

NAVIGATING A NEW PATH FORWARD



2023 ANNUAL REPORT

TABLE OF CONTENTS

RENEWAL & REFOCUS	2
MESSAGE FROM THE BOARD CHAIR & CEO	3
FINANCIAL REPORT	6
REPORT OF THE AUDIT & OPERATIONAL RISK COMMITTEE	8
BOARD OF DIRECTORS	9
BOARD OF DIRECTORS GENDER DIVERSITY REPORT	10
MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL REPORT	11
REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS	12
SUMMARY STATEMENT OF FINANCIAL POSITION	13
SUMMARY STATEMENT OF COMPREHENSIVE INCOME	14
SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY	15
SUMMARY STATEMENT OF CASH FLOWS	16

RENEWAL & REFOCUS

IT'S ABOUT OUR MEMBERS' FUTURES AND OUR FUTURE MEMBERS

OUR VISION

ACHIEVE HEALTHY SUSTAINABLE FINANCIAL FUTURES, TOGETHER

OUR MISSION

WE ARE ADVOCATES FOR OUR MEMBERS, PROVIDING EXCEPTIONAL
PERSONALIZED SERVICE THROUGH AUTHENTIC CONVERSATIONS
STRENGTHENING FINANCIAL CAPABILITY AND HEALTH.

OUR VALUES



MESSAGE FROM THE BOARD CHAIR & CEO

2023 was a year of significant change for Rapport Credit Union. In January, the Board and Management Team, led by the new interim CEO, implemented a **new three-step plan aimed at refocusing and resetting the foundation of Rapport for future success**. The plan included the following three core building blocks.

- **Phase 1:** Prioritized key areas for immediate action with a focus on best practices for governance support, reporting, controllership, and leadership engagement across the organization.
- **Phase 2:** Stabilized the priority areas, introduced a new enterprise wide risk framework, and monitored and refined the approach where necessary.
- **Phase 3:** Grew and expanded operational improvements to strengthen our capability to achieve sustained growth and a more resilient organization.

We successfully completed all three phases in 2023 including the development and implementation of a recovery strategy, brought the organization above regulatory requirements, and improved operational efficiencies and liquidity. Leading this change was Michael Parzei, appointed Interim Chief Executive Officer of Rapport Credit Union by the board in early 2023 and now our permanent CEO.

Under Michael's leadership in 2023, Rapport has also implemented effective strategies to reorganize and strengthen our credit union, enhanced staff engagement, introduced effective support to Board governance, and improved the financial results within a single year. This was all done in the best interest of our members.

A review and reorganization of the leadership team roles and responsibilities also took place, resulting in the hiring of other subject matter experts in the roles of CFO, Financial Controller, Director of Marketing and Membership Growth, and realigning the Senior Manager of Strategic Initiatives position to the CEO office. The new restructured Leadership Team, along with a new team management approach of working with a sense of urgency, enabled the operations to run with clear lines of accountability, efficiency, and enhanced staff engagement. This new approach has equipped Rapport to foster a culture of continuous innovation and improvement to better serve our members.

With a more resilient and member-centric organization established, the three-step plan also shifted focus to growth and expansion through the implementation of a strategic, systematic and progressive plan to retain and grow our new membership and operate with greater efficiency.

Enhancing our relationship with our members and staff was a constant focus in 2023. This was most evident in the following initiatives:

- Relocated the Kakabeka Falls Branch in Northern Ontario to a more prominent and accessible location along the TransCanada Highway route for our members, featuring a new modern branch experience.
- Launched Self-Serve Password management and 2-Step Verification to add an extra layer of protection for our members' online and mobile banking accounts against external global threats.
- Introduced new ways to communicate with our members to improve their financial literacy including live webinars and more robust information on the website available 24/7.
- Improved the performance management process for all staff to increase engagement, collaboration, and productivity to support our members.
- Invested in new coaching and training to empower staff with the tools and skills to better support our members through their financial journeys and support our commitment to every member's financial wellness.
- Removed our dependency on third party vendors across key departments including HR, Finance, and Marketing. Instead, we shifted the deliverables to in-house resources and subject matter experts to be more responsive and timely to shifting member needs and expectations while building a library of internal history.





