

ANNUAL REPORT  
**2017**



*Growing an efficient, member focused credit union.*

A close-up photograph of a man and a woman. The man is in the foreground, looking down with a slight smile. The woman is sitting on his shoulders, looking over his shoulder and smiling. The background is a plain, light color.

**rapport**  
CREDIT UNION

*Be true to your money.™*

*Kevin & Addison  
Members since 2002.*

# AT THE CORE OF RAPPORT

## OUR VISION

Strengthening financial confidence, together.

## OUR MISSION

We are an advocate for our members, providing exceptional personalized service and tailored solutions that promote financial health. We work with our members to improve our communities.

## OUR VALUES

### **Competence:**

We apply our knowledge and abilities to serve the needs of our members and membership effectively, efficiently and successfully.

### **Integrity:**

We act with ethical behaviours and actions in the performance of our responsibilities.

### **Ownership:**

We take initiative to get the right outcome or solution.

### **Service Excellence:**

We strive to exceed expectations by creating the WOW!

# MESSAGE FROM THE BOARD

It's a year later - and Rapport Credit Union keeps getting better and better. The Board and I are determined to continue supporting the strategy that will see Rapport become stronger, more profitable and financially sustainable for years to come.

Our success will continue to be based on our strategic decision-making at the Board level. Rapport's momentum is building, as we focus on becoming a more profitable credit union that serves its members and communities well. We know we are successful when we make a difference in our member's lives and the communities we serve through education on financial literacy and improving financial health. We know the future of Rapport depends on our ability to adapt to changes in our markets, our aging demographic and meeting the needs of prospective members. There is still a road to travel before we reach that destination.

Along the way, we will remain committed to running the credit union as a more financially sustainable and efficient business, serving today's members in a way that also helps future generations, by building long term value for all of our stakeholders and the communities in which we operate.

We are confident that we have the right management team in place to deliver on our strategic vision of strengthening the financial confidence of our members. Rapport is building a credit union that is easy to do business with while meeting members' continually evolving needs. I also want to take this opportunity to thank our employees, who provide such excellent service and advice to our members. We recognize that your commitment to our members is unparalleled.

I assure you that the Board and management remain focused on delivering on our vision and mission by creating value for our members, and are grateful for your continued commitment as we proceed.

Michael Parzei  
Board Chair

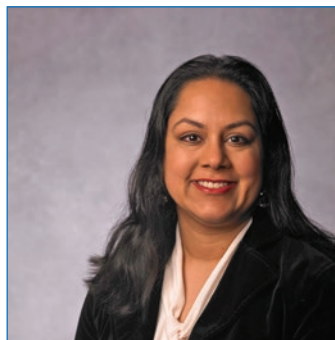
OUR CURRENT RAPPORT BOARD OF DIRECTORS, LED BY MICHAEL PARZEI AS CHAIR AND ROX-ANNE MOORE AS VICE-CHAIR:



**Michael Parzei**



**Rox-Anne Moore**



**Alia Ahmed**



**Pinoo Bindhani**



**Steven Carrasco**



**Sandy Henderson**



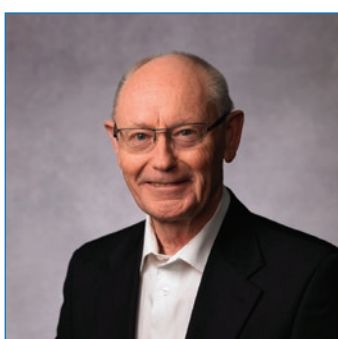
**Tim Higgins**



**Kevin Junor**



**Murray Lindo**



**John Martin**



**Carey Scheppner**



**Cathy Woodbeck**

# THE FINANCIAL REPORT

Our purpose is to help our members be financially confident by providing the financial products and services that meet their needs, now and into their future. In doing so, we earn income by providing lending, deposit, and financial planning services to our members. We incur operating expenses in providing these services, and accept risk; including credit risk, liquidity risk and currency risk. Building a safe and member-focused credit union is central to our ability to create value.

From a balance sheet perspective, our loans to members increased by 3.6% or \$7.1 million. This growth can be attributed to a \$1.9 million increase in mortgages and \$7.3 million in commercial loans. Despite these increases, our personal loan portfolio has continued to decline, as members accessed the equity in their home for personal borrowing, resulting in a decrease of \$2.3 million. On the deposit side, we saw an increase of 1.3% or \$3.0 million during the year.

