

ANNUAL REPORT
2022

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C R E D I T U N I O N

RENEWAL &
REFOCUS 

RENEWAL & REFOCUS: IT'S ABOUT OUR MEMBERS' FUTURES AND OUR FUTURE MEMBERS

OUR VALUES



MESSAGE FROM THE BOARD CHAIR & CEO

2022 ANNUAL REPORT

When the Board and Management team began planning for 2022, there were three areas identified to ensure Rapport's continued success.

- Increase Member Share of Wallet
- New Member Acquisition
- Improve Operating Efficiency

In addition, an enhanced focus on our members and employees was a common theme in 2022. This was most evident in the following achievements and milestones:

- Renovation of the James St. Branch in Thunder Bay to consolidate operations into one modern convenient location
- Partnering with Carte Wealth Management Inc. as the new provider of mutual funds for RapportWEALTH members
- Easing of COVID restrictions saw branches return to regular service hours
- Launching of new mobile payment options for members with Apple Pay and Google Pay
- Investing in employee training to ensure a solid understanding of Rapport's commitment to members' financial wellness
- Changes to the Credit Union Act which allows us to expand the products we can offer directly to members in branch and on the website such as our relationship with The Personal Home & Auto Insurance Company
- Broadcasting member webinars to improve their financial literacy
- Upgrading of the Wealthview Banking system to ensure longevity
- Introduction of a Market Code of Conduct to protect members

I.T. SYSTEMS & CYBERSECURITY

A comprehensive 80-hour review by the external auditor of Rapport's information systems, policies, and procedures to identify potential vulnerabilities, threats, and risks was conducted as part of our year-end external auditor's review. The audit assessed the effectiveness of the organization's security controls and provided recommendations for enhancement. The outcome is a more secure and resilient organization that can better protect our members' sensitive data, intellectual property, and reputation.

MESSAGE FROM THE BOARD CHAIR & CEO

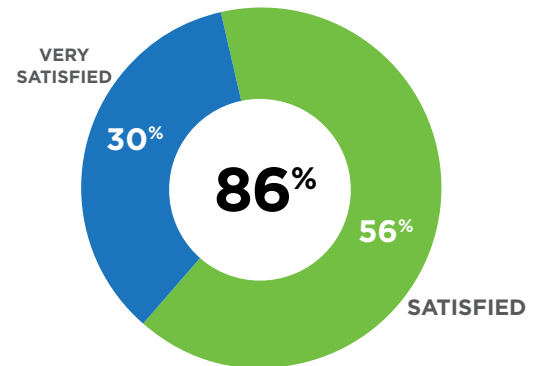
MEMBER SURVEY RESULTS

Each year we survey our members to understand how members feel about us. There are many measures we look at and three important ones include overall satisfaction, Net Promoter score, and our service approach. Overall, 86% of our members are very satisfied and satisfied with Rapport as a company they deal with, no real change from 2021.

Part of who we are is how we approach delivering financial products and services to our members. Our rating stayed the same on this key measure with 58% of our members rating our service approach very highly. These three measures tell us that while we are doing well there is still room for us to improve. From these results, we will make changes that we believe will improve our members' expectations as a financial institution.

While we achieved much in 2022, there is more to be done in 2023 as we move our credit union to even greater heights.

Overall Satisfaction



A few words from
Michael Parzei, Interim CEO

"I am very excited about this opportunity to lead the organization to make it more customer centric and work directly with the leadership team and their staff. As our members' financial advocates Rapport will increase member engagement through more frequent contact and personal interaction. The goal is to support our members in these uncertain financial times with the best advice and products to allow them to live life on their terms."

LOOKING FORWARD TO 2023

In early January 2023, the Board announced a leadership change under which Michael Parzei was appointed Interim Chief Executive Officer of Rapport. Michael has vast experience related to Finance including, multi-year business planning and performance, in-year fiscal and financial management strategies, controllership, and reporting in portfolios up to \$52B. His extensive experience in the areas of Human Resources, Information Technology, Capital Planning, Business Development, Facility Management, Shared Services, Pandemic Planning, and Board and Committee Operations makes him the right person to take on this role. The Board of Directors see Michael as a trusted advisor with the required executive leadership skills.

MESSAGE FROM THE BOARD CHAIR & CEO

In an environment of tightening financial conditions, high global inflation and increased geopolitical tensions, financial system vulnerabilities have become more complex, and risks have become more elevated. Cyber threats represent a continued vulnerability given the interconnected nature of the financial system. At Rapport, eligible deposits in registered accounts have unlimited coverage through the Financial Services Regulatory Authority (FSRA). Eligible deposits (not in registered accounts) are insured up to \$250,000 through FSRA as well. Having this form of protection for members is one way we can promote confidence in the financial system and to protect depositors from financial loss.

We are paying particular attention to the fact that a greater number of Canadian households are carrying high levels of debt. These households are more vulnerable to declines in income and rising interest rates. While the sharp increase in house prices over the past year has resulted in significant equity gains for many households, those who entered the housing market in the last year or so would be more exposed in the event of a significant price correction.