I.T. SYSTEMS & CYBERSECURITY

In response to the most recent Security Audit recommendations, we introduced new systems, policies and procedures to increase our defenses against external threats, resulting in significant improvement in our overall risk score to a level ranked better than that of our peer group. Additional support tools and continuous testing and training for all staff further supported our defense system against fraud, scams, and phishing attempts by bad global actors. A major milestone for 2023 was the successful relocation of our Disaster Recovery Site on time and below the approved project budget. This helped the organization maintain our IT systems in the unlikely event of a catastrophic scenario and supports our members' expectation of always on, always available access to their finances. The outcome is a more secure and resilient organization overall that can better protect our members' sensitive data, intellectual property, and reputation.

OPERATING WITH INCREASED EXTERNAL PRESSURES TO THE SYSTEM

In an environment of tightening financial conditions, high global inflation and significantly greater geopolitical tensions, financial system vulnerabilities have become more complex, and risks continue to remain elevated. The risks become compounded in our digitally connected world where prominent banking failures unfold across the world in real time, serving as a reminder that risks can emerge and spread quickly. Additional risks of cyber threats continue to represent an ever-present potential vulnerability to the stability of the financial system, where a successful attack in one part of the financial system could spread quickly, undermining the public's confidence in other areas. Rapport continues to prioritize the security and protection of our members' finances, information, and the banking system. Further to our internal safeguards and protections, eligible deposits in registered accounts have unlimited coverage through the Financial Services Regulatory Authority (FSRA) while eligible deposits outside of registered accounts are insured up to \$250,000 through FSRA. Having this form of protection for members is another way we can promote confidence in the financial system and to protect depositors from financial loss.

In 2023, FSRA introduced additional regulatory requirements for Rapport and other Ontario credit unions to ensure the financial stability and security of the system. While consuming significant staff and financial resources, the early foundational work completed in Q1 and Q2 well positioned Rapport to address these new requirements and continue to meet the standards and guidelines set out in the Act and Regulations.

While we achieved much in 2023, there is more to be done in 2024 as we move our credit union to even greater heights.

"2023 was a year of many changes to truly renew and refocus. I am very proud with what we accomplished in a single year, and the opportunity to build on the foundations we established in 2023. This has positioned us for growing the organization to make it more customer centric and profitable in 2024. Our purpose is to be the first place our members turn to in these challenging financial times with the best advice and products in addressing our members' changing needs."

- Michael Parzei
CEO

MESSAGE FROM THE BOARD CHAIR & CEO

LOOKING FORWARD TO 2024

In early January 2024, the Board announced the permanent appointment of Michael Parzei as Chief Executive Officer of Rapport. Michael has demonstrated his effectiveness as a strategic leader, delivering on corporate results and has shown steadfast dedication and commitment to our members, personal engagement with staff, effective coaching and mentoring of the leadership team, and provided solid support to the Board of Directors. He continues to implement strong controllership best practices and accountability structures in a clear and transparent manner. The Board of Directors see Michael as a trusted executive leader with the required skills to deliver on Rapport's objectives for 2024.

Our attentiveness is focused on our members' needs with particular attention to the everyday challenges that a greater number of us may be facing like carrying higher levels of debt and managing a household budget that is under prolonged inflationary pressures. These households are more vulnerable to declines in income, rising interest rates, and rising cost of basic necessities. With the decline of house prices over the past year, many households have experienced a loss in equity on paper, while those who entered the housing market in the last two years are further exposed in the event of a significant price correction.

The Board and Management's focus in 2024 will be on improving our member engagement through better retention and growth strategies, providing the products and services our members are looking for as expressed through our member surveys in previous years, and providing the advice and guidance our members need to help address their financial challenges. We will also focus on strengthening internal operations and efficiencies, increasing engagement and growth opportunities with employees, while continuing to maintain our financial stewardship and regulatory compliance.

In 2023, we started exploring the possibility of partnering with a number of other like-minded credit unions to accelerate our growth and ability to offer our members more competitive products and services while reaching financial and operational performance targets sooner. At the beginning of 2024, we entered into discussions with WFCU Credit Union, based in Windsor, ON, to explore the potential benefits for both organizations of a merger. Initial conversations and discussions have been very promising with more work to be completed to finalize a recommended direction. We will continue to communicate to members, staff, and our communities on this initiative as more information becomes available.