The main source of our income is the interest income earned from loans and advances to our personal, business and commercial members. With an increased loan portfolio coupled with rising interest rates, our interest income increased \$312,000 or 4.3%. We also earned fees from transactions and other services provided to our members.

We pay interest to members who have placed deposits with us. The difference between what members paid in interest, interest earned on investments and what we paid our members is our net interest income which has increased \$295,000 or 4.7%.

Our strong loan growth and overall performance that capped off our year-end has led us into a strong position for 2018. We expect to see a continued improvement in both our loan portfolio and earnings.

Rapport is organized around providing the right solutions to meet its members' needs and our commitment to improve the financial confidence and capability of our members.

This is where we are headed and what we will achieve as we look forward to a prosperous 2018.



*Laurel & Colin  
Members since 2004.*

*Nancy & Mark  
Members since 1987.*

# MESSAGE FROM THE CEO

## **Rapport Credit Union has been on a remarkable journey.**

Over the past three years, we have built a credit union that works for members, employees, our Board and the communities we serve. Our progress positions us well to continue strengthening the financial confidence of our members by focusing on:

1. Streamlining processes and removing unnecessary complexity to lower our operating costs, and making our member interactions more straightforward.
2. Supporting initiatives to ensure our business grows with its members. We continue to support our members through offering products and services that meet their needs.
3. Building a financially stronger credit union by strengthening our culture and focusing our priorities.

The unique strength of this credit union is our mission: we are our members' financial advocate. This commitment to the financial wellbeing and confidence of our membership is markedly different from many of our competitors. Indeed, the recent report of the Financial Consumer Agency of Canada articulates consumers' growing concern with the sales culture of Canadian banks. While the agency highlighted the way banks sell financial products, manage employee performance, and govern their businesses, we can be proud that the Rapport culture remains focused on our members' and employees' best interests.

Our focus on service, rather than on price, has also shown us that we can continue to grow in areas of strategic opportunity, such as mortgages, without compromising on risk. This focus will continue to deliver a sustainable competitive advantage in the longer term.

## **The credit union we are becoming**

Digital innovation means members are doing more of their transactions online. Over 25% of our members now solely use mobile and digital to interact with us.

As members change the way they interact with us, we will change the way we serve them. This means continuing to improve our member service experience, and accelerating our deployment of digital and mobile capabilities.



To increase member participation in our Board elections we introduced online and mobile voting. This summer, members will start receiving their new INTERAC Flash® enabled debit cards and be able to deposit cheques directly from their smart phones. We'll also give members the tools to switch their direct deposits or automatic payments from other financial institutions to Rapport effortlessly online.

Where we have lead the way and other financial institutions are now following is the role of our account and branch managers. We remain committed to providing honest advice that focuses on the financial health of our members and not a sales quota. While branches will continue to be a core part of our offering, the makeup or structure of some branches will continue to evolve. At the heart of this evolution we remain committed to excellent service for you, our members.

We continue to support financial literacy and our goal remains to help all members, including our younger members, understand their money. Our financial education seminars continue to deliver vital skills to young people, community, and employer groups that will make people become more financially capable and confident.

Regardless of how our members choose to interact with us, we will always deliver excellent member service through each of our channels. This service commitment allows us to create lasting relationships with our members. This is one of the key ways we will continue generating sustainable value. We know when we advocate for our members, they advocate for us.

I remain grateful to our employees for their determination in serving our members every day. Our employees are the face of Rapport and their engagement is critical to our success. Building a strong employee culture will make us an even stronger credit union.

By delivering the best possible products and service for members, we aim to achieve profitable returns. By helping our members and communities succeed, we move closer to achieving our vision to Strengthen Financial Confidence, Together.



**Kim Leak, CEO**

Kim Leak  
CEO

# MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL REPORT

The summarized financial statements and the complete financial statements of Rapport Credit Union Limited and all the information in this Annual Report are the responsibility of Management and have been approved by the Board of Directors. All financial and operating data included in this Annual Report are consistent with the financial statements.

Management has prepared the financial statements in accordance with International Financial Reporting Standards (IFRS). When alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the Annual Report and has ensured that it is consistent with that in the financial statements.

The Audit and Operational Risk Committee meets periodically with management, as well as the internal and external auditors, to discuss internal controls over the financial reporting process, auditing matters, financial reporting issues and to review the financial statements and the external auditor's report. The Committee reports its findings to the Board for consideration when approving the complete financial statements for issuance to the members. In addition, this Committee recommends the appointment of external auditors.

