

ANNUAL REPORT
2021

 **rapport**
C R E D I T U N I O N

INVESTING IN OUR



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

OUR VALUES



MESSAGE FROM THE BOARD CHAIR & CEO

2021 ANNUAL REPORT

INVESTING IN OUR MEMBERS' FUTURES

Rapport's vision and mission are broken down into strategic themes that define our pillars of excellence or how we conduct ourselves as an organization. Our four themes are member, business excellence, people, and community. These themes translate our vision and mission into action and allow us to measure performance against expectations.

The following provides highlights from 2021 and plans for 2022 across our themes. As an essential service, and our employees, essential workers, our response to COVID-19 impacted members and employees alike. Like every business, we learned a great deal and are taking away positive changes as we move into the future.

MEMBERS

Members are the centre of our decision-making. We know that when our members succeed financially and can build sustainable futures, Rapport also succeeds. To do that, we must be singularly focused on our members' financial future. That means every decision we make that impacts employees, technology, our processes, products, service to our members, and financial management is made with member success at the core.

We make some decisions because we know that the impact on our members will be positive, such as ensuring security around our technology and the protection of our members' data. We make other decisions by listening to



MESSAGE FROM THE BOARD CHAIR & CEO

our members, either through surveys or through their conversations with employees. As member-owners, our members believe that we balance their financial interests with the interests of Rapport as a business. As their trusted partner for financial decisions, we need to get better at delivering on our advocacy and financial wellness positions, which is central to our mission and vision.

It also means that we need to provide the tools and resources for members to understand what financial wellness is and how to improve on it. Financial wellness is made up of financial capability and health, and ensuring members have a good understanding of this is a necessary first step. To help with this understanding, we introduced an online financial wellness tool, Progress Rapport. This tool allows members to self-assess their financial capability and health, culminating with a financial wellness score and links to resource material. Members can choose to use the tool independently or with their financial advocate. Additionally, we launched a new budgeting tool for members to build and track their budget, an essential step in financial wellness.

PEOPLE

Our employees are our biggest asset. As an employer, it is our responsibility to ensure that we support each employees' work-life balance and provide appropriate compensation and benefits to support their financial wellness. During COVID-19, a portion of our employees worked from home. With restrictions lifted, we have listened to our employees and are developing a policy that allows Rapport to have a hybrid workplace. Dependent on position, employees will be able to work from home or divide their time between the office and home. Of course, some positions will require being in the office or branch. By adopting this policy, we will be supporting employees' work-life balance.

It is critical to our success that every Rapport employee understands what we stand for and our commitment to our members' financial success and how to deliver on it. Without that, it's not easy to achieve the level of success we want for our members or our business. All



employees must have a common understanding of Rapport's key differentiators. To support this, we developed and introduced an Advocacy & Financial Wellness training program in 2021. The program focused on understanding Rapport as a business, our promise to members, expectations of behaviour, culture, product advocacy positions, and how our product and services relate to our advocacy position and financial wellness.

By the time we surveyed our employees in the fall of 2021, we had made significant improvements in how employees view our ability to meet our vision and mission, deliver on our values, and work together as a team. We expect to see improvements in our member survey results in 2022, as members will have had the opportunity to engage with us multiple times. That last point is essential, as for members to believe a change has happened, they must experience the change multiple times. Once is perhaps a one-off or coincidence, consistent behaviour indicates an actual change.

BUSINESS EXCELLENCE

To meet our financial goals, we must deliver on our performance promise and meet our members' expectations. We must invest in technology and develop strategic partnerships to support our employees and deliver the right products and services.

We gather three measurements in our annual member survey to measure how we are doing. First, our 2021 Net Promoter Score is 37 (34 - 2020), which measures the percentage of members who would recommend Rapport less the percentage that would not. We are well ahead of the major banks, whose average NPS in 2020 was 10, and Canadian credit unions, whose average NPS was 25 (Ipsos, 2021). Second, 86% of members are satisfied with Rapport, exceeding the average of the major banks by 9% (J.D. Power, 2021). Over the past year, satisfaction has dropped by 6% for the Big 5 banks (J.D. Power, 2021). Third, an important part of who we are is how we approach delivering financial products and services to our members, with 83% of our members rating our service approach highly. While we are doing well, these three measures tell us that there is still room for improvement.



MESSAGE FROM THE BOARD CHAIR & CEO

In the fall of 2020, our members told us that we needed to improve on technology and our products and services. Improving our products and services happens on two separate but related levels: first, the products and services themselves and second, how we deliver them to our members which typically involves technology. In 2021, we launched our first fully digital chequing account, Evolution. This account provides members with unlimited eligible transactions, including Interac e-Transfers®, for a low or zero cost. By introducing Evolution, we have closed a significant gap in our chequing product line-up, meeting the needs of those members who prefer to do all their banking online.