We are excited for the opportunities 2024 holds for our members, our staff, our communities, and our organization. We are committed to bringing you the products, services and advice you need so you can worry less about your finances and live your life on your own terms.

Thank you to our members for your continued trust and choosing Rapport as your financial partner.



Murray Lindo
Board Chair



Michael Parzei
Chief Executive Officer

FINANCIAL REPORT

Rapport's 2023 financial results reflected a year of significant course correction and accomplishments under new executive leadership, surpassing all our regulatory and capital ratios within the first fiscal quarter, improving operational efficiencies by year end, and strengthening our profitability with a net income in 2023 of \$502K, over 400% increase compared to 2022.

Total assets of \$312.4M were on par with 2022. This stabilization of Total Assets was driven by two key factors, an overall trend in Ontario where growth has slowed down significantly, and the strategic decision to focus on rebalancing our balance sheet, largely through our loan portfolio.

Looking across the Ontario system, we see a notable compression in the Net Interest Income ratio for credit unions in 2023, down 20.2% to 1.54%, where we increased our Net Interest Income ratio by 9.9% to 2.66% in the same period. Return on Assets also experienced significant declines across the system in 2023, declining 56.5% while our Return on Assets grew 300%. This represents the continuous pressure the current interest rate environment has over the system and the importance of deploying effective cost containment and balance sheet management strategies by the leadership to successfully navigate the organization.

Rapport has made great strides in exceeding all six regulatory ratios introduced last year, including both the capital conversation buffer ratio and the total supervisory capital ratio. These two ratios were supported in part by the rebalancing of the loan portfolio, leveraging a reduction in commercial lending and increases in the residential lending, and an increase in profitability and Net Income. Management is taking proactive steps by implementing strategies to continuously maintain the six regulatory ratios above the regulatory and policy minimums. Where the Ontario system has experienced an increasing compression on liquidity, we have improved our liquidity position for the year ended 2023. Our Regulatory Capital continued to grow in



RENEWAL

FINANCIAL REPORT

2023, up 2.4% to \$16.3M with a Leverage Ratio of 5.4%, an increase of 3.8% over 2022. Our Total Capital Risk Rated Ratio also improved to 11.0% in 2023 from 10.4%. Our improvements in our leverage ratios and total capital ratios are even more noteworthy when compared to the declining trends we are seeing across the Ontario system, positioning us as a more resilient and secure credit union.

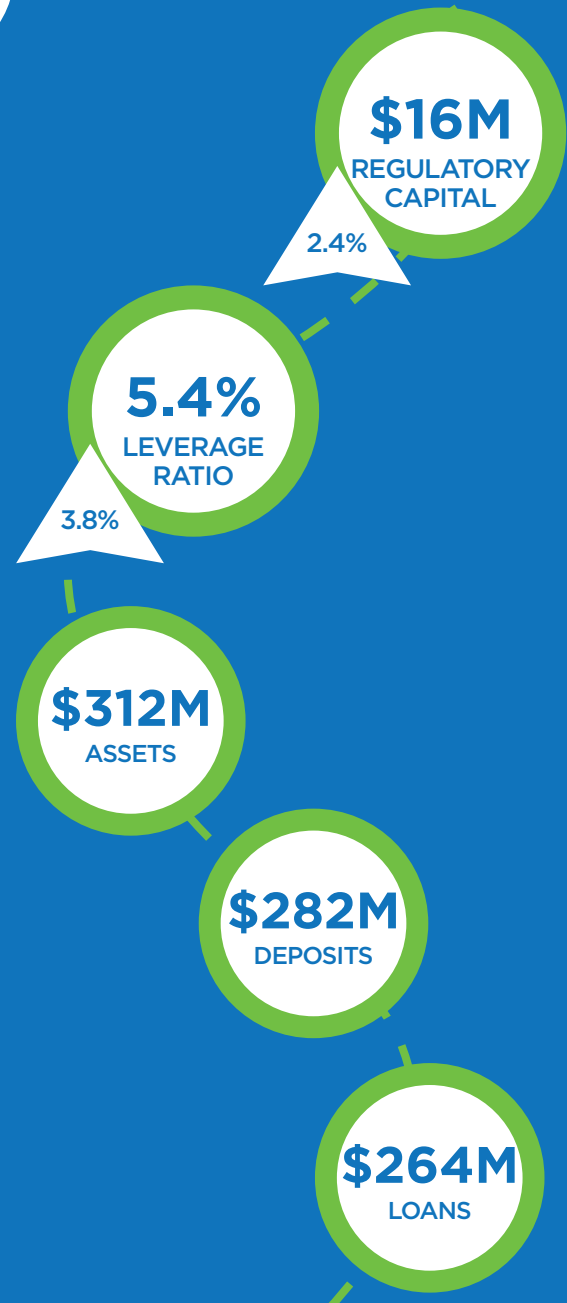
Overall total deposits of \$281.9M slightly decreased in 2023 versus 2022 as Members continued to transition from Demand deposits to Term & Registered deposits to take advantage of higher interest rates.