Independent external auditors, appointed by the members, audit our financial statements in accordance with Canadian generally accepted auditing standards. The auditors have free and independent access to the Audit and Operational Risk Committee and meet with the Committee and with Management to discuss their audit and related findings.

Kim Leak  
CEO

*Thomas & Daniel  
Members since 1997.*



# REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARIZED FINANCIAL STATEMENTS

To the Members of Rapport Credit Union Limited

The accompanying summarized financial statements, which comprise the summarized statement of financial position as at December 31, 2017, and the summarized statement of comprehensive income, summarized statement of changes in members' equity and summarized statement of cash flows for the year then ended, are derived from the audited financial statements of Rapport Credit Union Limited for the year ended December 31, 2017. We expressed an unmodified audit opinion on those financial statements in our report dated March 7, 2018. Those financial statements, and the summarized financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summarized financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized financial statements, therefore, is not a substitute for reading the audited financial statements of Rapport Credit Union Limited.

## **Management's Responsibility for the Summarized Financial Statements**

Management is responsible for the preparation of a summary of the audited financial statements in accordance with International Financial Reporting Standards.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on the summarized financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

## **Opinion**

In our opinion, the summarized financial statements derived from the audited financial statements of Rapport Credit Union Limited for the year ended December 31, 2017 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.



Chartered Professional Accountants  
Licensed Public Accountants  
March 7, 2018

# SUMMARIZED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND  
DECEMBER 31, 2016

(CDN dollars in thousands)	<b>2017</b>	2016
<b>INTEREST INCOME</b>	<b>7,494</b>	7,182
INVESTMENT INCOME	<b>633</b>	652
	<b>8,127</b>	7,834
INTEREST EXPENSE	<b>1,585</b>	1,587
NET INTEREST INCOME	<b>6,542</b>	6,247
PROVISION FOR IMPAIRED LOANS	<b>7</b>	53
NET INTEREST MARGIN	<b>6,535</b>	6,194
OTHER OPERATING INCOME	<b>3,152</b>	3,431
<b>TOTAL OPERATING INCOME</b>	<b>9,687</b>	9,625
DEPOSIT INSURANCE PREMIUM	<b>205</b>	200
DEPRECIATION	<b>546</b>	475
GENERAL AND ADMINISTRATIVE	<b>2,322</b>	2,274
MARKETING	<b>488</b>	523
OCCUPANCY	<b>783</b>	724
PERSONNEL EXPENSES	<b>5,304</b>	5,391
<b>TOTAL OPERATING EXPENSES</b>	<b>9,648</b>	9,587
INCOME BEFORE INCOME TAXES	<b>39</b>	38
INCOME TAX (RECOVERY) EXPENSE	<b>(2)</b>	9
<b>NET INCOME</b>	<b>41</b>	29
OTHER COMPREHENSIVE LOSS, NET OF INCOME TAXES	<b>(28)</b>	(23)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>13</b>	6

# SUMMARIZED STATEMENT OF EQUITY FOR THE YEAR ENDED

(CDN dollars in thousands)	MEMBERSHIP SHARES	
		(\$)
<b>AS AT JANUARY 1, 2016</b>		<b>1,038</b>
TOTAL COMPREHENSIVE INCOME (LOSS)	-	
DORMANT SHARES RECLASSIFIED TO INCOME	(4)	
SHARES RECLASSIFIED FROM LIABILITIES	-	
ISSUANCE OF SHARES	37	
REDEEMED SHARES	(68)	
<b>AS AT DECEMBER 31, 2016</b>		<b>1,003</b>
TOTAL COMPREHENSIVE INCOME (LOSS)	-	
SHARES RECLASSIFIED FROM LIABILITIES	-	
ISSUANCE OF SHARES	35	
REDEEMED SHARES	(63)	
<b>AS AT DECEMBER 31, 2017</b>		<b>975</b>

# CHANGES IN MEMBERS'

## DECEMBER 31, 2017

CLASS B SHARES - PATRONAGE	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME	TOTAL
(\$)	(\$)	(\$)	(\$)
1,685	21,281	17	24,021
-	29	(23)	6
(3)	-	-	(7)
12	-	-	12
-	-	-	37
(91)	-	-	(159)
1,603	21,310	(6)	23,910
-	41	(28)	13
9	-	-	9
-	-	-	35
(87)	-	-	(150)
1,525	21,351	(34)	23,817

