regulatory actions are aimed at ensuring that credit unions achieve and maintain adequate capital levels. This level of capital provides a buffer for any losses, protects membership and reduces the likelihood of payouts from the Fund.

This work consists of a comprehensive group of processes and activities aimed at maintaining a safe and sound credit union system in Alberta in accordance with the Act. This framework is based on a similar prudential model adopted by other Canadian provincial and federal financial institution regulators.

The cornerstone of regulatory oversight is continuous monitoring and assessment of credit unions' capital, liquidity, financial performance, operational resilience, governance effectiveness, risk management practices, internal control frameworks, and compliance with the Act. A risk-based approach is used to allocate resources for monitoring which involves the review of a large amount and variety of data from each credit union including board and audit committee packages, internal and external audit reports, regulatory filings, etc. These reviews are supplemented by ongoing contact with credit union boards and management, regular on-site visits (which were conducted virtually during the pandemic) and periodic compliance testing. When monitoring processes identify problems, an appropriate intervention strategy is developed and implemented to reduce the risk to an acceptable level. In the event a credit union is no longer financially viable, a credit union board must consider strategies including an amalgamation or arrangement with another credit union, and/or dissolution.

An important element within the regulatory framework is the oversight of credit risk, which involves establishing lending limits for credit unions, and monitoring of credit union loan portfolios, aggregate system credit risk, underwriting quality and compliance controls. Monitoring is accomplished through the post review of credit transactions approved by credit unions within their lending limits, testing the effectiveness of compliance controls, and analysis of trends and key risk indicators. This program also includes credit adjudication, a function other Canadian regulators do not perform (but which is required by the Act), involving the review, assessment and approval or decline of credit applications that exceed credit unions' lending limits.

The Act requires that we provide various regulatory approvals to credit unions or recommend them to the appropriate approval authority. These include, but are not limited to, investment policy approvals, establishing lending limits, amalgamation requests, release from supervision, and special loan programs.

Alberta is leading the country in terms of the number of credit union consolidations. This changing landscape of the credit union system is creating fewer, generally larger and more complex credit unions. We are refining our regulatory oversight approach in order for us to continue to effectively regulate the credit unions. This includes a comprehensive review of risk areas where deeper analysis is warranted, updating our composite risk matrix, enhanced training, revised assessment criteria and processes. We continue to evolve and utilize our business intelligence application to improve availability of deeper analysis and provide decision support to monitoring staff. This will result in the enhancement of our regulatory oversight and risk assessment program while at the same time fostering the ability to exercise sound professional judgement.

Management Discussion and Analysis

During the year, the Corporation responded to the challenging operating environment as well as effects of the ongoing pandemic as follows:

- Increased touchpoints and stress testing oversight;
- Elevated off-site monitoring which includes enhanced financial, non-financial analysis, increased contact with credit unions and continued virtual examinations;
- Increased communications with external stakeholders (CUPSA, Treasury Board and Finance, the Bank of Canada and Alberta Central);
- Continued to engage with the Bank of Canada on options around additional sources of liquidity for our credit unions; and
- IT governance review of two credit unions.

We are progressing on a multi-year project regarding contingency planning for the credit union system, which includes resolution and recovery planning and deposit payout planning. Even though the likelihood of either a deposit payout or having to resolve a failed credit union is currently low, an appropriate preparedness plan is considered a best practice.

Performance Measures

Regulate Credit Unions	Target	2021 Results
Credit turn around on new applications	◆ Average 2 business days or less ◆ Maximum individual application: 5 business days	Average of 1.81 days No applications exceeded 5 business days
Preventable fund payout ◆ Complete a root cause analysis to determine whether the fund payout was preventable considering: • If policies and procedures were followed, • An assessment of supervisory decisions and other relevant factors	$0 expected to be paid out	No payouts occurred
Credit union feedback ◆ Survey of credit unions ◆ Qualitative feedback during various interactions with credit unions throughout the year	Target effectiveness score (% of credit unions that provided the Corporation a result of ' Very Effective' or 'Somewhat Effective') of 80% on each of the baseline questions: ◆ guidance and information materials ◆ monitoring the credit union system ◆ processing regulatory approvals ◆ processing credit applications ◆ proactively dealing with emerging issues	Our 2021 credit union consultation survey resulted in the following scores: ◆ 91% ◆ 91% ◆ 91% ◆ 73% ◆ 82%

Management Discussion and Analysis

MANAGE OUR BUSINESS

Managing our business refers to our strategies, functions and activities, all of which contribute to a strong and successful organization with respect to our people, processes and technology.

Our employees have strong technical, communication and analytical skills to make sound professional judgments involved in guaranteeing deposits, providing prudential supervision and regulatory oversight for credit unions and managing our business. We maintain effective governance practices, review and improve our business processes and manage information in a disciplined and consistent manner.

We continued our efforts to build a resilient, engaged and productive employee group to effectively deliver our mandate within a changing environment today and in the future. This includes updating job descriptions and continuing work on the functional competency matrix. These are used for employee development, performance and succession planning.

Our employees completed a series of surveys on organizational effectiveness and organizational culture during the year to give the Corporation a clear sense of our strengths as well as the opportunities to enhance our organizational culture. With an overall employee engagement score of 77%, the Corporation's next steps include forming working groups to focus on specific topics that will support our strategic business direction and address any key issues and opportunities that came out of the assessment results.