Net interest income of \$8.3M grew a robust 11.1% or \$829K in 2023 versus 2022. This strong growth in net interest income was partially offset by a 5.1% or \$139K decline in other income and increase in provisions for loan losses, which rose by \$439K over 2022 numbers. The decrease in other revenue was in large part associated with a decline in assets under administration in the wealth business.

Operating Expenses reversed past years' rising trend and external inflationary factors and was reduced by \$10K for a total of \$10.1M in 2023. This was accomplished through the combination of strong leadership and effective cost containment strategies, leading to the significant growth of Net Income for 2023.

Rapport's leadership is determined on delivering even better performance in 2024. Management is focused on balance sheet growth and improving the operating efficiency of the organization. Efforts will include exploring new growth opportunities through mergers, balance sheet management strategies, strategically growing revenue, and continuing to refine operating activities to ensure value for money efficiencies and effectiveness.

Michael Parzei
Chief Executive Officer



REFOCUS

REPORT OF THE AUDIT & OPERATIONAL RISK COMMITTEE

The Audit and Operational Risk Committee of Rapport Credit Union Limited is a committee of the Board of Directors pursuant to section 104 of the Credit Unions and Caisses Populaires Act, 2020. The committee, which consists of four directors, has adopted a mandate which covers all the duties that are specified in the Regulations and Act.

The committee met nine times during 2023 to complete its responsibilities that included the following oversight responsibilities:

- Financial reporting and disclosure;
- External audit function;
- Internal audit function;
- Risk management and control environment; and
- Compliance.

Specifics of the activities performed by the committee included:

- Reviewed the policies used by management that related to regulatory compliance which focuses on Capital, Liquidity Management and Interest Rate Risk;
- Reviewed the result of the external audit services provided by MNP LLP;
- Review internal audit reports, and regular meetings with our internal auditors;
- Confirmed that for the year ended December 31, 2023 there were no material findings outstanding;
- Received and reviewed quarterly Enterprise Risk Management reports;
- Received and reviewed quarterly Fraud Reports and Anti-Money Laundering Reports; and
- Received and reviewed the FSRA Examination Report and continue to monitor related updates.

It is the opinion of the committee that Rapport has met all their requirements and there are no matters that the committee feels merit further disclosure to the membership. At all times the committee has had full access to the Board of Directors, management and staff and regular contact has been maintained with the internal and external auditors.

The committee also considers, for review by the Board and approval of the members, the engagement or re-appointment of the external auditors. The Audit and Operational Risk Committee recommends the re-appointment of MNP as external auditors for the current year.



S. Campbell
Chair, Audit & Operational
Risk Committee

BOARD OF DIRECTORS



Murray Lindo



Rox-Anne Moore



Stuart Campbell



Steven Carrasco



Carey Scheppner



Carol Thames



Meg West



Archana Gupta-Harit



Cathy Woodbeck

BOARD OF DIRECTORS GENDER DIVERSITY REPORT

Summary

Rapport Credit Union is committed to fostering diversity and inclusion across all aspects of our organization. This report provides an overview of the gender diversity within our Board of Directors.

Introduction

At Rapport Credit Union, we believe that a diverse and inclusive Board of Directors is crucial for driving innovation, effective decision-making, and sustainable business growth. We are dedicated to creating a corporate environment that reflects the diversity of the communities we serve.