Our 2021 member survey told us that members are most satisfied when we take the time to communicate and stay in touch with them. To ensure that we meet their expectations, we spent the later part of 2021 and into 2022 streamlining and automating processes so that our member-facing employees have more time to spend with members.

Our Advocacy & Financial Wellness training means that our employees have consistent language and can articulate and deliver on what Rapport stands for during these conversations. Additionally, we have developed and launched a member contact program and defined a set of member scenarios to facilitate the right conversations as we seek to build stronger relationships as we engage with our members. Over the past two years, we increased our use of technology through video conferencing and webinars to connect with members and will continue to do so. This year outside of engaging with members one-on-one, we will host a series of webinars tackling financial topics critical to improving financial wellness.

In 2022, we will complete the transition of our RapportWEALTH members to our new mutual fund partner, Carte Wealth Management Inc. (Carte). While we had a beneficial and productive relationship with Worldsource Financial Management Inc. for over 20 years, changes in both industry and member expectations meant that we needed to source



a new partner. We chose Carte as our partner as they can deliver superior technology for members and Rapport, products for our members, and support for our advisors.

Operational since 2007, Carte is a well-established national advisor dealer that offers the latest technology and has partnered with several of the best and most innovative providers of products and services to meet both advisors' and members' needs. Carte has been the number #1 ranked independent, full-service mutual fund dealer (Investment Executive, 2021, 2020, and 2019).



We also improved multiple services for our members choosing to have their daily banking with us. We introduced direct email and text alerts to notify online and mobile banking members when specific transactions occur. We increased outgoing e-Transfer limits and introduced Interac Online so that members can pay for purchases directly from their Rapport chequing or savings accounts. During COVID-19, these enhancements made it easier for our members to do their daily banking and make their purchases remotely. We also introduced Member Direct Small Business Online banking designed to meet the specific needs of our small business members.

These investments are paying off; 81% of members rate us highly for having current technology to meet their needs, with a 6% increase in those rating us very highly.



As in 2021, we will continue to improve technological enhancements for our members and the business. In early 2022, members will be able to link their Rapport chequing, or savings account with Apple Pay® and Google Pay® to use their smartphones to make purchases easily and securely.

The remainder of the year will focus on changing our core banking system to enhance security, improve processes, and implement mandatory changes to meet Payments Canada's Payment Modernization Plan requirements.

MESSAGE FROM THE BOARD CHAIR & CEO

COMMUNITY

SOME OF THE CHARITIES WE SUPPORTED IN 2021



Toronto's Daily Bread Food Bank
The Thunder Bay & District Humane Society
Ancaster Community Services Food Bank
Kakabeka's Rural Cupboard Food Bank
The Kingston Humane Society



St. Margaret's Food Bank in Midland
North Bay Food Bank
Simcoe Hall Settlement House in Oshawa
Peterborough's St. Vincent De Paul Society



Rapport supports the communities in which we operate and is committed to diversity in the workplace. While COVID-19 kept us at a distance, we would not let that get in the way of giving back. On Credit Union Day, we gave members the chance to vote on charities in each branch area, donating to nine community charities. We made a monetary donation to the Woodland Centre, which provides education, exhibits, and school and public programs to promote and preserve Indigenous history, art, and culture (woodlandculturalcentre.ca).

Each year we provide an opportunity for our members and their relatives to earn a scholarship. Over the last several years, Rapport has awarded 26 students graduating high school or enrolled in post-secondary over \$13,000.

Also, this year the Board of Directors launched an Associate Director Program to develop qualified and diverse candidates for our board. This also allows members to serve as volunteers and become more involved in Rapport and provide networking opportunities with other leaders in their community. In its inaugural year, the program received 12 applications resulting in the appointment of two Associate Directors who are currently serving alongside the Board.

As we look back on 2021 and into 2022, your Board and CEO are focused on improving the financial strength of both Rapport and our members. We will build on our position as our members' trusted financial advocates through continued training of our employees and our ongoing digital and technology changes, all necessary components of our business strategy.

We would also like to take the opportunity to thank our staff and members for your support and commitment to Rapport as we continue investing in our members' futures.