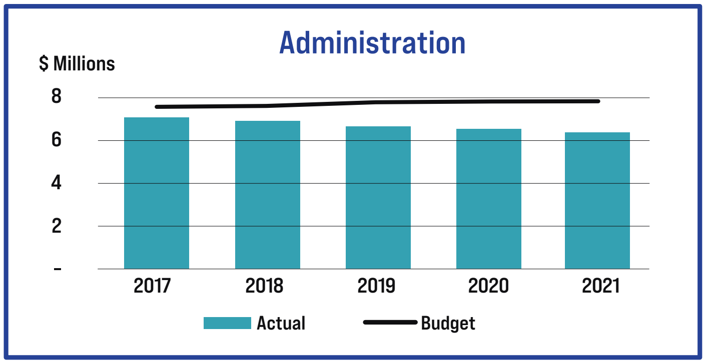
We owe our organizational effectiveness and success to the richness of our diverse, highly skilled and competent workforce. The Corporation has made it a priority to create an inclusive work environment that is equitable, inclusive, respectful, culturally diverse, and free from discrimination and harassment.

In managing our business during the pandemic, the Corporation:

- Continued to keep the Pandemic Guide for employees updated based on input by the Corporation's Health & Safety Committee (HSC);
- Developed a return to workplace strategy / roadmap and delivered on activities as permitted by the fluidity of the evolving situation – include strategies for pandemic prolonging beyond 2021. Such strategies include developing a vaccination policy and constituting a Safe Return Advisory Committee;
- Continued with the remote work arrangement for all employees;
- Increased communications to employees, Board, credit unions/system, the Government of Alberta and other stakeholders; and
- Increased focus on employee wellness and workforce sustainability.

Our administration expenses were $6.40 million for the year, $40 thousand lower than the previous year and under budget by $1.4 million. This is due primarily to several vacant positions, travel restrictions and overall less spending as a result of working from home during the pandemic.

Management Discussion and Analysis



Performance Measures

Manage Our Business	Target	2021 Results
High employee engagement	Achieve an increase from the previous engagement survey, to reach and maintain 80% or greater employee engagement	The Corporation conducted an Organizational Culture and Organizational Effectiveness Survey in 2021, achieving an overall employee engagement score of 77%.
Effective employee development – percentage of individual development plans completed	95%	100%

OUTLOOK FOR 2022

In view of the pandemic and its impact on general economic conditions, including the credit union system, low interest rate environment, and many unknowns that still surround the path of the virus, we are conservatively forecasting an assessment revenue of $12 million and investment income of $10 million in 2022.

With record levels of inflation, high housing prices, and forecast of multiple interest rate hikes by the Bank of Canada in 2022, the Corporation plans to consider appropriate strategies to minimize the adverse impact of the possible interest rate hikes on Fund performance.

As a Provincial Corporation, we must prudently manage our costs and support the Province of Alberta in cost containment efforts. The Corporation will maintain 2022 expenses at the 2021 budgeted levels.

Management's Responsibility for Financial Reporting

Management of the Corporation is responsible for preparing and ensuring the integrity, reliability and completeness of the accompanying financial statements. All financial statements were prepared in accordance with International Financial Reporting Standards, and include some amounts that are necessarily based on management's best estimates and judgments. Significant accounting policies are described in Note 3 to the financial statements. Financial information contained elsewhere in this Annual Report is consistent with the financial statements.

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 maintained and assets safeguarded. The internal and external auditors have unrestricted access to the Audit and Finance Committee of the Board.

The Audit and Finance Committee, on behalf of the Board of Directors of the Corporation, oversees management's responsibilities for the financial reporting procedures and internal control systems. The Committee reviews financial policies, financial statements and the Annual Report in detail prior to recommending them for approval to the Board of Directors. The Committee meets with management and the external auditor to discuss internal controls, auditing and financial reporting matters. The Audit and Finance Committee also serves as a Special Loans Committee which provides oversight over the credit risk management functions of the Corporation.

The Auditor General of Alberta, the Corporation's external auditor, provides an independent audit opinion on the financial statements.

Joel Borlé, MBA, ICD.D
President & Chief Executive Officer

Jennie Allen, CPA, CA
Chief Financial Officer

Independent Auditor’s Report

To the Directors of the Credit Union Deposit Guarantee Corporation

Report on the Financial Statements

Opinion

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

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

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Credit Union Deposit Corporation 2021 Annual Report*, but does not include the financial statements and my auditor’s report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my 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 my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance. I have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 the Corporation'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 the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation 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.

I 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 I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

March 9, 2022
Edmonton, Alberta

Statement of Financial Position

As at December 31
(Thousands of dollars)

	Notes	2021	2020
ASSETS			
Cash and cash equivalents	4	$ 3,790	$ 6,435
Assessments receivable		2,276	2,193
Accrued interest receivable and prepaid expenses		1,303	1,280
Deferred tax asset		565	-
Investments	5,6	417,937	420,296
Right-of-use asset		346	345
Property, equipment and intangible assets		73	120
TOTAL ASSETS		**426,290**	**430,669**
LIABILITIES			
Accounts payable and accrued liabilities		$ 516	$ 667
Currrent tax payable		5	1,338
Lease liability		347	346
Deferred tax liability		-	2,820
Unclaimed credit union balances	8	2,658	2,530
TOTAL LIABILITIES		**3,526**	**7,701**
EQUITY			
Deposit guarantee fund		$ 425,652	$ 413,167
Accumulated other comprehensive (loss) / income		(2,888)	9,801
TOTAL EQUITY		**422,764**	**422,968**
TOTAL LIABILITIES AND EQUITY		**$ 426,290**	**$ 430,669**
Provision for financial assistance	7		
Commitments	14		

The accompanying notes are part of these financial statements.