The Board and Management's focus in 2023 will be on strategic technology investments, improving member service and engagement while continuing to provide growth opportunities for employees. We are excited for the opportunities 2023 holds including the opening of the newly relocated Kakabeka Falls branch and enhanced security features to online banking with more self-serve options.

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



Gary Brown
Board Chair



Michael Parzei
Interim CEO

FINANCIAL REPORT

RENEWAL

Rapport's 2022 financial results reflected continued profitability with a net income in 2022 of \$119K. The 2022 results were impacted in part due to lower than expected revenue and unplanned compensation related expenses.

Total assets of \$312.3M were 1.8% higher in 2022 versus 2021. This increase in Total Assets was driven by strong growth in loans. The growth occurred in both residential and commercial loans. The combined growth for these two categories, which represent 96.4% of the total loan portfolio, increased 13.1% in 2022 versus 2021. Residential and Commercial loan activity was robust during the year. This in part was driven as members moved to secure loans at lower rates as interest rates continued to move higher. The personal loan category which makes up the remaining portion of the loan portfolio was down 11.9% in 2022 versus 2021. This decline in personal loans can be attributed to members in large part reducing their personal loan balances and increasing their mortgages as they consolidated debt in anticipation of even higher interest rates.

Overall total deposits of \$283.1M increased 1.5% in 2022 versus 2021. Even with the membership continuing to make new deposits, given the strong growth in assets, Rapport needed to access the broker deposit market to secure additional funding to support management of liquidity in the latter half of 2022.

Net interest income of \$7.5M grew a robust 12.4% or \$827K in 2022 versus 2021. This strong growth in net interest income was partially offset by a 14.2% or \$452K decline in other income and a 6.5% or \$617K increase in operating expenses. The decrease in other revenue was in large part associated with a decline in assets under administration in the wealth business. The planned assets under administration declined in 2022 as some members did not transfer those assets to Rapport's new

FINANCIAL REPORT

wealth management platform launched at the start of 2022. Operating expenses were also impacted by other compensation expenses not planned for in the year.

New capital ratios were introduced by the Financial Services Regulatory Authority of Ontario which replaced both the eligible capital to total assets ratio and eligible capital to risk-weighted-assets ratio. Rapport is pleased to report our organization is well above the regulatory limits for four out of the six new ratios and just under the regulatory limits for both the capital conservation buffer ratio and the total supervisory capital ratio. These two ratios were impacted in part by the increase in commercial lending, lower net income and low ratio mortgages which combined, carry a higher risk weighting. Management is taking proactive steps by implementing strategies to address the two new capital ratios so they too are above the regulatory minimums by the end of the 2023 fiscal year-end.

Rapport's leadership is determined on delivering even better performance in 2023. Management is focused on addressing the two noted capital ratios and improving the operating efficiency of the organization. Efforts will include new balance sheet management strategies, strategically growing revenue, and revisiting operating activities to ensure value for money efficiencies and effectiveness.

Michael Parzei
Interim CEO

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 six directors, has adopted a mandate, which covers all the duties that are specified in the Regulations and Act.

The committee met nine times during 2022 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, 2022 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



Gary Brown



Murray Lindo



Stuart Campbell



Steven Carrasco



Allyson McKeever



Rox-Anne Moore



Carey Scheppner



Carol Thames



Evan Vella

ASSOCIATE DIRECTORS

Archana Gupta-Harit
Meg West

Michael Parzei 2022 Board Member not pictured.

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 16, 2023

Michael Parzei
Interim 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, 2022, 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, 2022. In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements on the basis described in Note 1.

Summarized 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 16, 2023.

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.

The logo for MNP LLP, featuring the letters 'MNP' in a large, bold, black font, with 'LLP' in a smaller, black font to the right.

Mississauga, Ontario
March 16, 2023

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

SUMMARY STATEMENT OF FINANCIAL POSITION

FOR THE YEARS ENDED
DECEMBER 31, 2022 AND
DECEMBER 31, 2021

(CDN dollars)

ASSETS

CASH

INVESTMENTS

LOANS RECEIVABLE

INCOME TAXES RECOVERABLE

OTHER ASSETS

RIGHT-OF-USE ASSETS

PROPERTY AND EQUIPMENT

TOTAL ASSETS

LIABILITIES

MEMBER DEPOSITS

OTHER LIABILITIES

LEASE LIABILITIES

DEFERRED INCOME TAX LIABILITIES

TOTAL LIABILITIES

MEMBERS' EQUITY

MEMBERSHIP SHARES

CLASS B SHARES - PATRONAGE

RETAINED EARNINGS

2022

\$

2021

\$

8,012,753	20,838,787
23,855,510	34,380,386
264,647,856	236,326,408
-	31,847
1,668,805	1,743,881
463,989	353,511
13,649,242	13,233,392
312,298,155	306,908,212
283,081,475	278,777,001
3,088,853	2,406,029
600,356	433,815
1,067,123	1,047,123
287,837,807	282,663,968
1,029,597	849,579
1,051,003	1,112,702
22,379,748	22,281,963
24,460,348	24,244,244
312,298,155	306,908,212