Board Composition

As of December 31, 2023, our Board of Directors is comprised of 9 Directors. The breakdown of gender diversity is as follows:



Recruitment and Nominations

Our commitment to gender diversity is evident in our recruitment and nomination processes. We actively seek qualified individuals with diverse backgrounds, experiences, and perspectives. Our goal is to ensure that the pool of candidates considered for board positions is inclusive and representative.

Board Diversity in Action

Rapport Credit Union has implemented practices to support and enhance gender diversity within the Board of Directors. These include mentorship programs, training opportunities, and initiatives to attract talented individuals from diverse backgrounds.

Conclusion

Diversity and inclusion are integral to Rapport Credit Union's values and contribute to our long-term success. We will continue to prioritize diversity within our Board of Directors, recognizing the importance of diverse perspectives in driving our company forward.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL REPORT

To the Members of Rapport Credit Union Limited:

The accompanying summary financial statements and the complete financial statements of Rapport Credit Union Limited (collectively, the “financial statements”) are the responsibility of management and have been approved by the Board of Directors.

Management is responsible for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting policies and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

March 15, 2024

Michael Parzei
Chief Executive Officer



REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Members of Rapport Credit Union Limited:

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2023, and the summary statements of comprehensive income, changes in members' equity, and cash flows for the year then ended, and related note, are derived from the audited financial statements of Rapport Credit Union Limited (the "Credit Union") for the year ended December 31, 2023.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements on the basis described in [Note 1](#).

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated March 15, 2024.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in [Note 1](#).

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, Engagements to Report on Summary Financial Statements.

Mississauga, Ontario
March 15, 2024

MNP LLP
Chartered Professional Accountants
Licensed Public Accountants

Note 1: Basis Of Presentation

Management is responsible for the preparation of the summary financial statements. The summary financial statements presented include the summary statements of financial position, comprehensive income, changes in members' equity, and cash flows. They do not include the summary of significant accounting policies, or notes to the financial statements. The summary statements of financial position, comprehensive income, changes in members' equity, and cash flows are presented in the same detail as the audited financial statements except the note referencing has been removed.

SUMMARY STATEMENT OF FINANCIAL POSITION

As at December 31, 2023

	2023	2022
ASSETS		
CASH	12,338,874	8,012,753
INVESTMENTS	20,036,088	23,855,510
LOANS RECEIVABLE	264,112,301	264,647,856
OTHER ASSETS	2,018,709	1,668,804
PROPERTY AND EQUIPMENT	13,485,873	13,649,242
RIGHT-OF-USE ASSETS	467,922	463,989
	312,459,767	312,298,154
LIABILITIES		
MEMBER DEPOSITS	281,938,839	283,081,474
OTHER LIABILITIES	3,988,733	3,088,853
LEASE LIABILITIES	524,085	600,356
DEFERRED INCOME TAX LIABILITIES	1,133,123	1,067,123
	287,584,780	287,837,806
MEMBERS' EQUITY		
MEMBERSHIP SHARES	1,000,560	1,029,597
CLASS B SHARES - PATRONAGE	992,201	1,051,003
RETAINED EARNINGS	22,882,226	22,379,748
	24,874,987	24,460,348
	312,459,767	312,298,154

The accompanying notes are an integral part of these financial statements

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2023

	2023	2022
INTEREST INCOME		
MEMBER LOANS	11,977,610	9,128,354
INVESTMENTS	1,155,621	461,144
	13,133,231	9,589,498
INTEREST EXPENSE		
MEMBER DEPOSITS	4,821,569	2,107,055
NET INTEREST INCOME	8,311,662	7,482,443
PROVISION FOR (RECOVERY OF) LOAN LOSSES	408,074	(31,281)
NET INTEREST INCOME AFTER RECOVERY OF (PROVISION FOR) LOAN LOSSES	7,903,588	7,513,724
OTHER INCOME	2,591,604	2,730,396
NET INTEREST AND OTHER INCOME	10,495,192	10,244,120
OPERATING EXPENSES		
SALARIES AND BENEFITS	5,574,390	5,751,538
GENERAL AND ADMINISTRATIVE	2,623,497	2,363,452
OCCUPANCY	496,841	642,170
MARKETING	404,783	513,671
DEPOSIT INSURANCE PREMIUM	331,146	295,283
DEPRECIATION	469,605	386,144
DEPRECIATION OF RIGHT OF USE ASSET	195,018	152,694
	10,095,280	10,104,952
INCOME BEFORE GAIN AND INCOME TAXES	399,912	139,168
GAIN ON DISPOSAL OF PROPERTY	168,566	-
INCOME BEFORE INCOME TAXES	568,478	139,168
INCOME TAX EXPENSE		
DEFERRED	66,000	20,000
NET INCOME AND COMPREHENSIVE INCOME	502,478	119,168