Approved by the Board: March 9, 2022

Original signed by
John McGowan
Board Chair

Original signed by
Ken Morris
Chair, Audit and Finance Committee

Statement of Comprehensive Income

For the years ended December 31
(Thousands of dollars)

	Notes		2021		2020
REVENUE					
Assessment revenue	9	$	12,155	$	11,564
Investment income	9		6,760		19,590
			18,915		**31,154**
EXPENSES					
Administration expenses	10		6,407		6,444
			6,407		**6,444**
Income before income taxes			**12,508**		**24,710**
Income tax expense	13		23		2,368
NET INCOME		**$**	**12,485**	**$**	**22,342**
OTHER COMPREHENSIVE INCOME / (LOSS), NET OF TAX					
Items that will be reclassified to net income					
Net unrealized gain on fair value through other comprehensive income financial instruments					
Other comprehensive (loss) / income		$	(14,681)	$	15,475
Income tax			2,616		(2,748)
Reclassification to net income, net of tax			(624)		(4,097)
OTHER COMPREHENSIVE (LOSS) / INCOME, NET OF TAX			**(12,689)**		**8,630**
COMPREHENSIVE INCOME (LOSS) / INCOME		**$**	**(204)**	**$**	**30,972**

The accompanying notes are part of these financial statements.

Statement of Changes in Equity

For the years ended December 31
(Thousands of dollars)

	Deposit Guarantee Fund	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance as at December 31, 2019	**$ 390,825**	**$ 1,171**	**$ 391,996**
Net income	22,342	-	22,342
Other comprehensive income, net of tax	-	8,630	8,630
Balance as at December 31, 2020	**$ 413,167**	**$ 9,801**	**$ 422,968**
Net income	12,485	-	12,485
Other comprehensive loss, net of tax	-	(12,689)	(12,689)
Balance as at December 31, 2021	**$ 425,652**	**$ (2,888)**	**$ 422,764**

The accompanying notes are part of these financial statements.

Statement of Cash Flows

For the years ended December 31
(Thousands of dollars)

	2021	2020
OPERATING ACTIVITIES:		
Net income	$ 12,485	$ 22,342
Adjustments for:		
Amortization	76	85
Loss on disposal of property and equipment	-	1
Investment income	(3,325)	(9,707)
Fair value adjustments on FVTPL	3,556	(2,660)
Impairment recovery	(7)	(7)
Deferred income taxes	(642)	473
Depreciation of right-of-use asset	207	207
Lease interest	6	7
Increase in assessments receivable	(83)	(95)
(Increase) / Decrease in accrued interest receivable and prepaid expenses	(25)	139
Decrease in current tax receivable	(1,333)	-
Increase in current tax payable	-	1,070
Increase in right of use assets	1	1
Decrease in accounts payable and accrued liabilities	(151)	(147)
Increase in long-term unclaimed credit union balances	128	253
CASH FLOWS FROM OPERATING ACTIVITIES	**10,893**	**11,962**
INVESTING ACTIVITIES:		
Purchase of investments	(178,106)	(156,822)
Proceeds from sales of investments	164,810	146,492
Purchase of property, equipment and intangible assets	(28)	(26)
CASH FLOWS USED IN INVESTING ACTIVITIES	**$ (13,324)**	**$ (10,356)**
FINANCING ACTIVITIES:		
Lease payments	(214)	(214)
CASH FLOWS USED IN FINANCING ACTIVITIES	**(214)**	**(214)**
(Decrease) / Increase in cash and cash equivalents	(2,645)	1,392
Cash and cash equivalents, at beginning of year	6,435	5,043
CASH AND CASH EQUIVALENTS, AT END OF YEAR	**$ 3,790**	**$ 6,435**

The accompanying notes are part of these financial statements.

Notes to Financial Statements
(Thousands of dollars)

1. NATURE OF ORGANIZATION

The Credit Union Deposit Guarantee Corporation ("the Corporation") was established in 1974 and operates under the authority of the *Credit Union Act*, Chapter C-32, revised Statutes of Alberta, 2000 ("the Act"). It is a provincial agency without share capital. The mandate of the Corporation is to provide risk-based regulatory oversight and a deposit guarantee to enable a safe and sound credit union system in Alberta.

The Corporation is located in Canada. The address of the Corporation's office is 20th Floor, 10104 – 103 Avenue, Edmonton, Alberta T5J 0H8.

To fulfill its mandate, the Corporation undertakes functions set out in the Act and maintains the Deposit Guarantee Fund ("the Fund"). The Corporation is funded by assessments from credit unions.

The Act provides that the Government of Alberta ("the Province") will ensure that the obligations of the Corporation are carried out. As at December 31, 2021, credit unions in Alberta held deposits, including accrued interest, totaling $24,660,752 (2020: $23,511,174).

In cases where a credit union is experiencing financial difficulty, the Corporation implements an intervention strategy that may result in placing the credit union under supervision. The Corporation provides financial assistance, support and direction in planning, policy and operational matters for supervised credit unions.

2. BASIS OF PRESENTATION

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements were approved by the Board of Directors on March 9, 2022.

Statements and notes are in Canadian dollars which is the Corporation's functional currency and expressed in thousands of dollars.

The Corporation presents its Statement of Financial Position in order of liquidity.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

Under IFRS 9, the Corporation classifies and measures its financial assets as:

- amortized cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit and loss (FVTPL).

The classification and measurement for financial assets are based on the Corporation's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest (SPPI).

The Corporation determines its business model that best reflects how the financial assets are managed based on observable factors and relevant objective evidence. The Corporation has determined its business models as follows:

- Held-to-collect: Assets held to collect the contractual principal and interest cash flows.
- Held-to-collect-and-sell: Both collecting contractual cash flows and selling are fundamental to achieving the objective of the business.
- Other business model: Neither of the above and represent business objectives where assets are managed on a fair value basis.