# SUMMARIZED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

(CDN dollars in thousands)	2017 \$	2016 \$
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	11,212	14,494
INVESTMENTS	31,962	32,304
LOANS TO MEMBERS	201,062	194,007
DERIVATIVE FINANCIAL INSTRUMENTS	76	123
PROPERTY AND EQUIPMENT	14,033	14,374
CURRENT INCOME TAXES RECEIVABLE	43	51
OTHER ASSETS	268	310
<b>TOTAL ASSETS</b>	<b>258,656</b>	<b>255,663</b>
<b>LIABILITIES</b>		
DEPOSITS FROM MEMBERS	231,903	228,846
ACCOUNTS PAYABLES AND ACCRUED LIABILITIES	496	371
CO-OP DEPOSIT	815	834
DERIVATIVE FINANCIAL INSTRUMENTS	76	123
DEFERRED INCOME TAX LIABILITIES	1,380	1,401
CLASS B SHARES - PATRONAGE	169	178
<b>TOTAL</b>	<b>234,839</b>	<b>231,753</b>
<b>MEMBERS' EQUITY</b>		
MEMBERSHIP SHARES	975	1,003
CLASS B SHARES - PATRONAGE	1,525	1,603
RETAINED EARNINGS	21,351	21,310
ACCUMULATED OTHER COMPREHENSIVE LOSS	(34)	(6)
<b>TOTAL MEMBERS' EQUITY</b>	<b>23,817</b>	<b>23,910</b>
<b>TOTAL LIABILITIES</b>	<b>258,656</b>	<b>255,663</b>





*Wayne, Amanda & Clara  
Members since 2008.*



*Jeff  
Member since 1992.*

# SUMMARIZED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED  
DECEMBER 31, 2017

(CDN dollars in thousands)	<b>2017</b>	2016
	<b>\$</b>	\$
<b>OPERATING ACTIVITIES</b>		
NET INCOME (LOSS)	41	29
ADJUSTMENTS FOR:		
PROVISION FOR IMPAIRED LOANS	7	53
INTEREST INCOME	(7,494)	(7,182)
INTEREST EXPENSE	1,585	1,587
DEPRECIATION	546	475
AMORTIZATION OF CO-OP DEPOSIT	(19)	(19)
INCOME TAX (RECOVERY) EXPENSE	(2)	9
DORMANT SHARES RECLASSIFIED TO INCOME	-	(7)
	<b>(5,336)</b>	(5,055)
CHANGES IN OPERATING ASSETS / LIABILITIES		
CHANGE IN LOANS TO MEMBERS	(6,924)	(21,176)
CHANGE IN DEPOSITS FROM MEMBERS	3,086	8,887
CHANGE IN OTHER ASSETS	18	(14)
CHANGE IN ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	112	(119)
<b>CASH USED FROM OPERATING ACTIVITIES BEFORE INTEREST &amp; TAXES</b>	<b>(9,044)</b>	(17,477)
INTEREST RECEIVED ON LOANS	7,423	7,209
INTEREST PAID	(1,598)	(1,619)
INCOME TAX RECEIVED	-	17
INCOME TAX PAID	(11)	(9)
	<b>(3,230)</b>	(11,879)
<b>INVESTING ACTIVITIES</b>	<b>63</b>	3,206
<b>FINANCING ACTIVITIES</b>	<b>(115)</b>	(122)
NET CHANGE IN CASH AND CASH EQUIVALENTS	<b>(3,282)</b>	(8,795)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<b>14,494</b>	23,289
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>11,212</b>	14,494



## RAPPORT CREDIT UNION LIMITED

18 Grenville Street Suite 1 **Toronto**  
1072 Oliver Road, Unit 2 **Thunder Bay**  
405 James Street South **Thunder Bay**  
The Golf Links Center 7-1100 Golf Links Road **Hamilton**  
43 Clergue Street **Kakabeka Falls**  
Macdonald Cartier Building 49 Place D'Armes **Kingston**  
815 King Street **Midland**  
945 Stockdale Road **North Bay**  
Michael Starr Building 33 King Street W. **Oshawa**  
441 Water Street **Peterborough**  
145 Sir William Hearst Ave., Room 141 **Toronto**  
100 Stokes Street **Toronto**

*Be true to your money.*