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED
DECEMBER 31, 2022 AND
DECEMBER 31, 2021

(CDN dollars)

	2022 \$	2021 \$
INTEREST INCOME		
MEMBER LOANS	9,128,354	8,380,319
INVESTMENTS	461,144	231,563
	9,589,498	8,611,882
INTEREST EXPENSE		
MEMBER DEPOSITS	2,107,055	1,909,643
NET INTEREST INCOME	7,482,443	6,702,239
(RECOVERY OF) PROVISION FOR LOAN LOSSES	(31,281)	16,224
NET INTEREST INCOME AFTER RECOVERY OF (PROVISION FOR) LOAN LOSSES	7,513,724	6,686,015
OTHER INCOME	2,730,396	3,181,926
NET INTEREST AND OTHER INCOME	10,244,120	9,867,941
OPERATING EXPENSES		
SALARIES AND BENEFITS	5,751,538	5,067,934
GENERAL AND ADMINISTRATIVE	2,363,452	2,199,124
OCCUPANCY	642,170	709,859
MARKETING	513,671	563,509
DEPOSIT INSURANCE PREMIUM	295,283	325,106
DEPRECIATION	386,144	477,705
DEPRECIATION OF RIGHT OF USE ASSET	152,694	144,416
	10,104,952	9,487,653
INCOME BEFORE INCOME TAXES	139,168	380,288
INCOME TAX EXPENSE		
DEFERRED	20,000	73,454
NET INCOME AND COMPREHENSIVE INCOME	119,168	306,834

SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022

	MEMBERSHIP SHARES	CLASS B SHARES - PATRONAGE	RETAINED EARNINGS	TOTAL EQUITY
(CDN dollars)	\$	\$	\$	\$
BALANCE DECEMBER 31, 2020	803,952	1,178,628	21,975,129	23,957,709
PROFIT FOR THE YEAR	-	-	306,834	306,834
ISSUED SHARES	110,946	7,074	-	118,020
REDEEMED SHARES	(65,319)	(73,000)	-	(138,319)
BALANCE DECEMBER 31, 2021	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

SUMMARY STATEMENT OF CASH FLOWS

(CDN dollars)

FOR THE YEARS ENDED
DECEMBER 31, 2022 AND
DECEMBER 31, 2021

CASH PROVIDED BY (USED FOR) THE FOLLOWING ACTIVITIES

OPERATING ACTIVITIES

	2022	2021
	\$	\$
NET INCOME FOR THE YEAR	119,168	306,834
ADJUSTMENTS FOR:		
INTEREST REVENUE	(9,589,498)	(8,611,882)
INTEREST RECEIVED ON MEMBER LOANS	8,994,534	8,480,036
INTEREST RECEIVED ON INVESTMENTS	486,291	226,852
INTEREST EXPENSE	2,107,055	1,909,643
INTEREST PAID ON MEMBER DEPOSITS	(1,868,421)	(2,251,402)
DEPRECIATION AND AMORTIZATION	538,838	622,121
PROVISION FOR INCOME TAXES	20,000	73,454
NET CHANGE IN INCOME TAXES RECEIVABLE	31,847	(31,847)
NET CHANGE IN OTHER ASSETS	183,751	(491,589)
NET CHANGE IN OTHER LIABILITIES	444,189	53,305
NET CHANGE IN LOANS RECEIVABLE	(28,321,448)	9,478,489
NET CHANGE IN MEMBER DEPOSITS	4,304,473	(3,341,009)
RENT PAID RECORDED AS A REDUCTION TO LEASE LIABILITIES	(110,461)	(141,331)
INTEREST EXPENSE ON LEASE LIABILITIES	13,830	18,850

(22,645,852) 6,300,524

FINANCING ACTIVITIES

NET CHANGE IN MEMBER SHARES	118,319	(20,299)
TOTAL DIVIDENDS	(21,383)	-

96,936 (20,299)

INVESTING ACTIVITIES

PURCHASE OF PROPERTY AND EQUIPMENT	(801,994)	(49,157)
NET CHANGE IN INVESTMENTS	10,524,876	438,825

9,722,882 389,668

NET CHANGE IN CASH DURING THE YEAR

(12,826,034) 6,669,893

CASH, BEGINNING OF YEAR

20,838,787 14,168,894

CASH, END OF YEAR

8,012,753 20,838,787



RAPPORT CREDIT UNION LIMITED

18 Grenville Street Suite 1 **Toronto**
The Golf Links Centre 7-1100 Golf Links Road **Hamilton**
4785 Highway 11/17 Unit 3 **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 **Toronto**

Be true to your money.