Notes to Financial Statements
(Thousands of dollars)

Financial assets are measured at amortized cost if they are held within the held-to collect business model and the contractual cash flows pass the SPPI test.

Financial assets in the held-to-collect-and-sell business model where the contractual cash flows meet the SPPI test are measured at FVOCI. The financial assets measured at FVOCI are recorded at fair value with unrealized gains and losses included in AOCI until realized when the cumulative gain or loss is transferred to net income. Interest income and impairment losses, are recognized in Statement of Comprehensive Income.

Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on the financial assets is recognized in the Statement of Comprehensive Income in the period in which it arises.

The Corporation elected, at initial recognition, to irrevocably designate equity investments at FVOCI. The fair value changes are recorded in OCI, with any gains or losses when selling the asset not reclassified in profit or loss. Dividend income is recorded in Statement of Comprehensive Income.

Impairment of Financial Assets
The Corporation recognizes expected credit loss (ECL) for financial assets classified as FVOCI and amortized cost.

For financial assets classified as FVOCI, the Corporation uses a model to calculate the loss allowance that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The calculated ECL does not reduce the carrying amount in the Statement of Financial Position, which remains at fair value. Instead, the allowance is recognized in OCI with a corresponding charge to Statement of Comprehensive Income.

The Corporation assesses quarterly whether the financial assets classified as FVOCI have experienced a significant increase in credit risk. Since the financial assets measured at FVOCI are investment grade and considered low credit risk, the Corporation measures loss allowance at 12-month ECL, instead of lifetime ECL.

A simplified approach of the expected loss model is applied to trade receivables that do not contain a significant financing component. The simplified approach does not require the tracking of changes in credit risk but requires the recognition of lifetime ECLs at all times. The Corporation applied the simplified approach and used a provision matrix as a practical expedient for determining ECLs on trade receivables.

Financial Liabilities
Financial liabilities are classified and measured at amortized cost.

Effective Interest Method
The Corporation uses the effective interest method to recognize investment income or expense which includes premiums or discounts earned on financial instruments.

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating investment income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including other premiums or discounts) through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Transaction Costs
Transaction costs related to financial assets and liabilities are expensed as incurred as these do not represent material amounts.

Notes to Financial Statements
(Thousands of dollars)

Property, Equipment and Intangible Assets
Property, equipment and intangible assets are recorded in the Statement of Financial Position at historical cost, less accumulated depreciation, amortization and impairment losses.

Cost includes the expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property and equipment have materially different useful lives, they are accounted for as separate items (major components) of property and equipment. Assets which are fully depreciated are maintained on the books at original cost less accumulated depreciation and show zero net book value until they are disposed of at which time they are removed from the books.

Depreciation and impairment losses are recognized in net income. Depreciation and amortization have been calculated on the following basis:

Furniture and equipment	Five year straight line
Computer equipment	Three year straight line
Leasehold improvements	Straight line over lease term
Intangible assets[1]	
Software without maintenance agreement	Three year straight line
Software with maintenance agreement	Five year straight line

[1] Intangible assets include the purchase of computer software

Gains and losses on disposal of property, equipment and intangible assets are determined by comparing the proceeds from disposal with the carrying amount of the property, equipment and intangible assets.

Provision for Financial Assistance
A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that the outflow of economic benefits will be required to settle the obligation. The amount, timing and form of financial assistance that may be required for credit unions are dependent on future events and outcomes. Outcomes that may require financial assistance are stabilization, amalgamations, arrangements, liquidations or dissolutions. The Corporation provides for a provision for financial assistance based on three main components, as follows:

1. Where the need for financial assistance becomes likely and the amount for specific credit unions can reasonably be estimated.
2. Where the amount can be reasonably estimated and arises from indemnity agreements entered into with credit unions due to outcomes described above.
3. Where the Corporation has determined there is the potential for financial assistance based on an analysis of the inherent risks in the credit union system.

A contingent liability for financial assistance arises from a liability of sufficient uncertainty with respect to the probability and amount of the expected outflows such that it does not qualify for recognition as a provision. Depending on the probability of loss occurring, contingent liabilities may be disclosed in the notes to the financial statements. Contingent liabilities may be established based on potential individual credit union assistance payments and/or an assessment of the inherent risk in the credit union system.

Provisions and contingencies for financial assistance consist of the calculation of potential liabilities and contingencies to meet the IFRS standards. Calculations include management's judgment based on historical information and other factors. Credit union analysis for potential liabilities includes a review of all credit unions based on key financial and risk information and provisions related to amalgamations or arrangements and any indemnity agreements.

Notes to Financial Statements
(Thousands of dollars)

Revenue Recognition

Assessment Revenue

Credit union deposit guarantee assessments are classified as revenue and are recognized when:

- The amount of revenue can be measured reliably; and
- It is probable that the economic benefit will flow to the Corporation.

Credit union deposit guarantee assessments are recognized when earned. These regular assessments are determined quarterly, and accrued monthly. Credit union payments are received quarterly.

Investment Income

Interest and dividend income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to principal outstanding at the applicable effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income is recognized when it is known that a dividend has been declared.

Employee Benefits

Defined Contribution Plan

The Corporation has a defined contribution plan and pays fixed contributions to a service provider with no legal or constructive obligation to pay further amounts. The contributions to the registered retirement saving plans are recognized as an employee benefit expense on the Statement of Comprehensive Income in the periods during which services are rendered by employees.

