

## Report of the CEO

The 4<sup>th</sup> year of the pandemic has come to a close and what a year it was! We started off the year like the prior three with masks on, but I believe we've returned to a somewhat "Normal" state of operations as we ended the year. There's still lots of delays out there and sometimes there's a different way to approach things that changed during the disruption stage of the pandemic. Overall, I'm happy to say that we're back to regular business and eager to earn your trust with your finances.

As it relates to our Strategic Business Plan, it's all about growing our business. We've doubled in size over the past 5 years and plan to double again over the next few years. The short-term financial market holds nothing but negatives for our business (contrary to popular belief, high rates don't necessarily mean more profits...it's more about the spread) so we're focused on growing our membership for our future sustainability. For this reason, and convenience for some of our membership, we opened our new branch in Kanata and aim to look to the East & South in the future.

2023 was an interesting year to say the least, with the highest rates we've seen in the past two decades. The biggest impact to our credit union was the cost of attracting new funds and retaining existing funds on deposit was higher than the fixed rates that our members were paying on their mortgages, creating an upside-down rate environment. Another area of focus for 2023 was Cybersecurity where we invested in the security controls, programs, solutions, and technology required to keep our systems secure from the ever-growing risk of cyber-attacks. According to the Superintendent of Financial Institutions (OSFI), cyberattacks against financial institutions nearly tripled in the last year so we felt it prudent to implement Strong PAC and multi-factor authentication to ensure the safety of our member's accounts and information. All of this contributed to a loss of \$400,000 during 2023, which is now behind us, and we are focused on a positive year of growth ahead.

At the end of the day, I'm proud to say that we've increased our investment portfolio and we have not added any funds to our allowance like our competitors with the health of our credit portfolio never being stronger than it is today with only one mortgage in default. 😊

The jury is out as it relates to the landscape of the economy and whether or not we'll have a soft or hard landing; it remains unknown as to the Bank of Canada's next move with rates although everyone is hoping for reductions in the second half of the year, and we'll most likely have elections South & North of the border in the not-so-distant future. All this saying that never has there been a better time to revisit who's got your back as it relates to your finances during these challenging times. We have a proven track record and will always do what's best for our members.

Steve Kingan  
CEO – Frontline Credit Union Ltd.