Gary Brown
Board Chair



Kim Leak
CEO

FINANCIAL REPORT

2021 ANNUAL REPORT

Rapport's 2021 financial results were a significant improvement over 2020, turning an operating loss from 2020 of (\$152K) into a profit of over \$307K. Operating efficiency, non-core revenue and net income met or exceeded targets. However, 2021 targets for asset growth were not achieved, mainly due to higher than expected payouts in our commercial syndicated and retail mortgage portfolios. With concerns over increasing lending interest rates members with longer term loans paid penalties to downsize or move their loans to lock in lower rates. Even with a renewal rate of 89% our lending portfolio decreased \$9.5 million (4%) to \$236 million by year end. Small business lending was the positive segment in our loan portfolio. Small business lending was the positive segment in our loan portfolio, exceeding the annual target by \$7.9 million.

Members continued to increase the deposits into their savings during 2021, largely due to their trust in Rapport as financially stable and secure. However, with the decline in lending we chose not to replace \$8.8 million in maturing broker deposits to ensure a cost-effective balance between deposit interest expense and interest income. By year end, overall deposits had decreased \$3.4 million or 1% to \$279 million. This resulted in a decline in assets of \$3.4 million (1.1%) which enabled Rapport to effectively manage our liquidity.

Net income increased by \$460K. With a decline in lending and deposits, the net interest margin remained steady at \$6.7 million. The overall decrease in the provision of \$270K for loan losses and \$150K for operating expenses yielded these positive results. With a significant number of our members deemed essential, other members supported through government programs, and the positive change in economic assumptions, the provision for loan losses was \$16K (2020 \$286K).

Capital, both leveraged and risk weighted, are important regulatory measurements as capital is required to grow assets. During the year, our risk-weighted and leveraged capital ratios improved; risk-weighted from 10.48% to 11.35% and leveraged from 5.11% to 5.26%. Risk-weighted improvements were due to net income growth and the decrease in the high risk-weighted commercial loan portfolio. The leveraged capital ratio also improved due to net income growth and an increase in member shares resulting from the member share campaign.

As members can increase their shares to a maximum of \$1,050, a decision was made to ask members to support the growth of Rapport by increasing the value of their member shares. A 3% dividend was declared and paid on March 31, 2022, to active members that held a minimum of \$50 in shares on December 31, 2021 which included the \$93K in additional shares. The member share campaign will run for three months in 2022 from April 1 to June 30. Growth in membership shares is important to enable Rapport to build its capital base and successfully grow its loan and mortgage portfolios. Thus, allowing for continued improvements in overall net income, operating efficiency, new technology and the payment of future dividends to our membership.

With our continued focus on improving operating efficiency through a combined effort of expense control, increased member acquisition and growth of our members' share of wallet, we are looking forward to a financially healthy 2022 for both Rapport and our members.

Kim Leak
CEO

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 125 of the Credit Unions and Caisses Populaires Act, 1994. 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 2021 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;
- Confirmed that for the year ended December 31, 2021 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



Michael Parzei



Carey Scheppner



Carol Thames



Evan Vella

ASSOCIATE DIRECTORS

Archana Gupta-Harit

Meg West

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.

April 12, 2022

Kim Leak
CEO

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Members of Rapport Credit Union Limited:

Opinion

The summarized financial statements, which comprise the summarized statement of financial position as at December 31, 2021, and the summarized statements of comprehensive income, changes in members' equity and cash flows for the year then ended, and related notes, are derived from the audited financial statements of Rapport Credit Union Limited ("Rapport") for the year ended December 31, 2021.

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

Summarized Financial Statements

The summarized financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized 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 statement in our report dated March 16, 2022.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summarized financial statements on the basis described in Note 1.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summarized 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

April 12, 2022



Chartered Professional Accountants

Licensed Public Accountants

Note 1:

Basis of presentation: Management is responsible for the preparation of the summarized financial statements. The summarized financial statements presented include the summarized statement of financial position, summarized statement of comprehensive income, changes in members' equity and cash flows. They do not include summarized significant accounting policies or notes to the financial statements. The summarized 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.

SUMMARIZED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND
DECEMBER 31, 2020

(CDN dollars in thousands)

INTEREST INCOME

MEMBER LOANS

INVESTMENTS

INTEREST EXPENSE

MEMBER DEPOSITS

NET INTEREST INCOME

PROVISION FOR LOAN LOSSES

NET INTEREST INCOME AFTER PROVISION FOR (RECOVERY OF) LOAN LOSSES

OTHER INCOME

NET INTEREST AND OTHER INCOME

OPERATING EXPENSES

DEPOSIT INSURANCE PREMIUM

DEPRECIATION

DEPRECIATION OF RIGHT OF USE ASSET

GENERAL AND ADMINISTRATIVE

MARKETING

OCCUPANCY EXPENSES

PERSONNEL EXPENSES

INCOME (LOSS) BEFORE INCOME TAXES

INCOME TAX EXPENSE (RECOVERY)