Short-term Employee Benefits

Short-term employee benefit obligations are measured at cost on an undiscounted basis and are expensed as the related service is provided.

Income Taxes

The Corporation is a deposit insurance corporation for income tax purposes and pays income taxes on its taxable income at the statutory rate prescribed for deposit insurance corporations. Its taxable income excludes deposit guarantee assessments and financial assistance recoveries and no deduction may be made for financial assistance payments.

The Corporation records income taxes based on the tax liability method which is the amount expected to be paid to or recovered from the federal and provincial taxation authorities.

Current Tax

The current tax assets and liabilities are based on taxable income for the year. Taxable income differs from net 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. The Corporation's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of temporary taxable differences.

Notes to Financial Statements
(Thousands of dollars)

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 assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, 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 offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

Comprehensive Income and Accumulated Other Comprehensive Income ("AOCI")

Comprehensive income is comprised of net income and other comprehensive income. For the Corporation, other comprehensive income includes net unrealized gains and losses on investments classified as FVOCI.

Amounts recognized in other comprehensive income will eventually be transferred to the Statement of Comprehensive Income and reflected in net income as gains or losses once FVOCI investments are realized.

Comprehensive income and its components are disclosed in the Statement of Comprehensive Income. The Statement of Changes in Equity present the continuity of AOCI. The cumulative amount of other comprehensive income recognized, AOCI, represents a component of equity on the Statement of Financial Position.

Leases

The Corporation assesses whether a contract is or contains a lease at inception of a contract. The Corporation recognizes a right-of-use asset (ROU) and a corresponding lease liability for all lease agreements in which it is the lessee, except for short-term leases and leases of low-value assets. For these leases, the Corporation recognizes the lease payments as an operating expense.

ROU asset is measured at cost and depreciated on a straight-line basis to the end of the useful life of the ROU asset or the end of the lease term. Impairment is assessed when such indicators exist.

Lease liability is measured at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

All exercised lease options (termination and extension) are assessed to determine required modifications to the right of use assets and lease liabilities.

3.2 CHANGES IN ACCOUNTING POLICIES

There are no new IFRS standards issued that impact the Corporation's operations and financial statements for the year-end 2021.

3.3 FUTURE CHANGES IN ACCOUNTING POLICIES

A number of new standards and amendments are not yet effective for the year ended December 31, 2021.

Notes to Financial Statements
(Thousands of dollars)

Annual Improvements to IFRS Standards 2018–2020

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020, amending a number of standards as part of its annual improvements. IFRS 9 Financial Instruments clarifies which fees are included when applying the "10% test" to assess whether a financial liability is derecognized. Under IFRS 16 Leases, an example for reimbursements made by the lessor for leasehold improvements has been removed. In September 2020, the Accounting Standards Board (AcSB) endorsed the IASB's annual improvements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with early application permitted. The amendment to IFRS 16 relates to an illustrative example and has no effective date. The Corporation is evaluating the impact of the standard on its financial statements.

IFRS 17 — Insurance Contracts

The IASB issued amendments to IFRS 17 in November 2020. IFRS 17 sets out the requirements for a company reporting information about insurance contracts it issues and reinsurance contracts it holds. The amendment is effective for annual periods beginning on or after January 1, 2023, with earlier applications permitted and applied retrospectively. The Corporation does not issue insurance contracts or hold reinsurance contracts; therefore, the standard has no impact on the Corporation's financial statements.

IAS 1 – Presentation of Financial Statements – Disclosure of Accounting Policies

The IASB issued amendments to IAS 1 (classification of liabilities as current or non-current) in January 2020. The amendments affect the presentation of liabilities in the statement of financial position and clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. It further explains that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of liability. The amendments also define what is referred to as settlement. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively.

In February 2021, the IASB issued another amendment to IAS 1, intended to help preparers decide which accounting policies to disclose in their financial statements. The amendments require entities to disclose material accounting policies rather than significant accounting policies. The amendments on IFRS Practice Statement 2 – *Making Materiality Judgement* provide guidance on how to apply a four-step materiality process to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Corporation is evaluating the impact of the both amendments on its financial statements.

IAS 8 – Accounting Polices, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8), that updates the definition of accounting estimates and provided guidance to help entities distinguish changes in accounting estimates from changes in accounting policies. The Corporation is currently assessing the impact of the new definition, which is effective for annual reporting periods beginning on or after January 1, 2023, and will be applied prospectively. Earlier application is permitted.

IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

In May 2021, the International Accounting Standards Board (IASB) issued amendments to deferred tax related to assets and liabilities arising from a single transaction. The amendment relates to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability. The amendments narrowed the scope of the recognition exemption, so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Corporation is evaluating the impact of the standard on its financial statements.

Notes to Financial Statements

(Thousands of dollars)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are on deposit in the bank account and Consolidated Cash Investment Trust Fund ("CCITF") of the Province which is managed with the objective of providing competitive interest income while maintaining appropriate security and liquidity of capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at December 31, 2021 securities held in CCITF have an average rate of return of 0.2% per annum (2020: 0.6%).