The accompanying notes are an integral part of these financial statements

SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the year ended December 31, 2023

	MEMBER SHARES	CLASS B SHARES - PATRONAGE	RETAINED EARNINGS	TOTAL EQUITY
BALANCE JANUARY 1, 2022	849,579	1,112,702	22,281,963	24,244,244
PROFIT FOR THE YEAR	-	-	119,168	119,168
ISSUED SHARES	296,194	96,563	-	392,757
REDEEMED SHARES	(116,176)	(158,262)	-	(274,438)
DIVIDENDS PAID	-	-	(21,383)	(21,383)
BALANCE DECEMBER 31, 2022	1,029,597	1,051,003	22,379,748	24,460,348
PROFIT FOR THE YEAR	-	-	502,478	502,478
REDEEMED SHARES, NET	(29,037)	(58,802)	-	(87,839)
BALANCE DECEMBER 31, 2023	1,000,560	992,201	22,882,226	24,874,987

The accompanying notes are an integral part of these financial statements

SUMMARY STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

CASH PROVIDED BY (USED FOR) THE FOLLOWING ACTIVITIES

OPERATING ACTIVITIES

NET INCOME FOR THE YEAR	502,478	119,168
ADJUSTMENTS FOR:		
INTEREST REVENUE	(13,133,231)	(9,589,498)
INTEREST RECEIVED ON MEMBER LOANS	11,850,794	8,994,534
INTEREST RECEIVED ON INVESTMENTS	1,075,025	486,291
INTEREST EXPENSE	4,821,569	2,107,055
INTEREST PAID ON MEMBER DEPOSITS	(3,492,023)	(1,868,421)
GAIN FROM DISPOSAL OF PROPERTIES	(168,566)	-
DEPRECIATION AND AMORTIZATION	664,623	538,838
PROVISION FOR INCOME TAXES	66,000	20,000
NET CHANGE IN INCOME TAXES RECEIVABLE	(66,000)	31,847
NET CHANGE IN OTHER ASSETS	(143,099)	183,751
NET CHANGE IN OTHER LIABILITIES	(457,884)	444,189
NET CHANGE IN LOANS RECEIVABLE	535,555	(28,321,448)
NET CHANGE IN MEMBER DEPOSITS	(1,142,635)	4,304,473
RENT PAID RECORDED AS A REDUCTION TO LEASE LIABILITIES	(233,374)	(110,461)
INTEREST EXPENSE ON LEASE LIABILITIES	44,051	13,830

2023

2022

FINANCING ACTIVITIES

NET CHANGE IN MEMBER SHARES	(87,839)	118,319
TOTAL DIVIDENDS	-	(21,383)
	(87,839)	96,936

INVESTING ACTIVITIES

PURCHASE OF PROPERTY AND EQUIPMENT	(328,744)	(801,994)
PROCEEDS OF DISPOSAL	200,000	-
NET CHANGE IN INVESTMENTS	3,819,421	10,524,876
	3,690,677	9,722,882

NET CHANGE IN CASH DURING THE YEAR

	4,326,121	(12,826,034)
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CASH, END OF YEAR

The accompanying notes are an integral part of these financial statements

	8,012,753	20,838,787
	12,338,874	8,012,753

RAPPORT CREDIT UNION LIMITED BRANCH LOCATIONS

18 Grenville Street Suite 1 **Toronto**

The Golf Links Centre 7-1100 Golf Links Road **Hamilton**

4785 Highway 11/17 Unit C **Kakabeka Falls**

725 Gardiners Road **Kingston**

815 King Street **Midland**

945 Stockdale Road **North Bay**

Michael Starr Building 33 King Street W. **Oshawa**

441 Water Street **Peterborough**

405 James Street South **Thunder Bay**

100 Stokes Street **CAMH Toronto**



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C R E D I T U N I O N

Be true to your money