DEFERRED

NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	2021 \$	2020 \$
	8,380	9,192
	232	348
	8,612	9,540
	1,910	2,888
	6,702	6,652
	16	286
	6,686	6,366
	3,182	3,076
	9,868	9,442
	325	282
	478	585
	144	181
	2,199	1,939
	564	351
	710	584
	5,068	5,720
	9,488	9,642
	380	(200)
	73	(46)
	307	(154)

SUMMARIZED STATEMENT OF CHANGES IN MEMBERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021

	MEMBERSHIP SHARES	CLASS B SHARES - PATRONAGE	RETAINED EARNINGS	TOTAL
(CDN dollars in thousands)	\$	\$	\$	\$
BALANCE JANUARY 1, 2020	883	1,288	22,129	24,300
NET LOSS FOR THE YEAR	-	-	(154)	(154)
ISSUED SHARES	14	12	-	26
REDEEMED SHARES	(93)	(121)	-	(214)
BALANCE DECEMBER 31, 2020	804	1,179	21,975	23,958
NET INCOME FOR THE YEAR	-	-	307	307
ISSUED SHARES	110	7	-	117
REDEEMED SHARES	(65)	(73)	-	(138)
BALANCE DECEMBER 31, 2021	849	1,113	22,282	24,244

SUMMARIZED STATEMENT OF FINANCIAL POSITION

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND
DECEMBER 31, 2020

(CDN dollars in thousands)

ASSETS

CASH
INVESTMENTS
MEMBER LOANS
OTHER ASSETS
INCOME TAXES RECEIVABLE
RIGHT-OF-USE ASSETS
PROPERTY AND EQUIPMENT

TOTAL ASSETS

LIABILITIES

MEMBER DEPOSITS
OTHER LIABILITIES
LEASE LIABILITIES
DEFERRED INCOME TAX LIABILITIES

TOTAL LIABILITIES

MEMBERS' EQUITY

RETAINED EARNINGS
MEMBERSHIP SHARES
CLASS B SHARES - PATRONAGE

	2021 \$	2020 \$
	20,450	14,169
	34,769	34,819
	236,326	245,805
	1,744	1,347
	32	-
	354	498
	13,233	13,662
	306,908	310,300
	278,777	282,118
	2,406	2,694
	434	556
	1,047	974
	282,664	286,342
	22,282	21,975
	849	804
	1,113	1,179
	24,244	23,958
	306,908	310,300

SUMMARIZED STATEMENT OF CASH FLOWS

(CDN dollars in thousands)

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND
DECEMBER 31, 2020

CASH PROVIDED BY (USED FOR) THE FOLLOWING ACTIVITIES

OPERATING ACTIVITIES

NET (LOSS) INCOME FOR THE YEAR

ADJUSTMENTS FOR:

INTEREST REVENUE

INTEREST EXPENSE

DEPRECIATION AND AMORTIZATION

PROVISION FOR INCOME TAXES

NET CHANGE IN INCOME TAXES RECEIVABLE

NET CHANGE IN OTHER ASSETS

NET CHANGE IN OTHER LIABILITIES

NET CHANGE IN MEMBER LOANS

NET CHANGE IN MEMBER DEPOSITS

INTEREST RECEIVED ON MEMBER LOANS

INTEREST RECEIVED ON INVESTMENTS

INTEREST PAID ON MEMBER DEPOSITS

RENT PAID RECORDED AS A REDUCTION TO LEASE LIABILITIES

INTEREST EXPENSE ON LEASE LIABILITIES

INVESTING ACTIVITIES

PURCHASE OF PROPERTY AND EQUIPMENT

NET CHANGE IN INVESTMENTS

FINANCING ACTIVITIES

NET CHANGE IN MEMBERSHIP SHARES

NET CHANGE IN CASH DURING THE YEAR

CASH, BEGINNING OF YEAR

CASH, END OF YEAR

2021

2020

\$

\$

307

(154)

(8,612)

(9,540)

1,910

2,888

622

766

73

(46)

(32)

-

(492)

779

54

28

9,479

(10,820)

(3,341)

16,094

8,479

9,118

227

281

(2,252)

(3,355)

(141)

(200)

20

24

6,301

5,863

(49)

(795)

50

(15,411)

1

(16,206)

(21)

(188)

6,281

(10,531)

14,169

24,700

20,450

14,169



RAPPORT CREDIT UNION LIMITED

18 Grenville Street Suite 1 **Toronto**
The Golf Links Centre 7-1100 Golf Links Road **Hamilton**
43 Clergue Street **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.