5. INVESTMENTS

The fair value of the Corporation's investments is summarized below:

	2021		2020	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Investment securities measured at:				
FVOCI - segregated portfolio	$ 345,750	$ 349,259	$ 347,025	$ 335,110
FVTPL - bond pool	72,072	71,877	73,156	69,406
FVOCI (designated) - equity instruments	115	115	115	115
Total	**$ 417,937**	**$ 421,251**	**$ 420,296**	**$ 404,631**

The fair value of the segregated portfolio is summarized below:

	2021		2020	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Directly held				
Securities issued or guaranteed by:				
Canada	$ 103,911	$ 104,652	$ 120,736	$ 116,236
Provinces	129,123	131,504	125,713	121,505
Financial Institutions	62,546	63,091	53,855	52,097
Asset backed securities	50,170	50,012	46,721	45,272
Total	**$ 345,750**	**$ 349,259**	**$ 347,025**	**$ 335,110**

Fair Value Hierarchy

The table below provides a summary of management's best estimate of the relative reliability of data or inputs used to measure the fair value of the Corporation's investments. The measure of reliability is determined based on the following three levels:

Level 1:	The fair value is based on quoted prices in active markets.
Level 2:	The fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3:	The fair value is based on inputs that are not based on observable market data.

Notes to Financial Statements
(Thousands of dollars)

	2021				2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment securities measured at:								
FVOCI - segregated portfolio	$ 103,911	$ 241,839	$ -	$ 345,750	$ 120,736	$ 226,289	$ -	$ 347,025
FVTPL - bond pool	-	72,072	-	72,072	-	73,156	-	73,156
FVOCI (designated) - equity instrument	-	-	115	115	-	-	115	115
Total	**$ 103,911**	**$ 313,911**	**$ 115**	**$ 417,937**	**$ 120,736**	**$ 299,445**	**$ 115**	**$ 420,296**

There were no transfers (2020: Nil) between Level 1 and 2 nor were there changes to the Level 3 assets in the period.

Valuation Technique and Inputs

Fair value is calculated using independent pricing sources and Canadian investment dealers. The calculation of fair value is based on market conditions or estimates at a point in time and may not be reflective of future fair value. Fair value is an estimated amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The valuation technique and key inputs used for Level 2 securities for fixed income securities and the Bond Pool are based on a vendor hierarchy:

- Using either spread pricing or curve pricing when direct quotes are not available. Spread pricing involves using interpolated spreads from liquid bonds and applying those to the valuation of illiquid bonds. Curve pricing involves using a variety of different generic quotes and terms to maturity to generate a curve of data points that would then be used to value securities using a linear interpolation.
- Using market observations to calculate evaluated prices for a variety of security types with a 3-pronged approach in the valuation algorithms: direct observations, historical tracking and observed comparables. The results are then weighted and aggregated based on the reliability of each input to arrive at a final evaluated price for that security.

Fair Value Classification of Bond Pool

The Corporation owns units in the Bond Pool and is considered to have exposure to the risks and benefits of those units in the pool and not the underlying investments. The classification of the Bond Pool is therefore determined based on the level that represents the most significant portion of the underlying investments in the entire pool. As a result, the value of the Bond Pool is categorized as Level 2.

Fair Value Measurement of Shares

The Corporation has designated the shares with Credit Union Central Alberta Limited $100 (2020: $100) and Concentra Bank $15 (2020: $15) as FVOCI. They have no specific maturity, are not quoted nor traded in an active market, the shares are issued and redeemed at par value, and there is no observable market data with which to reliably measure a fair value. There are no identifiable observable inputs and thus no inputs from which to determine the relationship to or sensitivity of fair market value to changes in unobservable inputs. During the year, there were no changes to the valuation of the shares.

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(Thousands of dollars)

6. INVESTMENT RISK MANAGEMENT

The Corporation established an investment policy that is reviewed annually by the Board. In accordance with the Corporate Investment Policy, the Corporation manages investment risk by maintaining a conservative portfolio, and engages Alberta Investment Management Corporation ("AIMCo"), an experienced investment manager, to manage the portfolio. Compliance with the investment policy is monitored by the investment manager and management, and is reported to the Audit and Finance Committee on a quarterly basis.

The Corporation has a segregated investment portfolio and owns units in a Bond Pool established and managed by AIMCo. The segregated portfolio consists of high quality Canadian fixed income and debt related investments. The Bond Pool primarily consists of investment grade securities. The Bond Pool has a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units. The Corporation's units in the Bond Pool represents approximately 0.4% (2020: 0.7%) of the Bond Pool's outstanding units.

As at December 31, 2021, securities directly held (excluding the Bond Pool) have an average effective market yield of 1.6% per annum (2020: 0.7%) based on fair value. As at December 31, 2021, securities held by the Bond Pool have an average effective market yield of 2.4% per annum (2020: 1.9%).

The Corporation's rate of return objective is to earn an average return over a rolling four-year period on the aggregate investment portfolio of 25 basis points ("bps") greater than the benchmark. As of December 31, 2021, the average return over a rolling four-year period over the policy benchmark is 21 bps (2020: 30 bps).

The Corporation's investments are exposed to financial risks including credit risk, interest rate and liquidity risk. The Corporation has risk management processes to monitor and address risks.

i) Credit Risk

Credit risk relates to the possibility that a loss may occur from the failure of another party to discharge its contractual obligation. The Corporation has established specific rules with respect to the credit ratings of counter-parties so that they do not fall below an acceptable threshold. For the segregated portfolio, the Corporation only invests in issuers of debt instruments with a credit rating of A or higher for federal and provincial investments, AA or higher for financial institutions, AAA for asset backed securities and A or higher for infrastructure from recognized credit rating agencies: Dominion Bond Rating Service Morningstar ("DBRS"); S&P Global Ratings ("S&P"); Moody's Investors Service; and Fitch Ratings Inc. The following table shows the credit risk exposure of the segregated portfolio at the end of the reporting period.

Credit Rating	2021			2020		
	Fair Value	Book Value	% of Total	Fair Value	Book Value	% of Total
AAA	$ 154,081	$ 154,664	44.6%	$ 167,458	$ 161,508	48.3%
AA (From AA+ to AA-)	188,347	191,167	54.4%	178,113	172,146	51.3%
A (From A+ to A-)	3,322	3,428	1.0%	1,454	1,456	0.4%
Total	**$ 345,750**	**$ 349,259**	**100.0%**	**$ 347,025**	**$ 335,110**	**100.0%**

Note: Excludes Credit Union Central Alberta Limited $100 (2020: $100) and Concentra Bank $15 (2020: $15) shares as there is no credit risk associated with these equities.

Notes to Financial Statements
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The credit risk within the Bond Pool is managed by AIMCo in accordance with their statement of investment policies and guidelines. The securities in the Bond Pool are primarily of investment grade quality.

The ECL for the segregated portfolio is $30 (2020: $37). The segregated portfolio consists of investment grade securities. For investment grade securities, ratings on such investments do not significantly change over a short period. As such the expected credit loss are recognized only in respect of default events that are possible within the next 12 months. The following table shows the breakdown of ECL per credit rating.

Credit Rating	2021 12-month ECL value	2020 12-month ECL value
AA	$ 28	$ 36
A	2	1
Total	**$ 30**	**$ 37**

ii) Interest Rate Risk
As investments are carried at fair value, they are exposed to fluctuations in fair value. The Corporation is exposed to interest rate fluctuation as a result of normal market risk. This can affect cash flows, term deposits and fixed income securities at the time of maturity and re-investment of individual instruments. To mitigate the interest rate risk, the Corporation's portfolio is positioned defensively on interest rates with shorter duration relative to its benchmark with a view that the current low yield environment is not sustainable, especially in Canada. An increase or decrease of one percent would result in a decrease or increase of $22,123 (2020: $22,405) in the fair value of total investment if all other variables are constant.

iii) Liquidity Risk
Liquidity risk is the risk of having insufficient financial resources to meet the Corporation's funding requirements in delivering its mandate of regulating the credit unions and guaranteeing the deposits at the credit unions. The Corporation's principal sources of funds are cash generated from credit union deposit guarantee assessments and interest earned on its investments. The assessment revenue and investment income support the normal operations of the Corporation. The Fund is invested conservatively and a draw from the Fund is only done when needed. The term structure for the segregated portfolio is presented in the table below:

Credit Rating	2021 Securities	2020 Securities
Under 1 year to 5 years	57%	55%
Over 5 years	43%	45%

The investment in units of the Bond Pool can be liquidated on a timely basis.

Notes to Financial Statements
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7. PROVISION FOR FINANCIAL ASSISTANCE

The Corporation monitors credit unions experiencing financial difficulty and has a contingent responsibility to provide financial assistance in the outcomes referred to in Note 3: Provision for Financial Assistance. The provision is based on expected loss calculation and is subject to uncertainty surrounding the amount. The expected timing of outflows of economic benefit is dependent on future events. The Corporation used judgment and gave consideration to the impact of the COVID-19 pandemic, volatile oil prices and uncertainty in the economy in determining the provision for financial assistance. As such, actual losses may differ significantly from estimate.

There were no indemnification agreements outstanding with credit unions in 2021.

8. UNCLAIMED CREDIT UNION BALANCES

The unclaimed credit union balances are customer accounts, transferred from credit unions after ten years of inactivity, to the Corporation. The amounts earn monthly interest calculated using the prescribed rate by the Act. The interest rate used in 2021 is 1% (2020: 1%). After a period of 20 years since an unclaimed balance was transferred to the Corporation without any valid claim having been made, the balance will be transferred to the Province's General Revenue Fund. After that transfer, the person(s) entitled to that money can no longer make a claim. The Corporation transferred $36 (2020: $26) in unclaimed balances to the Province's General Revenue Fund on December 31, 2021.

9. REVENUE

Assessment Revenue

The Corporation charges quarterly deposit guarantee assessments to credit unions to carry out its legislated mandate. The assessment rate is reviewed every three years provided the fund size is within the operating range of 1.40% to 1.60%. Assessment rate in 2021 is 0.05% (2020: 0.05%) of credit unions' deposits and borrowings.

Assessments received by the Corporation from the largest credit union represent 59.5% (2020: 60%) of the total assessments received.

Investment Income

The investment income is as follows:

	2021	2020
Investment and other income	$ 9,557	$ 11,926
Net gain on sale of investments	752	4,997
Fair value adjustments on FVTPL	(3,556)	2,660
Impairment recovery	7	7
Total investment income	**$ 6,760**	**$ 19,590**

Notes to Financial Statements

(Thousands of dollars)

10. ADMINISTRATION EXPENSES

		2021		2020
Salaries and benefits	$	4,408	$	4,773
Professional fees		895		491
Occupancy		459		469
Office		198		224
Employee related expenses		176		180
Board and committee fees		133		151
Depreciation and amortization		76		85
Employee travel		27		35
Other		27		25
Board and committee expenses		8		11
Total administration expenses	**$**	**6,407**	**$**	**6,444**

11. RETIREMENT BENEFIT PLANS

The Corporation maintains a defined contribution plan for its employees where the cost is charged to expenses when recognized. The Corporation contributes 9% (2020: 9%) of the employees' gross salary including any paid vacation pay to each employee's Registered Retirement Savings Plan (RRSP) and the employee contributes a required minimum of 3% (2020: 3%). Participation is compulsory for all permanent employees. The RRSP deductions are remitted monthly to the administrator of the group plan. In 2021, the Board approved an adhoc top-up to the employer's contribution.

The Corporation also maintains a Retirement Compensation Arrangement Plan (RCA Plan), where cost is charged to the Statement of Comprehensive Income. Half of the contributions for an eligible employee are deposited in the RCA Plan. The other half of the contributions are forwarded to Canada Revenue Agency, held in a non-interest bearing refundable tax account. The contributions are calculated annually up to a maximum amount.

The total expense recognized in the Statement of Comprehensive Income of $430 (2020: $472) represents contributions paid to these plans by the Corporation. As at December 31, 2021, $53 contributions (2020: $74) was payable to the plan.

The Corporation does not have any defined benefit plans.

12. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with AIMCo, an Alberta Crown Corporation, and departments of the Province. Routine operating transactions and outstanding balances with any related parties, which are settled at negotiated market prices under normal trade terms and conditions are incidental and not disclosed. Investment management fees paid to AIMCo is $481 (2020: $325).

Notes to Financial Statements
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The Corporation is governed by the Act, and the Province appoints the Board of Directors. The Board Chair of the Corporation reports directly to the President of Treasury Board and Minister of Finance. The Corporation applied the exemption set out in IAS 24 – Related Party Disclosures regarding the disclosure of transactions with a related government and its related entities. The transactions carried out with the Province and its related entities are investment activities involving bonds issued by the Province and are carried out under normal market conditions.

The Board of Directors, executives and their immediate family members are also deemed to be related parties. As at the reporting date, there were no business relationships or transactions, other than compensation, between the Corporation, Board of Directors and its executives. The Board of Directors and executives' remuneration are disclosed in the table below. As at December 31, 2021, outstanding compensation payable are $20 (2020: $21). The Chair receives a retainer paid monthly for an annual amount of $10. The Chair and Board of Directors are paid on a per diem basis for preparation and meeting time. The minimum and maximum amounts paid to directors were $8 (2020: $13) and $36 (2020: $32), respectively. The average amount paid to directors was $17 (2020: $18).

Credit Rating	2021				2020
	Salary[1]	Other Compensation[2]	Other Non-Cash Benefits[3]	Total	Total
Chair	$ 36	$ -	$ -	$ 36	$ 32
Board of Directors	98	-	-	98	125
Executives:					
President & CEO[4]	262	60	8	330	440
Vice President, Regulation & Risk Assessment (VP, RRA)[5]	194	34	8	236	154
Chief Financial Officer (CFO)	175	34	8	217	217
Vice President, Business Services & Regulatory Practices (VP, BSRP)	180	32	8	220	228
Assistant Vice President, Governance & Human Resources (AVP, GOV & HR)[6]	-	-	-	-	407
Total remuneration	**$ 945**	**$ 160**	**$ 32**	**$ 1,137**	**$ 1,603**

1. Salary includes regular base pay.

2. Other compensation includes wellness, vehicle allowance, contributions to the group RRSP, independent life and accidental disability insurance, parking, and contributions to an RCA Plan for the President & CEO only. The total amount contributed to executive RRSPs in the defined contribution plan was $111 (2020: $134). Contributions made to the RCA Plan was $19 (2020: $28). The compensation amount disclosed on the Corporation's public website includes salary and other compensation.

3. Other non-cash benefits include employer's portion of CPP, EI, WCB and health and dental premiums.

4. The CEO position was occupied by two different individuals in 2020.

5. The VP, RRA position was previously titled Executive Vice President, Regulation & Risk Assessment. The position was vacant from August 5, 2020 to January 3, 2021.

6. A termination benefit of $189 was included in the AVP, Gov & HR total compensation in 2020. The position was retitled to Director, Human Resources and rescinded from being an executive position.

Notes to Financial Statements

(Thousands of dollars)

13. INCOME TAX EXPENSE

The Corporation's statutory income tax rate is 17% (2020: 18%). Income taxes differ from the expected result that would have been obtained by applying the combined federal and provincial tax rate to income before taxes for the following reasons:

		2021		2020
Expected income taxes on pre-tax net income at the statutory rate	$	2,126	$	4,448
Add (deduct) tax effect of:				
Non-taxable assessments		(2,066)		(2,081)
Other		(37)		1
Total income tax expense	**$**	**23**	**$**	**2,368**

At December 31, 2021, the non-depreciated property and equipment values for income tax purposes are higher than the related book values by approximately $1 (2020: $1). The resulting deferred tax liability is reflected in the Statement of Financial Position. The Corporation's future effective income tax rate is 17% (2020: 17%).

14. COMMITMENTS

During the year, the Corporation extended its office space lease agreement for one year. The lease expires on August 31, 2023. The following represents the estimated payments for the office lease over the next five years.

		Lease and Interest Payments		Lease Operating Expenses
Not later than one year	$	214	$	274
Later than one year and not later than five years		143		183
Later than five years		-		-
	$	**357**	**$**	**457**

15. CAPITAL MANAGEMENT

The Corporation's capital is comprised of ex ante funding. The Corporation is not subject to externally imposed regulatory capital requirements. The Corporation manages equity through the following: quarterly reporting to the Board of Directors through its committees on financial results; setting budgets and reporting variances to those budgets; establishing the Corporate Investment Policy; monitoring, reporting, and reviewing the adequacy of the Fund, and reviewing the assessment rates for credit unions.

The Corporation has determined that it is prudent to maintain an amount in advance or ex ante funding to absorb losses. The amount of such funding consists of the Fund and AOCI. The Fund size is maintained within an operating range of 1.40% to 1.60% of total deposits and borrowings plus adjustments for any credit union deficiency from the minimum supervisory capital requirement. The Fund size as of December 31, 2021 is 1.70% (2020: 1.78%).

16. COMPARATIVE FIGURES

Certain 2020 figures have been reclassified, where necessary, to conform to 2021 presentation.

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